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Postwar Problems facing Agriculture and Business . . .

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Speaking for Agriculture

H. P. RUSK

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FOREWORD

THE TWO ADDRESSES printed here were delivered at the FARM AND INDUSTRY CONFERENCE held March 28 and 29, 1944, at the University of Illinois. The conference was proposed by the National Association of Manufacturers and jointly sponsored by that association, the National Industrial Information Committee, the Illinois Manufacturers Association, and the University.

It was the feeling of those present that out of the frank discussions which took place at this conference came a clearer realization of the interdependence of all parts of our national economy in peace as well as in war, a better understanding of our responsibilities as well as our rights, greater respect for each other's problems and points of view, and a desire to reach solutions in an atmosphere of mutual understanding and good will. It is believed that such conferences held on county or community levels can do much to stimulate clear thinking and bring about effective action on problems which our country will face during the demobilization period, thus assuring a better America in the postwar years.

The papers have been printed at the suggestion of some who were present at the conference and others who have read mimeographed copies. While the problems that confront us will of course shift in relative importance as conditions change, and our appraisal of proposed solutions will alter with more mature consideration and judgment, the observations made in these two papers appear pertinent in the initial stages of postwar planning.

(H.P.R.)

Speaking for Agriculture

H. P. RUSK*

THERE IS NO DOUBT that America has become thoroly postwar conscious. Plans for social, economic, and political adjustments and developments during the demobilization and postwar periods are engaging the attention of a surprisingly large number of people in all walks of life.

About a year ago *The Twentieth Century Fund* released the second of a series of publications giving information about various agencies in the United States working on postwar problems. The foreword to this publication points out that in order to keep the volume within manageable bounds it was "necessary to limit inclusion to agencies (1) which are located in the United States; (2) which operate on a national or international, rather than a state or local, basis; (3) which carry on continuing, as opposed to sporadic or occasional, activities; and (4) the programs of which are of particular interest to the United States." Even with these restrictions, the publication contains well over a hundred pages and lists a total of 137 organizations—28 government agencies and 109 private agencies.

More national organizations have entered the field of postwar planning during the past year. Added to these are literally hundreds of state, regional, and local groups which are considering this subject and writing and talking about it. It is no wonder that the average citizen is aware that this country faces serious problems in the postwar period. Neither is it any wonder that he is more than a little confused by the opposing philosophies and prejudices with which different groups approach the problems. And it is not surprising that he fears that the most serious problem lies in these divergent views, conflicting opinions, and resulting contradictory recommendations.

The average citizen still responds comfortably to the tra-

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ditional idea that thrift is an essential step to individual and national prosperity. And while he is puzzled by the indictment of thrift on the theory that saving curtails the demand for goods and services and thereby restricts business activity and employment, he is also a little intrigued by its enticement to personal spending. He is not ready to believe, however, that a huge government debt owed to ourselves is not a serious problem—and he is about ready to believe that a little repair on the pump might have been just as effective as so much priming. Above all, the average citizen wants facts—facts on which to base his own analysis and judgments of proposed national plans, and facts which he can use in making his own plans for his own future. Round-table discussions at conferences such as this two-day meeting should help to bring out some of these facts.

I have no doubt that regardless of how objective one attempts to be in considering problems which so vitally affect every individual as do postwar problems, he will inevitably be influenced in some degree by personal prejudices and preconceived ideas. I will confess to the belief that the welfare of agriculture depends upon better integration and operation of agriculture and industry in our national economy, rather than upon some new and untried economic system. With industry I mean to include labor and its policies as well as management and its policies. But regardless of what kind of economic system we have—capitalistic, communistic, socialistic, or what not—we must recognize that agriculture and industry are complementary and only to a minor extent can one compensate for the failure of the other. What agriculture can do in the immediate postwar period and later obviously depends, therefore, in large measure upon the degree of productive employment that will exist in industry.

