Address delivered by George S. Messersmith, American Ambassador to Mexico before the National School of Economy on April 8, 1943. This is one of a series of six addresses on the "National Economies of the Americas", the first address of the series having been made by the Minister of Foreign Relations of Mexico, Lic. Ezequiel Padilla.

SUBJECT: "Repercussions of the War on the Industry and Economy of the United States."

I have chosen for my theme this evening a brief discussion of the repercussions of the war on the industry and economy of the United States. Before discussing the industrial and economic repercussions of the war, I wish to say a few words about an important and closely related political repercussion.

In the political field the principal repercussion of the war has been to make the people of the United States conscious of the fact that its future and that of the Americas and that of the world will not be settled by military decision alone but that the victory will only be the beginning of the opportunity for the organization of lasting peace. We recognize in the United States that the war has brought with it responsibilities which will extend into the organization of the peace and for a period of many years. It was not easy for the people of the United States to reach the determination to enter the war. From the very beginning of the outbreak of hostilities in Europe a large percentage of our people realized the inevitability of our entrance into the struggle; but so great is our attachment to peace, and so strong were some of the disillusionments resulting from our participation in the previous war that it took the wanton and unwarranted attack of Japan to bring about the actual declaration of war on the Axis. Once the decision precipitated by Pearl Harbor was made, the people of my country realized that the decision involved not only the placing of all of our energy and resources into the winning of the war, but also the recognition of the fact that once the victory was won, there were even greater responsibilities resting on us for the long range in collaborating with the others of the United Nations in assuring that the sacrifices of the war would not have been in vain and that certain principles of decency and order in the political, economic and social field would be established firmly as never before.

The policy of the Good Neighbor in the western hemisphere, already before the outbreak of the war in Europe, was no longer a policy of individuals or of an administration, but a policy of the people of the United States. One repercussion of the war has been to demonstrate to the people of my country, as well as to the people of the other
other American Republics, the imperative necessity of
the policy of the Good Neighbor being not only a policy
among the American Republics, but of the whole family of
the nations. The example which the American Republics are
setting today in solidifying the policy of the Good Neighbor
will be a most useful influence in post-war settlements.

In this respect I think it should be frankly noted
that there are those weak and timid and suspicious souls
who believe that some of the nations which are now
struggling for the preservation and re-establishment of
democratic principles throughout the world and for the
sovereignty of states may be so strong through the armaments
which they are building up for the achievement of the victory
against the aggressors who are struggling to destroy us that
this power, whether it be military, or economic, or both,
will be used unwisely and against the interests of small
states. While it is true that the Democracies are fighting
also for their existence, it is also true that they are
fighting for that existence because they believe that
their way of life is better than that which the aggressor
wishes to force on them. Little confidence as some may
have in the wisdom of governments and of peoples, can there
be a sound and sane person who believes that the military
and economic power which the Democracies are developing in
order to win the war for their existence and for the main­
tenance of certain principles of sovereignty and equality
will be used, once the victory is won, against weaker states?
Such a thought is unworthy except on the part of those who
themselves in their hearts feel that they would use such
power in such a way. Let us cast out of our minds such
suspicions and place in their proper category those who in
these difficult times are trying to raise such suspicions
with respect to the motives of those peoples which are making
every conceivable sacrifice these days for their own future
and for the future of others. In resume, I think it may
be correctly stated that in the political field the prin­
cipal repercussion of the war has found its most definite
expression in the increasing recognition of the people of
the United States of the fact that our responsibilities will
not end with the victory, but that there must be over a long
period of years the most complete collaboration with our
sister republics in the Americas and with the United Nations
in the organization and in the implementation of peace.

In the industrial and economic fields the repercussions
of the war in the United States have been so broad and so
deep in their consequences and of such significance for the
present and for the future that anything that I may be able
to say this evening will give you only a very inadequate
picture. In order to appreciate these repercussions already
felt by our industry and economy, it is necessary to spend
some time in the country, and not only in our cities but in
our countryside.

