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PLANNING BRANCH  
Office of The Assistant Secretary of War

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Lecture delivered December 6, 1935

by

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to

The Army Industrial College

"THE PLANNING BRANCH AND ITS PROBLEMS"

PART I

Development of the Planning Branch

Procurement in war has always been a most important and a most difficult activity. In the Revolutionary War, before this Government was well organized, Congress itself did much of the procuring for the needs of the armed forces, as shown by the following Acts of Congress.

September 23, 1775

Procurement "RESOLVED, That a committee be appointed to purchase a quantity of woollen goods for the use of the Army to the amount of five thousand pounds sterling.

November 2, 1775.

Initial Order "RESOLVED, That 3,000 felt hats, 3,000 worsted caps, 3,000 pair of buckskin breeches, 3,000 pair of shoes, 3,000 pair of yarn stockings, and 3,000 waistcoats, suitable for the season, be immediately purchased . . .

November 18, 1775.

Conservation "The Commissary-General to order all the horns of the bullocks that are killed for the use of the Army to be saved and sent to the Quartermaster General, who is also to provide as many as he can get, and have the whole made into good powderhorns for the use of the troops.

August 28, 1776

Secondary  
Requirements

"RESOLVED, That 500 pounds of gun powder be delivered to said Mease and Caldwell for the purpose of procuring deerskins to make breeches for the soldiery in the Service of the United States; they to be accountable.

March 12, 1777.

Commandeering

"RESOLVED, That it be recommended to the legislatures, or, in their recess, to the executive powers of each of the United States, to cause assessments of blankets to be made.

June 3, 1777

S & N  
Commodity  
Committee

"RESOLVED, That a committee of three be appointed to devise ways and means for supplying the United States with salt."

The needs of the Continental troops were so simple as to throw what would now be considered a very light load on industry, but in those days this load was relatively as heavy as the load on our industry during the World War.

In the Civil War the Government departments had long been in being and in the War Department most of the present supply branches were well established. But in the Civil War we had an era of what might be termed political procuring, that is,--if the supply branch did not carry out its procurement functions in accordance with the wishes of the manufacturer or middleman, he went to the War Department, or even higher, and secured action satisfactory to him. For example, in the Ordnance Department many, many consignments of arms and ammunition were rejected as

being not up to the required standard. But history will bear me out that in practically every single case a political decision caused the materials in question to be accepted.

In the Spanish American War we muddled through. The stress on industry was not sufficient to really form a test, but even so there were scandals about embalmed beef, defective material, and like conditions.

The conditions in the World War and up to the amendment of the National Defense Act in 1920, and the establishment of the Planning Branch thereafter, have been vividly portrayed to this College by General Saltzman. The scheme of War Department procurement control developed by General William S. Peirce of the Ordnance Department and by General Saltzman was approved by Mr. Benjamin Crowell, Assistant Secretary of War, and, largely through the support of Mr. Crowell was incorporated in the National Defense Act as Section 5a. I should like to state that in my opinion the College was very fortunate to have heard at first hand from so active a participant as General Saltzman the happenings of those days. I was particularly glad to have General Saltzman emphasize the accomplishments of the supply branches. In these days we hear a lot about superagencies and other coordinating bodies, and are apt to receive the impression that these bodies, to use a colloquial expression, "won the war." It is far more just, in my opinion to state that the supply branches "won the war." We are prone in these days to cite all the failures of the supply branches and to omit to record their successes. Even so it must be remembered that the malfunctioning of procurement caused the enactment of Section 5a of the National Defense Act.

Coming to the responsibility placed on The Assistant Secretary

of War by Section 5a of the National Defense Act,--

"Hereafter, in addition to such other duties as may be assigned him by the Secretary of War, the Assistant Secretary of War, under the direction of the Secretary of War, shall be charged with supervision of the procurement of all military supplies and other business of the War Department pertaining thereto and the assurance of adequate provision for the mobilization of matériel and industrial organizations essential to war-time needs " \* \* \* \* \*

I feel that perhaps it may be of interest to record the gradual development, growth and definition of the Planning Branch from the point where General Saltzman left you, that is,--where four officers just graduated from the War College had been assigned to the Planning Branch and were discussing among themselves what the problem consisted of. It is very fortunate that these four officers and those later associated with them started off their work by thinking. It is to the credit of all the officers who have been in the Planning Branch from that early date to this that the tendency to go off half-cocked has been guarded against and that those things that have been done have come as a result of serious and sound thinking. Under these conditions progress is necessarily slow, but, as long as progress proceeds along sound lines, slowness can be excused, for if any unsound actions are taken the penalties paid in the next war for these unsound policies will be very great indeed.