Can we keep workers gainfully and productively employed

I know of no way to determine accurately what degree of employment will exist in the postwar period, or how productive it will be. There are some facts, however, which will help us understand the magnitude of the problem. In compliance with a request from the U. S. Department of Agriculture, the Illinois

Agricultural Experiment Station recently prepared a preliminary report on Illinois postwar problems. One of the matters discussed in this report is that of postwar employment. I quote:

"When the war ends we shall face tremendous problems of transition from total war to peacetime industry. During the demobilization period there are likely to be about 9 or 10 million men of our armed forces who will return to civilian life. Of this number some will be hospitalized and others will seek further education or will not look for work because of other reasons. Perhaps 8 million men will seek peacetime occupations. With some women now in war industries returning to homemaking and some men retiring, there will probably be a net addition of at least 5 million persons to the present civilian labor force of the nation. Today we have about 50 million civilians gainfully employed in agriculture and other industries. Since 1940 the number of women has increased by about 5½ million, whereas the number of men has decreased by about 1 million.

"The number of people who will stop making war goods and who should be put to work supplying civilian needs will far exceed the number discharged from the army and the navy. About 11.5 million people will be engaged in 'munitions and munitions materials industries' and 1.6 million in federal war agencies at the beginning of the demobilization period. Many others are engaged in industries whose products are largely used in the war effort and whose adjustment to peacetime production will involve varying degrees of difficulty.

"Readjustment to peacetime conditions will involve the complete closing down of some factories and a large-scale migration of workers from some war-industry areas. In the period April 1, 1940, to March 1, 1943, the civilian population of the majority of Illinois counties decreased by more than 10 percent. In a number of war industry centers thruout the country, on the other hand, the civilian population has increased greatly. The population movements during demobilization will in general be the reverse of those which occurred during the war. To some extent, however, the wartime shifts of population represent a hastening of movements already under way—the movement of people from areas with inadequate resources and opportunities to other areas of developing industries. Consequently there is danger that during the demobilization period too many people may return to some communities, especially rural, where neither agricultural opportunities nor those in trade and industry have been keeping pace with the growth in population."

What are the prospects of keeping this vast number of potential workers gainfully and productively employed? Is a protracted period of mass unemployment and industrial inactivity inevitable? With respect to the demobilization and immediate postwar period, the report I have just quoted says:

"It is not likely that we shall have a severe depression during the demobilization period. There will, of course, be difficulties in getting production reorganized after the war, and this will result in some unemployment. However, a backlog of domestic wants and needs has been accumulating that will provide a stimulus to business activity as soon as factories can be converted for their production. Direct price controls and rationing have prevented the full effect of credit inflation from being reflected in price increases. As a result there are reserves of bank deposits available for spending and these, together with discharge pay for the armed forces, seem to assure that there will be no lack of spendable funds in the hands of consumers to back up the desire for consumer goods. There will meanwhile be a continued high level of domestic demand for farm products.

"Exports were at record high levels in 1943 and they are likely to be maintained or even increased during the demobilization period, but no such large volume is likely to continue beyond the period when we finance exports thru gifts or loans to foreign countries. During World War I the value of agricultural exports increased each year. Rising prices increased the total value, even in years when there was some decline in quantity. The largest quantity of agricultural exports during the war was made in 1915, when we were shipping, among other things, an unusually large wheat crop. In 1919, the first postwar year, both the total quantity and the total value of agricultural exports were larger than in any of the war years.

"Exports of foodstuffs will probably continue at a high level during the demobilization period following this war, since in any area it will take a full growing season to restore crop production after hostilities cease. It will take still longer to reestablish livestock production in Europe. Plans are already under way to assist in the rehabilitation and relief of European nations. Presumably cash balances of these countries will be liberally supplemented by credit.

"The great bulk of agricultural exports during this war have been made under lend-lease. It is not likely that exports will continue on the wartime scale long after the United States ceases to finance them thru lend-lease and other forms of gifts and loans."

It seems reasonable to believe that during the demobilization period, with the difficult readjustments it will bring to industry, opportunities for a relatively high level of productive employment may be greater in agriculture than in industry. But it would also appear that after termination of lend-lease and rehabilitation aids that may be extended to war-torn countries, demand for agricultural products will decline and the opportunities for maintaining a high level of productive employment in agriculture probably will be less than in industry.

Will private enterprise be equal to postwar tasks

Congress is committed to a continuation of some government controls during the demobilization and immediate postwar periods. Most people agree that this is desirable while we unscramble wartime programs. But there is great difference of opinion as to the desirability of returning to so-called free private enterprise, with few or no government directives and controls, when readjustment to peacetime pursuits has been completed. That is when the real test will come. What will be done will be determined by the answers which agriculture and industry and the people at large make to such questions as these:

Can free private enterprise and venture capital be depended upon to maintain a reasonably high degree of employment, and will they conserve and make efficient use of material resources?