Over
Over a long period of years we had concentrated our energy in the United States on the development of our resources and our industry and on the organization thereof to meet our domestic needs. We had the good fortune to have our population swelled by immigration from many countries. We had the good fortune to have at our disposal for development enormous natural resources and a vast territory. We welcomed not only this immigration from other countries but foreign capital and foreign technicians and foreign skills which helped to play so important a part in our development and without which that development would not have been possible. It was inevitable in a country with the resources of the United States and the initiative of its people that surpluses of industrial and agricultural products should be developed for which outlets had to be sought in the markets of the world. The beginning of this great war in 1939 found the United States one of the most highly developed industrial and agricultural countries in the world with its research laboratories in the fields of industry, science, agriculture and public health, the objective of which was the improvement of industrial and agricultural methods to bring about cheaper and better and more goods and to realize a generally higher standard of living. In this development which had reached such great proportions, private initiative has been a primary factor, and it is not too much to say that it is this private and individual initiative and the appropriate rewards received therefrom which have made possible the degree of economic development and the standard of living which the country had reached.

This private initiative must be maintained in the United States as it must be maintained in the economic and social structure of any free and enterprising people, for the history of all peoples has absolutely proved, in spite of occasional experiments, that it is the basis of all sound development. Private and individual initiative is something which the people of the United States are determined to conserve, but it is one of the anomalies of the war that one of its greatest repercussions on a people so steadfastly devoted to private initiative has been for the period of the war to limit it and to restrict it. We are determined, however, in my country that this fundamental basis of our social, as well as political, structure, which is private and individual initiative, shall be restored in as large a measure as the common good makes possible.

Our young people, men and women, with their ambitions for a career, whether on the farm, in the factory, in the laboratory, in a profession or in business, find themselves under the necessity of giving up presently all their plans for the future and of putting on the uniform of the armed forces or working in the factory or on the farm in whatever capacity the exigencies of the war may demand. Of our 130 millions and more of inhabitants, more than 6 millions of our young men are already in uniform, and before the end of
this year, that number will almost certainly reach more than 9 millions. They are training in camps at home, or already in distant parts of the world preparing for active participation in the conflict, or actively participating therein in the world-wide battlefront. These young men are already joined in the air, on the sea, on the land and under the water in practically every part of the world with the forces of the United Nations engaged in the conflict.

Our women have donned the uniform of the Army and the Navy and have likewise taken over tasks in Government and in business so that the men can go into the fighting forces. In our factories women are increasingly taking over the place of men and have shown an extraordinary capacity for technical performance in industry. In a good many of our war plants the number of women employed on the machines and on the assembly lines is as great as, and in some greater than, that of the men.

In our colleges and universities, which numbered their students in the hundreds of thousands, a great transformation has taken place. In some respects the ordinary courses of study continue but for the first time in the history of the United States a war has fundamentally changed the structure and the life of our universities and colleges. The number attending them has been tremendously decreased, and to a very considerable degree the courses have been changed so as to fit those who are pursuing them for immediate usefulness in the conflict or to prepare them for the problems of the post-war period which we already can envisage.

The question of manpower has become one of the most difficult to solve, for in spite of the tremendous reserves of our population, the effort of production is on so vast a scale that the Congress is now considering legislation which would practically draft all men and women between certain ages for obligatory services in particular fields which the Government may believe necessary during the period of the war.

In the field of agriculture, where the returns of labor have on the whole been generally lower in the terms of actual wages than in industry, the situation created by the need for manpower in the Army and in war production has had serious effects. There has been a draining of farm labor into the war industries and into the armed forces. In this connection, it will be borne in mind that while production for war must proceed on a tremendous scale, minimum needs of the civilian population nevertheless must be met. Furthermore, for the United States it is not only a question of feeding 130 millions of our citizens and of maintaining our armed forces in various parts of the world, but also of helping to feed the populations of the others of the United Nations who are helping to bear the burden of the war and who have been cut off from former sources of supply. The problem of agriculture in the United States is a particularly serious
serious one, not only because of the manpower situation, but because of the fact that the supply of agricultural implements has so tremendously decreased in view of the steel and iron essential for war production.

