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THE CONTRIBUTORY DIVISION
OFFICE OF THE ASSISTANT SECRETARY OF WAR
by
Major W. H. Sandler, Q.M.C.

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You have had presented to you, by other Divisions of the Office of The Assistant Secretary of War, and have studied, the plans of the War and Navy Departments for the procurement of munitions for the armed forces during a major war emergency. Those plans include, among other things, the computation of requirements, provision for the distribution of raw materials, the allocation of industrial facilities to the Army and Navy, and within them, to the various arms, services and bureaus for the production of the munitions for which each is responsible, and provision against undue competition between the Government agencies. But in order to assure that the munitions needed in a major war effort will actually be forthcoming in the quantity and at the rate desired, it is necessary that there be continuously available to manufacturing facilities the power, fuel, labor, transportation and credit they need. Furthermore, study of the World War and of the preparations of other nations for war since the end of that conflict convinces us that in order for this country to avoid defeat it must not only be willing, as it was in 1917-1919, but also must be prepared immediately after the outbreak of war, to submit to centralized governmental power and direction over practically the entire range of social and industrial activities, formerly undreamed of in our conception of government. In 1920 Congress realized and announced the necessity for the immediate and integrated employment of the Nation's economic resources in advent of another war when it placed responsibility upon The Assistant Secretary of War for "the assurance of adequate provision for the mobilization of materiel and of industrial organizations essential to war-time needs." Exhaustive hearings since that time definitely confirm the existence of that sentiment in Congress and in the public mind, and in addition, show a firm determination to equalize and lessen, so far as practicable, the burdens of war upon the people.

To give effect to both these purposes plans must be made to maintain a large volume of foreign trade. We must import strategic and critical materials to supply industry, we must export our surpluses to maintain national credit and to maintain the normal economic life of the various sections of the country which produce these surpluses, and we must seek to destroy the foreign trade of the enemy. We must prevent uncontrolled inflation from the standpoint of equalizing the

immediate burdens of war, as well as from the standpoint of keeping down the cost of war in order to minimize its aftermath. We must conserve the national resources by limiting capital expenditures for non-essential production, while at the same time we must provide the means by which the industry essential for the maintenance of the public can obtain raw materials, power and fuel, transportation and labor. We must provide the means by which public support of the war effort can be obtained and continued through a full understanding of the problems with which the Nation contends, and through prevention of profiteering and other unequal treatment of the individual citizen.

Congress will determine the taxation and financial policy of the Government, but the war-time Price Control Commission and War Finance Control Commission, under the direction of the President, will control other elements of inflation through regulation of the price structure and control of capital expenditures and of credit. Officers of the Contributory Division, Office of The Assistant Secretary of War, working in conjunction with Naval officers on corresponding duties, acting as sub-committees of the Army and Navy Munitions Board, are charged with the preparation of the Price Control and War Finance Annexes to the Mobilization Plan of the War Resources Administration.

Responsibility for the preparation of plans for a Selective Service Administration and for a Public Relations Administration rests with Joint Army and Navy Committees. The Contributory Division has memberships in these committees in order to present, and to secure consideration of, the problems affecting labor, industry and commerce in the preparation of the plan for the procurement of man power for the armed forces, and the plan for organizing public opinion and maintaining public morale and support of war measures.

Officers of the Contributory Division, also working in conjunction with Naval officers as sub-committees of the Army and Navy Munitions Board, prepare the plans for the organization and operations of the Transportation Division and of the Power and Fuel Division of the War Resources Administration for War Trade and War Labor.

With these remarks concerning the problems which it is the duty of the Contributory Division to study, we will pass to consideration of certain common limitations and policies with respect to the preparation of all these plans

for the mobilization and control of the national resources, as contrasted with plans for procurement of munitions for the armed forces. In the case of the procurement of munitions, supply branches and bureaus of the War and Navy Departments will operate through their normal channels under coordination by the Army and Navy Munitions Board until the War Resources Administration is set up, and then will continue to procure their munitions, to a large degree already planned for, under clearances and priorities given them by the War Resources Administration. In other words, plans for procurement are based on computed requirements and established priorities and will be executed by the agencies which prepare the plans. Such is not the case, however, in the preparation of the plans for War Trade, War Labor, Transportation, Power and Fuel, War Finance or Price Control. The Navy Department, through administrative action, has accepted joint responsibility with the War Department for the preparation of plans for industrial mobilization, but it is extremely unlikely that either Department will participate in the execution of the plans. In the first place it appears sound to say that nothing should divert them from their mission of defeating the enemy's military and naval forces, and in the second place, domination of American social, political and economic life by the military is so foreign to our conceptions of government that it might cause serious repercussions from the public and endanger the whole program.

