

Discussion Following
Presentation of Committee No. 21
"Industrial Mobilization Plans"

And Remarks By
Honorable Dwight F. Davis
Former Secretary of War
(In Attendance at Presentation)

The Army Industrial College
April 7, 1938

Q. I notice in all of our organizations that when we come down to control there is one subject we have very carefully avoided - control of labor. I wonder if the committee has investigated the practicability of the control of labor or found out anything about it?

Major Clarence C. Park, F.A., Chairman. The committee studied the labor annex, and as that was the subject of a later committee study and report we felt it inadvisable to try to spread our scope over too much detail. The annexes in general that the committee found, and we read all of them, appear to be quite comprehensive in scope. They indicate in general the method of handling the problem during war, the existing agencies concerned with such problems, the existing legislation which may be used, the additional legislation which may be necessary, and the liaison and relationships which will be necessary in the early stages to be exercised apparently by the War Resources Administration. They also indicate a comprehensive scheme of organization and relationships

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for a superagency if and when it should become necessary. The committee did not attempt to evaluate in detail that very difficult problem of labor control.

Major McPike: In connection with Conclusion 17, what led the committee to conclude that the Government might prevent during war the profits usually expected by producers?

Major Park: The fact that the present legislation before the Congress has for its vowed purpose apparently, principal purpose, the removal of profits during war. As we know, producers in time of peace are more or less in the position of gamblers, to a certain extent they expect to make profits, and some considerable profits occasionally. They expect to encounter losses. If we all had a considerable sum of money to invest conservatively we might invest it at some rate of interest such as 4.7% - 5% would be entirely adequate. However, I think it would be a little unreasonable to expect producers to gamble on large losses for a possible small return only.

Major McPike: All existing legislation provides for a fair profit, though, or words to that effect - reasonable compensation.

Major Park: The committee visualized the discussion we have had with respect to competition. If a producer is invited to bid he may encounter serious losses as a result thereof. On the other hand, his profits beyond a considerable amount could be removed by the Government. We understand that that is not a feature with which the

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War Department particularly concerns itself but merely a principle which we wish to set forth for consideration.

Q. With regard to the non-problem items for which we are not now planning, does the committee believe that priorities as contemplated here will operate to eliminate the undesirable competition that existed during the last war between the various branches of the Army and the Navy?

Major Park: The committee has sought to find a proposed method for exercise of priority control which either is based upon that used during the war or which might be urged as bettering that procedure. Mr. Baruch has stated that priority control was probably the most important feature with respect to price fixing. He states that the priority system was the most characteristic feature of the whole scheme of war-time supervision, control over the industrial effort, and that that did materially affect price in that mere price did not induce competition or demand when priority was established. However, that is something which has been rather deferred in the present plan. No work has been done on the policy annex and the present Industrial Mobilization Plan does not indicate how priority policies may be formulated or made effective other than to indicate schematically that the administrator will have a staff advisor for the purpose. The committee feels that a board constituted similarly to that used by the War Industries Board would facilitate the comprehensive understanding of the involved priority problems, which is necessary to formulate effective policies and carry them into execution. The

details obviously can not be worked out except in the most skeleton form. It could only be such as the other annexes now provide - a resumé of how it was done during war, a list of the existing legislation which might be applicable in part, of the additional legislation which would be necessary; how such quasi- legislative functions, if we may term them such, may be performed, and the relationships necessary in the performing of them. Does that answer your question? That is not much detail; we can not foresee very much in detail.

Q. Yes sir.

Q. What would be the connection of the Statistics and Research Division with the Priorities and Policies Board? Is there any connection there or is that only for convenience?

