

**Defense National Stockpile Center: America's  
Stockpile: An Organizational History**

Or

**An Organizational History of the Defense  
National Stockpile Center: America's  
National Stockpile**

Clifton G. Chappell, Senior History Consultant, Roderick Gainer, Associate Historian,  
and Kristin Guss, Editor

# CHAPTER ONE: How Stockpiling Began

## Mission of DNSC

The Administrators of DNSC have expanded upon the dictionary definition of stockpiling to include the following four distinct mission statements, which still remain relevant although written 55 years ago:

- 1. The National Stockpile is a physical reserve of definite quantities of materials, owned by the United States government, stored mostly on government-owned property and in government warehouses. Currently, there are 40 different commodities stockpiled nationwide.*
- 2. The Stockpile is an inventory of raw materials with a cash value. Today, that market value is approximately \$1.5 billion (2005 value). These are recoverable assets owned by the people of the United States. In this sense, the Stockpile acts like an insurance policy with an outlay return of many-folds over the original costs should the stockpile be used, and yet until used, it retains indefinite value (at current market value).*
- 3. DNSC is a basic element and an integral part of the national defense structure. However, it is not solely a military element: it is intended for all essential civilian and military uses in times of emergencies. This function is closely linked to military and civilian national security requirements, of course while taking into account the formulation of DNSC objectives. There is a direct relationship with industrial mobilization planning and the disposition of the Stockpile in time of national emergency.*
- 4. DNSC provides a tremendous reserve of commodities for use during a national emergency. In the final analysis, materials are stockpiled on the basis not of the manpower required to produce them, but of the manpower that is required in wartime if these materials are not available.*

As the stockpile legislation requires, one of the primary mandates for the National Defense Stockpile as an organization is to eliminate, or reduce a dangerous and costly dependence on foreign nations. Thus, DNSC requires that stockpiled materials meet three distinct criteria:

1. They must be essential for the common defense (whether to industry or to the Armed Services).

2. Materials must be insufficiently available in the United States.
3. All materials must have the distinct capability of actually being Stockpiled. (Stockpile Report to the Congress, 23 January 1950, pages 15-17)

Now that DNSC has been explained, a look back in time will help to more fully understand the necessity of maintaining stockpiles of rare and vital materials prior to modern times. Before looking back, below is a current list (as of 2006) of the materials considered strategic and critical, by DNSC. At an earlier time, this list contained 93 different commodities, but by 2006 many of these had been completely sold off through the disposal programs. Keep this list in mind for comparison to earlier versions. <sup>1</sup>

### **A National Minerals Plan and National Stockpile**

Soon after World War I, leading American scientists sought to educate industrialists and those in government on the necessity of having a national minerals plan in hope that America would not return to its old isolationist thinking. In fact, one of the country's leading geologists and professor, Charles K. Leith, promoted a novel idea. Leith had accompanied President Wilson to the Paris Peace Conference after the Armistice as the President's minerals expert. He also worked for Baruch in the War Industries Board during the recent war. He proposed a world institute to manage raw materials, in an "internationalist" approach of control. Leith teamed up with leading experts of the period such as Josiah E. Spurr, who had become President of the Mining and Metallurgical Society of America, H. Foster Bain, then Director of the U.S. Bureau of Mines, and George Otis Smith, Director of the U.S. Geological Survey (serving more than 20 years in this capacity). Spurr also served as the President of the Mining and Metallurgical Society of America, and from 1919-1927, edited the Engineering and Mining Journal. These learned experts established what became a blue-ribbon panel to research and write a minerals plan by first inventorying all domestic minerals resources.

Leith and his associates intended to draw enough attention to establish a policy that ensured the adequate raw materials dissemination to the entire industrial *world*. They saw the quest for raw materials as a world problem and sought solutions as such. Still, they wanted to protect American companies from other countries that might use embargoes, or other such protectionist policies, which would hurt the domestic mining industry. They saw their plan through the eyes of free-trade advocates and not through the interests of pro-tariff supporters. They did believe in some form of "tariff" controls for the major strategic raw materials of copper, manganese, chromium, and tungsten since all but copper had to come from foreign markets. The report they put together came in the early 1920s soon after the war and in the same timeframe that ANMB began to study strategic materials. It also came at a time that the mining companies blasted Congress for tariff protection against cheaper foreign imports. The miners had real concerns centered on staying in business. Importantly, Leith and his colleagues urged the formation of a national stockpile that would include antimony, chromium, and manganese, because of the large dependency on foreign suppliers. Although against major tariffs, they believed that legislation, especially for antimony, should receive a domestic tariff benefit. From the monetary proceeds of this moderate protectionist

legislation the government could build a stockpile of some 4,000 tons of antimony, which at that time came to a six-month supply for American industry. Yet, they hesitated to back more stringent protectionist legislation for other materials believing it would actually lead to depleting reserves of vital materials like chromium, which in turn would guarantee future dependence upon foreign sources. (Eckes, *The United States and the Global Struggle for Minerals*, page 38-40, hereafter referred to as *Struggle*)

Leith and his colleagues also advocated the establishment of another permanent stockpile of 600,000 tons of high quality ferromanganese, which they estimated could take up to nine years to develop. They had determined this amount would last about two years in the production of steel at the rate of consumption during World War I. This stockpile would contain a very high-quality ferromanganese between 78-82 percent pure, which the United States could not produce domestically. In the 1930s, the United States could only buy this quality ferromanganese ore from foreign sources, like Russia (the Soviet Union), India, the Gold Coast of Africa, and Brazil. Cuban deposits had just been discovered that contained large amounts of manganese ores measuring in at 20 percent pure, but without the phosphorous contained in the Russian manganese ores. Even though lower in percentage than the foreign ores, it became cheaper to process the Cuban ore to the concentrated ferromanganese level because it contained fewer impurities to eliminate. This held especially true in the case of American mined low-grade manganese ores, which had high amounts of impurities. Plus, the Cubans worked cheaper, and the mined ore traveled a shorter distance than Russian or other such foreign-based ores. Both the Cuban and foreign mined ores cost less and had higher percentages of ferromanganese quality than those domestically produced. Also, the American steel manufacturers preferred the higher percentage foreign ores. In 1934, Russian ferromanganese grade ore cost \$22.50 per ton to import (with a 100 percent tariff duty attached), and American mined ores cost \$30.00 per ton by the time they received adequate concentration processing into the ferromanganese quality. (*Struggle*, page 41; Lecture Series, L34-015, “*Strategic Commodities*,” by LTC Charles T. Harris, Jr., Ordnance Department, Chief, Commodities Division, Planning Branch, OASW, March 26, 1934, page 5 of 12, Report Number: <http://www.ndu.edu/library/ic7/L34-015.pdf>)

Congress never enacted the minerals policy, which Leith and his experts envisioned. This stemmed from America remaining somewhat ignorant of the mineral problem, and those who knew something about it believed in a phenomenon then being forwarded based on the idea that America had become a dominant power in the world because of American individualism, which ran counter to establishment of many national policies. This concept saw incorporation in what became known to historians and social scientists as the Frontier Thesis, advanced in a paper presented by Dr. Frederick Jackson Turner, titled *The Significance of the Frontier in American History* at a meeting of the American Historical Association at the World’s Columbian Exposition in 1893. Turner carried his theory even further in his book titled The Frontier in American History published in 1921. Simplistically speaking Turner believed that American institutions had been shaped by the rugged frontiersman going forth to conquer the American frontier. Other historians picked up the mantle from Turners’

thesis like Walter Prescott Webb, who attempted to show that most of Western Civilization had been developed by earlier frontier-concurring “individuals,” and establishing societal institutions from this experience. Webb introduced America to this ideal through his works like The Great Plains (1931) and The Great Frontier (1952). Americans took to this Frontier Theory based on many of the heroes average citizens identified with like Daniel Boone, Davy Crockett, and latter nineteenth-century personages like Kit Carson and Buffalo Bill Cody. Through his wild-west show, Cody sold many citizens on the idea that the exploits of a single American individual going into the wilderness could come out successfully concurring the inhabitants and nature itself. Thus, in the early twentieth-century, many Americans believed in the premise that institutions had been shaped because of individualism. If this theory held true, then why did America need any national policy that would only constrain the individual in developing America to its fullest potential? Establishing a national minerals policy, therefore, held little chance in being formed during this period. If American experts could not agree or accept a national policy, they certainly could not think beyond the borders in terms of a global solution! In Congress the idea of “self-sufficiency” and protecting American mining industries through tariffs continued to dominate thinking. Scientists like Leith believed this to be based on a false ideal, as later historians disproved the Frontier Theory, but in 1922 Congress passed protective measures through the Fordney-McCumber Tariff. This legislation placed a duty on several imported raw materials that had previously been duty-free. Protection legislation won out over the free trade of raw materials, and international agreements. Congress hoped the tariff would prod domestic producers to increase production, but by the 1930s this had not happened. On the eve of World War II, the tariff on manganese had produced no increase in domestic supplies. In fact, in the decade before World War II, the tariff, which approximated 100 percent on some materials, did not produce an increase in domestic mining of strategic materials even though its original advocates proclaimed that it would. (*Struggle*, page 42; Roush says on page 60 that in from 1929 to 1939, the tariff approximating 100 percent did not increase the development of domestic materials to any great extent)“  
([http://en.wikipedia.org/wiki/The\\_Significance\\_of\\_the\\_Frontier\\_in\\_American\\_History](http://en.wikipedia.org/wiki/The_Significance_of_the_Frontier_in_American_History), for Turner’s thesis (accessed 27 September 2007); for Webb, The Great Plains, Preface, by Walter Prescott Webb, the University of Nebraska Press, Lincoln and London, 1931, First Bison Book Printing, 1981, 525 pages)

During the 1930s, the idea of establishing a national stockpile continued to have advocates, and some went so far as to raise the issue in Congress. By this time, the Industrial Mobilization Plans sponsored by ANMB had been disseminated throughout top governmental levels—along with the Army Industrial College—and this spurred studies of mobilization. In this turbulent decade, totalitarianism and militarism arose from the ashes of the First World War. These ideas became especially prominent in Germany, Italy, and Japan, three nations with grandiose ambitions, but lacking in several vital minerals to fuel their ever-growing war machines. In their view, the former Allied nations monopolized the world’s raw materials sources. Since the disgruntled countries could not acquire many raw materials, they turned to violently expansionistic policies. To Leith and his associates this came as no surprise. They held that geography and

history pointed to the instability of Europe. Thus, war looked almost inevitable. Those like Leith, who had accompanied President Wilson to Paris, believed nothing but strife would mark the desire of nations for raw materials in the industrialized twentieth-century.

