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CURRENT OBJECTIVES, PROBLEMS, AND PLANS OF THE MUNITIONS BOARD

8 February 1952

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Honorable John D. Small, Chairman of the Munitions Board, was born at Palestine, Texas, 11 October 1893. He was graduated from the U. S. Naval Academy and commissioned an ensign on 5 June 1915. He received his M.S. degree from Columbia University in 1920. On 24 April 1926 he resigned his Navy commission as a lieutenant to enter private industry. He served as executive vice-president of the Dry Ice Corporation of America from 1926 to 1932, when he became Western Manager of Publicker, Inc., the position he held until 1941. He was called to active duty with the Navy as a commander in February 1942 and appointed deputy director of the Army and Navy Munitions Board, in which position he served until March 1944. The following six months he was head of the Navy Material and Products Control Division; during that time he served as landing craft coordinator with the first Allied troops to land on the Normandy beaches on D-day. For outstanding service in those two assignments, he received a Letter of Commendation from the Secretary of the Navy. On 22 September 1944 Mr. Small became executive officer and chief of staff to J. A. Krug, chairman of the War Production Board; for outstanding services in the reorganization of the Navy's production program and in the development of the Controlled Materials Plan, he was awarded the Legion of Merit. On 3 November 1945, with the rank of commodore, he was temporarily assigned as administrator of the Civilian Production Administration. He was relieved from active duty on 4 February 1947 and became president of Maxson Foods Systems, Inc. In 1949 he became vice-president of Emerson Radio & Phonograph Corporation, which post he resigned upon appointment by President Truman on 10 November 1950 as Chairman of the Munitions Board, and sworn into office 16 November 1950, under a recess appointment. His appointment was unanimously confirmed by the Senate on 5 December 1950.

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GENERAL HOLMAN: Gentlemen, I am sure that this audience understands full well the important position that the Munitions Board occupies in our national defense structure. I am equally sure that you all realize that the Board's responsibilities are both varied and heavy. I am not so sure that we have a clear picture of how the Munitions Board gets its job done.

Today we will have the opportunity of learning firsthand about the "Objectives, Problems, and Plans of the Munitions Board."

Our speaker, the Honorable John D. Small, has been Chairman of that important defense agency since November 1950. He was graduated from the Naval Academy and has served as a Naval officer for 11 years before entering on a business career in 1926. Back in the Navy in World War II, he served as deputy director of the Army and Navy Munitions Board and as chief of the Navy's Material and Products Control Division, attaining the rank of commodore.

Since 1944 Mr. Small has served our Government in such key civilian positions as executive officer of the War Production Board and as administrator of the Civilian Production Administration.

Mr. Small has honored the two colleges with talks in previous years, dating as far back as 1946. It is a real privilege to have him with us again this morning.

Mr. Small.

MR. SMALL: Thank you, general. Gentlemen, I am delighted to be here with you again. I told the general that I was going to talk off the cuff about some of the realistic things we are up against. There is no point in my talking to you about the organization of the Munitions Board or where it stands in the Department of Defense. I think you know all that and you would probably be bored with hearing about it.

Our country is, as you read in the papers every day, in a very dangerous position -- a very dangerous period of tension. I feel very strongly that the Soviets, who have repeatedly told us and who have boldly preached that they intended to dominate the world, have not changed their intention one iota. I think they figure that they had gone about as far as they thought they possibly could by infiltration, by internal subversion tactics, by the imposition of fear on neighboring countries, in their cold campaign to set up buffer states. They have set up such buffer, satellite states, as you know, in eastern Europe; they have done it in China; they are probing and pressing at various points around their vast periphery. I think they finally decided they would shift their method of attack a little and go into Phase 2, or the use of satellite forces, as they did in Korea first by the North Korean

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attack, later by the entry of the Chinese Communist troops into action.

Where will they hit next? I don't know. But I am convinced they will continue their efforts to dominate the world by communism. If they prevail whether we call it Soviet domination or Communist domination, it would take away from us everything we hold dear. Korea to them is just an incident. It is not a major campaign in their thinking. I think they were probably rather shocked at the initial reaction to Korea, and that they were considerably concerned about the way in which we started a great rearmament program to create strength both here and abroad.