Major Park. That is only for convenience. I think possibly we can not foresee all, and there has been no attempt in the plan and the committee has not attempted to evolve the detailed growth of these agencies. The Priorities and Policies Board, as we have suggested, includes under it priorities, policies, and plans. The Priorities Board and the Priorities Committee as utilized during the World War were even broader in scope than is indicated on that chart. I have a statement here from the final report of the administrator "All Government and other agencies were governed by its decisions and rulings in all matters pertaining to priorities insofar as they were applicable to their respective activities. Special sections of the Priorities Board were created (special sections not shown there) for non-war construction, labor priorities, inland traffic, etc. It included

representatives of the War Industries Board, War Trade Board, Food Administration, Fuel Administration, U. S. Shipping Board, War Labor Policies Board, Treasury Department, the Army and Navy, as well as the Federal Trade Commission, the Railway Administration, the Departments of Agriculture, Interior, and Commerce." General Johnson has stressed the importance of some planning agency for the future expansion of these groups. This Priorities Board might well consider such problems. It may find it necessary to evolve some sort of permanent secretary, and the committees would rely undoubtedly very closely upon statistics and research. However, we did not mean to imply any direct relation between the Statistics and Research Division and the Priorities, Policies Board.

Colonel Jordan: The committee made a statement about personnel not being provided for in the planning for the War Resources Administration. I thought in the talk that Captain Niles gave us he assured us that everything of that kind had been handled. Was I wrong in my conclusion of your talk, sir?

Captain Niles. The mobilization plan for the Army-Navy Munitions Board provides for lending, or sending over to the new War Resources Administration a nucleus of regular Army and Navy officers, a group of Army reserve officers, and most of the civilian employees which have been hired for the Army-Navy Munitions Board. It does not provide in any way for the key civilians for the War Resources Administration.

Major Park: I think Major Blair included that statement

in his presentation. I think possibly the question Colonel Jordan had in mind was the civilian personnel for the Army-Navy Munitions Board.

Colonel Harris: I have thoroughly enjoyed this presentation. I think it has been an excellent one, has shown deep study of the plan, has shown a fair evaluation of the merits and demerits of the plan, and I think the Industrial Mobilization Plan came out with a pretty high batting average. With reference to the Statistic and Research Division, I thoroughly agree with the committee. I think it should be a separate organization. I think it warrants a separate place. With reference to the Policies Division, a close reading of the Industrial Mobilization Plan will show that the Policies Division does not set the priorities. It recommends the priorities to be established. The Administrator of the War Resources Administration, according to the theory of the Industrial Mobilization Plan, sets the priorities and the priorities are administered by the Control Division. There is one other point I would like to emphasize. I do not want to take issue with the committee but I rather gathered they felt that one weakness was that we had not stressed the necessity for early organization of the War Resources Administration and rather contemplated that all the superagencies would be organized at the same time. If I am wrong in that, the rest of my remarks are not pertinent but if my understanding is correct I would like to read the first two paragraphs under the War Resources Administration.

The first two paragraphs under the War Resources Administration read as follows:

"When a war emergency is imminent, the establishment of the War Resources Administration should be effected by the President based upon the wartime powers of the Government and existing supporting legislation.

"Other administrations provided later in this plan will require definite legislative authority for their establishment. The War Resources Administration is initially in effect a transition organization to bridge over economic control from peace to war. Pending the establishment of other superagencies, it would, insofar as it is able, perform the duties prescribed for all superagencies. Legislative authority does not now exist for some of the control measures set forth to be exercised, but the plan provides drafts for the necessary legislation."

The conception of the Industrial Mobilization Plan is that the War Resources Administration shall be organized immediately when war is imminent. If I misunderstood the committee, that has no weight.

Major Park: The committee did not feel itself at variance with the prevailing best thought on this question but rather with perhaps a lack of understanding that did exist outside of those channels most concerned with planning. That misapprehension possibly results from the fact that the only proclamation drafted in the plan is based upon complete slate of legislation. We studied very thoroughly a comprehensive report prepared by a large committee at the Army War College last fall, from which the impression was obtained that they were unaware that the War Resources Administration was contemplated for organization in the absence of additional

authenticating legislation, and there are some members of this class with whom I have talked who are unaware of that.

Colonel Harris: Those two paragraphs I just read came out of the Industrial Mobilization Plan.

Major Fenn: I would like to say something with reference to a little suggestion made here on the Legal Division. There is existing now a draft of proclamation based upon existing legislation. It is not in the Industrial Mobilization Plan because the legislative annex of that plan is based upon that legislation, but we have a draft of order or proclamation already drawn which is based upon existing legislation, if we have to use it.

Major Park: The committee saw that draft in the mobilization plan of the Army-Navy Munitions Board.