Many in the U. S. who backed the mining lobby's idea of self-sufficiency did not grasp that world conditions had changed radically after World War I. Technology and the expansion of trade became evermore intertwined in the new national economies—making them much more internationalist than before. However, even those countries at the Paris Peace talks began to fall away from the peace accord in the 1930s. A rise of nationalism saw nations once again competing for raw materials in fervor to obtain self-sufficiency. This rapid change wound around those with militarism and a quest for more power set the stage for the next world war. Leith believed that too much had been left undecided at the Paris Peace Conference, and most nations seemed bent on self-sufficiency, leading them away from the original concept of a the League of Nations. He correctly believed this would result in another conflict down the road. (*Struggle*, page 10, 25-27)

In the early 1930s, Colonel Edward M. House, former Special Assistant to President Woodrow Wilson, also a member of Wilson's Peace Delegation after World War I, referred to nations in terms of "Haves" and "Have Nots," in reference to raw materials. The "have" nations either contained deposits of strategically important materials, or could procure these materials from friendly nation-partners and colonies. In turn, they reconstituted these minerals, materials, chemicals, and other such natural resources into more quantities of foods, essential supplies, housing, medicines and of course military weaponry. The "have not" countries often had more population than food supplies and had difficulty employing all of their population to the point of maintaining a comfortable standard of living. Some of these "have not" nations made decisions during the interwar years to "correct" such material deficiencies and this threatened the peace of the world. (National Defense University Lecture Series, L38b-016, "*Strategic and Critical Materials*," by LTC H.D. Rogers, U.S. Army Medical Corps, Chief, Commodities Division, Planning Branch, O.A.S.W., February 19, 1938, page 2, of 22, Report Number: <http://www.ndu.edu/library/ic7/L38b-016.pdf>)

The future Axis powers, Germany, Italy, and Japan, began devising ways of securing badly needed raw materials, and attempting to deprive other nations like Great Britain, France, and the United States from supplies of such necessary materials. By the mid 1930s, Germany had launched a massive rearmament program, Italy had invaded Ethiopia, and Japan had launched a largely unprovoked invasion of China. The war planners on the Army General Staff and procurement planners in OASW began to categorize nations in terms of mineral reserves. Naturally, having sufficiently trained military forces and sophisticated weapon systems became a necessity too. The American military forces envisioned by the war planners during the interwar years reflected the traditional maximum of a 4 million-man army well into the 1930s (the rough total of the military during World War I). Materials needed for the sustenance of the general populous, which helped make the weaponry, also became critically

important. This became especially so for the United States as the nation relied more and more on foreign sources for supplies of strategic and critical items. (Lecture Series, L38b-016, "Strategic and Critical Materials," page 2, of 22; <http://home.u-s-history.com/pages/h1051.html>, "*Politics and Public Service, Edward M. House, 1858-1938*," (accessed 27 September 2007))

Despite the troubling world events, the United States concentrated on the problems associated with the Great Depression. President Franklin D. Roosevelt wanted nothing to do with war preparation activities, which he thought to be an extravagance in the midst of a Great Depression. Old preparation agitators like Bernard M. Baruch began once again applying pressure on the government to at least start addressing these threats. However, the United States would make no overt attempt to expand military preparations for fear of arousing those isolationists within the nation, or of antagonizing other world powers. Once again, the American president would play the neutrality card, and this frustrated those who saw the inevitability of war coming. (Bullis, L. Harold and James E Mielke, *Strategic and Critical Materials*, page 165)

In 1935, Herbert Feis, an economist in the State Department, suggested the establishment of a reserve of strategic materials while he served on a governmental interdepartmental committee. This stance resulted from fear of war when Italy invaded Ethiopia. Feis believed the United States could purchase \$25 million worth of materials per year through domestic and foreign markets, and he further suggested the bartering of surplus agricultural products as payment for the materials. Still, Congress did not act even in light of naked Italian aggression towards world peace.

During the 1930s, the War Department had prepared suggestions for the nation should a national stockpile be established. These included acquiring materials through the government, or through private industry under some form of governmental control. In February 1934, the military planners in OASW prepared studies to establish a strategic stockpile plan under direction of the Assistant Secretary of War, and then staffed it through the War Department. That year the planners publicly approved a plan settling the lingering war debts from World War I by exchanging strategic materials for payment. They even suggested bartering surplus agricultural products in exchange for strategic materials. Nothing came of establishing a stockpile, but the importance lies in the consideration of the idea. ((*Struggle*, page 74-76); Lecture Series, L34-015, "*Strategic Commodities*," pages 4 and 12)

### **First Stockpile**

The Honorable Charles I. Faddis, Congressman from Pennsylvania sponsored legislation beginning in 1936 to obtain strategic materials, but nothing became of the measure until 1938. The Faddis legislation became law (House Resolution (H.R.) 1608), through the Naval Appropriations Act of 1938. Through the Act the Navy received a small appropriation of \$3.5 million for the first stockpile of strategic and critical materials accumulated by a United States military service in preparation for a national emergency. The Navy quickly purchased a small stockpile of tin, ferromanganese,

tungsten, chromite, optical glass, and manila fibers. In the next two fiscal years, the Navy received additional installments of \$500,000 for its stockpile. (Gutchess, *Selling Defense Materials*, page 5-6)

After graduating from Pennsylvania State College in 1915, Faddis served as a sergeant in the Tenth Infantry, Pennsylvania National Guard when President Wilson activated the guard for duty along the Mexican Border in the Punitive Expedition of 1916. Sergeant Faddis rose to the rank of lieutenant colonel during his service in World War I and received the Purple Heart medal for being wounded in battle. After serving in Congress from 1933 to 1942, Faddis resigned on 4 December 1942 to once again accept an appointment as a colonel in the Army. He received a second Purple Heart, along with a Bronze Star for his services during World War II. (Lecture Series, L38-016, “*Strategic and Critical Materials*,” page 7; Info Please: All the Information You Need. <http://www.infoplease.com/biography/us/congress/faddis-charles-isiah.html>, “*Faddis, Charles Isiah, 1890-1972*,” (accessed 27 September 2007); *Struggle*, pages 75-76; *Stockpiling Report to the Congress*, 23 January 1947, page I-1 for the exact materials purchased by the Navy)

In the late 1930s, legislation to establish a complete national stockpile received consideration by Congress, like the Faddis legislation, which had endorsement of the War Department. However, the War Department did not believe it had jurisdiction to comment on those bills dealing with stockpiles for “private interests,” or not specifically pertaining to national defense. This gives an indication of how much interest existed then in establishing some sort of stockpile of strategic and critical materials—both private and public. The one bill most appropriate to the military services, and which had the endorsement of the other branches of the government known as the “Thomas Bill,” (Senate (S.) 4012) held the most promise of all the stockpile legislation as of 1937 (75<sup>th</sup> Congress, First Session). Significantly, it gave the U.S. Bureau of Mines (BOM) responsibility for continuing studies of strategic materials, and for developing existing domestic reserves of materials. This pleased the procurement planners in OASW since BOM had rendered valuable assistance to the agency on studying strategic materials for some years. (Lecture Series, L39-039, “*The Commodities Division*,” pages 13, and page 3 of 5 on the enclosed Discussion Appendix)

With legislative initiatives concentrating on a National Stockpile coming and going in Congress, the 1936 Industrial Mobilization Plan sponsored by ANMB recommended the formation of four hypothetical civilian-controlled super-agencies to be established by the President once a national emergency occurred. These four agencies would each manage (1) industrial production in a war scenario, (2) selective service, (3) public relations, and (4) the national labor force. The first and largest of these, originally titled the War Industries Administration, later renamed the War Resources Administration, would control war finance, trade, labor, and price controls. The War Resources Administration had powers superseding those of the War Industries Board in World War I, controlling everything but the selective service and public relations. Importantly, to the history of stockpiling, the War Resources Administration had the responsibility for acquiring analyzing, and controlling strategic and critical materials in a

war setting. Although the plan failed to consider control over the allocation of materials, such as steel, copper, and aluminum, this put stockpiling squarely within the context of a government-established agency designed for war preparation and national defense. As such, the 1936 Industrial Mobilization Plan served planners well as a precursor for establishing separate stockpiling activities, which began before the United States entered World War II. (Schubert, *Mobilization*, P 7).

### **World Distribution of Raw Materials and Causes of World War II**

The Great Depression helped drive the aggressive powers of Germany, Italy, and Japan faster in their imperialist quests to obtain what they perceived to be their rightful place in world affairs. Instrumental in this struggle to gain world dominance lay the reality that each of these nations had limited supplies of raw materials hindering them from gaining an advantage over the other industrialized nations of the world. In fact, they saw nations like Great Britain and its vast Commonwealth, rich in raw materials, and the United States with similar abundances of natural resources with a network of partnering nations, as two of the world's obstacles preventing them from access to the raw materials they needed for advancement. In this analysis they happened to be correct. The possessions of Great Britain and the United States combined equaled about 75 percent of the world's essential raw materials. Scientists like Charles K. Leith pointed out that a primary objective for the aggressive moves made by the Nazi German government had to do with obtaining what it deemed 'adequate' raw materials. Naturally, what Chancellor Adolph Hitler meant by an 'adequate' quantity included those materials necessary to supply its rapidly expanding military forces in a quest for world dominance—proven during the years just prior to World War II. (*Struggle*, page 75 for the 75 percent figure; Leith, *World Minerals and World Peace*, pages 2 and 4)

Having, or not having, raw materials could make or break a modern nation, but it takes much more than just possessing such ingredients. Nation's needed the infrastructure to extract, or acquire the materials, and then they needed the abilities to turn these into industrial products. They also needed to have an educated and skilled labor force to work the factories and businesses vital to making industrialized nations strong. Certainly it also took a government compatible with the economic system of a country, such as a democratic and flexible form like that of the United States. As a "have" nation, America encompassed all of these ingredients and more. The United States could more fully reach the level of self-reliance than all of the other leading industrial nations of the 1930s. It contained the materials required to give its citizenry a comfortable and high standard of living. Unfortunately, with all of its natural endowments, even the United States could not be totally self-sufficient for its peacetime industrial needs then, and certainly not for its wartime requirements. Even then a few experts, like Leith, worried, as experts do now, that the United States used raw materials in such large quantities that someday and perhaps sooner than later, the nation would run out of these vital resources. Leith believed the nation should preserve much of the domestic resources as a last resort "reserve." Further, he and other mineral experts believed the best solution for protecting these reserves lay in the use of natural resources

procured from other nations if they could be purchased cheaper and safely. The debate to protect the nation's natural domestic reserves for the future, or to develop them for the immediate need, is still a continuing issue, but from World War I onward the United States has relied more and more upon foreign supplies of many raw materials including those classified as strategic and critical. This is not a new concept, and the minerals policies of each Presidential administration since that timeframe have wrestled with the perplexities of a nation dependent upon vast amounts of raw materials coupled with an ever-larger role in world affairs. (Lecture Series, L38-016, "*Strategic and Critical Materials*," page 3; *Struggle*, Pages 38-40)

By 1934, mineral experts, including Leith, suggested through a Planning Committee for Mineral Policy, set up by a Presidential Natural Resources Board in 1933, that in preparation for the possibility of another war the United States should establish reserves, or a stockpile of the most essential materials of manganese, chromium, tungsten, nickel, and tin. Others also suggested establishing reserves of these materials. One particular author, Brooks Emeny, concluded a study on the subject called The Strategy of Raw Materials, working closely with the War Department, which advocated establishing reserves of important materials. In fact, in 1934 the Commodities Division of the Planning Branch in OASW prepared a study for ANMB containing data on all strategic materials to determine the quantities needed if war came. This study included the quantities of strategic materials suggesting the building up of a reserve, or a stockpile, kept ready to sustain the country for a 24-month conflict once M-Day began. The Commodities Division had submitted this study to the War Department in January 1934, where it remained. These initiatives never got much consideration in the Roosevelt administration. (*Struggle*, pages 74-75; Lecture Series, L34-015, "*Strategic Commodities*," page 4)

### **Conclusion of War Plans and the Beginning of Victory in World War II**

The Office of the Assistant Secretary of War and ANMB worked harmoniously and continually on the requirements in Section 5a of the National Defense Act of 1920 in the years before World War II to prepare the military for the next war emergency. However, the closer World War II came, the more criticism the agencies received within government circles. For one, the military planners never had the budgetary means to fully work with a large segment of industry partners in planning a war emergency. Much of what they did had to be done in a vacuum and by too few planners involved. The planners could not work out comprehensive modern war procurement plans that "fit" all of the types of war contingencies of the twentieth-century magnitude. The Industrial Mobilization Plans of the 1930s used World War I as a model and they remained too rigid in this respect. This rigidity had to give way to more flexibility that took into account additional contemporary circumstances. Likewise, the general war plans that coincided with the Industrial Mobilization Plans, from the War Plans Division of the Chief of Staff's General Staff (called Protective Mobilization Plans), began to fall to the wayside although they too proved to be an effective tool to help train war planners in the critical aspects necessary to fighting in the context of a single-front war like World

War I. These plans continued to be based on a predominantly naval conflict engaged with Japan. Not until the latter 1930s did this concept begin to change, whereby the Army would need to build up a massive ground force to fight such countries as Germany and Italy, in addition to the naval war with Japan.