But I think perhaps they said to themselves, "Well, this isn't so bad. Let these fellows get all wound up in economic control measures and in the conversion of industry into war production, and when they get about halfway through that conversion, we will start the cooling-dove-of-peace stuff. Knowing the American public, that will start them on the downgrade again. They won't vote the money needed for defense. They will clamor for 'business as usual' and will force reconversion. If we put them on that kind of roller coaster, we will win this war without using a soldier. We will win it economically."

That is my opinion of the present situation. While I am not a crystal-ball gazer, I think we are in the greatest danger of our history. We are in a period of great tension where anything could happen--by accident if not by intention--and we might be plunged into all-out war at any moment--certainly by intention if the Soviets think the climate is favorable; by accident almost anywhere around the periphery. Therefore, our job in this country is to create strength, the minimum strength set by the Joint Chiefs, to put us in a posture for which we could move forward rapidly.

In December of 1950--I came down here in November--we adopted a national policy, to which the Department of Defense agreed, that we would create a minimum of strength, that we would build as rapidly as we could industrially toward the creation of weapons that we needed, up to a certain plateau. That plateau would be one with which we could live and which we could endure economically and socially. Even should this period of tension last a few years, it would not wreck the country.

In other words we said we are not going to go all out and increase our weapons production precipitously, because if we did do that, by any calendar-year date that you want to mention, we would at some point accumulate all of the individual munitions--be it undershirts, tanks, bazookas, or anything else you can think of. We would have them piled in stockpiles all over the country, most of them becoming obsolete rapidly, and we would have to shut down production lines because we as a country can't afford that terrific pace of all-out mobilization and continue it over a long period of years. There is a calculated risk in our policy of partial mobilization. The calculated risk is pretty great. I for one was a little dubious about it a year ago. However, time has

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proved that this calculated risk was well taken and that the course adopted than was sound. We are continuing that policy.

At this time there are many people--this is particularly true in an election year when people are very vocal--who say we have been going too slow; we have to speed up and go all out. On the other hand there are many--and they are increasing in number--who say, "We are going too fast. We are not really in very great danger. Those fellows won't attack us. We are putting too tight clamps on the economy. We ought to slow down." I think all of them are wrong. I am convinced of it. I think this middle course which we are pursuing is a sound one and it is one that we can live with as a country.

As you know, the thing that we are doing in rearmament--have been doing for a year--is to take the strength that the Joint Chiefs tell us they need--so many air groups, so many divisions, so many war ships--which is thus translated into weapons by the Departments. Then they work those weapons into schedules of production, taking into account all the aspects of industrial feasibility--can a plant produce what we want them to produce in time? Other considerations in scheduling production also are of primary importance. Let me enumerate some of them.

We shall not procure in advance of need. For example, there is no use piling up all the undershirts, say, to go on the soldiers in an armored division a year or a year and a half ahead of the tanks for that division. Long lead-time and short lead-time items must be properly phased. In that way it is possible to get what you need without terrific pressure pricewise and productionwise.

We have always had in the services, and still have, a great inclination to do things the easy way, buy all you can possibly buy in a h--- of a hurry, and then forget about it, put it in the store-room. Certainly there have been enough policy pronouncements and dictums and exhortations by everybody saying "Don't do it," but some people still do it. I say to you that, as you go out, realize that some of these exhortations are solid common sense and should be implemented correctly.

Another one of the policies inherent in our work is to broaden the mobilization base. We don't want to be dependent on one supplier or two suppliers for any given item. We will try to bring in a half dozen and have the production lines warm, running not at full speed but at slow speed so that, should all-out war come upon us at any moment, we can start pouring material into those plants and get them producing in large volume. By running them at slow speed, we can

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keep several lines running, whereas if we run them at high speed, we can only have one or two lines, without accumulating terrific stocks of stuff--which, as I said before, we do not want to do.

There are other angles of policy involved in this thing. We all say and I am sure we believe that one of the foundation stones of our economy is small business, and we should maintain small business, keep it in being, and not let it be destroyed during this period of partial mobilization. The normal human inclination of some contracting officers is to say, "Well, General Electric, General Motors, or any one of 100 or 200 big firms can do the job; we can rely on them". Some heavy concentration on the larger firms has occurred, but it is less than it was during the past war. In other words we have been doing a better job of this thing than we did the last time.