Colonel Rutherford: I noticed in reading a while ago Mr. Hoover's testimony before the War Policies Commission that he stated that in his opinion, and it seems perfectly clear, semi-deliberative consideration should be established by a board but when those things have been established the execution of them becomes a matter for one man. Looking up at your proposed change there, I would say that it would be find if we take priorities out from under that and put it over in the office of the Administrator himself, say under his executive. You brought out that the execution of priorities is the one weapon by which this board carries out its particular functions that have been decided upon. I would say that after policies, policies with regard to priorities and everything else, have been

set by this board the execution of those, in order to make them immediately effective and enable them to use this weapon that they have, should be taken out and put under one man, preferably the Administrator.

Major Park: That was substantially the thought of the committee and is borne out in the report of the Brookings Institution that matters in the nature of quasi-legislative and quasi-judicial functions in many cases can best be performed by a board With respect to the application during the war, the instructions of the President to Mr. Baruch stated that in determining priority the chairman should be assisted by the advice and cooperation of the representatives of other agencies, in order that when a priority of delivery has been determined there may be common, consistent, and concerted action to carry it out. In the formulation of these priorities, as the committee views it and as we understand it to have been during the World War, there was considered a consideration of the views of the people who would have to carry out those policies, priorities being policies as we understand it, the broadest kind of policies, and in order to formulate them intelligently and clearly the views of these people should be considered. We have no disposition to detract from the authority of the Administrator as set up in any respect but merely that those views be considered in order that when the priority policies are announced they may be sympathetically understood and carried out intelligently.

Commander Foster: I have nothing to add except to thank

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the committee for a very masterful presentation. I must say that I agree with the committee in their support of the premise of the Industrial Mobilization Plan. Its opponents and adherents certainly have stressed the fact that the Army-Navy Munitions Board would fill the gap in case the War Resources Administration is not immediately organized; and regardless of the two individual excerpts which Colonel Harris has brought to our attention I think that, if you will read the plan carefully and talk to those who are working with it here every day, the committee is well justified in its premise that that particular aspect is one which deserves real consideration. I again congratulate the committee.

Introduction of The Honorable Dwight F. Davis, former Secretary of War, by Colonel Jordan.

Mr. Dwight F. Davis:

Gentlemen, it has been a very real pleasure to me to attend this presentation this morning. It has strengthened the conviction I have always had that this Industrial College is one of the most important functions of the War Department, ranking with the work of the War College, in planning.

It has been very interesting to me to see the growth of this little puny baby, which we brought into the world a few years ago, into the intellectual giant, if I may say so, of today. I congratulate the committee and the College on the work they have been doing. The success has been due, of course, not to those of us who

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were fortunate enough to assist in the birth but very largely, I think, to the earnest, conscientious work of the student personnel since it has been established; and the fact that we have been particularly fortunate in having at the head the officers who have carried on the work.

I have been particularly interested to see the growth in the cooperation of the General Staff and of the Navy and the Marine Departments because in the beginning I think it is only fair to say that perhaps we did not have that cooperation, due largely to a lack of understanding of the importance of the work of industrial planning. It has been splendid to see the way all of the departments are working together now.

When Colonel Jordan was introducing me, if I may digress just a minute, in his all too laudatory introduction, I could not help thinking of a story which happened in time of the war, which always amused me, concerning General Pershing. This incident took place just before the Armistice when one of our divisions was marching into position on one of those cold and stormy nights, which I think is the remembrance that most of us have of sunny France; and as the boys were marching along this muddy road one of them was overheard to say to the other:

"Say, Sarg, where do you suppose we are going now?"

The Sergeant said: "Well, I happened to be up at Army headquarters the other day and I overheard General Pershing say that he would take

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the City of Metz if it cost him a hundred thousand men."

The boys walked on in silence for a minute and then the first one said to the other:

"Say, Sarg, that General is a damn liberal son-of-a-gun, aint he?"

You can see what I think of Colonel Jordan.