## IV. World War II and Stockpiling

In the summer of 1941, General George C. Marshall, Chief of Staff of the Army, directed the War Planning Division of his General Staff, to produce a joint plan with the Navy that would show the production estimates of the services in their war needs in the event of total war. This became known as the Victory Plan. He gave this task to then LTC Albert C. Wedemeyer, who had attended the German *Kriegsakademie* in Berlin 1934-1936, as an exchange student, studying mobile warfare. While in Germany, Wedemeyer read the various works of Maj. Gen. J. F.C. Fuller, noted British military strategist and authority on German strategy. Wedemeyer's analytical approach to victory launched his career and helped lead the Allies to victory. He helped plan the Allied invasion of Normandy, which eventually led to Germany's surrender. He became a general officer during the war rising to command American forces in China. After the war, he supported Gen. Lucius D. Clay's plan called the Berlin Airlift, in 1948, which successfully supplied the people in West Berlin with food and medicines when the Soviet Union cut-off all supplies to that region of the city. He retired in 1951, but received a promotion to full general in 1954. (*GEARING UP FOR VICTORY: American Military and Industrial Mobilization in World War II*, Colloquium on Contemporary History, June 25, 1991, No. 5, Navy Historical Center Department of the Navy, Washington, D.C., 1992, 75 pages; "Computing the Requirements for War: The Logic of the Victory Plan of 1941," by Maj. Charles E. Kirkpatrick, USA, US Army Center of Military History, hereafter referred to as Kirkpatrick; Wikipedia Free Encyclopedia, [http://en.wikipedia.org/wiki/Albert\\_Coady\\_Wedemeyer](http://en.wikipedia.org/wiki/Albert_Coady_Wedemeyer) biographical information on Wedemeyer (accessed 27 September 2007)

General Marshall referred to the Victory Plan as a study of production requirements for national defense, and that it estimated equipment necessary for certain strategic assumptions. It amalgamated the political and military goals of the American military command structure through military attention to the manpower needs of the civilian war economy and in an understanding that the American economic system itself contained extraordinary power—in fact a considerable military weapon. The Victory Plan further delineated military objectives that most suited the national goals in the war. The so-called "Wedemeyer Victory Plan" contributed in many ways to preparing the country for World War II, and it showed a keen intellect that grasped the ambiguity of politics through policy, strategy and in practical military applicability. It reflected those concepts often commonly held but hard to articulate in a strategic plan produced by wartime military leaders. Most importantly, the Victory Plan replaced the last Protective Mobilization Plan of 1939. Lieutenant Colonel Wedemeyer based the plan on assumptions that the major war effort would be concentrated against Europe first and

maximum personnel strengths would be achieved in July 1943. Thus, procurements, and supplies would receive calculations based on this assumption. His plan proved effective in dealing with an international crisis, which by all stretching of imagination had not existed within the earlier plans, and it dealt specifically with fighting a war not only overseas, but also on more than one front. Another assumption made correctly determined that after Pearl Harbor the focus of the war would no longer be on defensive measures but would concentrate predominantly on offense to defeat the enemy.

By early 1942, ANMB became part of a newly formulated organization called the Services of Supply within a reorganized Army staff (however it also remained theoretically within the President's grasp in his executive office). Priorities and allocations of strategic and critical materials had transferred from ANMB, much earlier when the President established the Office of Production Management (OPM) in early January 1941 (part of his progressive march towards establishing super-agencies). The OPM transitioned into the War Production Board (WPB) beginning in early 1942, the equivalent of the World War I War Industries Board, but approximately ten times larger. The Army continued to reorganize through 1941 and 1942, and one of these involved replacing the Office of Assistant Secretary of War with that of the Under Secretary of War. The Services of Supply combined the procurement activities that had served the Army within the Office of Assistant Secretary of War since 1921, with those of a G-4, or supply organization. The Services of Supply reorganization occurred under the skilled hands of LTG Brehon B. Somervell, who became General Marshall's right-hand man for all combined procurement and supply services. Somervell's first organization became the Directorate of Procurement and Distribution, but later changed to the Army Service Forces (March, 1943). The G-4 concept is still used in the Army structure today. (Kirkpatrick, pages 35-38; Nelson, *Arsenal of Democracy*, page 342)

**The Strategic and Critical Stock Piling Act of 1939 (Public Law 117, 76<sup>th</sup> Congress)**

Although the Roosevelt administration had shown scant interest during the depression years for establishing a National Stockpile, some activity toward this end did occur in the years before World War II as mentioned earlier. In 1933, the President appointed the National Resources Board to study natural resources. Under this Board, the Planning Committee for Mineral Policy, the committee that Charles K. Leith served on, recommended the stockpiling of materials of a deficient nature. Armed with this information, the President directed the War and Navy Departments for detailed recommendations on stockpiling of certain materials. After 1936, the two military services recommended that the United States should stockpile certain materials for a war emergency, and that such a stockpile would be "in the best interest of the nation." In 1938, the executive branch and Congress once again pushed Roosevelt to establish a National Stockpile. The interdepartmental committee chaired by Herbert Feis, again urged a program that would spend \$25 million for strategic and critical materials, and another \$500,000 for domestic exploration. This could only be considered a rather small, or minimal, stockpile. The military and the Department of State backed a bill

called the “Thomas Bill,” after Senator Elbert Thomas (D), from Utah who introduced the stockpiling legislation in Congress—Utah being a pro-mining state. Roosevelt remained reluctant to establish a stockpile. He still believed at this time, as many people in the United States, that somehow the country could avoid a war with the Axis Powers. In March 1939, Roosevelt warmed a little to the idea of a stockpile, and decided not to block the initiative this time if one came across his desk. (*Selling Defense Materials*, P 5; *Stockpile Report to the Congress*, 23 January 1947, Part I, page I-1; *Struggle*, page 77)

However, even with the President’s reluctant approval for a law, it became quite another to get him to approve adequate funding. Instead of Feis’ recommendation of \$25 million for the program, Roosevelt settled on a smaller sum of \$10 million. To Feis this seemed hardly a funding beginning, but at least the President would not block a stockpile bill, and in politics this could be measured as a major victory for the advocates of a National Stockpile. (*Struggle*, page 77)

As mentioned briefly before, the milestone legislation for a National Stockpile occurred on 7 June 1939, passed by the 76<sup>th</sup> Congress, and signed by the President called the Strategic and Critical Materials Stock Piling Act of 1939 (Public Law 117). The President never totally warmed to having a National Stockpile, but this did not stop him from signing the legislation. The final Act came after the culmination of various studies and recommendations made by the War Department, through the ANMB in 1938 and 1939, and those from the Departments of State and the Interior along with other interested agencies. It truly represented a product of an interagency agreement. In part, the Act stated that as Congressional policy it would:

“...provide for the acquisition of stocks of certain strategic and critical materials of which the natural resources of the United States were deficient or insufficiently developed to supply the industrial, military, and naval needs of the country for common defense and to encourage the development of mines and deposits of these materials within the United States.” (*Selling Defense Materials*, May 1969, page 6 of 488)

Significantly for the military services, ANMB became the primary proponent of the stockpile program in conjunction with the Department of the Interior, which played an instrumental and required function for enabling the legislation. Interior would continue its association with the National Stockpile into modern times. (*Selling Defense Materials*, pages 5-6; *Struggle*, P 76-78)

As a consensus piece of legislation, the Stock Piling Act of 1939 included several provisions acceptable to all those who had an interest in stockpiling. The basic provisions included the following:

- a. The determination of materials to be classified as strategic and critical
- b. Determining the quality and quantity of each stockpiled material (necessary for Interior’s acceptance)
- c. Procurement of stockpiles within funding authorized by the Act

- d. The necessary storage, care, and handling of stockpiled materials, and the rotation of materials when necessary
- e. The release of the stocked materials for use only when ordered by the President in time of war, or the threat of war (This kept the stockpile only for national defense uses acceptable for the military's approval)
- f. The "Buy American" Act would be applicable to purchases (this pleased the domestic producers).
- g. Appropriations amounting to a total of \$100 million for stockpiling purposes for the fiscal years 1940 through 1943---No limit was set on time these funds could be expended (this small appropriation pleased no one except perhaps the President)
- h. Exploration and development of domestic resources by the Interior Department, with an authorization for the appropriation of \$500,000 for these activities in each fiscal year 1940-1943 (*Stockpile Report to the Congress*, 23 January 1947, page I-1)

On 28 May 1941, Congress enacted Public Law 76, 77<sup>th</sup> Congress, which amended Section 6 of the Stock Piling Act of 1939. This became necessary after Congress realized that money from releases did not revert back into the stockpile. So, the amendment established within the Department of Treasury a revolving fund to retain money from disposal of all materials coming out of the National Stockpile. (*Stockpile Report to the Congress*, 23 January 1947, page I-1)

The Stock Piling Act gave ANMB authorization, with the approval of the Secretaries of War, Navy, and Interior, to decide which materials should receive strategic and critical status, and to establish qualities and quantities of the materials to be purchased by the Procurement Division of the Treasury Department. Further, designation of representatives from the State, Treasury, and Commerce Departments cooperated with the Secretaries of War, Navy, and the Secretary of the Interior in determining the materials to be purchased. The Secretary of the Treasury had responsible for not only purchasing the materials, but for their storage and maintenance. When necessary the Treasury ensured preventive measures to keep the materials from deteriorating by using a rotation system. This meant that materials showing signs of deterioration could be sold and fresh new materials could replace the old by using purchase contracts. Only through this "obsolescence" clause could materials be sold without going through Congress for approval. Of course the legislation contained authority that by order of the President of the United States in time of war (a national emergency), or the possibility of a threat of war, materials could be released. (*Selling Defense Materials*, page 488; (*Stockpile Report to the Congress*, 23 January 1947, page I-1)

Congress authorized the amount of \$100 million for stockpile materials from the fiscal year beginning on 1 July 1939 to the fiscal year ending on 30 June 1943. However, after the appropriations committees acted, taking direction from Roosevelt, the program only received the \$10 million Roosevelt had agreed to originally. This came by way of Public Law 361-76<sup>th</sup> Congress, on 9 August 1939. Acting quickly, ANMB

allocated these funds by 22 August 1939, buying eight different materials. On 11 August 1939, Congress enacted the law allowing the Commodity Credit Corporation (CCC) of the U.S. Department of Agriculture, to exchange surplus agricultural goods from the United States for those strategic and critical materials coming from foreign markets. Under this agreement Great Britain exchanged rubber for agricultural products, but this law did not pertain to the National Stock Piling Act of 1939 at that time (it would later be used for national stockpile purposes). After the Nazi German army had marched against Scandinavia and France in June 1940, Roosevelt allowed additional funding for the stockpile program. On 25 March 1940, through Public Law 442-76<sup>th</sup> Congress, the program received an additional \$3 million, which ANMB used on 9 April 1940 to purchase more quantities of three of the above eight materials (the three are not known). In the next fiscal year, Congress approved \$9.5 million and another \$47.5 million through Public Law 667-76<sup>th</sup> Congress, on 26 June 1940. ANMB also quickly used this funding on 28 June 1940 to purchase five additional amounts of the original eight materials, and to purchase three new materials. By 10 October 1943, the stockpile held thirteen materials, and Congress had appropriated a total of \$70 million for the program. By this time, ANMB had directed the Procurement Division of the Treasury to purchase the following materials: cadmium, chrome ore, industrial diamonds, manganese ore, manila fiber known as abaca, mercury, mica (muscovite block and splittings), monazite sand, optical glass, quartz crystals, quinine (hydro bromide and sulfate), pig tin, and tungsten ore. (*Selling Defense Materials*, pages 6-7; *Struggle*, page 78; *Stockpile Report to the Congress*, 1946, Part II, page II-1; and *Stockpile Report to the Congress*, 23 January 1947, page I-2)

The other \$30 million authorized for stockpile purchases never came to the stockpile because Roosevelt began to use funding for purchasing strategic materials through various other agencies with escalation of the World War II efforts. Presumably, the ANMB did not feel inclined to request the amount at that time. During World War II, by order of the President six of the above materials received release notices worth a total of \$8,845,792.00. Materials included: cadmium, manila fiber, muscovite block mica, optical glass, quartz crystals, and quinine sulfate. (*Selling Defense Materials*, pages 6-7; *Struggle*, page 78; *Stockpile Report to the Congress*, 1946, Part II, page II-1)