It will be interesting, I think, to discuss the clarifying processes which have resulted in the present clear-cut delineation in the division of responsibilities between the General Staff and the Office

of The Assistant Secretary of War. To begin with, Section 5 and Section 5a of the National Defense Act are in themselves contradictory, as Section 5 places upon the War Department General Staff the mandate to prepare plans for national defense \* \* \* \* \* and for the mobilization of the manhood of the nation and its materiel resources in an emergency. Section 5a places on The Assistant Secretary the responsibility, under the direction of the Secretary of War, of supervising the procurement of all military supplies and other business of the War Department pertaining thereto, and the assurance of adequate provision of mobilization of materiel and industrial organizations essential to war-time needs. Upon the recommendations of the Harbord Board, the Secretary of War, on September 6, 1921, clarified this contradiction by assigning the entire responsibility in connection with the mobilization of materiel resources to The Assistant Secretary of War.

When Section 5a had been studied and the responsibility of The Assistant Secretary of War clarified, there arose the question as to how this new responsibility of The Assistant Secretary of War should be administered. Under the Wilson Administration The Assistant Secretary of War considered using the General Staff to carry out this legislative mandate for him and requested the Supply Division of the General Staff to assign a sufficient number of General Staff officers to this industrial planning work. The activity of industrial planning was therefore initiated by The Assistant Secretary of War, using the General Staff as his agency. In 1921, after the inauguration of President Harding, the now Assistant Secretary of War decided to establish his own industrial planning organization and carry out his responsibilities direct with the supply branches rather than through the agency of the General Staff. It was this decision

which resulted in the establishment of the Planning Branch, which today is the agency of The Assistant Secretary of War to carry on this work of industrial planning

It was at this stage that the four officers who had just been graduated from the War College were assigned to the duty and it was this problem which was causing them such mental disturbance at the time that General Saltzman's talk closed. The questions that arose in their minds were of the following character. Who should be responsible for the computation of requirements? Who should be responsible for decisions concerning the war reserve of arms, ammunition, and equipment? Who should be responsible for research, development and standardization of types? Who should be responsible for the preparation and clearance of specifications? How should manufacturing facilities be allocated? Who should be responsible for storage and issue of munitions? Who should be responsible for construction activities? What relations would industrial planning have to budget making? How should planning for procurement and industrial mobilization proceed?

In the beginning the views of the small group of officers in the Planning Branch were quite divergent, ranging from the position that the Planning Branch should have jurisdiction over all the above questions, receiving from the General Staff the military objective, to the other extreme that the Planning Branch should have jurisdiction over none, but simply would be a procuring agency to carry out the directives issued by the General Staff. The final decision was a middle-of-the-road decision and one that I consider to be sound. These matters were clarified one by one and after much discussion and deliberation.

Requirements The Gener 1 Staff prescribes the method of computing supply requirements, prescribes wastage and replacement factors and the time elements involved in supplying troops The General Staff approves organization tables, equipment tables and allowance tables. The supply branches, under the directives of the Gener 1 Staff, compute the supply requirements which are submitted to the General Staff and are approved in the name of the Secretary of War A copy of these supply requirements is furnished The Assistant Secretary of War The supply branches then, acting under The Assistant Secretary of War, convert these supply requirements into procurement requirements, taking into account the existing war reserves and the time factors necessary to transport the completed articles from the factory to the supply channels of the Army. Thus the supply requirements are computed under the direction of the General Staff, the procurement requirements under the direction of The Assistant Secretary of War.

Specifications. In the original conception of this office, it had nothing to do with specifications. It was not until 1926 that this office had any responsibility in this connection At that time a study was made and, as a result of that study, recommendations were submitted, which were afterward approved. This decision resulted in the present situation with reference to specifications, as follows,--the General Staff is charged with the responsibility of approving the military characteristics of the item desired. The supply branches develop the item which is then service tested by the using arm When the using Arm's decision with reference to the item is favorable, the chief of the supply branch recommends standardization of the item and this standardization is a responsibility of the General Staff After standardization, the supply branches, under the

direction of The Assistant Secretary of War, prepare the necessary specifications, which after completion are cleared for procurement by the Office of The Assistant Secretary of War. The responsibility of The Assistant Secretary of War in connection with specifications is therefore (1) to clear them for procurement, being assured that the specification submitted is of such a character as to permit mass production of the item and (2) to see that specifications are prepared.

War Reserves. The establishing, safeguarding and maintaining of war reserves are responsibilities of the General Staff. The Assistant Secretary of War, however, is deeply concerned in war reserves, as such reserves must bridge over the period from the declaration of war until new production overtakes consumption.

