

SELF-GOVERNMENT OF INDUSTRY IN WAR
by
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The Army Industrial College
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I have a very high respect and regard for defensive forces. I have had the pleasure in my lifetime of association with a great many of them, living as I have in a center of activity and close by both Fort Sheridan and Great Lakes. I have often shocked some of the officers who were friends of mine when I have said to them that I liked their jobs so much that if there was any way it could be done I would like to trade jobs. I wish that were possible because I think you have a grand opportunity to live a full life and to do something beyond merely the commercial things and be the protectors of the American people.

However, because I am fond of our armed forces does not mean that I am fond of regimentation. I am clearly of the opinion that regimentation in time of war in connection with our armed forces is absolutely essential. I am just as clear that in time of peace regimentation of industry means retrogression rather than progress.

When I spoke to Colonel Miles this morning and learned a little about your work here I wondered whether what I have to say would be of any great value, when you are trying to think of something to say

to a group of intelligent men that are really seeking informative rather than entertainment type of talk you ought to know more about what they want. But I am going to ramble along on some things that have occurred to me as being of importance in connection with this teamwork as between our defensive forces and our business forces.

We have learned in business that the trend toward central power, central control, which has been under way for a number of years, has been particularly harmful. I often think that we as business men are as guilty of that trend towards centralized government as any political forces. I think that it has come about largely through our World War. Up to that time we had had a fairly definite individualistic operation in the United States. The confusion which came to us when we entered the war, after having been assured that we were going to be at peace with the world, was great. We looked to Washington for advice and instruction on everything to be done, and we received nothing but further confusion. It is because of that that I think this institution, The Army Industrial College, is of great value, if we can get a sprinkling of men throughout the armed forces who can understand how readily an independent group of people desiring to do everything possible to forward the victory can be confused or can be used.

This drift toward central government has bothered us a great deal, and it has only been in the very recent years that we have begun to understand that we ought to get back to our former ideas and understandings of this great nation of ours. Your book which I have read

in connection with my old assignments on industrial mobilization work has a line in the foreword that I think is very much worth while. It says: "Efficiency is desirable, effectiveness is mandatory." Some of our business organizations over the years have been quite efficient, but it is only recently that we have begun to understand how much more mandatory is effectiveness. During the past several years the Chamber of Commerce of the United States has endeavored to decentralize, to begin to make the people of a community study what business means to their community, and to get away from this trend of thinking toward a central force which is directing at all times, and the success of those studies as they have been made, in making people realize that after all the local community is really responsible for all of the progress which has been made in the building of their cities. They may have received some outside help but it is only because of what the business and industry of the community did that the community has grown, and as they have discovered that they have taken less orders from Washington and to look less to Washington for orders. I cite this because I think it is important in your industrial mobilization work to recognize that there are existing organized forces in every community which are efficient but not effective, but which can be made effective under proper direction and guidance within themselves.

Let me tell you a little story of one of my own experiences which may illustrate what I am trying to convey to you. During the World War I had a lot of varied assignments. In addition to the Food

Administration and the Fuel Administration, the War Resources Section and the War Labor Policy Board, there was an assignment as Chairman of the War Council of Chicago, an organization which was formed and consisted of about a dozen men, and included in its group the presidents of the leading business organizations of the community. That group handled all and coordinated all the work of all of the organized groups, and by that method coordinated everything that was done. We found at the beginning of things a great deal of confusion in the minds of business men. We found a great desire on the part of all of them to do everything they could toward winning the war, but found no way of starting, and they became very much excited about it. So about six months after we were organized and the war was under way, the then Chief of Ordnance came to Chicago and visited with me, and said, "We are in desperate need of gun carriages and 6 inch shells. We can't find anybody to make them " We need a source of supply in this district."

I suspect that now with the work you have been doing you would know what the source of supply might be, but there was no source of supply. I called together that same afternoon a meeting with the Chief and outlined to eight men we had selected, whose establishments might be interested in this sort of work. All eight of them were quite interested in doing anything that could be done, but couldn't find a way to do it because they had been pressed by this group and that group, and contracts were waiting and they hadn't been signed. There they were, lying idle because they didn't know what they were to do, yet willing

to do anything, and yet all reserved. Their commitments and the bidding they had done were such that they couldn't determine whether they could take on anything else and were simply waiting. There was nothing to be done about it apparently, so far as their individual plants were concerned. We had some discussions and decided that all of them would be willing to do their part in anything that was to be done, if a way could be found.