### **Stockpiling and War Production Activities during World War II**

With the declaration of war on 8 December 1941, the national stockpile program became somewhat ignored, and through a consensual agreement with the war agencies established by this time, contract purchases remained at the previously mentioned levels including funding. The war needs far surpassed what the National Stockpile had been set up to handle, and activities of purchasing strategic and critical materials passed to such super-agencies as the Reconstruction Finance Corporation (RFC), which had originally been formed in 1932 (in the Hoover administration), and additionally to the War Production Board (WPB) formed in 1942. Before declaration of the war, Public Law 664-76<sup>th</sup> Congress, enacted on 2 June 1940, gave RFC tremendous powers and authority to produce, acquire, and transport strategic and critical materials in place of ANMB. This gave the President the power to create, through subsidiary corporations to

the RFC, the Rubber Reserve Company and the Metals Reserve Company, established on 28 June 1940, for such purposes. Consecutively, on 22 and 29 August 1940, the RFC created the Defense Plant Corporation and the Defense Supplies Corporation assisting with the production of war supplies made from the large purchases of strategic and critical raw materials authorized in the legislation. RFC's subsidiary corporations made the large purchases of strategic and critical materials that transferred to super-agencies established by executive orders that handled the vast industrial mobilization efforts. These included the Supply Priorities and Allocation Board (SPAB), which Roosevelt established after NDAC, and the Office of Production Management (OPM), which replaced SPAB. In this progression as mentioned previously, Roosevelt replaced the OPM with the War Production Board (WPB), which handled most of the World War II defense production responsibilities that turned America into what Roosevelt had dubbed "the Arsenal of Democracy." The WPB had a division for every conceivable supply and product necessary for war production. This agency handled all war production activities similar to the War Industries Board during World War I, but as mentioned before, on a much larger scale. In fact, the Director of the WPB, Mr. Donald Nelson is the person stating that swamped the WIB by ten times over. Nelson used Bernard M. Baruch as an adviser on many occasions for working out many of the difficulties associated with managing America's vast economic war effort during World War II. (*Arsenal of Democracy*, page 342; *Stockpile Report the Congress*, 1946, page II-2; EH.Net Encyclopedia:

<http://eh.net/encyclopedia/article/butkiewicz.finance.corp.reconstruction>,

"Reconstruction Finance Corporation," James Butkiewicz, (accessed 27 September 2007)

When allocation problems arose concerning what industries should receive strategic and critical materials, Nelson first set up a "horizontal" system that allowed raw materials to pass from a government agency directly to contractors and subcontractors. However, the system, known as the Production Requirements Plan (PRP), did not fully solve the gigantic problems associated with controlling the powerful American industry, as a whole, for war production. In 1942, this led to a new system that measured more accurately the demand against supply, and set up better allocation and priority controls for the smoother flow of raw materials into the necessary industries. The solution came after the head of the Office of Economic Stabilization, the Honorable James Byrne (Roosevelt's confidante), and the Secretaries of Army and Navy agreed with Nelson to adopt a system designed by the Executive Director of the Army-Navy Munitions Board, Ferdinand Eberstandt. Called the Controlled Materials Plan (CMP), Eberstandt's brainchild used a vertical approach in controlling the materials. Nelson brought Eberstandt into WPB in order to specifically manage the CMP controls of raw materials and to smooth out production difficulties through administration of the program. Eberstandt had a tremendous depth of experience at handling military munitions programs, and through meetings with Nelson he began to realize that civilian requirements also needed a set of priorities right along with military requirements. The CMP developed a balance between the two within industry. This outstanding development successfully worked out most of the supply, allocation, and priority system bottlenecks that had caused much frustration among industrialists and the military

customers alike, and WPB used it throughout the remainder of the war. The CMP made a direct and positive contribution to managing the strategic and critical raw materials of the nation that ultimately helped bring a swifter end to the war. The CMP helped the United States to pull out of the gigantic slump beginning to affect war production in the early part of 1942, when the Axis Powers seemed to be winning the war. According to Nelson, the Allies came dangerously close to losing the war in this early stage of World War II although much of this information did not surface fully for public consumption. In this respect, WPB and the CMP benefited from the experiences of the War Industries Board and by having Bernard M. Baruch ever ready to lend a hand as an advisor during the war. (Arsenal of Democracy, Pages 342 and 364 and others; (GEARING UP FOR VICTORY: American Military and Industrial Mobilization in World War II, Colloquium on Contemporary History, June 25, 1991, No. 5, Navy Historical Center Department of the Navy, Washington, D.C., 1992, 75 pages; “*Fighting on Our Own Ground: The War of Production, 1920-1942*, by Dr. Thomas C. Hone, Pages 1-17; Morgan, *The Domestic Mining Industry of the US in WW II*, page 230)

Although the CMP worked out the allocation crisis brewing in the middle of World War II over strategic and critical materials, there still remained shortages of these materials for many industries. The limited supplies of raw materials never caused a total shortage of end products during the war, even though in the case of rubber, and some other end products, modifications took place to keep the shortages at bay through the use of synthetic substitutes. In 1940, through urging of the Advisory Commission of the Council of National Defense (NDAC), the government began looking at building synthetic rubber plants. The Japanese had captured the Asian countries, which provided practically all of the rubber used in the United States. Through quick research and development procedures, synthetic rubber substitutes became available early on in the war. Thus, as a direct result of the war, a new industry became available to America enlarged upon in the postwar years. In fact, 98 percent of tires in the United States relied on synthetics in 1946. (Hearings Before the Special Subcommittee of the Committee on Armed Services, House of Representatives, 89<sup>th</sup> Congress, 2<sup>nd</sup> Session. *Stockpiling of Strategic and Critical Materials*; National Defense University, Lecture Series L48-40, *Raw Materials (Ores, Semi-Processed “B” Products)*, LTC Manfred Hass, 20 November 1947, page 2; *Arsenal of Democracy*, Page 290 and 295)

During World War II, industrial problems surfaced more as a direct result of poor estimations of the required raw materials essential to industry in making the end products than attributed to outright shortages of materials. Additionally, problems arose in the intermediary levels associated with production estimates in the planning stages caused, in part, by military planners who never received peacetime training in various areas such as forge capacity and gear-cutting capacities necessary in plants that made gears for transmissions used in heavy trucks, and in axles used by these same trucks. In industry, difficulties arose in understanding that this lack of training by military planners even existed, and this miscommunication resulted in shortage issues. In their normal peacetime practices industrial personnel could easily order gears and other such necessities from other firms. Unfortunately, they learned that with wartime controls, no such option existed as an alternative. (Lecture Series L48-40, “*Raw Materials (Ores,*

*Semi-Processed "B" Products*);";  
(<http://www.ibiblio.org/hyperwar/ATO/Admin/WarProgram/WarProgram-2.html> page 2 of 8, accessed 27 September 2007; *The United States at War: Development and Administration of the War Program by the Federal Government, Chapter II, "Preparing for Defense"*)

The years 1940-1945 saw the largest increase in industrial and military procurements made by the United States in the history of the world. Strategic and critical materials came into this country from all areas of the world and in every conceivable domestic mining industry in the country. Procurement of materials, war munitions, equipment, factories, manpower, and military installations progressed beyond anyone's imagination in the build-up years of 1942 and 1943. Prior to the war, in 1939, President Roosevelt called for increasing the number and the types of new aircraft the Army and Navy would need to improve and modernize the military services. All told, the United States produced 5,865 aircraft in 1939, the largest single production year to that time. In 1940, Roosevelt again called for increases not only in aircraft, but all military equipages such as tanks and ships. When he announced the need to produce 50,000 aircraft annually, not many people in the government, or in the country believed such numbers even possible. Certainly, the Axis Powers did not think a democracy could produce at such levels. Yet, between 1 January 1940 and 14 August 1945, the American workers produced 303,317 military aircraft. Even at that astounding number, the United States aircraft industry never reached its full potential in reference to quality or quantity, because the war ended the need for further production. During the war production of strategic and critical materials increased dramatically, especially in the three most essential of materials; steel, aluminum, and copper. In fact, the production of strategic and critical materials increased by 60 percent. (*Arsenal of Democracy*, page 354-355; *HyperWar: Peace and War: United States Foreign Policy, 1931-1941*, Department of State Bulletin, vol. II, p. 529, "*Address Delivered by President Roosevelt to the Congress, May 16, 1940*," <http://www.ibiblio.org/hyperwar/Dip/PaW/156.html>; pages 527-532, (accessed 27 September 2007)

In 1941, because of the problems associated with gaining accurate estimates, steel became severely short and threatened the production of ships. To solve this problem, the government ordered dramatic increases in the production of "plate" steel within existing steel facilities that had previously produced sheet steel for automobiles. With new equipment immediately installed for manufacturing of plate steel, the production levels increased to 1,200,000 tons annually. Otherwise, the country had to rely on newly built factories for plate production and these did not get finished until 1943 and 1944. Using plate steel helped ease the problem, but only after WPB acquired the services of Hiland G. Batcheller, the President of Allegheny Ludlum Steel Corporation, as the so-called "steel czar," who got a handle on the steel problem and its control. (*Arsenal of Democracy*, Page 355-356)

In regard to aluminum, expansion of private facilities through government aid increased production, along with the government building its own plants. Plants in Canada increased annual capacities also. This brought the total annual production up

from 327 million pounds in 1939, to a whopping 2,250,000,000 pounds by October of 1943. (*Arsenal of Democracy*, page 353-354)

The last of the three most critical of strategic materials, copper, presented a more difficult situation than steel or aluminum. The government searched every foreign source available and also increased domestic production. Much came from Mexico and Chile, but the price came high. Nelson and his associates set up a premium price plan that included an incentive for producers if they exceeded production quotas. The government even opened up, through finances, new mines, and helped expand existing mines, but there remained a constant problem of never enough copper. All told, 270 mines operated domestically, but they only produced 1.5 percent of the copper needed for the war effort. The rest came from substituting, scrap, and from foreign sources. As a result, silver became a huge substitute for copper. At that time silver had no real strategic use as a war material. By using it as a substitution silver became a strategic material with value in war production. (*Arsenal of Democracy*, page 354-355)

According to Nelson, no other industry in America did more to help the war effort than the automobile manufacturers. In early 1942, the “big” three companies of Ford, General Motors, and Chrysler Corporation, if combined together, amounted to the third largest industry in the United States. They held over 1,000 factories between them with 850 vehicle and parts companies. They controlled literally thousands of subcontractors located across the country in 1,375 cities and 44 states. The car companies had a half-million employees, producing products from many of the raw materials classified as strategic and critical. In particular they used some of the most essential materials to the war effort including steel, aluminum, copper, chrome, and rubber.

However, the most important aspects of the car industries lay in their sophisticated assembly-line processes and standardization unequalled anywhere else on earth. When the last civilian automobile rolled off the assembly line in February 1942, during the war, WPB managed to get the services of all the manufacturers to convert from peacetime production to using their vast expertise in making war goods. Nelson praised their competitive spirit, which carried over from peacetime competition, and each company’s army of technicians redirected this energy into ways to out produce the others through developing new techniques and equipment that sped up the mass production of all types of war goods. They set a high example of results in turning strategic and critical materials into these war products. (*Arsenal of Democracy*, pages 212-213)

## **V. Origins of New Stockpile Legislation**

How the United States dealt with shortages of strategic and critical materials during World War II contributed to the ever-growing belief that maintaining a National Stockpile at the end of the war remained a necessary step towards securing America’s peace in the postwar years. Congress held hearings on these issues that eventually resulted in legislation that successfully determined how America’s economy and

industry should be shaped after lifting war-related economic controls. Industrialists, and men like Bernard M. Baruch, feared that surpluses, such as after World War I, would be vastly devastating to the post-World War II return to a peacetime economy. So, Congress held debates and commissioned reports centered on what to do with such surpluses. Should there be a permanent governmental instrumentality to control these surpluses? Should the United States assist its war-torn allies, and the economies of the defeated Axis Powers by providing surplus property to help them back onto their feet? If the United States did this, would there be sufficient surpluses of raw materials for the American economy to transition from defense production to those industries providing housing, and jobs for the thousands of American military personnel returning to the civilian sector? While Congress debated these and many other issues relating to the postwar transition, the idea of continuing a stockpiling program remained strong. The questions that arose from 1943 to the end of the war had to do with who would run the stockpile, how would it get materials, what would it contain, and how much of each strategic and critical material did the nation need for adequate national defense.

### **Congress Debates Surplus Property and New Stockpile Legislation**

Even as early as 1943, the United States Congress began debating the circumstances surrounding the successful conclusion of World War II. However, the largest problem they saw ahead had to do with downsizing the gigantic war economy. The economy then stood at \$194 billion worth of goods and services being produced per year, with a GNP of \$98 billion. This amounted to doubling the GNP since the year 1940. In regard to personnel then serving in the military they believed the numbers would peak at 11.3 million men and women, and most of these would need jobs after the war along with the eight million civilian workers then employed—with women making up a large segment. Congress estimated that half of America's economy related specifically to war production, and if so, when the war terminated, how would industry handle the influx of military personnel all with the same desire to return to civilian employment, or if already a civilian employee, where would their next jobs be generated? Congress had its hands full. (Source: Senate subcommittee Report No. 2, Report of the War Contracts Subcommittee to the Committee on Military Affairs, Pursuant to S. Res. 198: "A Resolution to Investigate War Contracts the Termination of War Contracts and Related Problems," March 1944, pages 14-15 (GPO, 1944, 17 pages; Biographical Directory of the U.S. Senate: <http://bioguide.congress.gov/scripts/biodisplay.pl?index=S000196> , "Scrugham, James G." (accessed 27 September 2007).