Commodities and Raw Materials. From the first inception of industrial planning these materials have been considered wholly and unrestrictedly a responsibility of The Assistant Secretary of War.

Storage and Issue. Supply of troops is a responsibility of the General Staff. Therefore, storage and issue come under that organization. The responsibility of The Assistant Secretary of War for completed material ends when production has been completed and the supplies are transferred from the factory to the storage system of the Army.

Manufacturing Facilities. In the earlier days of the Planning Branch the supply branches were much confused as to requirements, but resulting from war contacts had a good working knowledge of the capability of American Industry to produce, so the supply branches therefore began early to request allocation of facilities for the production of the materials under their jurisdiction. This allocation proceeded rather blindly,

in my opinion, many supply branches requesting facilities that they considered to be useful, but to which they had no definite task to allot. There has been in the last few years a reduction in the number of facilities allocated but this reduction has come about through a better understanding of the problem and a clearer conception of the uses to which the allocated facilities would be put. At the present time, although the number of allocated facilities is less than at any time since 1926, the understanding of the problem is far clearer and the allocation means much more now than ever before. Allocation may be defined roughly as a placing of a production facility at the disposal of a supply branch to produce in war for that supply branch the material it needs. A plant once allocated is thereafter not open to other supply branches for work except upon approval of this office.

Construction. This is a most confused matter at present, due to lack of clarity in various regulations relating to construction. Steps have been taken to attempt to clarify these regulations so that planning for construction and construction materials may proceed intelligently with definiteness. The General Staff is responsible for supervision of command construction. The Assistant Secretary of War is charged with the supervision of construction needed for procurement activities. The Corps Area Commander, under present regulations, is charged with actual construction for needs of troops mobilized in his corps area. The Quartermaster General is charged with all other construction. An examination of these statements will show the confused situation. In addition, The Assistant Secretary of War is charged with the supervision of the procurement of all War Department construction materials.

Budget There is a representative of The Assistant Secretary of War on the Budget Advisory Committee to present to that body information and advice relating to the procurement functions of the War Department which have to do with acquisition of war materials.

War Profits and Industrial Control. The questions of profit in war and control of industry have been live ones since 1919. The American Legion has long supported the universal draft of American resources as well as American man power. The War Department has been sympathetic to any steps which might prevent undue profits and which would insure a fair profit provided that such steps were not of a character that would hamper or destroy the industrial effort in war. In 1931 the War Policies Commission, which had been created by an act of Congress and which was composed of Cabinet Officers, Senators and Congressmen, submitted its final reports. These reports were based on long and searching hearings in which every one having any views concerning profit in war and control of industry was allowed to appear and to have his say. The hearings before the War Policies Commission contain practically all of the well-considered thought concerning industrial planning. The present Industrial Mobilization Plan which was approved in 1933 by the Secretary of War and by the Secretary of the Navy, embody the necessary organizations, working principles, and control measures that would be needed in war to insure the industrial resources of this country being employed in full support of the military effort.

There has been a gradual growth in industrial planning but time does not permit its delineation in this paper. One point is worth emphasizing, however. In developing the functions and organizations of the Planning Branch the original group quite properly and quite clearly under-

stood that the supply branches actually did the procuring and that the role of the Planning Branch and of The Assistant Secretary of War was one of supervision and help and not one of operation. Therefore, the recommendations of the supply branch chiefs were invited as to the organization and administrative methods to be used by the Planning Branch. These recommendations were submitted and were very helpful. Many of the recommendations of the supply chiefs were adopted and the present organization reflects to a large degree what the supply branches feel such an organization should be.

On the wall behind me is the present organization of the Planning Branch. The war organization for the Director of Procurement is practically identical with this chart. Since each of the divisions in the Planning Branch will later be the subject of a detailed discussion by its chief, I shall not go into any further details concerning this organization.

## PART II

### The Problems of the Planning Branch

The Planning Branch having been established by The Assistant Secretary of War as his agency to plan his supervision of War Department procurement in war and to plan for the industrial mobilization necessary to meet war-time needs, much thought has been and is continually being given to what this Planning Branch should do, how should it conduct itself so as to discharge to The Assistant Secretary of War the responsibilities he has placed upon it?