Is agriculture, for example, willing to relinquish all claims to subsidies including government payments and price supports? If not, how far in this direction is agriculture prepared to go?

Is society willing and ready to guarantee a living to everyone who happens to drift onto a farm?

Is it socially desirable, indeed is it possible, to provide a high standard of living for inefficient farmers or for those who happen to be so situated that they are not able to contribute their share to the national welfare?

Can American agriculture afford to curtail production in an attempt to maintain a favorable basis of exchange for the products of industry and for urban services?

Equally searching questions can be asked concerning industry and commerce—questions that involve tariff protection, cartels, restrictive trade agreements, monopolies, and other protective devices. In the round-table meetings of tomorrow's sessions of this conference I hope these and other questions will be squarely faced and frankly discussed. Failure to find reasonably satisfactory answers will strengthen the arguments of those who contend that government must progressively assume more responsibility for direction of both agriculture and industry.

It is often said that private enterprise eliminates waste and will not tolerate inefficiency or subsidize obsolescence. These faults constitute the basis for the most common criticisms of government in business. Let us admit, however, that much private

venture is socially unproductive. Let us further admit that unproductive private business is just as uneconomic as raking leaves. Parenthetically, I would contend that unproductive private venture and unproductive government spending do not have the same effect on the development of a personal sense of responsibility, nor do they have similar implications with respect to the sum total of national enterprise. The fact remains, however, that there is wasted effort in free private enterprise, often due to lack of coordination and integration among the various elements of our complex economy. In periods of severe maladjustment, such as the early thirties, this has resulted in underproduction of some commodities and at least relatively wasteful overproduction or underconsumption of others.

Can the various groups that want a free private-enterprise economy sit down around the conference table and formulate a workable plan—one that will provide conditions so satisfactory to the masses of people as to eliminate or forestall popular demand for another W.P.A., for subsidization of special interests, for government controls on production, for indefinite continuation of wartime controls of business and, possibly, even government ownership? I believe they can, but it will not be done if, when the going gets a little hard, industry, abetted or intimidated by misguided leaders of labor, insists upon maintaining prices by reducing output and creating shortages sufficiently critical to maintain unfair rates of exchange between agricultural and industrial products. Such a situation would quickly bring into the picture more government controls attempting to reestablish parity. Free private enterprise will fail if, when the going gets tough, too many industries turn their employees “out to grass.”

The time has passed when agriculture could furnish “free range” for all of those not otherwise gainfully employed. When George Washington was president nineteen out of twenty families lived on farms, and if they had all lived on farms it would have made little difference in the national economy. Now only about one family out of five lives on a farm, and with vastly improved practices and equipment together with better adapted varieties and higher yielding crops, this smaller percentage of the

population is furnishing the country a much higher per-capita supply of agricultural products. Farming has become a highly skilled occupation fully able to meet all probable peacetime demands and still furnish recruits to urban industrial centers. Agriculture cannot periodically and at the convenience of urban industry substitute for it as a depression employer of large masses of labor without wrecking the high standard of efficiency which American farmers have attained and greatly reducing their standard of living. Especially can agriculture ill afford to aid shifts that will help industry maintain unfair price relationships and thus further complicate farmers' problems.

Responsibilities of agriculture in postwar economy

I return again to the proposition that agriculture and industry are complementary—that neither can function at full efficiency unless the other is doing its part. What then can we say should be agriculture's part in hopeful plans for postwar industry? The welfare of industrial labor as well as management is involved in our answer to this question.

First: Industry has a right to ask that adequate supplies of agricultural products be continuously available at fair rates of exchange for industrial products and urban services. The preliminary report from which I quoted earlier in this paper has a chapter which deals with needed adjustments in agricultural production during the demobilization and postwar periods. The facts and figures on production capacity presented in that section of the report warrant the conclusion that, with the return of normal labor supplies after the war and the replacement of worn-out equipment, Illinois farmers can maintain a high output. This report also points out some of the adjustments that will be necessary in order to get Illinois farmers back on a peacetime basis.

In this connection it is comforting to note that despite wartime handicaps on food production and large withdrawals from domestic supplies for overseas armed forces and lend-lease, the average American has more and better food today than he had in the immediate prewar period. This is true partly because large

numbers of our population want more and better food than they had in prewar years and they have the money with which to pay for it.