In connection with this particular matter, I cannot refrain from mentioning the helpful contribution which Mexico is making in our agricultural problem through what I believe to be the mutually advantageous agreement which has been reached between our two countries for the recruitment of a certain number of agricultural laborers from Mexico to help on our farms and in our orchards. The Mexican Government in entering into this agreement has shown a definite recognition of our common problems and in this, as well as in so many other respects, is aiding in the prosecution of essential programs in the common war effort.

With American food being sent today to many distant parts of the world, the shipping problem has been enhanced and has led to tremendous advances in dehydration and preparation of foods in concentrated form to economize on shipping space. Some two hundred different forms of dehydrated or compressed foods have been prepared for shipment abroad. The story of these concentrated foods is in itself an epic, and the progress made in this technical science will undoubtedly affect many aspects of our food problem after the war, including our diet and food distribution system. The great demand for food has resulted in comprehensive rationing of many food products in the United States, and the table of every family has already undergone a considerable change in the quantity as well as variety of food which can be served, with still greater change to come.

In the field of industry, it is extremely difficult for anyone who does not see what is actually in progress, and even for those who do, to realize the enormity of the industrial effort. It may be said conservatively that two-thirds of the production of the United States now goes into the war effort in one form or another. While our factory capacity has been tremendously increased and enormous new establishments devoted exclusively to war purposes have been built, it is to be recognized that the majority of our industrial establishments previously existing are also dedicated to the production of war products. The production of ordinary consumption goods has been reduced to a minimum. Many articles such as automobiles, refrigerators, radios and similar articles, which were considered an essential part of the equipment of practically every home in the United States, are no longer being manufactured, and in many of them the supply is exhausted.

Nevertheless, the physical volume of industrial production, which in December, 1941 stood at 168% of the 1935-1939 average, had advanced to 196% one year later, or almost double the production in the years immediately preceding the outbreak of the war in Europe. Furthermore, although rationing of scarce goods has already had far-reaching effects
effects on every day life, and although increased total production and higher wages have resulted in increased buying power for an important segment of the population, I noticed while I was home that our people were not concerned with the rationing itself, which they accepted as inevitable, but merely with the problem of adapting themselves and their daily life to it. The severe fuel oil rationing, necessitated by the enormous shipment of fuel to the fighting fronts, caused particular hardship because the past winter at home was one of the coldest that we have had in years.

I might point out here that rationing and similar wartime regimentation strike equally at all sections of the population. The rich have no advantages over the poor in this respect. Many heads of industry and high Government officials now walk to work or use buses and streetcars. I found on my recent trip home that many such men, who formerly lived in comfortable estates near the cities where they worked, were now living in small two or three-room apartments in town, having been obliged to close their homes due to the lack of transportation, heating, or domestic help.

The industry of the United States has been placed in an incredibly short period of time on an absolute war basis. The United States has been called the arsenal of the Democracies. These are words which in themselves are significant, but it is difficult to appreciate their full meaning. Completely aside from the necessity for industry in the United States to supply all the many types of equipment needed by the enormous and constantly growing Army and Navy, there is the need for all the implements of war and for the ships to transport them which are needed by our allies. Some of our allies do not have adequate industrial capacity themselves; others have had their production capacity diminished or destroyed. The development of production of war materials in the United States is an epic beyond the power of my expression and the limitations of this address.

In the field of aviation alone the United States has become the principal supplier of planes for the far-flung battle lines on land and on sea, and plane production has far exceeded expectations and is rapidly reaching a maximum which is confidently believed will be one of the determining factors of the victory. Of the enormous scope of the production of planes of all types I cannot make any detailed mention, but the results of that production you are now reading every day in the press in the form of the war communiqués from every front. The production of light and heavy tanks, anti-aircraft guns and light guns of every type is progressing at a satisfactory and increasing rate.

The enormous production program in the United States has resulted in startling changes in our industrial structure. The wartime emphasis on uniform mass production has led to
the closing of a very considerable number of small industrial plants, which are incapable of effective conversion to war production and unable to obtain needed raw materials. This change is particularly significant in view of the fact that one of the strengths of our industrial system has been the extraordinarily large number of small plants competing with each other and with larger plants. Not only are the owners of such plants deprived of income therefore, but the workers therein have been obliged to seek employment in the nearest large industrial establishment, which may be thirty miles away, instead of next door. A corollary of this major change in the industrial structure has been a far-reaching dislocation of family and community life necessitating great physical and social sacrifices. I have witnessed how these sacrifices are being accepted by our people, as by so many others, as an inevitable and necessary part of the war.