Coordination with the Navy Naturally, one of the first thoughts to occur is that the War Department is only one of the military arms, the Navy Department is of equal importance in the military effort. Therefore,

how can cooperation and teamwork be secured between the Army and Navy in this important matter of industrial planning? The creation of the Army and Navy Munitions Board is the answer to this question. This body is a coordinating agency of the War and Navy departments in connection with industrial and procurement planning. While the course of the Army and Navy Munitions Board from its conception in 1924 has been varied and hectic, suffice it to say that at the present time the Army and Navy Munitions Board is a virile organization, alert to and conscious of its responsibility and desirous of effecting real progress in the work assigned to it. The association of Navy, Marine Corps and Army officers in the Army Industrial College has been one of the most influencing factors in the present good relations and good understanding between Army and Navy representatives on the Executive Committee of the Army and Navy Munitions Board and all of its subordinate committees. The present Industrial Mobilization Plan, which was approved, as stated before, in 1933, is an outstanding accomplishment upon the part of the Army and Navy Munitions Board.

Army and Navy Allocation of Facilities A problem that should be given probably more serious consideration than any other in connection with industrial planning is the coordination of allocation of facilities between the Army and Navy. Up to the last two or three years the Navy did not participate actively in securing allocation of facilities, while on the other hand the Army was very active, the result being that the Army had some 12,000 plants allocated to it and the Navy some 300. The Army and Navy Munitions Board is now actively engaged in rearranging allocations so that the Navy has its share and the Army has its share. While the conclusion of this work will take some years, the guiding principles have

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been established, the objective has been clearly defined, working arrangements have been clarified and real progress is being made. An important step has recently been inaugurated with reference to Army allocation of facilities which will result in the load to be placed on each facility being made of record.

Specifications We have been troubled in the Planning Branch over the standardization and specification situation. The Assistant Secretary of War is not charged with the standardization of equipment but he is vitally interested in this matter, since equipment must be standardized before specifications can be prepared, and The Assistant Secretary of War is directly responsible that specifications are prepared and that they be of a character that will permit mass procurement in war. It is easy to understand why standardization is delayed, but the harmful effects of this delay are not lessened by an understanding of its reasons. The supply arms and services develop and produce an improved type of equipment. The using arms give this equipment service tests. The Infantry, Cavalry, Artillery and other technical boards of the using arms examine this equipment thoroughly and in many cases have suggestions as to its improvement. The supply arm then has to recast its development and again submit the item to the using arm. Again suggestions may be made for improvement. These activities may take years. It is human nature to see something just a little better just around the corner and to desire to delay standardization until this improvement is secured. However meritorious perfection may be, it is never arrived at, and in the meantime the very necessary element of War Department procurement (that is specifications) is not available. Very recently, upon initiation of the supply branches and of the Office of

The Assistant Secretary of War, a new paragraph has been added to Army Regulations 850-25, which I am going to quote:

"11<sup>1</sup>/<sub>2</sub> Standardization --The importance of early standardization of items of equipment and supply is strongly emphasized. The existence of a standard enables the basis of issue to be determined and procurement planning for necessary production in war to be inaugurated. Items of equipment and supply which show a favorable performance during the service test and which are a marked improvement over an existing adopted standard will normally be recommended for standardization by the chief of the supply arm or service concerned after consultation with the using arm. If there is delay in standardizing such an item, the Assistant Secretary of War may, upon application by the chief of the supply arm or service, authorize the chief of the supply arm or service to initiate procurement planning for the item considered by him most suitable and available for the purpose and The Adjutant General, upon request, will furnish the chief of the supply arm or service with a tentative basis of issue for procurement planning purposes."

This paragraph is of far-reaching importance. First, it emphasizes the necessity of early standardization from a procurement planning angle. Second, it states that The Assistant Secretary of War may, when standardization is long delayed, authorize, upon request, a supply

branch to inaugurate procurement planning for the equipment which looks most favorable at the time and that under such conditions The Adjutant General will furnish a tentative basis of issue in order that procurement planning may be initiated. It is believed that this quite important matter of standardization and specifications is now receiving an increased amount of attention and that a marked improvement in the situation may be anticipated.

Commodities and Raw Materials The question of commodities and raw materials is one to which early attention was given in the Planning Branch and a very creditable state of affairs exists as to knowledge on this important subject. The United States is very fortunately placed among world powers as to national resources of necessary raw materials. The United States is probably the most fortunately situated of any nation in this regard. Still there are many and quite important raw materials in which there would be an acute shortage in war. These will be discussed later in detail by Major Crom. I shall only mention that among these so-called strategic materials are manganese, nickel, tin, chromium and many others without which modern war could not be waged.