We proposed then to the War Department that there be established, that we would organize a corporation during that confused period. The struggle for labor, the plants that had orders on hand, the struggle for material, were going on, trying to get direction from Washington on priorities, and things of that kind, but having a great deal of difficulty. It was realized that if a large establishment were promoted at that time that it would immediately compete with all of the others and we would simply have more confusion. So we had each one of those great corporations, the president being on this group and forming the Board of Directors of a new corporation would hold himself responsible for his proportion of engineers, draftsmen, administrative forces, and expert men in an establishment which might be created and which would undertake to furnish the War Department with its needs, whatever they might be at the time, gun carriages or shells. The General was very much interested in the project, but each of these men said, "We will enter into this sort of a plan providing there is no profit in it." That took some more negotiation because we found that it was impossible to work out a plan of the War Department under which we would have a contract without profit, but we got that hurdle over by finding that

we could take a contract for one dollar profit, which made it possible to proceed. Because of that spirit and that type of organization, we were able to get the land for 20 percent of its value, we were able to get the building started within thirty days, we were able to get first call on machinery, we were able to do all of these things because there was a patriotic urge in the whole movement. These men were making nothing out of it but were lending their staff and their own brains and understanding of how these things were to be done.

The General said, "If we can just get this one plant going, get this under way, there are two other points in the United States where we can have them, and we will then have a privately operated plant, subject to government requirements. If we have to cancel 6 inch shells and make 4 inch, or whatever it may be, we can do it without any worry about settlement under the contract." I am passing this idea on because it was novel at the time and it was talked of a great deal. The finish of it was that there was trouble when we got to Washington. I am citing this because I want you to get something of the spirit of industrialists. The problem that we found in Washington when we came to get the actual contract was that the requirements from abroad called for one million shells, and they had already contracted for 9,900,000, and this 100,000 contract would exceed the requirements. I will never forget the feeling of despair when I heard that. I wired back home, "I hope God will help us win this war because we won't do it otherwise."

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That was the situation at that time, and in order to get the thing going in good shape we suggested that they immediately make contract with some private operator and we would turn everything over to him ready to go; and it was so done and that plant produced one of the largest amounts of shells in our district.

I have emphasized and prolonged that story a little bit because I want to get this thought home to you, that this same trend towards central force and control, which must be during a war, brings a tendency to pick out individuals rather than organizations, and this experience we have had in changing the understanding of business over the United States in the past two years has convinced us that the local organization is the way to work these things out. Within the past months a friend of mine, head of an establishment with 36,000 employees, was asked whether he would be equipped, how long it would take him to change his factory over to produce some particular item, when, as a matter of fact, the item he was producing was just as essential for war purposes as anything else. That sort of approach gets the business man and the industrialist wondering why in the world he should be approached for something of that kind and he begins to steer away from this very thing that you gentlemen are trying to do and which should be done, the proper mobilization of industrial forces for war purposes and a knowledge of where to go and what to do. But those things must be done with some thought of taking these organized forces and using them to find out where is the place to go that won't interfere with something else and bring about the results that we are all after.

Now I want to say a little about profiteering. We hear a great deal of it, legislation constantly proposed to take away war profits. I think that that type of legislation comes nearer being the sort of thing that loses wars than ever can make it. The system used in the last war of excess profits, tax method, is the sort of system that ought to take care of any excess profits. It did then, and it will again. The other things that are proposed are merely measures that make men feel that they can't go through with the proposals that are made to them.

We had in the Navy bill, I think it was, two or three years ago, an amendment called the Vinson Act. I know how many people of large importance refrained from bidding on Navy work because of that Act and its uncertainties, and after a year of negotiation and work with the department, and the Navy wasn't for it any more than I think the Army is for similar bills, and did much to try to correct the difficulties in it, for a year we strove to get regulations that would enable a man to take a contract with any assurance that he would ever get any profit. We had an instance, I remember, of a great boiler contract, in which there was a hundred thousand dollar supposed profit. The business man couldn't distribute that profit because in a year or two years he might be checked up and found out through some new form of accounting that he had made an excess profit and the hundred thousand dollars should go to the government. It is that sort of uncertainty in legislation which is interfering materially, and I hope that you men in the Army and Navy and branches of the service will always try in every way you can to dis-

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courage it. So far that has been done. There is absolutely nothing to the idea that business men are trying to make great profits out of war.