Second: Planning for the long pull and looking toward the maintenance and efficient use of our natural resources, industry has a right to ask that prompt action be taken to safeguard those vital top inches of the earth's surface essential to agricultural production. That the conservation of our soils, our water, and our timber has become vital in the solution of one of our most important problems—that of maintaining the health, happiness and general well-being of all of our people both rural and urban—can no longer be denied. The words over the door of the Old Agriculture Building on the campus at the University have not taken on new meaning but they have taken on added importance. That "The wealth of Illinois is in her soil and her strength lies in its intelligent development" is just as true today, after more than forty classes of agricultural students have passed thru those portals, as it was the day President Draper penned the statement.

Fortunately there is in our state and nation a rising consciousness of the imperative need for concerted effort to save what is left of our resources of soil and forest, and to build back into them something of the wealth and beauty that have been lost.

Unfortunately this awakening had to wait until extractive farming had noticeably depleted some of our most productive lands, until erosion had stripped the fertile topsoil from great areas, until the rolling lands robbed of their natural cover let loose the torrents that have flooded farms and cities along our main water courses and deposited alarming amounts of sediment in the basins behind expensive dams, and until attempts to carry exploitive methods of agriculture into the semiarid regions beyond the Missouri had made a dust bowl in the Great Plains.

There was something inevitable, too, about the way we brought ourselves to this day of reckoning. Since the beginning of our nation men of foresight have recognized the importance of the problem. George Washington wrote more than 150 years ago: "Our lands . . . were originally very good; but use and abuse have made them quite otherwise." And then he comments on the importance of adopting "some system by which the evil

may be arrested." Another great Revolutionary figure, Patrick Henry, expressed his convictions in these vigorous words: "Since the achievement of our independence, he is the greatest patriot who stops the most gullies."

Thus we see that the land-use problem is not new. Neither is the idea new that the problem is of vital importance to all the people, farmers and nonfarmers alike. But what is new is the recognition that the economic system which exploited the farmer shares with the farmer who exploited the land the responsibility for the cost of repairing the damage. With this recognition of public interest and responsibility, there is a growing demand that ownership of land be considered a public trust rather than a right to exploit our resources. People interested in strip mines are not the only ones who refuse to see the light.

According to recent estimates of the State Soil Survey, 3.2 million acres of the total of 35.8 million acres of land in Illinois are subject to destructive erosion; 3.1 million acres are subject to serious erosion; 21.1 million acres are being progressively injured by sheet and gully erosion; and 8.4 million acres show only negligible loss.

"Only thru drastic conservation measures," says the preliminary report on postwar planning already referred to, "can the fertility of Illinois soils, a priceless heritage, be preserved for the production of food for present and future generations."

"Heavy crop removals have depleted the supplies of limestone, phosphorus, and potassium in Illinois soils. Despite the large amount of limestone applied during the past twenty years, there is a large acreage on which soil acidity limits proper soil management, including the replenishment of organic nitrogen thru the growing of legumes. The estimated lime need for the state at the end of 1942 was 45 million tons.

"At least half of the privately owned woodland areas of the state are grazed or otherwise mismanaged. Only about one-tenth of the woodland—less than 300,000 acres—is in public ownership. Much of the land which should be reforested is now subject to destructive or serious erosion. . . .

"Thru farm-planning assistance and field demonstrations, individual farmers are being shown how to solve their own specific land-use and farming problems. This type of educational work should be expanded."

Soil conservation districts, which now cover almost one-third of the state, are providing a medium and some facilities for getting recommended practices adopted on individual farms. I believe that much still needs to be done to secure the most effec-

tive coordination of our land-use programs and to encourage farmers themselves to do the major part of the job.

Third: Industry has a right to ask that the rural born who flow into industrial centers be the product of an economy that provides something more than bare material sufficiency, that these recruits be more than mere hands, that they be men and women capable of carrying on the traditions of a people who have come nearer realization of the true destiny of free men than any other people on earth. That means better rural schools, better health facilities, more modern rural homes, extension of rural electrification, and many other things discussed in the preliminary report I have mentioned so often in this paper. Those who remain on the land to produce food and fiber and other raw materials for industry will expect a balance in our economy that will enable them to acquire a competence beyond just material subsistence—a competence that will enable them to maintain desirable standards of American living. If we are to provide this opportunity, we shall have to correct some of the faults in our systems of land tenure. Under present arrangements large numbers of farms have contributed to the building of modern homes in cities, while the people on those farms have not had even satisfactory places in which to live.