It is perfectly obvious that the small manufacturer cannot take a contract for a tank, a heavy gun, an airplane, or a whole host of what we refer to as major items of equipment. The airplane, the tank, and the gun are just typical examples. There are in the supply system about 700 major items of equipment that represent close to 70 percent of the procurement dollar. Out of every dollar we spend, about 70 percent goes into those major items of equipment for much of which you cannot give a small manufacturer a prime contract. When you add to that the other large areas of procurement--for example, petroleum--the oil companies are all big business; the food companies, packers, and so on are all big business, if you can use the classical definition of small business as those employing less than 500 people--when you add up the major items of equipment, plus petroleum, food, and so on, you will see that the amount of the procurement dollars left which can be called legitimately applicable to so-called "small business" is not too great.

I would say that only around 30 percent of our procurement dollar could possibly be handled by small business. The fact is, that we haven't done so badly in the services in taking care of small business when we use some such measuring rod as that. In November 26.4 percent of our procurement dollar was going to small business. Not bad, if 30 percent is in fact a realistic measure of the amount of munitions work that small business is equipped to handle. We shall never be able to get any measure that anybody who is a protagonist for small business will say is right, but I just give you the reasoning I follow when I say that in my opinion we are doing pretty well.

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At the time of the last war we had the Smaller War Plants Administration. It boasted--and congressional committees are boasting still--about the fact that the Small War Plants Administration, working with the procurement officers, during the 42 months of the emergency, was able to get about 6 billion dollars worth of contracts for small business. In the year and a half between the outbreak in Korea and December 31, the military services, without any prodding from the Smaller War Plants, had already given small business over 8 billion dollars worth of contracts. I think that is pretty good.

Another measure of how small business is faring can be inferred from metal-working firms, as the great bulk of our procurement is in metal. The small metal-working firms, since Korea, have increased their employment 26 percent, that is those with less than 100 people; those having between 100 and 500 people have increased their employment by 24 percent; and firms employing over 500 people or so-called "big business" have increased their employment only 10 percent-- which is another clear indication that we are not doing so badly in putting work into small business firms.

The problems of the procurement officer in this partial mobilization period are multiplied tremendously. As you know, military procurement is effected through contracting officers of the Army, the Navy, and the Air Force, located throughout the country. Their business is to get the material in the quantity, quality, and time required to meet the needs of the defense program. At the present time, their task has become most complex, due to the multitude of considerations now affecting contract placement and lack of guidance as to which of these is controlling. An incomplete list would include:

1. Get the most for the Government's money.
2. Do not buy in advance of need.
3. Favor small business.
4. Favor distressed labor areas.
5. Favor firms receiving low allotments of controlled materials.
6. Maintain economic equity between geographic areas and groups in the U.S.
7. Broaden the industrial base.
8. Encourage the dispersal of industry.
9. Avoid concentration of economic power and support the Government's antimonopoly program.
10. Enforce all boiler plate contracts such as:
 - a. Antidiscrimination
 - b. Walsh-Healey
 - c. Fair labor standards act
 - d. Compulsory subcontracting
11. Give effect to mobilization planning activities.

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There is, as you might expect, a wide divergence of opinion on every one of these subjects that comes up. If you want to put work into Lowell, Massachusetts, the whole South gets up in arms because it is taking work away from them. If you want to disperse to give some measure of security against the A-bomb, you are ruining Detroit.

At all events, our production schedules are finally firmed up so far as the military can firm up anything, which is questionable not only because we have no crystal ball to tell us exactly what is going to happen, when and where, but also because we don't know what appropriations we will receive.