One other item that I think interests in these times of great discussion because of the European scares, is the matter of price control. It is our opinion that price control should be sparingly used. As far as possible to those articles in which we are in competition with the rest of the world, for those things which we produce sufficiently internally and sufficient to sell abroad, there may be some reason for it. I think of wheat and fats, and things of that kind. But in general price control is another of the great deterrents in the winning of wars, and we ought to do everything we can to avoid it.

To get back to the tax method, always take care of excess profits, always take care of too high prices. We have always been strong for educational orders, supported them throughout the various congresses, and we have been in open opposition to strings on them. We don't believe that you can mix up labor relations with educational orders, and the attempts to do that sort of thing are definitely bad and in open opposition to winning the war.

We do feel that there is some advantage and should be some encouragement in preparedness in scarce materials. We ought to, but some of our buried gold will do a lot more good, and some tin and manganese, and things of that kind that always trouble us when the time comes when we need the supplies and the rest of the world does also.

Let me close with this statement which I think you gentlemen probably believe in, but which some don't, that the business interests of the United States do not want war. We want a strong army, we want strong defenses, we want a strong navy, we want a strong air force, and we want everything that will protect us and make the rest of the world feel that we can take care of ourselves, but we don't want war. There is nothing in it. Selfishly, it costs too much. We are suffering today. We have been through a great depression, ten years extent, due primarily to paying the bill for the war. But if it comes, let me assure you that you will find no more patriotic group than the industrialists and business men of the United States.

Discussion following lecture by

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Q. Mr. O'Leary, you are familiar with the Walsh-Healy Act, which is probably one of those pieces of restricted legislation you had in mind. I am wondering if you can give us any information upon the attitude of industry towards the regulations which have been adopted under that act. One of the provisions of the act is that it shall not apply to contracts, rather to those things which may usually be bought in the open market. In the ordinary sense of the term, that would imply exclusion from the operation of the act things which are being bought and sold over the counter every day. The interpretation that has been placed upon it and incorporated in the regulations issued by the Secretary of Labor takes a wholly different view. That seems to be restricted to those things which are under statutes governing government purchases which may be bought by contracting officers without competition. In other words, it appears that the act and the regulations under the act do not fit. That is just a private opinion, but there is some basis for it.

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I see where the steel industry has obtained a temporary injunction against some of the operations or some of the regulations, and I am wondering if the Chamber and industry at large have given consideration to the point which I raise. In other words, the basic law and the regulations are not reconciled, as I see it. They take two wholly separate viewpoints.

A. That is right.

Q. Has anything been done toward the action by industry to get an adjudication of what that act means?

A. I have sweated blood over that act, so I can sympathize with what you say and I understand it very definitely. We have fought the act in the original instance very, very much, and we defeated it in one Congress. It came up again in the other one, and on last-minute instructions from the White House it was passed, on almost the closing day of Congress, with modifications, and with full assurances that these things we talked about would be all taken care of and clearly understood, particularly the open market provision. One of the things we have been learning in this drift toward central government is that the fashion in administrative law has been a continuing fashion, that it doesn't change with the years, and we are getting more and more of them. Of course the danger in our whole present situation is because of the great mass of administrative laws, the Walsh-Healy Act being one of them.

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When this question of open market came up, I remember talking with Madam Secretary to make clear, for instance, that a lathe, a machine tool which was a standard type and was being sold around the country, was definitely an open market operation. There wasn't any question but that they all understood that, but the whole effort of the administrative force in that case was to bring as many under the act as possible. Its purpose was purely a labor act, and they wanted to bring as many under it as they could, just as the Wages and Hours Bill does today, and as any of the other bills do. There isn't anybody that passed on that bill in the committees that handled it in the House, Senator Walsh being one of these, but knowledge is that the intent of Congress was that it was open market, as any of us would understand; but Miss Perkins decided that it would be confined to those things which could be bought without bidding - competitive bidding. In spite of the fact that we continue to struggle for changes in that, I doubt very much if there will ever be changes made.