Concerning munitions and raw materials, the present Italian situation offers some very interesting angles. The various peace societies in this country and many others have branded the munitions manufacturers as the villains who cause war. While this view has some merit, it was almost universally accepted as being the real objectionable activity in connection with the material used in war. The average man on the street did not consider that coal, petroleum products, steel, copper, foodstuffs, and other every-day products of industry were munitions of

war. It is rather interesting to note that Mussolini in Italy had accepted with comparative equanimity the sanctions of the League of Nations and the embargo of this country with reference to the so-called munitions proper, but the moment that the petroleum supply for Italy is threatened, Mussolini threatens war. In other words, petroleum is more important to him than anything else in his war activities. Another rather interesting thing might be discussed and that is this new activity of sanctions and embargoes. This is something new in the world and I should only say that in my opinion it may be a two-edged weapon. We may some day have the other edge turned against us.

Construction. The clarification of the construction and the construction materials problem is especially desirable. Due to the very immensity of this problem it has been very difficult to effectively grasp. The existing confusion of regulations pertaining to construction and responsibility therefor has contributed to the present unsatisfactory situation. We are taking as positive steps as we can to clarify this condition. This will be discussed later by Captain Winslow in all its details. It is considered a very serious problem for the Planning Branch in the future.

Procurement Plans. One of the main objectives of procurement planning in time of peace for procurement in war is the preparation of reasonable and workable procurement plans. The preparation of these plans is quite properly a function of the supply branches and the plans should be prepared from the viewpoint that the supply branches are to operate them in war. The plans therefore should be prepared in such a way as to be most helpful to the supply branches in this operation. The principal conclusion to be drawn from a procurement plan is whether or not the

requirements of the military effort for production can be met. In many cases they cannot be met. The question then arises as to how the General Staff should be informed of this situation. This has been solved by requiring in each and every procurement plan a summary chart, prepared in a uniform manner, setting forth the 74-Day supply requirements, the stock on hand, the supply requirements during each month, the estimated production during each month and the cumulative balance. This cumulative balance curve is the solution as to whether or not the procurement can be effected to meet the requirements for the military effort. A copy of each of these charts is furnished to the G-4 Division of the General Staff and is notice to them in sufficient clarity as to establish definitely whether or not the procurement of the needed articles can be secured. It is then up to the Planning Branch and the General Staff to take such remedial action as may be possible to improve the conditions. Quite commendable progress has been made in the preparation of procurement plans but the work is by no means completed and the plans can be materially improved in subsequent revisions. In considering procurement plans it should be borne in mind that in war the competitive bidding required under Section 3709 of the Revised Statutes for peace-time procurement will be discarded and that war-time procurement will be based on an allocation of facilities to the work and the prices paid will be arrived at by negotiation and agreement. Competitive bidding in war invariably results in confusion and the competitive demand results in rising prices.

Contractual Procedure. During the World War, due to need for haste, lack of specifications, lack of definite requirements, and because of the noncommercial character of many items, the practice grew up of

awarding the so-called Cost Plus Contract. The profit in this contract increased with the amount of money spent by the contractor. Grave abuses developed with this type of contract and it quite properly became much disfavored. For the past ten years there has been a War Department Contract Board giving consideration to development of usable contracts of standard form and which would permit production of noncommercial items, of commercial items, and construction activities, and which would prevent inordinate profits from being made and at the same time insure a fair profit to the contractor. This is not an easy undertaking, but as a result of much thought and consideration tentative forms were developed and have been submitted to the procurement districts for comments. Criticism and comments have been received and have been analyzed and digested, and during the past year five contract forms for war procurement have been approved by The Assistant Secretary of War. Three of these are for construction activities, one a Fixed Price Contract, one an Evaluated Fee Contract, and the third a subcontractor form of contract. Two are for manufacturing production contracts, one being a Fixed Price Contract form for commercial items and for some noncommercial items, and the other an adjusted compensation type of contract form for certain noncommercial items for which the cost cannot be estimated and which are of a character foreign to the normal production of the manufacturer.

While the subject of contractual procedure has not been clarified to a satisfactory degree, considerable progress has been achieved in the adoption of these contract forms. Work is progressing on contractual procedure, including such questions as contract review, contract settlement, etc.

Price Control Closely allied with the contract activities are those relating to price control. This is a subject of great national application and great national importance. All are agreed that price control in war will be necessary in some form or other. Some advocates of price control believe that a ceiling should be placed over all prices and that prices should not be permitted to exceed those covered by the ceiling. On the other hand, they might fluctuate down if economic conditions cause this action. Other people believe that price control should be exercised through progressive steps as necessity therefor arises, for example, the price of basic raw materials might be fixed first, and later on other steps of similar nature might widen the price control structure. The War and Navy departments in the Industrial Mobilization Plan have provided for the second method. The important thing in this connection is that the Government should have authority to exercise control over prices in war. Such authority is contained in the present Nye Bill which is now pending before the Congress. This bill will be referred to later.