However, I believe we have now a mechanism through a new system which has been set up--about which you may or may not have heard--called the 436 system, named after the Department of Defense Form No. 436--which contains approved production schedules--approved by the Munitions Board for industrial feasibility, in conformity with policy, and approved by the Comptroller as to funding. This 436--backed up by data which says how many you want, why you want them, how much you need in Korea, how much in western Europe--is the basic foundation for our requirements. This requirements information supports the 436 which fixes the production schedule by companies and establishes the time when deliveries are to be made by each company. This is the first time that the military services have ever had consistent, coherent, fundamental, solid rock from which to be able to tell people what they are doing, what they plan to do, what they intend to do, and what the impact will be because this 436 can be used to translate the items to be produced into materials, particularly copper, steel, and aluminum, but also a host of other scarce strategic materials such as nickel, cobalt, and many others. This translation becomes a realistic, practical figure which we can substantiate and justify, and then stand up to be counted when the chips are down. Therefore, I think we have made a tremendous advance during this past year in getting the 436 system into operation and in beginning to refine it.

In November which is the period of decision as to whether we should go up faster, slow down a little bit, or go ahead on the plateau, the services priced out what they thought they had to have in the fiscal year 1953--funding for procurement is really the pricing of the end-item schedule that I have been talking about--and it ran up to 71 billion dollars. That is a lot of money. They are not going to get it from the Hill. Our total will probably be around 52 billion dollars plus construction--call it 55 at most--which is far different from 71 billion.

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Now to take the 71 figure and reduce it to 55, then divide that among the programs, and go back and change these schedules and adjust everything is a big job. Nobody has a magic wand they can wave and get it done. It just doesn't work that way. It is an enormous job. All the services are presently engaged on it and are making progress, but they can't come up with the answers at least until the end of this month, in my opinion. Even then, it will not be 100 percent complete by any manner of means.

The net effect of the rescheduling will mean, I think, practically no change in the Navy program. I had thought there was going to be a change downward in the Army program. There is no change in the number of end products, as you all know, but it is a question of when you will get it. The stretch-out I thought would possibly cause a change downward in the Army program, but simultaneously we have been told to speed up end items for European supply, and the combination of the two--the spread-out on one side and the speed-up on the other--will probably work out to about the same program which the Army had planned.

There will be no change in ammunition which is a big copper user. The ammunition takes about 80 percent of military copper. Copper is extremely tight--no signs of any easing in copper. The big user of aluminum is the airplane. There is a phasing down of airplane production. I will call it a stretch-out rather than a cuttingback because it is not a cutback. I have to keep preaching that to the newspaper people who belabor us about it. There will be a reduction in the take of aluminum for the airplane program and that probably will have a major effect on the civilian economy.

Now the three basic materials in the civilian economy are steel, copper, and aluminum. We are currently taking about, roughly, 10 or 11 percent of the carbon steel of the country. That is not much. That is doable and we can do it without causing any terrific shock. We have taken a little over 30 percent of the copper, and roughly 50 percent of the aluminum, which is pretty rough at the moment.

Both we and Atomic Energy are very heavy users of alloy and nickel stainless steel, and all the high temperature materials. Our take is far greater than the percentages I have been talking about. On some things, we take practically all that is available--as in the case of columbium. Structural steel is the tightest steel product, with carbon steel plates next. Carbon steel in other forms is getting looser. Steel capacity in the country went from 100 million to 108 million tons during the past year and is expected to go up to a yearly rate of 117 million to 120 million tons by the end of 1953.

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If, in this period, we can continue without any upsurge in the military program, our take of steel and aluminum will become progressively less, percentagewise, than it is at the moment. The second quarter of the present calendar year will be the highest quarter of military take of metal that we will run into, taking into account the probable fiscal year 1953 funding and the spread-out. From here on, our take should grow less, with the possible exception of aluminum, of which the tonnage take will increase slightly, not very much, but a little, particularly in the first couple of quarters in the calendar year 1953. However, we have new aluminum capacity coming in at a far greater rate than our usage will be going up. Therefore, there will be more and more aluminum available for other things in the months and quarters ahead.

I might point out that in this mobilization effort, there are things other than military items that are called "defense". They like to tag the "defense" name on everything. There is going on in our country--has been going on during 1951 and is continuing into 1952--a tremendous expansion of resources of one kind or another, such as plant expansion, plant modernization, new steel mills, new aluminum mills, new public utilities, new refineries, agricultural machinery, and so on. Most people don't realize how great this expansion is. The steel and copper going into this expansion and modernization program is much greater than the military share; it is much greater than the military share plus the "B" products components that go into our end products or even into civilian material, with the exception of aluminum. This expansion of resources is the thing that is really causing the situation on consumer durable goods about which you hear everybody crying. Its impact is much greater than ours but we get blamed for it because of the word "defense".