Q. At that time I believe you cited an opinion of Mr. Justice Frankfurter, then a legal adviser to the Secretary of War, in which in connection with the act he laid down an interpretation which would fit right into what some of us think to be the proper application of the Walsh-Healy Act.

What I was trying to get at is, ^{is} the Chamber or is industry doing anything to bring the operation of that act

before the courts so that they can get the administration in line with the law?

A. No. It tried very hard to do that, but when you get to administrative law there is a coercive effect in it that makes it very difficult to get these cases before the courts. We tried in a great many instances to get someone that would bring a case. You have to have someone who is actually hurt by it, but no one yet has been willing to bring a case up because they say they will be blacklisted and will be out of it. That is the difficulty. There is great resentment but they just feel they can't help it.

Q. What we do is not yet declared but may be of prime importance. We might want to increase our reserves of strategic materials over that customarily carried by industry - manganese and rubber. By self regulation could the steel industry be expected to make a considerable increase in their supplies of these materials which from a purely commercial standpoint might be seen to be unprofitable? In other words, war is not yet declared but the more manganese, rubber, the larger our stock piles of things which are going to be difficult to produce, the better off we are.

A. That is, of course, a matter of purely personal opinion. I'll give you mine. I question very much if you can get any concerted action by industry during that particular thing. The reason for saying now that we have reached

a point in the durable goods industries where the margin retained profit, the margin of profit, if any, is so small that they can't even afford to take the chance on stocking up on anything. Through new forms of taxation that have been coming on us these last few years, the list of returns and profits of the durable goods group, you'll find that they are very very slim. Now during the war you may remember that we faced that problem of manganese very definitely and one of the subject countries of one of our allies refused to ship us any manganese unless we put orders for it backed by \$5,000,000 in London. At that time the American Iron and Steel industry deposited that money in London so as to assure our continued shipments of manganese. But that was in war. It wasn't before. You're talking about before.

Q. Yes, I'm talking about the critical period before war.

A. Our feeling is that there is a part of the excess material is part of the government's job to do and it would be much better than bearing the gold out at Fort Knox, even if it is an army fort. We could well afford to stock up a pretty good supply of manganese, tin, and things of that kind that were absolutely necessary - rubber, of course, would deteriorate but we could even get a supply of that and take a chance on it going out. But those sort

as a result of those prices. Mr. Baruch says that the recapture of profits is going to increase profiteering rather than to prevent it.

A. Well, I just don't agree with him. I have great admiration for him but I don't agree with him except in competition. I think that the excess of the supply of wheat, almost essential in a case of that kind to put a price on that wheat so that our own people won't be crucified by the tremendous competitive price fixed by foreign nations that have to have it and they can't help themselves. On those sort of things there must be some sort of price control. In many instances the prices on some things, as in the Food Administration, must be fixed. I remember that prices were fixed on milk, which of course is something that our people have to have, and in New York they were very much higher than they would have been if there had been an open market. / ^{Q.} I happened to be on this price-fixing committee and I'd like a statement of why prices won't go up extremely under an excess profits plan. Isn't it true that a man would be more anxious to boast that twenty per cent that he is going to retain than he would be to retain all profits?

A. Well, I had to go through with excess profits tax price. I was manufacturing during the war. I know it never boosted our prices. There is no advantage in boosting it.

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Q. If you boost the prices, you are going to boost your total profit, if you are retaining twenty per cent.

A. Your twenty per cent was an eighty per cent profit tax but that wasn't all the tax. Before we got through there wasn't much left. There weren't any great profits made by anybody after the excess profit tax was working. It took the heart out of any desire to profiteer particularly. I never had any experience of that kind.

Q. We'll concede that point then, but without price control don't you think the prices are bound to rise of course, and the families of men in the service are going to suffer? The morale of the country is going to suffer.

A. Let's get straightened out. You and I don't disagree. I simply say that price control should be used to any extent with great judgment and sparingly. That is why I don't say it shouldn't be used. In some things it must be used but in other things an open market is much better. I think there isn't any question in my mind about that. From my own observations during the war where price control was put on I think we paid very great excesses. The very people you're talking about - the people who were trying to live on what they had and without any advances and paying higher prices for everything - but it should be done sparingly. When we get this idea that price control should be on everything because we are in war I think we are on the wrong track. So price control on some things,

yes, but not on all things.