With this as a backdrop, Congress debated and passed a War Surplus Act in 1944, (Public Law 457-78<sup>th</sup> Congress). This legislation had a profound affect upon stockpiling in the United States. For instance, Section 22 of the Act provided for the transfer of government owned surpluses of strategic and critical materials to those already procured under the first stockpiling Act, Public Law 117, still held by the Procurement Division of the Treasury Department. Thus, Congress fixed the means by which surpluses would be transferred to the nation's stockpile under Public Law 117 to help it grow. By doing this Congress gave recognition, and set a precedent, that

materials acquired by Public Law 117 would be the nucleus of the post-World War II stockpiling activities. The War Surplus Act gave industry protection from one of their greatest postwar fears that too much of everything would be dumped onto the economy just as after World War I. The War Surplus Act had a provision that protected the minerals industries against such sudden dumping, and this strengthened the outlook of these industries after the war. While this helped gain industry support, another provision gave industry a priority over the stockpile program in the purchasing of materials, which might be in short supply after the war. In this manner, the reconversion program assured the economy would get first priority of materials over the stockpiling program. This provision led to the stockpile program coming up short on many of its materials listed as strategic and critical in the postwar years. Instead of huge surpluses of materials after the war, as industry experts feared, a shortage of many materials actually occurred, in addition to a critical shortage of transportation for these materials. The stockpile program had to wait until materials became available in excess of the needs of the American economy. (*Stockpile Report to the Congress*, 23 January 1947, page I-1)

### **New Stockpiling Legislation for the Postwar Period**

Debates began during World War II concerning a possible revision of the Stock Piling Act of 1939. This entailed about a two-year period when legislative initiatives received consideration from all of the players in the stockpile program with vested interests. This period began around the time the Joint Chiefs of Staff of the military services informed the War Production Board in a letter dated 17 September 1943, that they wished to maintain a stockpile of strategic and critical materials upon the conclusion of the war. In their judgment, this stockpile would prohibit future embarrassment like the country had just gone through in the early years of the war of having far too many shortages. They further advised WPB to inform American industry that a stockpile would be for reserving materials for “future national emergencies only.” Donald Nelson who still remained in charge of WPB, also agreed with the concept of a National Stockpile. The military services went even further by having MG Lucius D. Clay (later a full general), then serving as the Director of Requirements for the Army Service Forces, report to Congress that the Army and the Navy, both wanted an established stockpile of strategic and critical materials after the war. Some of what Clay wanted came in passage of the Surplus Property Act in 1944. (Morgan, *Domestic Mining*, pages 368-369)

The military had concluded that a postwar National Stockpile at least for military resources would be extremely important. In their somewhat limited viewpoint, the military never envisioned a stockpile also available for civilian industry, and this became a much debated political point in establishment of the eventual stockpile program. The Armed Forces believed that a reserve of essential materials established well in advance of a future war would remove much of the dependence of the industrial community upon the domestic mining producers. The reason a stockpile had been needed in the first place in their view, resulted from the United States not having the necessary materials for military war requirements; coming from foreign sources. The military experts argued that a National Stockpile should contain only those materials needed by the

military to achieve military requirements. They believed that for the stockpile to be anything else, such as one used for civilian purposes, or for aid programs in the future would require a separately legislated governmental program. (Snyder, page 9)

The physical form in which the materials would be stored also could save manpower, transportation, smelting services, and refining expenditures. Consequently, some mineral experts advocated even after the war that storage of metal bars offered a more efficient material to be stockpiled over the cheaper and less processed stockpiling of ores. The bars would have a small mass volume, but also have a high-value quality that could immediately be put to use and thereby minimize the requirements on such cost-induced activities like smelting, refining, and transportation. Shipping in World War I and World War II had become critical for importing the minerals not produced by the domestic mining industry. Thus, to reduce the transportation vulnerabilities and to guarantee supplies of materials not available in North America, experts in and out of the military then believed that a “pre-war stockpile” (meaning before the next war) met the minimum needs in providing a remedy for any possible lack of transportation. The stockpile would provide an investment with monetary value as it grew in peace time, and would have immense value in the next war by saving time, smelting, refining, and transportation vulnerabilities just to name a few of the advantages. (Morgan, *Domestic Mining*, page 412)

Others cautioned against overproducing supplies in the postwar years that could not be contained in a stockpile that would send the economy spiraling downward. The champion of this philosophy remained the ubiquitous Bernard M. Baruch and an associate John M. Hancock, who had been charged to write a report on War and Post-War Adjustment for James F. Byrnes, the Director of the Office of War Mobilization. Baruch and Hancock believed in controlling the economy as the first priority for the government. Their report came during a prematurely optimistic period (as it turned out) prior to the Battle of the Bulge (December 1944-January 1945). Many believed the war would soon be over in Europe with what appeared to be an imminent collapse of Germany, and the United States had to be ready with a postwar economy plan while simultaneously finishing the war with Japan. The Battle of the Bulge halted the premature optimism of an end of the war in Europe, and it also instigated another production increase in war goods. The war in Europe lasted another five months after the Battle of the Bulge.

However, in their report, Baruch and Hancock figured that many of the returning military personnel needing jobs could be absorbed by such measures as women leaving the workforce, older men retiring, and others returning to educational institutions. In regard to the stockpile, they believed that shortsighted people would push for unneeded overproduction in order to ‘borrow’ employment for the immediate short-term need to reemploy returning veterans. This overproduction would lead to possible unemployment in the future, and hang over the postwar market, leading to the depression of future production, and unemployment and lower than break-even prices. Too much of a surplus, they believed, would only lead to stockpile troubles in the future. Still, they did believe in a “strategic reserve,” just not a large one. This stockpile would be made up of

materials not easily procured in this country for use in future wars. Since the price of materials at the time of their report remained excessive because of the war, they recommended waiting before buying large stocks of material until the prices fell. This would allow for reserves, albeit small, but which would be a safety net for the future, and they felt that deferring purchases to later years would be beneficial in stimulating international trade at a more appropriate and advantageous time. (Baruch and Hancock, *War and Postwar Adjustment*, pages 2-3, 20, 73)

Questions concerning the postwar stockpile remained to be resolved as to what agency, or agencies would be responsible for stockpile operations. The military services expected to maintain possession of the stockpile since the ANMB had continued to be responsible for those materials purchased by the Treasury Department and maintained in military depots throughout the war. The agency continued to do so even after the RFC took over the majority of buying strategic and critical materials for the war effort. After passage of the Act of June 1940, giving RFC broad powers of financial authority for the war effort, RFC and the ANMB agreed that RFC would be responsible for the huge war procurement activities, and ANMB would continue operating the much smaller stockpile program and activities associated with Public Law 117-76<sup>th</sup> Congress. As a result, the military services never requested the remaining \$30 million authorized by Congress for stockpile purchases, but which had not been appropriated for the Stock Piling Act of 1939. (*Stockpile Report to the Congress*, 23 January 1947, page I-2; Snyder, pages 8-9 on control)

The Department of the Interior also wanted the stockpile operations, as did a few other agencies. From the very beginning, the Department of Interior had contributed significantly in the development of original legislation, and particularly through its Bureau of Mines (BOM) and the Geological Survey, which kept data collection on all of the strategic and critical materials, including source data and domestic development information. The Bureau of Mines had worked interchangeably with ANMB even before the Stock Piling Act of 1939, which allowed for the closeness of the stockpile program within the Department of the Interior. The Interior, through its mandates as a federal agency, had partnered with the mining industries of the country and its decisions often favored the interests of the domestic mining industry. Through trade associations, the mining industry had considerable lobbying interests in Washington. The Department of State also had a vested interest in stockpiling and so did the Department of Commerce to a lesser degree. The Office of War Mobilization and Reconversion also claimed responsibility for the stockpile since in its view the program should be controlled by a civilian agency associated with war mobilization activities. All the interested agencies voiced their intentions about stockpile policy best suited to their respective agencies. (Snyder, page 2-4 and 8-9; For a definitive understanding of the struggle over control of the stockpile program during this period, read Snyder's Chapter One, "*The Stockpiling Act of 1946*")

### **Revision of the Stock Piling Act of 1939, Public Law 117-76<sup>th</sup> Congress**

Early in 1945 identical bills came before the House of Representatives and the Senate regarding a new stockpile program. On 15 March 1945, the House introduced H.R. 2624, and the next day the Senate introduced S. 752. Afterwards, respective Committees of Military Affairs received the bills for discussion. The Senate Committee on Military Affairs sent S. 752 to other government agencies for comments and suggestions. When this happened, the Bureau of Budget sent its own stockpiling bill to the Senate, S. 1481 that had differences from S. 752 and H.R. 2624. Apparently, the Bureau of Budget's bill contained changes wanted by the Harry S. Truman's new Presidential administration (Vice President Truman became president upon Roosevelt's untimely death in early 1945). Each bill introduced in the Legislature would only revise the existing Stock Piling Act of 1939, not create a whole new concept. Of particular note, each of these proposals would replace the Secretaries of War, Navy, and the Interior as the primary controllers of the stockpile as administered through the ANMB. Instead they envisioned using a Stockpile Board for administrative control of the program. On 30 October 1945, Congress held a hearing on both S. 752 and S. 1481 by the Subcommittee on Surplus Property of the Senate Committee on Military Affairs. This resulted in further deliberations on 29 November 1945, to further revise S. 752, producing a compromise bill between S. 752 and S. 1481. This compromise passed the Senate on 20 December 1945, and then headed to the House of Representatives the next day, where it received consideration from the House Committee on Military Affairs. Hearings lasted through February 1946, and on 4 April 1946 the House reported the bill with an amendment. This amendment represented a completely rewritten bill. The House amendment put the control of the stockpile back into the hands of the original agencies responsible in the first Stock Piling Act of 1939. The House then passed the revision without any further changes. However, the Senate did not accept the amended House version, and referred the bill to another Committee of Conference, which then revised this version of the bill. In June 1946, both Houses took up consideration of this version of the bill. This bill retained the control approved by the House's rewritten version, but gave up some aspects of fiscal arrangements. The House of Representatives rejected the bill because of the fiscal arrangements put in by the Senate Bill, which had to do with nonpayment of duty on foreign materials placed in the stockpile. So, a second Conference Report on 3 July 1946 dropped the Senate proposal to eliminate the duty-free provision. Finally, both Houses passed this legislation on 9 July 1946. On 23 July 1946, this final form of S. 752, the Strategic and Critical Materials Stock Piling Act of 1946, became Public Law 520-79<sup>th</sup> Congress, when President Truman signed it. (*Stockpile Report to the Congress*, 23 January 1947, page I-3)

In the end, the Armed Forces won out due to their popularity being at an all-time high after winning the war, and too, because of the precedence set prior to the war with ANMB managing the original stockpiling act. Many believed the natural place for a stockpile of strategic and critical materials fit more correctly within the military establishment, but others believed that because the stockpile also handled civilian industrial defense materials, the military would be too restrictive and narrow in its management. The latter predicted correctly in the end. Still, similarly to the original Act, ANMB would work with the Department of Interior equally with the Secretaries of War and Navy in administration and policy decisions regarding what would be

stockpiled, the quantities to be stockpile, and in setting the qualities of materials in the stockpile. Also, along with the Department of Agriculture, Interior had research and development responsibilities that helped find new sources of domestic materials and in development of substitutes and synthetics. Still, the military considered it a great victory to remain in control of the stockpile. (*Selling Defense Materials*, pages 9) (Snyder, page 10)

### **World War II Stockpiling Activities Prior to Public Law 520-79<sup>th</sup> Congress**

While the debates continued within Congress on a new stockpile program, the existing stockpile program continued in operation—it did not go away during World War II. Even though the Reconstruction Finance Corporation and other war agencies did most of the bulk buying of raw materials for the war effort, ANMB continued to manage the stockpiles purchased prior to 1943, and between the Purchase Branch of the Procurement Division of Treasury, the Interior, and other such agencies, ANMB fulfilled its obligations under the 1939 Act throughout the war period. In fact, much good work came out of the activities during this period prior to the new stockpiling legislation passed in 1946. Through the ANMB, and with the advice and assistance of the above agencies delineated within the Stock Piling Act of 1939, a post-World War II stockpiling program began to take shape in the latter part of 1943. Within this group the ANMB also included the War Production Board (later called the Civilian Production Administration (CPA) after the war) and the Department of Agriculture. The ANMB reconstituted a former mechanism it had used called the Strategic Materials Committee for this interagency planning organization. The Committee first tackled the specific definitions of what strategic and critical materials meant in relation to the times (always a nebulous activity). With ANMB approval the Strategic Materials Committee adopted the following definitions:

“Strategic and critical materials are those materials required for essential uses in a war emergency, the procurement of which in adequate quantities, quality and time is sufficiently uncertain for any reason to require prior provision for the supply thereof.”