You hear a great deal on the radio and from newspaper columnists today about military waste. It seems to me maybe there is a concerted campaign going on because our appropriation bill in on the Hill. They are dragging up every dead cat we have had for years. You may have read about Admiral Charlie Fox the other day, "Oyster-for Charlie." He was accused of buying 11 million oyster forks. In the first place, he didn't buy them. Secondly, there weren't that many--there were only 10,000 dozen--and they were bought in 1943.

There were a lot of things that our people did in 1943 which have been changed since. Go down item by item in the so-called "chamber of horrors" up on the Hill, a lot of things are dragged out, 90 percent of which can be justified, clearly justified, if we were asked for the facts. But usually they print the story without asking for the facts. The actual facts are usually not newsworthy. It is much easier to say: "It makes a good headline; let us rap them."

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I think all of us should know that by and large a very remarkable job is being done by our procurement people out in the field and they are honest, sincerely objective people for the most part. There are some sour apples which should be weeded out and which are being weeded out as they are found. But in general they are following sound policies and are doing a competent job. Therefore, if somebody happens to say to you, "What about this one?" You say, "Let me get the facts first." Because usually the facts are not what they look like on the surface. One that amused me, I think it was on an air base where they used coffee for floor cleaning. Of course, that was not true, but it got a lot of headlines because they were accused of using coffee for cleaning floors. Probably a can of coffee was spilled and somebody swept it up and that was the genesis of that.

The Munitions Board is the protagonist for the military departments for requirements. We have to examine the requirements from the military departments, which, as I said, flow from the Joint Chiefs plans into production schedules, into time periods, into materials. If you think that is a bed of roses, you are crazy. The fellows who feed this information upstairs are never on the short side, you may be sure of that. There is always enough to take care of slack. But by and large we have been getting what we need except for spot things, such as aluminum forgings. We have had some trouble with copper, nickel, and bits and pieces here and there, but we have been getting most of the things we need without creating chaos out in industry. You can tell from over-all figures by the fact that unemployment is at a very low level nationwide. There is spotty unemployment, sure, Detroit, Wilkesbarre, because of the hard coal situation--Korea didn't cause that one; the movement of the textile industry from the Northeast to the South--Korea didn't cause that one, but we are getting blamed for it anyway. So we in the Munitions Board have to defend these requirements, make sure they are sound, make sure they are good, that we don't require more than we need, cause unnecessary shutdowns.

One thing that I would like to stress which is another practical problem in this field is the so-called inverted pyramid, where a great deal of our procurement, unbeknown to us, may rest on one plant's supplying one component, and if that fellow is struck or has a fire or something, it may affect a dozen of our programs because they are all dependent on this single source for an essential component. In many cases people don't even know about it because it is far down the contract chain and we normally deal with the prime contractor. On government-furnished equipment we deal with components--but we have no practical way of tracing down the chain and picking out all these key spots which, by subversive action, fire, or anything of the like, might really cause us to get into trouble.

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I think that everybody concerned with logistics should be very alert to the fact that this situation exists and exists in greater measure than we dream. An attempt should be made to figure out what other system might be created to avert that possible danger--take out an insurance policy. Whenever the services see it, they do avoid it, but many times they don't know about it. We have found this situation particularly where NPA has made an allotment of material to companies throughout the country which are making various things--ball bearings, small motors, critical components of one kind or another. When we have asked the reason why a weapon had not been produced, we have been told, "We couldn't get the key component."

● That is no answer. You have to go to the component maker and find out why he didn't deliver on time. Nine times out of ten it was because somebody didn't deliver something to them. You have to go below him to find out who it was who didn't deliver and why. In that time-consuming fashion you get to the root of it and can cure it overnight once you find the key to it. It is an enormously difficult job.

The other phases of our work--stockpiling, cataloging, procurement, production schedules--are all phases of the same thing. The production schedule represents procurement, represents production, represents requirements so that when we talk about one of these, it is indivisible from the others.