Q. Mr. O'Leary, I cited the case of misdirected planning and stated the effect on business men had been to cause them to tend to steer away from mobilization planning and what it implies. We need the cooperation and active support of business. You have brought out quite well that we'll get that in time of war. We need that now. I wonder if you can give us any definite suggestion as to how we can get it?

A. Well, I have tried to indicate this one thing which won't work all the time, but it's a starting point. I would go to the organized force in the communities rather than trying to do it yourselves. Naturally, it's just human nature to pick out in Chicago the Pullman Company and Crane Company and people of that size and type and go to them and say, can you produce this and can you produce that? If you went, for instance, to the Chicago Association of Commerce and said, What is the best source, who is there here who can do this sort of thing?, you'll begin to sift the thing down right away and get to the right sources and don't go around asking a lot of folks who say, what do I want to produce that for? It gets them confused. I say, use the organized agencies that exist for your starting point; let them work from that. If they're inefficient you can't get much out of them but that is the starting point in most

cases where there is enough operation to make good. I think many of us feel that we need prices of business men on the methods of approach as well as on the actual planning when we reach that state. Any suggestion which will lead to closer cooperation or better approach on our part in order to make their plan more feasible, I think we need, and it's a question of how to contain it. Active participation by business and the procedures we are to follow are important. I think, for instance, in your approach if it's location you're looking for as you will in some things, you want things made in different parts, that your local chambers of commerce can usually supply the information. If they haven't got it, they'll get the information so you'll know who'll do the job. In case of special items-we'll say machine tools-not machine tools alone-would be the International Machine Tool Builders, who know who is best equipped to do that thing. The case of heavy industries the institution can get information about and then they get you working down to practical things. It wasn't any of your army officers that did this stuff that I spoke of two weeks ago. It happened to be a civilian office holder that did that. It offers the same objection, of course, if they get into it. Does that give you any lead as to what I'm trying to bring out? You use the organized groups to start with and then let them tell you. If I remember rightly, I don't know why I was put on the Industrial Mobilization Committee in

Chicago years ago but I think it was just that I'd been the president of the Chicago Association of the Chamber of Commerce. I don't know what it was. I think it would have been much better if they had gone to the Association of Commerce and said, who are the men whom we ought to have in this group? That would be a better approach to it if they wanted a committee.

Q. Mr. O'Leary, your comments upon using local organized groups are fine but that I believe has been applied for the most part to our men in Procurement Districts or local people. We have, of course, instances where it is desirable for the people here in Washington - our own people - to contact associations. That, it seems to me, would be more desirable to contact associations which have natural scope which comes to centralization which you oppose to some extent. One of the difficulties that we run into in the matter of trade associations sometimes is that there are a number of trade associations within an industry and it is difficult to try to deal with all of them in the event of war. What in your mind is a possible industry where information may be secured on some central form of some kind which may be dealt with by the people here in Washington? There are in some instances those organizations in other industries.

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A. I can speak particularly of our own organization. If there were war we would admittedly establish a continually sitting-here-group-of-men committee, War Service Committee is what we'd probably call it or something of that kind. Now our organization is a federation, it isn't an individual organization at all. We have in the organization some 1600 chambers of commerce throughout the United States. Our members are organizations. They don't support the organization financially but that is the way we have settled everything in the last couple of years and this experience of decentralization. In addition to that we have 500 trade associations which comprise the major trade associations, the important ones in the country. We would work immediately through them. In other words, we would select from those the ones that would be the leaders in that particular place. I have cited here just now the machine tool bidders in the case of precision tools. Take the machinery, all the allied production industries which is another small federation for the heavy machinery. The water power equipment, the hydraulic machinery, the things of that kind would come under that classification. That is, the things you're speaking of but there are several. We'd have to determine which ones to contract and get that narrowed down so that you'd have very limited fields. Some have a force right here to work with any time. That applies not only to manufacturing but to other lines.