Further, in defining necessary materials, the Strategic Materials Committee placed the emphasis on the term “prior provision,” and recognized that the act of physically stockpiling actually constituted but one of several possible meanings to assure an ample supply of strategic and critical materials in the context of an emergency. This led to further classifications of strategic and critical materials into an additional three-tier corollary definition:

**Group “A”** comprised those strategic and critical materials for which stockpiling remained the only satisfactory means of insuring an adequate supply for a future emergency.

**Group “B”** comprised additional strategic and critical materials to which stockpiling remained practicable. The Army and Navy Munitions Board recommended

their acquisition only to the extent they might be made available for transfer from government agencies because adequacy of supply could be insured whether by stimulation of existing North American production or by partial or complete use of available substitutes.

**Group “C”** comprised those strategic and critical materials, which ANMB did not then recommend for permanent stockpiling because in each case difficulties of storage remained sufficient to outweigh the advantages to be gained by stockpiling.

Along with a few minor definitions of what constituted additional materials these definitions stood only for a short time when, again, the definitions changed slightly on 20 November 1944. The ANMB included the revision in its report to Congress submitted on 2 January 1945, as part of the requirements of Section 22 of the Surplus Property Act of 1944. The framers of these categories cautioned against them remaining static with new developments constantly improving substitutes, and conservation measures. Plus, the war emergency at hand also made a profound affect upon what constituted a strategic and critical material. As a result, this list of definitions did not remain constant. (*Brief History of Defense Materials Service* (DMS P 3200.1 CHGE 1, 24 February 1970, page 1 (for Purchase Branch input); *Stockpile Report to the Congress*, 23 January 1947, Page II 3-4)

Along with the listed definitions and the lists of materials, ANMB included what constituted the minimum quantities of Group “A,” as of 31 December 1946, with the admonitions that the agency had based the minimum quantities on the best possible “assumptions” made by the military, which should be purchased and maintained “to provide for the security of the United States in event of a future war emergency.” They further warned Congress that failure to maintain these minimum assumptions could endanger the national security as a result of shortages that could arise within a relevantly short timeframe if a major war broke out. The ANMB called for higher quantities of materials than just those recommended as minimum objectives, of course within practicable limits (probably based on the policy formulating in Congress then of allowing industry a priority in buying materials in the reconversion period). (*Stockpile Report to the Congress*, 23 January 1947, page A-1)

No transfers of surplus materials came to the stockpile until after 1 January 1946, but long before this, stockpilers made plans for such transfers when and if they became available. They worked on several other measures that included estimates for transferring of materials, general plans for storage, and the important work of preparing material specifications. ANMB employed numerous military officers and civilian employees who had technical expertise and industrial backgrounds specific to raw materials. Additionally, the Departments of Interior and Agriculture rendered invaluable assistance. With these experts, compromises of different viewpoints between the government and the consumer industry representatives affectively worked out material specifications. (*Stockpile Report to the Congress*, 23 January 1947, page II-4)

In the months just prior to passage of the Strategic and Critical Materials Stock Piling Act of 1946, ANMB employees worked on acquisition plans for surplus materials as authorized by the Surplus Property Act of 1944, Section 22. As of 31 December 1945, there still remained an amount of \$24.1 million of the initial \$70 million appropriation for the original Stock Piling Act of 1939. Prior to this on 5 November 1945, The Army and Navy made a request proposal to the Secretary of the Treasury to spend \$22,370,000 of the remaining funding on thirteen additional strategic and critical materials for the stockpile. However, because of the instability of the market at that time, no commitments could be made. This did not stop the ANMB from making further proposals. On 1 April 1946, they approved a request by the Strategic Materials Committee to establish under it a Subcommittee to Study Current Supplies and Industrial Requirements of Strategic Materials, chaired by the Civilian Production Administration (succeeding WPB). The subcommittee included members from the Departments of the Interior, State, Commerce, and Agriculture. They also included representatives of the RFC. Based on findings of this subcommittee, ANMB cancelled the 5 November 1945 request for thirteen materials, and on 17 June 1946, presented another proposal with sixteen materials listed, nine of which had never been placed in the stockpile program. The ANMB expected delivery in Fiscal Year 1947, and before 31 December 1946, but only if purchasing of the materials did not interfere with the economic needs of the country. (*Stockpile Report to the Congress*, 23 January 1947, page III-1)

In regard to funding and transfers from the Surplus Property Act of 1944, AMNB prepared and then revised estimates of each of the strategic and critical materials that would be available to the stockpile under the Surplus Act. This took place only after the conclusion of World War II, officially referred to as “V-J Day” when Japan became the last of the Axis Powers to surrender. (Victory in Japan, 15 August 1945, but President Truman declared 2 September 1945 V-J Day since on that date Japan formally signed the surrender terms on the USS *Missouri*; some still celebrate 14 August 1945 as V-J Day since that is the date Americans heard of the surrender because of the time zone difference with Japan). Funding for these transfers could not come from the funds left over from the original Stock Piling Act of 1939. So, the Procurement Division of the Treasury Department calculated the funding necessary to make the transfers and the necessary costs associated with converting the materials (processing and beneficiation) in these other agencies into the forms most desirable for the new stockpiling program. They submitted this budget request to the Bureau of Budget, which amounted to \$90 million. In turn, the Bureau of Budget negotiated with the Reconstruction Finance Corporation, who owned the majority of transferable materials in its Metal Reserve Corporation. Through this arrangement the RFC budgeted for expenses associated with the conversion of these materials for the National Stockpile. This further brought down the budget estimate submitted by the Procurement Division to \$19 million. The Bureau of Budget sent this budget to the Congress with an attached request for the funds still available under the original Stock Piling Act of 1939 to be carried forward for handling purposes of the surplus property. In addition, the request also included a stipulation to use the remaining sum from the original law, dwindling to about \$22 million by this time, for the purposes of purchasing materials as intended in the Act of 1939. Unfortunately for the stockpile program, Congress had stipulated in the Reconstruction

Finance Corporation Appropriation Act for Fiscal Year 1947 that RFC could not perform work on behalf of another agency without being reimbursed. This came late in the fiscal year, April 1946, and as a result, it brought most of the RFC transfers to a halt. Some transfers did occur as a result of the urgent necessity of moving materials from their original location and in an effort to save the government from paying double handling expenditures while being offloaded at points of entry from foreign sources. (*Stockpile Report to the Congress*, 23 July 1947, page I-4; *Stockpile Report to the Congress*, 23 January 1947, page III-3; Wikipedia Free Encyclopedia: [http://en.wikipedia.org/wiki/V-J\\_Day](http://en.wikipedia.org/wiki/V-J_Day) , “Victory Over Japan,” (accessed 27 September 2007)

### **The Strategic and Critical Materials Stock Piling Act of 1946 (Public Law 520-79<sup>th</sup> Congress)**

The new Strategic and Critical Materials Stock Piling Act of 1946 (SCM) continued to use the Department of Treasury’s Procurement Division, Purchase Branch for purchasing the necessary materials and to provide storage, security, maintenance, refining and processing if necessary, and rotation of obsolete, or deteriorating materials. The division also had disposal authority for those ‘obsolescent’ or deteriorating materials. However, the Procurement Division only acted upon the direction of the Secretaries of War and Navy concerning these issues. (*Selling Defense Materials*, pages 8-9)

The new SCM contained a clause “so far as practicable,” which became in later years a point of contention in regard to purchases made of materials which came from supplies in excess of the current industrial needs of the country. Requirements contained in the new stockpile legislation forbid the purchase of materials needed by industry in the reconversion period. This came as a precautionary so the American economy could get a jump-start through quick industrial development with having a priority on the surplus materials left over from the war. The stipulation also caused the stockpile to limit the intake of certain materials, and certain established quantities of other materials predetermined by the ANMB to be strategic and critical. (*Selling Defense Materials*, page 9; Hearings Before the Subcommittee of the Committee on Armed Services House of Representatives, 89<sup>th</sup> Congress, 2d Session, “Stockpiling of Strategic and Critical Materials,” GPO, Washington: 1950, pages 7471-7691, page 7574, mentions activities associated with the Bureau of Mines research and development data)

Then too, the Congress required the new Stockpile Act to abide by the 1933 “Buy American Act,” which meant that materials must come from domestic sources by preference with one exception—Stockpilers could disregard the stipulation in the Buy American legislation that purchases must be advertised first. Still the stipulation to buy American first became extremely controversial. It resulted from the American Mining lobbying interests, and it caused President Truman to make a public statement against the mandate when he signed the stockpile legislation into law (See complete text in sidebar of Truman statement). The President and the military services believed that the

requirement to abide by the Buy American Act circumvented the original purpose of establishing a National Stockpile—to have on-hand those materials which could not be acquired domestically in large enough amounts to be used in a national emergency. They further believed that domestic materials should remain available as a “reserve” outside of the stockpile program. Parts of the Strategic and Critical Stock Piling Act of 1946 seemed counter to this objective to the President, and that to abide by the Buy American Act would impede the enlargement of the stockpile in the long run of those supplies of essential materials so badly needed from foreign sources expected to be housed on American soil in time of a national emergency. (*Selling Defense Materials*, page 9; Hearings Before the Subcommittee of the Committee on Armed Services House of Representatives, 89<sup>th</sup> Congress, 2d Session, “Stockpiling of Strategic and Critical Materials,” GPO, Washington: 1950, pages 7471-7691, page; Snyder, page 77)

***SIDE BAR: Statement by the President Upon Signing the Strategic and Critical Materials Stockpiling Act, July 23, 1946***

*I HAVE TODAY signed the Strategic and Critical Materials Stockpiling Act because it is important to the national interest that this Government have the power to acquire stockpiles.*

*It is only because of the overriding importance of this purpose that I am able to overcome my reluctance to signing a bill which reaffirms the application to stockpile purchases of the provisions of Title III of the Act of March 3, 1933 (47 Stat. 1520), known as the Buy American Act. Those provisions will not only materially increase the cost of the proposed stockpiles but will tend to defeat the conservation and strategic objectives of the bill by further depleting our already inadequate underground reserves of strategic materials. Furthermore, there can be a serious conflict between those provisions and the foreign economic policy which this Government is actively pursuing. It also seems to me that the application of the Buy American Act may frequently hamper the effective achievement of the essential purpose of the legislation which is to enlarge the stock of vital raw materials available within our borders in time of possible emergency.*

*The Buy American Act requires that only articles produced or manufactured from materials originating in the United States shall be purchased for public use. However, the Act also provides that exceptions to this rule may be made when Buy American purchases are determined "to be inconsistent with the public interest or the cost to be unreasonable." This provision clearly indicates that the stockpiling program should not be used as a means of generally subsidizing those domestic producers who otherwise could not compete successfully with other domestic or foreign producers. Furthermore, to ensure that the necessary stockpiles are accumulated as rapidly as deemed advisable and with a minimum cost to the public, this Act should not be used as a device to give domestic interests an advantage over foreign producers of strategic materials greater than that provided by the tariff laws.*

*It is the policy of this Government to work for international action to reduce trade barriers. We have proposed to other countries a set of principles governing trade, and look forward to the successful conclusion of broad international arrangements embodying the essential principles of these proposals. Pending the conclusion of such arrangements, it is the policy of this Government to avoid taking measures that will raise barriers to trade or prejudice the objectives of the forthcoming discussions. We are asking other countries to follow similar policies.*

*The United States is opposed to governmental policies fostering autarchy, for itself as well as for others. Encouragement of uneconomic domestic production and unjustified preferential treatment of domestic producers destroys trade and so undermines our national economic strength. A large volume of soundly based international trade is essential if we are to achieve prosperity in the United States, build a durable structure of world economy and attain our goal of world peace and security.*