A second important limitation on planning is the fact that there is no existing legislation under the authority of which the President can direct the industrial effort in support of the military effort by setting up these superagencies under the delegated war powers they need immediately after Congress declares the existence of a state of war. Legislation of the scope desired has been before Congress since 1935, but until enacted, it must be assumed in peace-time planning that there will be three periods of operations in the various fields if the plans are to cover all contingencies and prevent a loss of valuable time through inaction. The first two of these embrace the transition period. When war is imminent, the various divisions and sections of the Army and Navy Munitions Board concerned can take only such steps as existing law authorizes, as voluntary cooperative action on the part of other governmental agencies and of industry affords, and considerations of secrecy permit. Then, after the President has set up the War Resources Administration under the National Defense Act, either before or after a declaration of war, it

must be anticipated that the divisions and sections of that Administration concerned with these problems will set up organizations and perform the functions of the superagencies to the fullest extent possible under peace-time legislative authority augmented by such additional war powers as the President sees fit to delegate until such a time as additional legislation is enacted to cover the full control powers required. The third period, of course, is the period after Congress has enacted the required legislation and the various agencies are fully functioning. General outlines of the various plans for this period, based upon the high point of performance by corresponding agencies during the World War, or study of those experiences and of changes in conditions, are attached as Annexes to the Industrial Mobilization Plan.

Another limitation common in the preparation of these plans is the fact that they must be sufficiently elastic to permit their adoption to any conditions that may exist, or face the President, at the outbreak of war and still retain the essential parts, and relationships with other agencies, which calm peace-time study by Congress, the War, Navy and other Departments and agencies of the Government, and civilian institutions and individuals will have determined are indispensable for the successful conduct of war and for the alleviation and equalization of its burdens.

Now a word as to the policy concerning mobilization of the war-time agencies. In none of the many investigations has it been seriously considered that existing Cabinet Departments perform the functions of the war-time superagencies, but, on the other hand, it is very generally conceded that the existing executive structure should continue to carry on all its statutory functions not affected by war, and thus be ready to resume full normal peace-time functions upon the demobilization of the temporary agencies at the end of the war. It is, therefore, the policy in planning the emergency organizations to set up special agencies for those activities which pertain strictly to the mobilization of resources for the prosecution of war, except where existing governmental agencies have been granted special powers for use during periods of emergency and except where the peace-time functions are of the same general nature as those to be performed during war, in which cases it is proposed that they take their proper places in the emergency agencies.

In concluding the enumeration of considerations and conditions common to the preparation of these plans it is necessary to invite attention again to the fact that the plans for Power and Fuel, Transportation, War Trade, War Labor, Price Control and War Finance with which the Contributory Division is concerned must not only dovetail with each other, but also with the plans for Selective Service and Public Relations, so that all of them, with the plan for the keystone of the arch, the War Resources Administration, will make one closely knit organization in the hands of the President and his Advisory Defense Council. They are not in that condition yet. A War Labor Annex has been in existence some time, but the plans for Transportation and Power and Fuel, and the War Trade and Price Control Annexes have been prepared during the last year. The work of revising them in consultation with experts in the various fields, in and outside the Government service, is, and will be, a continuing requirement.

Inasmuch as you will have problems and discussions from the platform on each of these large subjects, I will not attempt to outline any of the plans because, beyond the common limitations by which each of them is bound, so far as their peace-time preparation is concerned, there is no similarity between them. Each is a problem in a field entirely different from the others. The organizations differ, some are simple and some are complex, and one of them, the War Finance Control Commission, can mobilize and begin operations by taking over two peace-time agencies and by changing their functions only slightly, whereas at least one must be organized out of the whole cloth - the Price Control Commission - and must function in fields entirely foreign to our system of economy with a mission that has never, in peace or war, been successfully performed.