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Q. Mr. O'Leary, turning to your comment, the right way to approach industry is find out who is fit. We have had representatives in the War Department in Chicago and all supply branches for years. In the Ordnance Department they have been there since '22 and '23. A lot of the pick-and-shovel work has been done. I dare say that the officers there now and also those headed in Washington know pretty well who's who in the Chicago District when it comes to making these non-commercial items. Now we did years ago contact the central groups but we have got even far beyond that. We have had such contacts as Mr. Ed Russell, now Mr. Fred Poor. Do you think I could possibly find anybody in a local central organization who could do much better than Freddy LaRange? Do you think I could go much better than to have an intimate relation with Jenks? Do you think I could get anything in that office that would get me anything more than Alexander Hamilton? Don't you think if we are not utilizing them quite as we did in the early days it's because we have got even down now to the right forms?

A. Yes, that is exactly what I'm trying to bring out. When you start you get the Fred Poores, the Ed Russells, the Alex Hamiltons, you get those contacts if you had nothing. When you get them, God Bless You, don't bother with anybody else! That's all right. That's a good point. I'm glad you brought it out. All I was speaking of was getting a start. That is exactly who to pick out.

Q. Mr. O'Leary, in the present mobilization plan, it is contemplated that as soon as possible an organization shall be set up for the coordination of control of procurement which will be called the War Resources Administration, similar to the one used during the last war. It involved at once consideration of who shall be selected for the head of that organization. The individual selected for that position shall be a civilian who is acceptable to industry and who has the necessary personality and power to administer. Would the National Chamber of Commerce be prepared upon request to submit recommendations of the names of one or more men whom it believed could at once occupy that position?

A. Yes.

Q. Would the man so recommended by that organization be available; to bring the point home I assume that the conditions where in the ^{not} far-distant future you were called upon when you got back to your office you found such a request in your mail. What would the man that you feel can head up this organization say - would he be available?

A. That, of course, we'd have to canvass but if you were in war you'd find that there'd be plenty of them available because men will give up anything in that sort of time but you couldn't say particularly that we could have all of them - Charly Foster or somebody of that kind. You

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couldn't say until you asked them because they might have some reason why they couldn't do it because of some other commitment. A good deal as I speak of in the manufactures when they got this flood of things, the shipping board said we wan't you to reserve this for us and the Navy said they wanted it reserved for them and they were all mixed up, but if you had a specific and definite man he would know. That is one of the thrilling things during the war - how willing men were to drop everything and come on here and do anything they wanted and do it whenever they wanted.

Q. One of the very useful things brought out this morning by Mr. O'Leary it seems to me is when money gets in the hands of the government it becomes inflexible money. The same amount of money in the hands of business becomes flexible.

That comes down to the question you raised, we can't count on continuing indefinitely making the money of the country inflexible and of a commercial system. The extra losses the country has sustained is the great loss of flexibility in its money system. Any other questions?

Q. Mr. O'Leary, in listening to these contacts in the various industrial areas by our representative and some others, in our form of allocation we get the minimum number of the size plant probably that we'll contact. What in your opinion as in the time of emergency when the major industries are operating for the country and putting forth and so on and

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and these more or less smaller men who are capable manufacturers well recognized in peace time and capable in war time are not put to use will they think? Are they going to cause any trouble through not being considered as not being acceptable and won't they want a little part of this war money and cause some sort of trouble?

A. The danger there lies in their going out of business because there isn't anything for them to do. You're losing a great productive force. You stop to think that over. Remember, over half of our people employed working in the establishments of less than 400.

Q. Well, that is my point.

A. Now, the minute you eliminate them some of them are going to go out of business. You have lost that production. I don't know how you're going to utilize it but if there is any way it can be done, it should be done. You have got a very important point there.

Q. Of course, there is a tremendous amount even though you make primary allocations of subject allocations which will go to these smaller industries under the general guidance of a contract placed with such a unit. That is going to have to be taken care of by the major industries seeing that it's properly distributed. That will be their responsibility to see that we don't lose that business. The big responsibility calls for somebody who's got the guts to be quick on the trigger, in letting contracts.

A. If you can get the contracts let quick enough a lot of those fellows will be taken care of.

Q. In connection with that I notice they make group blocks of manufacturers. They let their contracts on these small industries through these groups. That might be a job for the Chamber of Commerce.