(Harry S. Truman Library and Museum: Public Papers of the President No. 174: "Statement by the President Upon Signing the Strategic and Critical Materials Stockpiling Act," 23 July 1947:  
<http://trumanlibrary.org/publicpapers/viewpapers.php?pid=1671>, accessed 27 September 2007)

Disposals of materials through the Strategic and Critical Materials Stock Piling Act (SCM) had to receive Congressional approval except for those materials considered obsolescent. Obsolescent materials have throughout the history of the stockpile included those that lose value through deterioration, or those that have lost their value as strategic and critical materials because other and better materials became replacements. The Act required that disposed materials be advertised as such in the *Federal Register* six months prior to any disposal sales, but only after Congress had received notification of the disposal, through the Military Affairs Committees of each Congressional House. In the disposal report, Stockpile administrators had to give the reasons for the materials disposal, or release, and a detailed plan of the disposition including the expected date the materials would become available for disposition. In order to protect producers, processors, and the consumers against possible market disruptions, the predetermined date set in the report for the disposal remained unchanged. (DMS Selling Defense Materials, pages 10)

Those materials falling outside of the obsolescence and rotation (disposal) arena, as described above, could only be released by two methods: 1) by order of the President if he determined that the release justified the purpose of common defense, and 2) during a time of war or a national emergency so proclaimed by the President. An agency designated by the President for such authority could also issue the release order, but with the understanding that it would be for national defense purposes only. (*Selling Defense Materials*, pages 10)

The Act also stipulated that transfers of materials from other government agencies could take place if required by the stockpile in order to fill stockpile objectives

set for those materials, but with the qualifier that only after the need by industry had been fulfilled and directed by the Civilian Production Administration (CPA). Those agencies wishing to transfer materials could not charge for the transaction, or expect reimbursement. (*Selling Defense Materials*, pages 11)

As stated earlier, scientific, technical, and economic research of materials that might become part of the National Stockpile became the responsibilities of the Departments of the Interior and Agriculture. Also especially helpful, funding appropriated for stockpile purposes could be made available with no time limit attached. However, the Treasury Department's general fund received the other money generated by disposals, with the exception of money derived from rotation of materials. With some modifications through the years, these general policies continued to govern the stockpile, particularly relating to disposals and releases through the late 1960s. However, organizationally, the stockpile saw many changes over the years, which began soon after the enactment of the law. (*Selling Defense Materials*, page 11)

Soon, Congress held hearings on the funding issue in relation to the original Stock Piling Act of 1939 (Public Law 117), the new Stock Piling Act of 1946, and the Surplus Property Act as requested by the Bureau of Budget. This led to a new law stipulating how the funds remaining from Public Law 117 had to be used—designated as Public Law 521-79<sup>th</sup> Congress. Funds could only be used for the transfers and maintenance of surplus materials only. Any leftover funding from these activities had to be returned to the General Treasury. No new funding for Public Law 520, SCM, would be made available for use towards purchases of materials until Congress acted again for this specific purpose. (*Stockpile Report to the Congress*, 23 January 1947, page I-5; *Stockpile Report to the Congress*, 23 January 1949, page 37)

The Procurement Division of the Department of Treasury acted quickly after Congress enacted Public Law 520 for the explicit purpose of obtaining funding for the new stockpile. The Bureau of Budget received this request in the amount of \$270 million, and of course, this amount precluded any amount necessary for meeting the handling expenditures covered in Public Law 521 for surplus property. The budget for SCM became a joint effort between the Departments of War and Navy, which covered purchases and expenditures for establishment of the new stockpile program beginning in Fiscal Year 1947, and extending into early 1948, depending upon commitments made contractually in FY 47. Once received, the Bureau of Budget cut the Procurement Division's request to \$250 million. Congress further cut the amount to \$100 million by a joint resolution, and President Truman signed the legislation on 8 August 1946 (Public Law 663-79<sup>th</sup> Congress). (*Stockpile Report to the Congress*, 23 January 1947, page I-5; *Stockpile Report to the Congress*, 23 January 1949, page 37)

## **Conclusion**

The process of stockpiling materials dates back many thousands of years. In the United States the need for industrial stockpiling emerged from the impact of industrialization and the lessons learned beginning in World War I. This led to the classification of

specific materials as strategic and critical to sustain the United States for national defense purposes. Organizations developed during the interwar years to make these classifications and to maintain a growing bank of information surrounding vital materials. The idea of establishing a National Stockpile originated during these years, which led to establishment of the Strategic and Critical Stock Piling Act of 1939 (Public Law 117-76<sup>th</sup> Congress, 7 June 1939). The approaching possibility of going to war with the Axis Powers significantly impacted President Franklin D. Roosevelt's decision to sign the Stock Piling Act into law. World War II greatly shifted the balance of maintaining a National Stockpile, and for the duration of the war strategic and critical materials procurements came under control of the various super-agencies ran by civilians appointed by the President. The war years through 1946 saw a tremendous upheaval in the United States. The world marveled at the industrial might of the United States as it came on line practically at full strength by 1943, truly becoming the "arsenal of democracy," so labeled by Roosevelt. Those raw materials coming from all parts of the earth to build the weaponry and equipment needed to swing the pendulum of World War II victory into the hands of the Allies took the forms and shapes of guns, aircraft, tanks, ships, clothing, and thousands of other related items. Not only guns, but also the United States philosophically speaking, produced the "butter" that fed the multitudes of citizens and soldiers alike all across the world. With victory in Europe and then in Japan, the war effort had to swing back into a reconversion mode of peacetime economics. Through the efforts of many citizens, the world once again marveled at the flexibility of the economic mechanization that soon returned the United States to "normalcy" in the postwar years. For the first time, the leaders of the country, and in no small part, the citizens of the country did not return to the isolationist sentiment that had prevailed after World War I. This time, America helped establish institutions that would, ideally, lead the country and the world into better relations. The idea prevailed to make the United States safer through a more unified national defense structure. Within this apparatus, came the revised Strategic and Critical Materials Stock Piling Act of 1946, composed of materials mostly from foreign sources of supply. In fact, the stockpile defined "foreign origin" materials as those mined or grown outside of the United States, which often became processed in the United States following importation and delivery to the stockpile. Materials mined, or grown, in the United States received the designation "domestic origin." By stockpiling these rare but necessary materials the United States became better prepared for the next war in the years ahead. And after World War II very few people naively believed in the World War I concept of a war to end all wars, although the atomic bomb would add a whole new frightening dimension to this theory. So, the National Stockpile began to grow as the economy of the country rebuilt into a stronger, more powerful world force than ever before. The standard of living in America continued to grow as the nation grew in strength and in posture in its new world position. No other country could match the industrial capability of the United States at the end of

World War II, but there continued to be those powers with intentions of gaining world dominance if possible. The new stockpile organization faced this reality in the postwar years. (Stockpile Report to the Congress, 23 January 1947, Part II, page II-2

## **APPENDIX ONE**

### **STRATEGIC AND CRITICAL MATERIALS STOCK PILING ACT (50 U.S.C. 98 et seq.)**

**As Amended by the National Defense Authorization Act  
For Fiscal Years 1988-1989**

**(The First Year After Transferring to the Defense Logistic Agency)**

SECTION 1. This Act may be cited as the “Strategic and Critical Materials Stock Piling Act.”

### **FINDINGS AND PURPOSE**

SECTION 2. (a) The Congress finds that the natural resources of the United States in certain strategic and critical materials are deficient or insufficiently developed to supply the military, industrial, and essential civilian needs of the United States for national defense.

(b) It is the purpose of this Act to provide for the acquisition and retention of stocks of certain strategic and critical materials and to encourage the conservation and development of sources of such materials within the United States and thereby to decrease and to preclude, when possible, a dangerous and costly dependence by the United States upon foreign sources for supplies of such materials in times of national emergency.

(c) In providing for the National Defense Stockpile under this Act, congress establishes the following principles:

- (1) The purpose of the National Defense Stockpile is to serve the interest of national defense only. The National Defense Stockpile is not to be used for economic or budgetary purposes.
- (2) The quantities of materials to be stockpiled under this Act should be sufficient to sustain the United States for a period of not less than three years during a national emergency situation that would necessitate total mobilization of the economy of the United States for a sustained conventional global war of indefinite duration.

### **MATERIALS TO BE ACQUIRED: PRESIDENTIAL AUTHORITY AND GUIDELINES**

SECTION 3. (a) Subject to subsection (c), the President shall determine from time to time,(1) which materials are strategic and critical materials for the purposes of this Act, and (2) the quality and quantity of each such material to be acquired for the purposes of

this Act and the form in which each such material shall be acquired and stored. Such materials when acquired, together with the other materials described in section 4 of this Act, shall constitute and be collectively known as the National Defense Stockpile (hereinafter in this Act referred to as the “stockpile.”)

(b) The President shall make the determinations required to be made under subsection (a) on the basis of the principles states in section 2(c).

(c) (1) The quantity of any material to be stockpiled under this Act, as in effect on September 30, 1987, may be changed only as provided in this subsection or as otherwise provided by law enacted after the date of enactment of the National Defense Stockpile Amendments of 1987.

(2) If the President proposes to change the quantity of any material to be stockpiled under this Act, the President shall include a full explanation and justification for the change in the next annual material plan submitted to the Congress under section 11(b).

(3) If the proposed change in the case of any material would result in a new requirement for the quantity of such material different from the requirement for that material in effect on September 30, 1987, by less than 10 percent, the change may be made by the President effective on or after the first day of the first fiscal year beginning after the explanation and justification for the proposed change is submitted pursuant to paragraph (2).

(4) In the case of a proposed change not covered by paragraph (3), the proposed change may be made only to the extent expressly authorized by law.

(5) If in any year the reports required by sections 11(b) and 14 are not submitted to Congress as required by law (including the time for such submission), then during the next fiscal year no change under paragraph (3) may be made in the quantity of any material to be stockpiled under this Act.

## MATERIALS CONSTITUTING THE NATIONAL DEFENSE STOCKPILE

SECTION 4. (a) The stockpile consists of the following materials:

- (1) Materials acquired under this Act and contained in the national stockpile on July 29, 1979
- (2) Materials acquired under this Act after July 29, 1979
- (3) Materials in the supplemental stockpile established by section 104(b) of the Agricultural Trade Development and Assistance Act of 1954 (as in effect from September 21, 1959, through December 31, 1966) on July 29, 1979.
- (4) Materials acquired by the United States under the provisions of section 303 of the Defense Production Act of 1950 (50 U.S. C. App. 2093) and transferred to the stockpile by the President pursuant to subsection (f) of such section.

- (5) Materials transferred to the United States under section 663 of the Foreign Assistance Act of 1961 (22 U.S.C. 2423) that have been determined to be strategic and critical materials for the purposes of this Act and that are allocated by the President under subsection (b) of such section for stockpiling in the stockpile.
- (6) Materials acquired by the Commodity Credit Corporation and transferred to the stockpile under section 4(h) of the Commodity Credit Corporation Charter Act (15 U.S.C. 714b(h)).
- (7) Materials acquired by the Commodity Credit Corporation under paragraph (2) of section 103(a) of the Act entitled "An Act to provide for greater stability in agriculture; to augment the marketing and disposal of agricultural products; and for other purposes," approved August 28, 1954 (7 U.S. C. 1743(a)), and transferred to the stockpile under the third sentence of such section.
- (8) Materials transferred to the stockpile by the President under paragraph (4) of section 103(a) of such Act of August 28, 1954.
- (9) Materials transferred to the stockpile under subsection (b).

(b) Notwithstanding any other provision of law, any material that (1) is under the control of any department or agency of the United States, (2) is determined by the head of such department or agency to be excess to its needs and responsibilities, and (3) is required for the stockpile shall be transferred to the stockpile. Any such transfer shall be made without reimbursement to such department or agency, but all costs required to effect such transfer shall be paid or reimbursed from funds appropriated to carry out this Act.

#### AUTHORITY FOR STOCKPILE OPERATIONS

SECTION 5. (a) (1) Except for acquisitions made under the authority of paragraph (3) or (4) of section 6(a), no funds may be obligated or appropriated for acquisition of any material under this Act unless funds for such acquisition have been authorized by law. Funds appropriated for such acquisition (and for transportation and other incidental expenses related to such acquisition) shall remain available until expended, unless otherwise provided in appropriation Acts.