I feel heartened at the progress that is being made. We have and will have difficulties on some of the weapons because they have compressed research, design, and production and have tried to telescope them all in together, with the weapons in some cases having no field test at all. Certainly things turn up that we did not expect and that no human could foresee, but for the most part those things are being caught and we are getting at the heart of the cause of the trouble and are correcting it. Some of them have not yet been solved but progress is being made. Production is beginning to go with increasing speed. We have gotten momentum. We are beginning to roll and I think we are on the highway to achieving the results we all want and must have if we are to have national security.

This past year of work in the practical application of the theories and planning that was done over past years to me has been intensely interesting. It has not changed the major concepts that we had during these past years. There have been no major changes in the thinking--which is really to educate people in how to do it, how to get it done fast, how to expedite, how to break bottlenecks. A great bulk of the work--with which your predecessors here at the school have had a great part--is, and has been demonstrated to be, fundamentally sound. Yet here at the beginning of 1952--a year and a half after the Korean incident and nearly a year after the Chinese moved into Korea--we are about at the point we were in 1944, in World

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War II, in knowledgeability and skill in using these various industrial control tools. We have to use priorities, allocations, scheduling, and so on. I am heartened; it has been intensely interesting, but I assure you considerably nerve-racking.

QUESTION: Why is it that some civilian products which use a good deal of scarce materials can't be redesigned to use less scarce materials? I have in mind automobiles. For instance, we know Detroit is having to shut down some of its plants; at the same time one company is using 50 percent more steel in automobiles than was used, say, 20 years ago. Cars are heavier. Take beer cans. Why can't they use bottles. Why is there such rigidity in civilian products?

MR. SMALL: Well, in the so-called critical materials there is a great deal of conservation and substitution work going on. It has been enforced on a lot of people, let us say, by saying, "We are going to give you this much copper and this much aluminum, and you are going to have to find other things to shift to or you won't produce." So they will automatically be forced to conserve.

Steel is not the problem in automobiles; it is copper and aluminum. They haven't as yet found a way of producing an automobile radiator that doesn't use a considerable amount of copper. They have tried various expedients; they don't work. They would love to find a way of using aluminum, let us say, rather than copper in radiators. At the moment the mills haven't enough orders for chrome steel and chrome plating is not a problem.

Civilian industry is debarred entirely from using some of the critical things. Industry is allowed a small fraction of cobalt but no columbite, columbium, and other things. Each one is considered on its merits. But there is an enormous effort going on to substitute easy-to-get materials for some of the tight materials.

Substitution is particularly important from our military point of view in the case of the jet engine. The jet engine is a terrific user of high-temperature alloys. Should all-out war come upon us, we could not possibly produce the number of jet engines called for by the mobilization plan with the amount of high-temperature alloy we have or see in sight or have any possibility of getting. The only answer is to design away from those particular alloys.

Of course, on other things a lot of progress has been made and more progress must be made. We are beginning to get into things which are in fairly easy supply, such as ceramics, to replace high-temperature alloys. But we haven't gotten there yet. I can assure you, however, that a tremendous amount of work is going on. When I say work, I am not talking about theory. I am talking about the work of actual substitution, actual conservation, reducing the

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amount of chrome and steel in an operation and changing over completely to the use of less critical materials within the services, and in industry generally.

Each one of the services gets out a report--once every couple of months or three months--of all they have done during that period of time in conservation and substitution. Each report covers new progress. They do not repeat what they said before, which shows they are really in this seriously, because they realize we haven't the stuff and they must substitute. On the bottles and tin cans, that is something over which we in the military, on our side of the river, have no control. There are many who say that a tin beer can is no more evil than a tin tomato can and why should they debar one and permit the other? The amount of tin metal used on those particular cans is not great. I would say that this subject is slightly political. I can understand the pressure they are under across the river, but in the event of all-out war, naturally we would shift very quickly and there would be no tin cans for any use that was not vital. When we did that during the last war, we found that in spite of maximum utilization of glass we didn't have enough tin for the tin cans needed for the food crop. Does that answer your question?

QUESTION: Yes, it does, but I thought I read that there was a dispute as to whether structural steel was going into automobiles or schools recently. Wasn't there a dispute like that?