In concluding, nevertheless, I will leave generalities and mention some specific features of the problems we face in preparing these plans, and some features of the plans themselves.

I mentioned the War Finance Control Commission. Its name is likely to convey the idea that it is intended in some manner to be a war-time successor of the Treasury Department. As a matter of fact, it has only two missions. One is to prevent the sale of securities for capital expenditures not directly connected with the war effort, and the other is to loan money to war industries when necessary in order to enable them to produce or operate.

The agency planned for the control of power and fuel, unlike some of the other control agencies for other contributory items, does not create a separate administration, but is included as a division within the War Resources Administration. It is not contemplated that the industrial war load will be applied suddenly, and, therefore, the actual setting up of this division may be accomplished in a reasonably deliberate manner after the creation of the War Resources Administration. It is planned that the Power and Fuel Division will be divided into three principal sections - one for electric power, one for coal, and another for petroleum and natural gas. The exercise of control over other fuels is not contemplated at this time. The nuclei for the various sections are available through corresponding sections of the Army and Navy Munitions Board, the Engineer Power Survey Organization, supplemented by personnel and facilities from the Federal Power Commission, the Bureau of Mines, The National Bituminous Coal Commission, the Petroleum Conservation Division and appropriate trade associations and institutes, such as the Edison Electric Institute, etc. Such organizations as the Federal Power Commission and the National Bituminous Coal Commission certainly are available for utilization to a major extent, both before, and after the organization of the War Resources Administration.

The Transportation Plan similarly contemplates the establishment of a Transportation Division in the War Resources Administration composed of sections for rail, inland water, motor and air, and the most effective utilization of these various classes of transportation by the use of priorities between them, and the organization of each under agencies of their own for cooperation and for elimination of wasteful competition. We have the American Association of Railroads which can quickly bring the railroads of the country into one effective organization, but, it is needless to say that the organization of motor transportation, even though there exists an American Trucking Association, is quite another matter.

The War Trade Plan contemplates bringing in under one head all the agencies of government concerned in peace with foreign commercial relations, foreign trade itself, and ocean shipping. The Administrator must, of necessity, be a representative of the Secretary of State. In negotiation for the materials we need and for the disposal of our surpluses, he will be guided,

so far as quantities are concerned, by the decisions of the War Resources Administration, but in other fields he will operate with plenary power - for instance, in bringing pressure to bear upon neutrals.

I have left any discussion of prices and labor until the last because they are not only probably the most controversial but also probably will be the most difficult over which to inaugurate control. Price Control, to be effective, must contemplate wage control, and to mention wage control immediately raises the question as to the "regimentation" or the "drafting" or "compulsion" of labor which, in turn, is shown not only to violate the constitutional rights of the individual, but also to be utterly impracticable so far as obtaining efficiency is concerned.

In connection with the Price Control Plan it may be mentioned that it is written around the theory that public support is the first essential element, that prices cannot be controlled except where there exists physical control, in one way or another, over the goods or services. It is also conceded that there probably never can be established a sufficient regulatory body to control all prices even if it were desirable. Then, one of the greatest problems to be faced is the establishment of a control during such a period as that which existed in February and March, 1917, when there is no legal authority to control them and prices began spiralling upward.

With reference to labor, I will say that one of the first considerations is the means to conserve skilled and semi-skilled labor. There will not be sufficiency in some categories at best. So far as the Selective Service is concerned, you have already heard discussions from this platform concerning the system of deferments. You can see, however, that there will arise many questions concerning the skilled unemployed before industry has fully adjusted itself to war production. Also, the means by which pressure to enlist can be removed from skilled labor during the period of intensive recruiting under the Protective Mobilization Plan without embarrassing the recruiting campaign, is a delicate question. There are many other questions involved, but of the one which probably caused the greatest dissatisfaction during the war on all sides - migration - it may be said that a solution will be attempted by the use of four means. These are (1) Standardization and regulation of all wages in relation to the cost of living, (2) a single unified employment service and prevention of competition for labor, (3) organized, enlightened public opinion, and (4) compulsory arbitration of disputes after all other means of conciliation and mediation have been exhausted.