(2) If for any fiscal year the President proposes certain stockpile transactions in the annual materials plan submitted to Congress for that year under section 11(b) and after that plan is submitted the President proposes (or Congress requires) a significant change in any such transaction, or a significant transaction not included in such plan, no amount may be obligated or expended for such transaction during such year until the President has submitted a full statement of the proposed transaction to the appropriate committees of Congress and a period of 30 days has passed from the date of the receipt of such statement by such committees. In computing any 30-day period for the purpose of the preceding sentence, there shall be excluded any day on which either House of Congress is not in session because of an adjournment of more than three days to a day certain.

(b) Except for disposals made under the authority of paragraph (3), (4), or (5) of section 6(a) or under section 7(a), no disposal may be made from the stockpile (1) unless such disposal, including the quantity of the material to be disposed of, has been specifically authorized by law, or (2) if the disposal would result in there being an unobligated balance in the National Defense Stockpile Transaction Fund in excess of \$100,000,000.

(c) There is authorized to be appropriated such sums as may be necessary to provide for the transportation, processing, refining, storage, security, maintenance, rotation, and disposal of materials contained in or acquired by the stockpile. Funds appropriated for such purposes for which appropriated for a period of two fiscal years, if so provided in appropriation Acts.

## STOCKPILE MANAGEMENT

SECTION 6. (a) The President shall—

(1) acquire the materials determined under section 3(a) to be strategic and critical materials;

(2) provide for the proper storage, security, and maintenance of materials in the stockpile;

(3) provide for the refining or processing of any material in the stockpile when necessary to convert such material into a form more suitable for storage and subsequent dispositions;

(4) provide for the rotation of any material in the stockpile when necessary to prevent deterioration of such material by replacement of such material with an equivalent quantity of substantially the same material;

(5) subject to the notification required by subsection (d)(2), provide for the timely disposal of materials in the stockpile that (A) are excess to stockpile requirements, and (B) may cause a loss to the Government if allowed to deteriorate; and

(6) subject to the provisions of section 5(b), dispose of materials in the stockpile the disposal of which is specifically authorized by law.

(b) Except as provided in subsections (c) and (d), acquisitions of strategic and critical materials under this Act shall be made in accordance with established Federal procurement practices, and, except as provided in subsections (c) and (d) and in section 7(a), disposal of materials from the stockpile shall be made by formal advertising or competitive negotiation procedures. To the maximum extent feasible—

(1) Competitive procedures shall be used in the acquisition and disposal of such materials;

(2) efforts shall be made in the acquisition and disposal of such materials to avoid undue disruption of the usual markets of producers, processors, and consumers of such materials and to protect the United States against avoidable loss; and

(3) disposal of such materials shall be made for domestic consumption.

(c) (1) The President shall encourage the use of barter in the acquisition of strategic and critical materials for, and the disposal of materials from, the stockpile when acquisition or disposal by barter is authorized by law and is practical and in the best interest of the United States.

(c)(2) Materials in the stockpile, the disposition of which is authorized by law, shall be available for transfer at fair market value as payment for expenses (including transportation and other incidental expenses) of acquisition of materials, or of refining, processing, or rotating materials, under this Act.

(c)(3) To the extent otherwise authorized by law, property owned by the United States may be bartered for material needed for the stockpile.

(d)(1) The President may waive the applicability of any provision of the first sentence of subsection (b) to any acquisition of material for, or disposal of material from, the stockpile. Whenever the President waives any such provision with respect to any such acquisition or disposal, or whenever the President determines that the application of paragraph (1), (2), or (3) of such subsection to a particular acquisition or disposal is not feasible, the President shall notify the Committees on Armed Services of the Senate and House of Representatives in writing of the proposed acquisition or disposal at least thirty days before any obligation of the United States is incurred in connection with such acquisition or disposal and shall include in such notification the reasons for not complying with any provision of such subsection.

(d)(2) Materials in the stockpile may be disposed of under subsection (a)(5) only if the Committees on Armed Services of the Senate and House of Representatives are notified in writing of the proposed disposal at least thirty days before any obligation of the United States is incurred in connection with such disposal.

(e) The President may acquire leasehold interests in property, for periods not in excess of twenty years, for storage, security, and maintenance of materials in the stockpile.

#### NATIONAL DEFENSE STOCKPILE MANAGER

SECTION 6A. (a) The President shall designate a single Federal office to have responsibility for performing the functions of the President under this Act, other than under sections 7, 8, and 13. The office designated shall be one to which appointment is made by the President, by and with the advice and consent of the Senate.

(b) The individual holding the office designated by the President under subsection (a) shall be known for purposes of his functions under this Act as the “National Defense Stockpile Manager.”

(c) The President may delegate functions of the President under this Act (other than under section 7, 8, and 13) only to the National Defense Stockpile Manager. Any such delegation made by the President shall remain in effect until specifically revoked by law or Executive order.

(d) During any period during which there is no officer appointed by the President, by and with the advice and consent of the Senate, serving in the position designated by the President under subsection (a) or during which the authority of the President under this Act (other than under sections 7, 8, and 13) has not been delegated to that position, no action may be taken under section 6(b) or 6(d).

## SPECIAL DISPOSAL AUTHORITY OF THE PRESIDENT

SECTION 7. (a) Materials in the stockpile may be released for use, sale, or other disposition—

(1) on the order of the President, at any time the President determines the release of such materials is required for purposes of the national defense; and

(2) in time of war declared by the Congress or during a national emergency, on the order of any officer or employee of the United States designated by the President to have authority to issue disposal orders under this subsection, if such officer or employee determines that the release of such materials is required for purposes of the national defense.

(b) Any order issued under subsection (a) shall be promptly reported by the President, or by the officer or employee issuing such order, in writing, to the Committees on Armed Services of the Senate and House of Representatives.

## MATERIALS DEVELOPMENT AND RESEARCH

SECTION 8. (a) (1) The President shall make scientific, technologic, and economic investigations concerning the development, mining, preparation, treatment, and utilization of ores and other mineral substances that (A) are found in the United States, or in its territories or possessions, (B) are essential to the national defense, industrial, and essential civilian needs of the United States, and (C) are found in known domestic sources in inadequate quantities or grades.

(2) Such investigations shall be carried out in order to—

(A) determine and develop new domestic sources of supply of such ores and mineral substances;

(B) devise new methods for the treatment and utilization of lower grade reserves of such ores and mineral substances; and

(C) develop substitutes for such essential ores and mineral products.

(3) Investigations under paragraph (1) may be carried out on public lands and, with the consent of the owner, on privately owned lands for the purpose of exploring and determining the extent and quality of deposits of such minerals, the most suitable methods of mining and beneficiating such minerals, and the cost at which the minerals or metals may be produced.

(b) The President shall make scientific, technologic, and economic investigations of the feasibility of developing domestic sources of supplies of any agricultural material or for using agricultural commodities for the manufacture of any material determined pursuant to section 3(a) of this Act to be a strategic and critical material or substitutes therefore.

## NATIONAL DEFENSE STOCKPILE TRANSACTION FUND

SECTION 9. (a) There is established in the Treasury of the United States a separate fund to be known as the National Defense Stockpile Transaction Fund (hereinafter in this section referred to as the “fund”).

(b)(1) All moneys received from the sale of materials in the stockpile under paragraphs (5) and (6) of section 6(a) shall be covered into the fund.

(2) Subject to section 5(a)(1), moneys covered into the fund under paragraph (1) are hereby made available (subject to such limitations as may be provided in appropriations Acts) for the following purposes:

(A) The acquisition of strategic and critical materials under section 6(a)(1).

(B) Transportation, storage, and other incidental expenses related to such acquisition.

(C) Development of current specifications of stockpile materials and the upgrading of existing stockpile materials to meet current specifications (including transportation, when economical, related to such upgrading).

(D) Testing and quality studies of stockpile materials

(E) Studying future material and mobilization requirements for the stockpile.

(3) Moneys in the fund shall remain available until expended.

(c) All moneys received from the sale of materials being rotated under the provisions of section 6(a)(4) or disposed of under section 7(a) shall be covered into the fund and shall be available only for the acquisition of replacement materials.

## ADVISORY COMMITTEES

SECTION 10. (a) The President may appoint advisory committees composed of individuals with expertise relating to materials in the stockpile or with expertise in stockpile management to advise the President with respect to the acquisition, transportation, processing, refining, storage, security, maintenance, rotation, and disposal of such materials under this Act.

(b) Each member of an advisory committee established under subsection (a) while serving on the business of the advisory committee away from such member’s home or regular place of business shall be allowed travel expenses, including per diem in lieu of subsistence, as authorized by section 5703 of title 5, United States Code, for persons intermittently employed in the Government service.

## REPORTS TO CONGRESS

SECTION 11. (a) The President shall submit to the Congress every six months a written report detailing operations under this Act. Each such report shall include—

(1) information with respect to foreign and domestic purchases of materials during the preceding 6-month period;

(2) information with respect to the acquisition and disposal of materials under this Act by barter, as provided for in section 6(c) of this Act, during such period;

(3) a statement and explanation of the financial status of the National Defense Stockpile Transaction Fund and the anticipated appropriations to be made from the fund during the next fiscal year; and

(4) such other pertinent information on the administration of this Act as will enable the Congress to evaluate the effectiveness of the program provided for under this Act and to determine the need for additional legislation.

(b) Not later than February 15 of each year, the President shall submit to the appropriate committees of the Congress a report containing an annual materials plan for the operation of the stockpile during such fiscal year and the succeeding four fiscal years. Each such report shall include details of planned expenditures for acquisition of strategic and critical materials during such period (including expenditures to be made from appropriations from the general fund of the Treasury) and of anticipated receipts from proposed disposals of stockpile materials during such period.

## DEFINITIONS

SECTION 12. For the purposes of this Act:

(1) The term “strategic and critical materials” means materials that (A) would be needed to supply the military, industrial, and essential civilian needs of the United States during a national emergency, and (B) are not found or produced in the United States in sufficient quantities to meet such need.

(2) The term “national emergency” means a general declaration of emergency with respect to the national defense made by the President or by the Congress.

## IMPORTATION OF STRATEGIC AND CRITICAL MATERIALS

SECTION 13. The President may not prohibit or regulate the importation into the United States of any material determined to be strategic and critical pursuant to the provisions of this Act, if such material is the product of any foreign country or area not listed as a Communist-dominated country or area in general headnote 3(d) of the Tariff Schedules of the United States (19 U.S.C. 1202), for so long as the importation into the United States of material of that kind which is the product of such Communist-dominated countries or areas is not prohibited by any provision of law.

## ANNUAL REPORT ON STOCKPILE REQUIREMENTS

SECTION 14. (a) The Secretary of Defense shall submit to Congress an annual report on stockpile requirements. Each such report shall be submitted with the annual report submitted under section 11(b) and shall include—

(b) Each report under this section shall set forth the national emergency planning assumptions used in determining the stockpile requirements recommended by the Secretary, based upon total mobilization of the economy of the United States for a sustained conventional global war for a period of not less than three years. Assumptions to be set forth include assumptions relating to each of the following:

- (1) Length and intensity of the assumed emergency.
- (2) The military force structure to be mobilized.
- (3) Losses from enemy action.
- (4) Military, industrial, and essential civilian requirements to support the national emergency
- (5) Budget authority necessary to meet the requirements of total mobilization for the military, industrial, and essential civilian sectors.
- (6) The availability of supplies of strategic and critical materials from foreign sources, taking into consideration possible shipping losses.
- (7) Domestic production of strategic and critical materials
- (8) Civilian austerity measures.

(c) The President shall submit with each report under this section a statement of the plans for the President for meeting the recommendations of the Secretary set forth in the report.

United States Code Citations

Section 2—50 U.S.C. 98a  
Section 3—50 U.S.C. 98b  
Section 4—50 U.S.C. 98c  
Section 5—50 U.S.C. 98d  
Section 6—50 U.S.C. 98c  
Section 6A—50 U.S.C. 98e-1  
Section 7—50 U.S.C. 98f  
Section 8—50 U.S.C. 98g  
Section 9—50 U.S.C. 98h  
Section 10—50 U.S.C. 98h-1  
Section 11—50 U.S.C. 98h-2  
Section 12—50 U.S.C. 98h-3  
Section 13—50 U.S.C. 98h-4  
Section 14—50 U.S.C. 98h-5

(Stockpile Report to Congress, Oct-1987-March 1988, pages 25-32)

---