MR. SMALL: Yes, because it is used for automobiles and to build schools. I mean to say, on the other side you have to balance--this is not our problem again; it is across the river--the economic advantages and disadvantages of the various things.

In the calendar year 1951 we built more schools than we ever built in our history, considerably more than in the calendar year 1950. In 1952, with the allocations which have been laid out for them, it will be the second-best year in history. So I don't think schools are suffering to the degree that automobiles are, where we have 130,000 people unemployed in Detroit because they are not making automobiles. Those are difficult problems that have to be balanced across the Nation.

QUESTION: Where in the field of scarce materials are we hurting the worst or the most? By that I mean those for which we could develop good substitutes. And are the sources for these musts in the field of scarce materials going to remain available to us in case of war and will they get into planning in that respect?

MR. SMALL: You have to take that on a commodity-by-commodity basis. Let us take nickel, for example, one of the tightest critical materials at the moment. The great bulk of the nickel is produced in Canada. We just started to produce nickel oxide in Cuba

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which will help until our Canadian projects produce. Our Government has gone into production at Falconbridge in addition to the International nickel people.

We do get a little nickel from one of the French possessions in the Pacific. It might be cut off, but I don't anticipate we would be cut off from Canada.

Nickel will be tight all the way through. Because of atomic energy and because of jet programs, primarily, we still don't have complete security in nickel or columbium. The bulk of the latter comes from Africa. Maybe we would be cut off from that. I don't know. The odds are not as great of being cut off from columbium as they are of being cut off from tin. You read in the paper every day about the massing of Chinese Communist troops near Indo-China. Those are two of the main sources of tin. Indonesia is in ferment.

With respect to rubber, I think we are pretty safe. There will be a great deal more rubber within a few months because we will have enough in the stockpile to see us through a considerable period. The high-temperature alloys are the most critical; there is no question about that. From the point of view of military use, tin is not critical; from the point of view of the economy, tin is critical. The position there is not too good, but we are trying to get more tin in the stockpile.

I am not sure I have answered your question. Is that the kind of thing you are after?

QUESTION: Yes, sir. However, I noted in some article in a paper that India is a source of materials for United States industry. It is my understanding that shellac comes primarily from India. It was the source of certain materials that I was wondering about. Manganese also was coming from India in considerable amount. There was a great possibility of losing India.

MR. SMALL: With respect to shellac, of course we need to use shellac in the economy, but we wouldn't lose a war if we didn't have shellac. In the case of manganese, we are developing new sources in Brazil and in Africa; also here in our own country. We have a major source of manganese in slag piles at steel mills and we can get the manganese out of those slag piles if we have to, although it would be quite costly to do it. While recovering manganese, we will recover a lot of steel. So I don't think we will lose a war on manganese even if India were cut off. It would be more costly in terms of dollars, but we wouldn't lose a war because of it.

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QUESTION: I have been making a rather sketchy survey of purchases of raw materials outside the country and of determining sources that we could get at in time of war. Among other things, ECA and now MSA have been able to use a counterpart fund system to purchase in ECA countries. I remember in the last war we had a rubber development in Bolivia. I haven't identified that. We have agencies that could be worldwide in the development of loans for the development of all phases of procurement. Is MSA authorized to do it or should it not be authorized to do that in order that the whole thing would be tied together?

MR. SMALL: Rubber is tied together in RFC. It has the rubber program, including GSA and including natural rubber. All purchasing of natural rubber however, for RFC, for the stockpile, and for industry is done by the General Services Administration, by Jess Larson. So there is one place where one commodity is concentrated in very few hands.

The coordination of the whole metals effort is under a new agency set up here recently, DMPA, which is under Jess Larson also, and which has encouraged production. Millions are involved in Cuba, in Canada, all of the things we are doing in Africa to increase production of some of these critical things. Some of the things that have to be done in order to do these things, we do. Part of it is MSA--building docks, piers, and railroads, where they can't get materials out without them. So they are being coordinated. The agricultural products through the Department of Agriculture; metals through Jess Larson or DMPA, and rubber, as I just told you. There is greater coordination than there used to be. We have made much progress on that this year. They work very closely with MSA; MSA works very closely with metals.