No substitute for individual initiative and planning

Those who are working for a better integration of agriculture and industry and for a better America after the war should recognize that while planning on state and national levels is necessary, it cannot substitute for individual planning and individual initiative; that there is urgent need for a rebirth of individual, family, and community responsibility; and that plans which fail to encourage acceptance of such responsibility tend toward regimentation.

No national planning body can do what Shuman township, Sargent county, North Dakota, has already done about finding postwar places for her boys who are serving in the armed forces. From this sparsely settled community twenty-two farm boys

entered the service. Two have been killed in action; two have been discharged because of wounds, two because of age. Thirteen of the remaining sixteen want to come back to farms. After neighbors of these boys had written to each of them and determined their wishes, a local committee started to work and found farms or farm employment which could be pledged to these boys on their return. Adjoining townships followed suit, and the good work has spread into four other counties. These North Dakota people are tackling an important job on the only level on which it can be solved, in fact the only level on which many postwar problems can be solved—the level of community responsibility—and they are not waiting for orders from anybody.

I close with another preconceived, and some will say, dogmatic and old-fashioned notion. It is that whatever may be the material accomplishments of a planned economy, they will not be worth the price if the basic concepts of democracy are compromised and in their stead is reared a philosophy of the supremacy of the state over the individual, and if private enterprise and individual initiative and a sense of individual responsibility give way to bureaucratic, socialistic, or communistic developments. But I also recognize that if people who think as I do fail to make the system of free private enterprise work in the interest of the common good, state control is inevitable.

Speaking for Business

WARREN W. SHOEMAKER*

I AM VERY HAPPY to be with this group tonight because I feel that we have been brought together by this great University to discuss some very vital questions related to the future of this nation. It has been said that in the fields of observation and activity chance favors those whose minds are prepared. I believe this to be a sound observation and the reason that meetings of this kind are so very important—they prepare our minds to meet the challenge that will confront us after peace comes. “The future belongs to those who prepare for it.”

At the moment we are involved in a very tragic and wasteful war, and our immediate task is to continue to produce whatever is necessary for final victory. The record shows that our manufacturing industry and our agricultural industry have cooperated successfully in supporting the war program thru their great achievements in production. When peace comes, these two great factors in our national life, Industry and Agriculture, will be called upon to carry even greater burdens in rebuilding our economic, social, and political structures. Our only hope for a full measure of success lies in good relationship and full collaboration between our manufacturers and our agricultural producers. What is good for one group is equally good for the other, and what is good for both of us is good for everybody.

However, there is another factor of great importance, and that is that we must have freedom if we are to do our best. Man attains his highest efficiency only when he is free to apply his full energy and use his native ingenuity to produce what is required for his country and his neighbor. When a nation goes to war its entire citizenry is called upon to accept a certain degree of regimentation, because all aspects of life then are converted to a military character. The required number of able-bodied men are inducted into the armed services where they are under military regimentation and discipline. It follows that those left on the

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home front to support the armed forces must accept some degree of control for the purpose of a fully coordinated effort.

There is no opposition to this procedure in principle—all good American citizens are willing to suspend their cherished freedoms as a part of the war program, in spite of the blunders and irritations of the bureaucrats. That is one of the horrors of war, less tragic than that which our sons must face on the battlefields and on the seas. However, when peace comes, then we expect a return of the rights that we temporarily surrendered during the wartime emergency.

Have we any reason to suspect that having won victory on the fields of battle we may lose any part of the precious liberty we have enjoyed in this country since the nation was founded? Some people think that the totalitarian shadow in this country is lengthening and that we do stand in danger of losing some of our traditional liberty, even after the war is over. Others think that there is no such hazard ahead of us and that we can go along safely without paying any great attention to this particular question. I would remind you, however, that the old saying, "Eternal vigilance is the price of liberty," is not an idle observation. Perhaps there may be some saintly men on this earth, but the average man is reluctant to give up power he has once possessed. Most men thrill to the sense of power and are not conscious of the evils that they may be unwittingly responsible for because of too much power. In England there is a saying, "Power corrupts, and absolute power corrupts absolutely."