Labor The problem concerning labor with reference to industrial planning is the assurance that industry will not be seriously crippled by pulling away its skilled labor for the military draft and at the same time to make sure that such deferments are not used to evade a proper selective service assignment, further, that an ample supply of labor shall be available, and that labor shall receive a square deal along with industry. In consideration of labor in war, contact is made with the Labor Department and with other labor agencies with a view to understanding the psychology of the situation and at the same time receive experienced advice as to how this very important problem should be handled. During the

past year the Labor Annex to the Industrial Mobilization Plan and the Labor Annex to the Unit Plan of the Army and Navy Munitions Board have been revised and extended. In connection with labor matters, good judgment and common sense are especially necessary.

Transportation Transportation is one of the fundamentals of national life. The available transportation facilities should be sufficient if used in an orderly fashion. It is to secure this coordinated control of transportation that a superagency control will be necessary. The railroad associations claim that they will be able to direct the transportation flow and yet not overload the transportation system. This may be true, but at the same time there should be a government controlling agency which should outline the transportation objectives and give necessary priority decisions in its direction, and be ready to step in and coordinate the carriers should necessity arise.

Power and Fuel. During the last war there was a shortage of both power and fuel. Many elements contributed to this, even including weather. It is believed that the power and fuel resources of this country are now much more highly developed than they were in the World War, but that central control will be necessary to establish the priority of needs and the distribution of load so as not to locally exhaust or overburden the power and fuel resources. The problem here, as I understand it is to establish a central body with control powers, constantly observing the growing load of power and fuel and to take remedial action to correct inequalities of load. In the power field interconnecting systems will be of much assistance in reinforcing overloaded areas.

War Trade War trade is a very important activity whose ob-

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jective should be to secure for ourselves trade advantages and ample raw materials and to deny these things to the enemy. War trade inevitably brings in a consideration of the strategy of raw materials, a subject that has not been given the study in this country that it deserves. The State Department, the Commerce Department, the Treasury Department and the War and Navy departments should give more consideration to this very important subject. Not a great deal has been done so far except in the gathering together of factual data to show world sources of materials and world trade routes of commerce. These are the basic data necessary for a plan in connection with war trade to develop the strategy of raw materials.

War Finance. It is necessary in war to make available to industry funds with which to operate where the task is large and the time of completion long. Through war finance organizations government money is made available in advance payments, or in advance credits. The problem here is to have a sound plan which is financially workable and which will be available to assist war production, but which must be safeguarded against improper use.

Statistics. Not a more difficult task exists than that of recording clearly and accurately the progress of production in war. Many statistical experts have considered this problem, but no satisfactory solution has been worked out under peace conditions. The matter is receiving attention but it is believed that the actual details of statistical control must wait until the conditions of war are known. It is sufficient to say that statistics must be as simple as will enable correct status to be shown.

Personnel. Every authority asserts that no matter how good the organization of an undertaking may be it may be a failure unless good personnel is available and that often with a poor organization good personnel will still make the undertaking successful. We have a number of Reserve Officers assigned to the Planning Branch and they receive periodic active duty training. A number of Reserve Officers from the supply branches have likewise been trained in the Office of The Assistant Secretary of War. Every graduate of the Army Industrial College has been trained for duty in industrial work in war. These graduates now number something between three and four hundred. A number of officers have served in the Planning Branch. These sources of personnel must be reinforced in time of war by carefully selected civilians whose specialty will fit into the work planned for. With reference to the superagency, War Industries Administration, it is the feeling of the Planning Branch that this organization should be controlled by civilians. At the same time, it is proposed to transplant to that organization a nucleus or a seasoning of Army and Navy personnel to assist in inaugurating the industrial control activities.

Legislative Powers for Industrial Control. First, there are the undefined but wide powers of the President as Commander-in-Chief of the Military Forces in War. Second, there is Section 120 of the National Defense Act, now on the Statute Books. This Section gives to the Administration very drastic but limited powers. Third, the legislative authority considered necessary by the Army and Navy for industrial control in war is contained in the so-called Nye Bill, H. R. 5529, 74th Congress, 1st Session, Report No. 889, now pending before Congress. This bill was

passed by the House of Representatives, was drastically amended by the Special Senate Committee Investigating the Munitions Industry and was further amended in the Senate Military Affairs Committee. The measure was recommended for passage in the Senate by the Special Senate Committee Investigating the Munitions Industry and by the Senate Military Affairs Committee. The bill is now under consideration by the Senate Finance Committee. The War and Navy departments are favoring the industrial titles of the bill referred to because they give the industrial controls that the War and Navy departments feel are necessary in w. r. Representatives of the War and Navy departments collaborated with the Senate Munitions Committee in preparing these Industrial Control Sections.