Q. I think we can clear this whole thing by putting it this way. In the allocations division you find that our shopping list is about 7,000 major items, but the War Department shopping list is for some 240,000. There needn't be any worry about small producers. They'll have plenty of opportunities to come into the picture. The 7,000 items listed up there are the ones that are going to be obtained. It would be foolish to hand it out to some small industry. You've got to get the thing done. You can't fool with a small outfit to make it. But there will be plenty of work for these other people.

by Mr. O'Leary.

Q./ I'd like to ask a question, if I may. I wonder in the mobilization whether the specifications are being developed which will of course require all the accuracy and precision necessary but will not make a lot of unnecessary work. I remember that when we talked about gun carriages, I had stretched out on my desk for these gentlemen to look at, if I remember correctly, the tolerance on the piece that

came down to the ground was something like a hundredth of an inch. I never could understand why they had any.

A. (by Col. Miles.) The millenium has not yet arrived nor will it arrive, but I think there is more intelligence being shown on that particular point. I think we are so far ahead of 1917 or 1918 on that point that while it won't be the exception that proved the rule but I think we have made real progress and certainly we have the conception that it is necessary and with that conception rather than pig-headed attitudes on the matter that when the individual cases arise as they will and tolerances which are improper appear that we'll have the necessary background and spirit to realize the necessity for doing something about it and we will do it. In 1917-1918 we were in a pig-headed attitude in respect to our specifications. I don't think we're pig headed any longer and you can do lots more with a man who is not pig headed than you can with one who is.

Mr. O'Leary. I think you scare off a great many people just by those unnecessary things. They just shy away from it. I won't touch that, they say. That is the thing that happens so you really narrow your field of operations and production. That, of course, is the thing you want to avoid.

Col. Miles. We can't promise you anything on that point but we can promise you a better understanding on the part of the War Department and the Navy Department, too, perhaps.

Comdr. Dunham. I'd like to second what Colonel Jones said, with one proviso - that these 7,000 items be limited to problem items that are not commonly manufactured by industry and reserve our manner of doing business to the manner in which business is in the habit of doing business on a competitive basis in so far as possible and limited allocations to problem items and the rearrangement to problem items.

A. I think that is very good. / ^{Q.} I don't subscribe to this competitive basis. He's got to get 5500 airplanes and he's going to testify that if they are going to ask him that in the time limit they have set with restrictive profits in the law and then attempt to get the thing competitively, it just can't be done. Army and Navy officers aren't crooked. We have figures on prices. We have been told that industry will agree with what the speaker said in times of stress they just don't appeal to profiteers. We want to see it through just as much as any Army or Navy officer. The opinion I hold firmly is that he's not going to be able to get them under the strict legislation there is now. That is an opinion and take it for what it's worth.

Q. With the improvement in the 12 per cent instead of 10 per cent, but ordinarily that Farclay man would have killed any chance of getting any of them.

Comdr. Dunham. I want to state that I'm willing to

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agree that an item like an airplane is a problem item.

Q. I don't want to prolong the argument but our system of allocations as laid down now include only 7,000 items. We have to go to the manufacturer we know can manufacture the item we have got. Why bother with competition? You've got to get it; he has a copy of the specifications in there, he has agreed to manufacture any one of those items; he has the accepted schedule of production and on M-day you have to have it. You haven't got time to get competitive bids. There are so many other competitions in there that you can't wait to decide which of those items you have got. The war will be over before you get them. I'm opposed to any competition in time of war except dealing with the contractor.

Col. Miles. - Why not let the Navy compete and in the meantime we'll place their orders?

Comdr. Dunham. - I'm sure that I speak what the Navy Department feels about it. When I say that they have no qualms at all, and are perfectly anxious to allocate for problem items, items not commonly produced by business, but when there is sufficient capacity to produce items common to production in business we should not make pre-arrangements which might make discrimination among business men.

Col. Miles. - Standard articles are what you are talking about. If you want some machine bolts you don't need you can have it all competitive. We can badger that question back

and forth and we are just as liable to have common sense in the army or the navy. As a matter of fact, this school produces common sense so we ought to have it in a ratio of four to one. Any other questions? I hope we haven't burdened you too much, Mr. O'Leary,, but we certainly appreciate your coming and we want to thank you for this very fine talk and discussion.