We speak of democracy as a great heritage. Is it a heritage or is it a challenge? I believe that on close analysis we will determine that democracy is a challenge to every individual of every generation. Democracy is not a heritage that can be passed on from one generation to the other in a manner similar to chattels or property. There is no permanent claim to freedom unless the people who enjoy it are sufficiently courageous and energetic to guard it jealously and use whatever means are necessary to preserve it.

In periods of temporary panic and discouragement, there are some who will lose faith, but the strong must believe and hold firm, because faith is the foundation of freedom. Faith is not a passive acceptance of something that has happened in the past,

but rather it is the substance of a creative spirit toward what has to be accomplished in the future. Spirit is the constitution of liberty. It is easy to mistake the body for the spirit, but I will remind you that when the spirit is gone the body is dead.

I have dwelt on this question with some emphasis because under present war emergency conditions many changes are taking place, and while I know that the world is never static and change is constant, we must be on the alert to see that the changes will be in accord with our constitutional liberties.

The morale of men is not at its best when they are driven by routine, but they reach their highest efficiency when they are led by the challenge of big jobs to be accomplished and are free to apply themselves without bureaucratic supervision.

Now let us take a look at what appears to be our major problems when peace comes. One of our most sacred responsibilities will be to see that these boys returning from foreign battlefields will have the opportunity for employment. That is a must. Some are inclined to think that the opportunity for work can be provided by some arbitrary method of furnishing so many jobs. That doesn't seem a practical approach. I should say that it will be up to industry to set into motion the forces that inevitably create opportunity for employment.

It would appear that there is a tremendous unfilled demand for a long list of commodities in great volume to be produced and supplied to our domestic outlets. There are also in this country tremendous cash balances from many foreign countries on the Western Hemisphere and elsewhere which will be spent here, and that should help to keep industry running to full capacity for a considerable time after the war ends. Expanding industrial activity will create momentum providing outlets for the raw materials that the farm must produce, both as to food supplies and for factory production. In addition to our domestic requirements we will be called upon to assist very materially in the relief and rehabilitation of the war-ravaged countries in Europe and other parts of the world.

For the first year or two after peace, food of various kinds will be one of the important items in the list of commodities that will have to be exported to assist in the work of rehabilita-

tion, to the extent that we find it possible to do so. It is assumed by students of the situation that after the first year or so, many foreign countries will be able to produce foods of various kinds in sufficient quantity to support themselves. It is not to be supposed that we will attempt to supply foods to the needy countries in a volume that will put their standard of living on a basis which we enjoy in this country, but rather that we will send them what we can in order that they sustain themselves until they are able to assist in their own production. It will be a gigantic undertaking and no one can estimate what it will amount to. Needless to say, it will take all we can spare for a time.

In addition to food, there are hundreds of other commodities in the way of machinery and mechanized products of all kinds that will be required to assist the work of rehabilitation of these countries which have been so largely destroyed by the war. Hence it seems quite definite that with the immediate demand to be met at home and abroad industrial activity will be greatly accelerated for some time to come, and along with an expanding industrial production, we must maintain a high agricultural production to keep in balance our food supplies and other raw materials that come from the farm.

Here again we see Industry and Agriculture working side by side to restore the economic and social equilibrium of the world. A great responsibility rests upon American business leadership, and I am convinced that our industrial leaders see clearly their responsibility and are ready to meet the challenge.

In accepting this responsibility of providing jobs for everybody who wants to work, industry must have tremendous courage and imagination. Jobs are the product of a combination of capital, management and opportunity. Without these factors there can be no increase in jobs in a free economy, and as I have said before, the foundation is faith. Courage stems from confidence, but confidence is born of faith. Expanding job opportunities constitutes a social, economic and political mandate. The evidence is positive and we must recognize the demand.

Our productive plant capacity has been greatly expanded as a result of wartime needs. The problem of providing jobs before the war had not been solved. This problem will be greater in the

postwar period because of so many complexities in passing from war to peace, and will therefore require more studied and close attention than at any time in the past. Industry will dedicate its forces and resources to this serious undertaking. We must develop new products and we must learn to produce existing things at a lower cost. Expanding production volume will provide the jobs, and that will be the answer.

We have had industrialists in this country who were smart enough to budget their sales a year in advance. They then budgeted their production to correspond with the anticipated sales and figured their costs on this hypothetical basis. They advertised their product at a new low price, and it was by this process that the achievement of mass production was realized.