Principles Governin Industrial Planning to meet War Needs

1. The War Department is convinced that in the event of war it must depend upon American Industry to produce the major portion of the munitions required.
2. The War Department is planning for and expects the fullest cooperation on the part of Industry in this effort.
3. The War Department is planning for and expects the fullest cooperation on the part of Labor in this effort.
4. The War Department in its plans contemplates fair but not excessive profits for Industry.
5. The War Department is planning to eliminate competition on the part of Government agencies for the products of industry. These products will be apportioned to the various Government needs by a system of allocation.

6 The War Department must be prepared to present clearly its side of the procurement picture, that is,--what do we want (specifications), how much do we want (requirements), when do we want it (rate of delivery), and business relations with industry (contract forms).

7 The War Department believes in the principle of educational orders in time of peace, on the theory that an industry having once produced munitions is better qualified thereafter to produce munitions in war.

8. The War Department believes that in peace an appreciable portion of munitions manufacture should be accomplished by civilian industry

9 The War Department is planning to receive from Congress necessary legal authority to impose where desirable the following industrial controls

- a. Price fixing.
- b Priorities.
- c Compulsory orders.
- d Commandeering of materials and plants
- e Licensing.
- f Apportioning commodities and raw materials.

It must be understood that the power to exercise these controls must be available. It does not necessarily follow that all these controls will be imposed.

10. In order to marshal all the national resources in support of the military effort, plans must call for the creation of certain national super agencies which will act directly under the President. An example of this type of superagency control may be cited in the war-time

War Industries Board.

11 In industrial planning the needs of the civilian population must receive due consideration

12 In order that industrial planning for a war effort may be effective, it is mandatory that the War and Navy departments participate equally in the work.

In conclusion, I should like to state that the Planning Branch is now fourteen years old much has been accomplished and we have every reason to believe the future progress will be more rapid, and that the organization will have justified its existence in more orderly and prompt procurement of supplies if this country should ever be so unfortunate as to be involved in another war.

DISCUSSION FOLLOWING LECTURE BY

Colonel C. T. Harris, Jr.  
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December 6, 1935

Q - The next to the last requirement you mentioned was the superagency. We have heard a lot about it and it always comes out that we should have a superagency similar to the War Industries Board. Is that in the set-up under the present plan?

A - Yes; the Mobilization Plan of 1933 provides a superagency including all the organizations necessary. It is called the War Industries Administration. It is really a finance, transportation, and a number of other different superagencies.

Q - It is said we should have an agency similar to the War Industries Board. Why don't we have a War Industries Board?

A - We don't think the War Industries Board is the proper set-up. The Nye Committee divided its organization into two parts - war resources and war finance. We are revising the Industrial Mobilization Plan now and consider combining all under one organization. In the last war in spite of the Overman bill there was ~~was~~ a great deal of legislative authority for industrial control. It was imposed by agreement and many times under duress. Under the Nye bill absolute control of industry in war is provided for.

Q - In getting into these joint boards, I find approximately eight of them but I can't find out, on authority, as to whether they are all subordinate to the Army and Navy Board. Will you comment on that?

A - There you have the old question of the command side and

the supply side. I have no doubt the Joint Board thinks the Army & Navy Board is under it. I have no doubt the Army & Navy Board thinks it is not.

Q - In the control of industry in your war plan where is the head placed?

A - In the President of the United States. He will coordinate both finance and procurement.

Q - Where will procurement head up - only procurement?

A - In The Assistant Secretary of War and he has an organization planned for him called the "Coordinator of Procurement"

Q - What effort is being made by the State Department, if any, to provide us with the strategic raw materials we do not have ourselves, and what are the connecting links between the State Department and the military?

A - The connecting links are generally between the War Plans Division of the General Staff and the State Department. With reference to strategic materials, there was submitted to the State Department through the Secretary of War a report on strategic materials and some effort was made to find out if the foreign countries owing us money would pay their war debts in strategic materials but they were not interested in paying their debts anyway. We put up the question of mining some manganese in Montana but for some reason we never got to first base.

Q - What is the status of the war reserve. Have we any at all in strategic materials?

A - Only in the case of two. American industry has quite a reserve - usually about a six months' reserve. That, in general, is our

reserve, and all we have. In the case of platinum, there is a 25,000 ounce reserve in the New York treasury. In the case of nitrate of soda we have a few thousand tons but it is rapidly disintegrating and may be gone. In the case of nitrate of soda we are no longer dependent on it.