QUESTION: You didn't mention one point. Obviously, we will cut back on capital expansion. No industry is going to go along in capital expansion at the same rate. We will have a lot of overhead tied up in plants that are frozen. That is going to pose a serious economic problem in the capital end of it.

MR. SMALL: In some classes of material, such as structural steel, they will have dislocations of one kind or another and spotty troubles; but, by and large the great bulk of our people will be employed, the national income will be high, and the country will get along well economically in spite of the fact that an individual industry may be in trouble. I don't know any way that you can help it. I think the industrial expansion going on in the country ought to be spread out in the way we are doing on military production and I keep preaching that.

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QUESTION: Some of us have been upset by press articles such as a recent one by the Alsop brothers in which they allege there is a tremendous gap between Russian jet aircraft production and our own. I wonder whether you would care to comment on our chance of substantially narrowing that gap and, if so, when?

MR. SMALL: Well, I wouldn't say that the Alsop brothers have complete information on the Russian jet production, but maybe they have better information than I have. The gap is being narrowed every day productionwise. The main difficulty is that we have just got to have changes going into aircraft which are really slowing up production. A gleam in somebody's eye last night has to be in the production line today. The Russians, on the other hand, on the MIG concentrated on one design which happens to be low in critical alloys and it is down to bare bones. In our airplane we have radar, we have all sorts of gadgets that they don't have.

They have practically nothing on their airplane of the kind of things that we feel our pilots must have for their protection, and I think rightly so. Therefore, their production problem is far less than ours. In Korea we are working under the handicap of flying our people 150 miles up and down; theirs only have to go 15 miles. They don't have to carry much fuel. We do. But our production of the jet airplane climbs steadily. When the gap could be closed, no one could answer unless he knew how much they were turning out and the quality. Our production is increasing steadily.

QUESTION: Would you comment on the status of the cataloging program of the services and standardization?

MR. SMALL: The cataloging program fundamentally involves three things. One is that every item, every nut, bolt, screw, and so on, must be given an item description, a name, and a number, and knowing the millions of items that we have in the system you can imagine what a mammoth job that is. Only when you give a description, a name, and a number can you begin to eliminate duplication of the same thing called by hundreds of different names and numbers. I would say that in the military departments alone there are probably 50 million numbers. Just think of 50 million different numbers, not 50 million different things, but 50 million numbers. I don't know how many names, but something proportionally high.

It was estimated at the beginning of this cataloging program a couple of years ago that if you named, described, and numbered some 2.5 million of them, you would have gotten the bulk of the job done. They set a deadline of June 1952 for doing it. That deadline will be met. There will be 2.5 million named, numbered, and described by that time. In the meantime we have about a half million civilian items--GSA is handling those--which have not as yet been numbered.

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They are being numbered, but not fast enough because of lack of funds. A half million new military items entered the system. As a matter of fact, the job of naming, numbering, and describing will never be completed because there will always be new things entering the system.

Once you get the name, number, and description of these various items, then, of course, the job is to put each into groups and classifications. Putting those together so they are readily available, and getting the services to utilize those numbers in place of the numbers existing in 17 different supply systems they are using today, is a big job.

They are already beginning to implement these numbers as they are published; in some of their catalogs they are using both the old number and the MB number. So they are, in this transition period, beginning to do that. We hope by the end of this year to have food, clothing, and medical supplies entirely under the MB number, throwing away the old numbers. Group by group, segment by segment, that will be proceeding. It is not an easy task; not a simple one. It involves not only putting the items in the catalogs--- they are not one big catalog like a Sears-Roebuck catalog for 3 million items--but it involves getting the items down in operating numbers which are put in the index in order to obtain utilization of new numbers in place of the old.

I would say progress is being made but not fast enough; that, while there is no resistance within the services topside, there is quite a resistance at lower levels to using new numbers. They say the way they were doing it was easier. We have that resistance in the lower echelon which must be overcome.

COLONEL BARNES: Mr. Small, we realize how difficult it is for you to take three hours out of your responsibilities to come over here. On behalf of both colleges, I thank you for your fine presentation.

(26 Mar 1952--750)S/HS

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