I was interested in hearing this comparison of the War Industries Board and the War Resources Administration because I remember one time talking with Mr. Brookings, who is a great personal friend of mine; he said that the War Industries Board really was not a planned organization at all, it just sort of grew to meet the needs and the real success of it was due to the character and the vision and the ability of the men who made up the board rather than the way it was planned. However, of course, there is no question that if the organization of the board had been planned in advance the efficiency of the board in the early days at least would have been far greater and it would have been able to go into action much quicker and much more effectively than it did. You all know of the difficulties which they met in the early days. I think this work that you are doing, that has been done and is being done by the various committees, is of exceeding importance. We will realize that if we are ever unfortunately forced to call it into action. I was interested just the other day to hear a friend of mine who has just come back from England speak of the haste in which England is trying to rearm, some of the difficulties she is running into now, and the charges of inefficiency and even of graft over there; largely, I think, because

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it had not been planned in advance. They are going through almost the early stages of confusion of war times. I think we like to feel that that can not happen here. Of course, it probably will to a certain extent but the work that you are doing and that the General Staff is doing will certainly make this country a far more effective weapon in case we have to call that weapon into use.

I want to congratulate the committee again upon their presentation of this very important and very interesting subject. I was particularly interested when they quoted from the Brookings Institution report because, in addition to the other things which Colonel Jordan mentioned, I happen to be Chairman of the Board of the Brookings Institution at the present time, and I want to say to you that if at any time we can be of any assistance to you do not hesitate to call on the Brookings Institution as an organization and upon me as an individual. Thank you.

THE ARMY INDUSTRIAL COLLEGE
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WHAT CAN THE PROCUREMENT PLANNING OFFICERS
IN THE ARMY DO TO MAKE THE TASK OF INDUSTRY
EASIER IN THE NEXT MAJOR EMERGENCY?

by

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WHAT CAN THE PROCUREMENT PLANNING OFFICERS IN THE
ARMY DO TO MAKE THE TASK OF INDUSTRY EASIER IN THE NEXT
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When I was The Assistant Secretary of War, The Army Industrial College was one of my most intimate and satisfying responsibilities

I watched it grow, saw its curriculum expand, observed its development in faculty and student body. I was well aware of its important function in our scheme of procurement planning under the mandate of the National Defense Act

It has been most gratifying to me to see the increased interest of the officers of the Navy, Marine Corps and the Army in the College, year after year, due, as we all well know, to the fine work that is being done by Colonel Jordan and his associates

This is one of the few colleges in the country that is charting its course on the hard road of experience. That is the load of American industry

The subject assigned to me this morning is in the form of a question. "What Can the Procurement Planning Officers in the Army Do to Make the Task of Industry Easier in the Next Major Emergency?"

I know we all agree that the procurement planning officers want to do a real job so that in the "next major emergency" the United States not only will, but must, come out on top.

The old idea that men are the sole important element in warfare is in the discard. Munitions are equally important and under certain circumstances may be much more important. That means that when the time comes, you officers must work very closely with industry. Let's get down to concrete facts and see just where we stand.

As you all know, during the World War the Procurement Division was divided into twelve districts. I was District Procurement Officer of the Bridgeport District, later Assistant District Chief, and after the Armistice, a member of the Bridgeport District Claims Board. The name has since been changed to the Hartford Ordnance District.

We have been particularly fortunate in that District in the ability and personality of the Executive Assistants who have been on duty there during the past twenty years, - one of the best being Colonel Miles, who is now here at the College

The real job of the Executive Assistant is contacting the various manufacturers in the District (which comprises Connecticut and Western Massachusetts) and getting factory plans in detail

We not only want to know how the manufacturer is fixed in the way of machinery, etc., but we want to know what he lacks so we can make sub-contracts for his needs. For example, we have been making a survey of all the metal working plants in the District, to ascertain who might make machinery, and particularly to discover who might make tools, fixtures and jigs of all kinds, so in case of emergency we could refer manufacturers to these concerns for their requirements for working gages, tools, fixtures, etc.

We place tentative contracts with manufacturers, so in case of emergency they will know what we expect them to produce. We get delivery dates which we believe the manufacturers will be able to live up to.

I believe an engineering service would be extremely helpful, where the engineers would go from plant to plant and find out what the difficulties are and assist in solving their problems, as we did during the war.

Try to get contracts on the fixed price plan. When that is not feasible, make a short term contract so that experience would later on permit a fixed price contract. The manufacturer is as much entitled to a fair profit during an emergency as in peace times. The fool idea of some members of Congress of taking all profit out of war is not only absurd, but unworkable.