Q - I would like to ask what is the plan about educational orders under the law of competitive bidding and with the Comptroller General watching every action under it?

A - We would like to have them but we have never gotten authority for educational orders. Congress will not approve anything in time of peace that does not conform to Section 3709

Q - Will you say something about the size of the field force for carrying on procurement planning?

A - There is a limitation on the existing force, placed through the efforts of Mr. Collins three years ago - that it shall not exceed the appropriations that existed in 1929. There are approximately 125 people on procurement planning - so regarded in our reports. Of course, if you consider that development and standardization are planning, there would be more. I only refer to those that are strictly procurement planning. That is arrived at by adding the part time of numerous people to make whole units.

Q - In the procurement districts - the fourteen districts - we have for instance, an Ordnance officer and a Quartermaster. Who is the coordinating agency?

A - They are coordinated by their own chiefs, and not in the

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field. In time of war there are provided zone advisers (and that introduces a very controversial subject) and there would be in each of them a representative of The Assistant Secretary of War. Many think that is a source of trouble and others not. My opinion is that if the man is the right type of man and free from personal ambition he can be very helpful. If he tries to get into the actual thick of the operations and gets crossed between the district chief and his own chief in Washington, there will be trouble.

Q - While they are out there under their own chiefs of branches does The Assistant Secretary step in to say "you can have such or such a facility"?

A - Yes; he says that. All allocations clear through the Washington office and when we find a conflict we attempt to adjust it. When it is not possible an arbitrary decision has to be made.

Q - Did the question of negotiated contracts come up in the Nye Committee meetings?

A - That was under fire in the Nye Committee to a very large degree. They pointed out that there were six or seven negotiable items and it looked as if the war would be over before we reached an agreement. We got around it by having a primary agreement made outlining in general what they would be and others to be settled later on. Personally, I am very skeptical as to whether or not the adjusted compensation contract may be quickly applied, and we may be forced back in the next war to a cost-plus-something.

Q - Has the organization headed by Admiral Peoples in the

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Treasury Department had any effect on Current Procurement?

A - I think I shall refrain from answering that.

Q - I notice in the afternoon paper that Congressman Dunn of Pennsylvania states he will introduce a bill in the next Congress to provide for the Government to manufacture its own airplanes for military purposes. I wonder if that will be an issue and what is the sentiment of Congress.

A - The Nye committee started off with the idea it would nationalize airplanes. The War Department opposed it; the War Department knows it will have to depend on industry and therefore should educate it now. It looked like the end of the hearings, and they have had to abandon that feature. I suppose you will find a minority who will favor nationalization but the majority are against it.

Q - I would like to ask whether or not the proposed legislation we have in mind is known to the Congressional committees concerned. Will we meet a lot of obstacles in getting it through?

A - In the Nye Committee investigation they took the Industrial Mobilization Plan all to pieces. The Legislative Annex engaged their attention and they started to question this plan, but fortunately, right on the front page it said you could buy it at the Government Printing Office for 15 cents a copy. Senator Clark<sup>?</sup> threatened to introduce our bill and he did but on the other hand he is a member of a committee that is supporting legislation right now that has everything we have and more. I think he has changed his mind.

Q - In connection with strategic raw materials, has any effort

been made to enlist the aid of the Bureau of Foreign Commerce or would they be of any assistance?

A - The Department of Commerce and the Bureau of Mines can't do anything. We are in constant touch with them.

Q - As to locating sources?

A - That is the duty of the Bureau of Mines, - to locate sources and make studies. There are plenty of studies available as to our capacity for raw materials. Manganese, for example - all of which is of low grade and has to be processed to carry from 18% up to 52. That costs money and therefore Russia, the Gold Coast, and Brazil can invade our markets and undersell us. There is not a great deal of manganese in this country except that low grade ore.

Q - In the last war there were several months delay between the declaration of war and the time funds became available for procurement. Is that situation being studied, and is there no solution for it?

A - That is related to our work but there is no agency that is charged with it. It was the subject of a conference here in the College - to provide a budget advisory committee for war-time needs similar to the Budget Advisory Committee for peace-time needs and have it collate and gather all the information that is required. Under present instructions the Chief of Finance has been directed to prepare estimates required for the war effort.

Colonel Jordan: I want to invite attention to three things that Colonel Harris has brought out which certainly merit attention and study by every one in the class. First, standardization; second, allocation, and third, the Army & Navy Munitions Board. These are the three keystones

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of the whole planning activity, and if these three things will work  
the Planning Branch will work.