I have read a great many articles by writers who are supposed to possess double-distilled knowledge on the question of social values, but I don't recall ever having seen any articles which placed the proper emphasis on the social value of mass production. There seems to be no reason to doubt that we will enter an upward spiral of business activity as fast as the reconversion from war to peace is accomplished, but we must have greater momentum behind the industrial production than this natural conversion from war to peace will in itself provide. Industry must keep its research departments working overtime. We must have the assistance of chemists and engineers as a creative force to maintain constantly expanding horizons. I can assure you that our industrial leaders are all genuinely concerned with the reality and importance of this responsibility, and they are working at it with the same confidence and determination that has made this country industrially great.

These men know that industrial production is the spearhead. From that spearhead will radiate increased demand for better homes for workers, more traffic for the railways, more tonnage for the steamships; these combine to create more jobs, which means increased demand and a higher purchasing power.

Leaders of American industry believe that this opportunity lies ahead of us and they will not be satisfied to follow a policy of allowing nature to take its course. They also realize that considerable risks will have to be taken in many directions. These

risks will be taken without hesitation if we have the proper government relationship toward business.

History tells us that after all big wars there follows a period of great business activity. The pattern is constant and varies only in point of duration and degree. The volume of money now held in the savings banks of this country is tremendous and will continue to increase for the duration. As against this there is a great shortage of many things people want to buy.

During the period immediately following the war when the processes of reconversion are operating, one of our menacing threats will be inflation. As much as we dislike regimentation, it is probable that some temporary controls will have to be maintained until there is a better balance created between supply and demand. It may be advisable to continue price controls for a limited time until we recover a balanced relationship between available goods and purchasing power. Such controls, however, should be lifted at the earliest possible moment; otherwise, the force of an expanding economy will be seriously impaired. What we will need in these circumstances is expansion without inflation, stability without stagnation, and order without rigidity.

Another factor related to the future of our national economy which cannot be ignored, is the national debt. The connection between national debt and national income is very close. In my view, the national situation in this respect is analogous to similar situations in the case of private corporations. There is one distinct difference in the reason for the debt. If a corporation floats bonds to raise funds with which to construct revenue-producing plants and equipment, that procedure would seem to be in line with prudent management. However, when a nation floats bonds to raise money for munitions and materials which are shot away, such an investment does not produce income.

It has been repeatedly pointed out that our public debt is wholly internal. What is the difference then between a domestic public debt and an external public debt? In the case of a foreign debt the revenue collected from American taxpayers with which to pay interest must be transferred to bondholders living in the creditor country. In the final analysis this means that we would export goods and services in order to obtain the foreign currency

necessary to meet our obligations. In the case of an internal debt, interest is paid to bondholders living in this country who are at the same time the taxpayers. This difference doesn't dispose of the economic significance of public debt.

Many economists have pointed out that the money collected as taxes with which to service our internal public debt flows back to the people in the form of interest on the bonds they hold. Therefore, it is reasoned that the money is merely shifted about within the economic system and that hence public debt bears no resemblance to a private debt. However, if the federal government finds it impossible to collect sufficient revenues to meet its interest and other obligations, then it seems to me that the government itself would be confronted by a serious financial difficulty. The essential factor in determining the soundness of a corporation is the ratio of its earning power to its capital account. Some authorities convincingly remind us that the same principle holds with respect to the public debt of a nation. Usually national income must come from taxes. If the government power to raise revenue from taxes is in controllable ratio to the debt service, it seems sound to conclude that the nation is not, so to speak, overcapitalized. This question is far too broad and complicated for me to attempt any intelligent discussion of it, but I mention it because it is related definitely to the national income, which is dependent upon production.

In order that the government shall be able to raise sufficient revenue thru taxation to service our greatly expanded national debt, plus other federal expenses, it seems obvious that we must have a greater national income than we have had in the past. One of my friends from a foreign country said to me the other day, "This war has been very enlightening. You in the United States have suddenly discovered that you can earn 140 billion dollars annually instead of 60 to 80 billions." This greatly increased national income is obviously based on war production. How close we can come to this under peace conditions, I don't pretend to say, but it does seem that we must so expand our production that our national income will be considerably more than it was before the war; otherwise income from taxes may not be sufficient to meet government obligations.