We should follow closely all fixed price contracts, with the idea of getting a lower price later on a larger contract, and after the manufacturer is thoroughly familiar with the article he is producing. Each division should have a very close follow-up on all contracts, in order to push production, and above all things, be sure to get intelligent inspectors on the job so that production will move swiftly and not be held up foolishly, as it was in more than one instance during the last emergency.

I believe the most vital thing today in our program of procurement planning is what we call "educational orders", and until we have educational orders in time of peace a large portion of our procurement program is in jeopardy.

Above all things, be practical in your planning. If designs are practical, the methods will be. If the designs are too intricate to utilize great manufacturing capacity, let procurement planning change the design. If methods are antiquated and great capacity will be wasted, let the manufacturers change the method. But let us demand that both the procurement planning officer and the manufacturer improvise to the nth degree.

As I see it, procurement planning is the one great method available to us for reducing the running time between mobilization and industrial effectiveness. I know of no greater guaranty for the future of procurement planning, and therefore, for the future of the peace of the United States, than the work of this College toward making planning fool-proof.

I presume you have all read Major Codd's article in the March-April issue of Army Ordnance on the "Shadow Factories" in England, if not, I believe it would be well worth while for you to do so.

This College for many years has been doing a very vital work, and I want to add my congratulations to Colonel Jordan and the officers on his faculty, and also to the student body for the contributions you are all making to the correct solution of a great problem.

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WHAT IS 'RONG' WITH BUSINESS TODAY?

Business in general is back to where it was in the summer of 1935. In four months we have lost what it took us two and a half years to gain.

Many reasons have been given -- Wall Street has been blamed, fear of labor troubles, fear of the Administration, big business, the bankers, the President -- and don't forget the Sixty Leading Families.

During prosperity there is a wild scramble on the part of individuals and corporations to exchange cash for merchandise, new plants and equipment, bonds, stocks, and other investments

During a depression the contrary is true. There is a wild rush to convert everything into cash. The corporation reduces inventories, and makes minimum investments in machinery and other new equipment.

What can be done to restore confidence?

First, the repeal of the 27% Undistributed Profits Tax.

Next, the repeal or amendment of the Wagner Act, so that the manufacturer can at least have an even break with Labor.

Also the repeal or amendment of the Capital Gains Tax, so that one can buy and sell stocks, real estate, etc. without the Government taking over half of the profit.

We should have a rearmament program equal to England's.

Finally, I would recommend that instead of threatening business, the Administration should take the business man into its confidence.

Ninety-nine out of every hundred are as much interested in recovery as the President, if not more so.

The spreading of propaganda that some sixty families, bankers, Wall Street or Big Business are trying to prolong the depression is ridiculous.

The setting class against class, rich against poor, capital against labor, breeds revolution.

Government sources indicate that labor furnishes about 70% of all our buying power. It comes from the wages that they earn. Why shouldn't we try to solve our own problems instead of leaving it to Uncle Sam to attempt, in his clumsy and bungling way?

Take for example, the matter of the regulation of the number of hours in the working week. The truth is, you cannot eat leisure, but you can eat increased weekly real wages.

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Economists have repeatedly stated that when government overhead rises to the point of absorbing more than 15% of the national income through taxation, the danger point has been reached.

You are no doubt aware that federal, state and local government costs in the United States are now estimated to be equal to 30% of our national income.

What needs to be done, we must do for ourselves. There is no Santa Claus.

Government cannot solve the problem of unemployment by passing laws.

Government has been doing its utmost, for six years, to legislate unemployment out of existence, yet the number of unemployed is now greater than ever. It is endeavoring to redistribute wealth. It can and has taken away from the top of the pile with intent to make broader redistribution at the bottom. But in the process of so doing, for every shovelful that it takes from the top, with intent, it unwittingly forces out a truckload from the bottom.

"If we don't hang together we shall all hang separately." Never was that more true than it is today. If employers and employees cannot now get together to solve the problem of keeping business good, of eradicating unemployment, of increasing purchasing and consuming power, of writing a sound and fundamental platform for American enterprise, which depends on all of us and upon which we all depend, we shall indeed be out of luck. Can we do it? We must do it. Government cannot do it for us. And even the Lord is said to prefer to help those who help themselves.