The question of transportation is one of the most serious of the war, for the submarine remains the most effective instrument of the enemy. During the year 1942 our tremendously increased shipyard facilities succeeded in producing the maximum of 8 million tons of merchant shipping which had been set as the goal. During 1943 it is confidently expected that a minimum of 17 to 18 million tons of merchant shipping will be constructed. This construction of merchant vessels is completely aside from the construction of vessels of war of all types, and it is sufficient here to say that the construction of warcraft of all types is proceeding at a more than satisfactory rate and to the degree that it is confidently believed that in 1945 the United States will have instead of a one-ocean navy a five-ocean navy.

Of the construction of naval vessels I shall not speak at greater length for obvious reasons, but it is a fact which cannot escape the attention of all thoughtful persons that the United Nations are replacing and more than replacing their losses in merchant shipping and are tremendously increasing the fighting strength of their naval forces, while our enemies in this respect are able to replace their losses only to a limited extent. In both the war in Europe and in the Far East this is one of the deciding factors of the war, and it is for this reason that there is this concentration on merchant and naval shipping construction.

In spite of this tremendous production of merchant vessels, the question of transport remains one of the most difficult, not only because of the losses at sea, but because of the increased need for transport. The United Nations are confronted not only with the problem of raising great armies and producing materials, but with that of transporting them to far-flung and distant battle areas. It is not only a question of transporting large numbers of men but also the tremendously complex material which is continuously necessary for the maintenance and equipment of these men on the fighting fronts. This particular problem, which is one of the vital and principal ones of the war, is...
being met through the constantly increasing and satisfactory production.

In the meantime, we have in the Americas a particularly difficult shipping problem which is one of the inevitable consequences of the war, and just as the economic life of the United States has been disrupted so fundamentally by the war effort, so, as a consequence of the lack of shipping the economic life of some of our allies and friends in this hemisphere has been dislocated. So far as possible all essential services of transport are being continued. Ships have to be used where they are most needed for the actual war effort and none of us today in any country, and certainly in the Americas, would be so egotistical as not to realize that the primary purposes for which shipping must be used these days are for the prosecution of the war.

In the field of transport within the country itself, very great changes have taken place. Our highly developed system of railways, which had fallen into a difficult situation as a result primarily of highway competition, has proved to be an enormous benefit in the war effort. In spite of the highway competition and the unfavorable tax and legislative system to which they were subjected in the pre-war period, the railroads had maintained their equipment and efficiency at high levels through careful management. The railways of the United States today are carrying an enormous burden both in passengers and in freight and these railways, which had suffered from so much criticism from various sources, are today solving one of our major internal transportation problems because their efficient management kept the equipment in shape, so that it is now likely that during the period of the war - in spite of doubled and tripled traffic - they will need relatively little in the way of new or replacement equipment, in comparison with such needs had their management been lax. This is in itself an enormously helpful factor in the problem of iron and steel, for which the demands of the war effort are so enormous. The railroads, which suffered so much from highway transportation competition, are now performing an enormous service to the country when highway transport has had to be reduced because of the scarcity of rubber.

So far as highway transport in the United States is concerned, the circulation of motor vehicles is now almost entirely restricted to absolutely essential traffic. The circulation of private automobiles for purposes other than the most necessary for the conduct of the essential activities of the people has been limited. Many private automobiles in the United States have been stored for the duration of the war, and the restrictions upon the use of private automobiles are such that their use for pleasure or for other unessential purposes is limited throughout the nation to a degree which a few months ago we would have considered inconceivable.

Gasoline
Gasoline rationing and the restriction of automobile traffic for unessential purposes serve the dual purpose of saving gasoline and lubricants and conserving valuable supplies of rubber. The urgent need for rubber conservation is obvious, while the heavy exportation of gasoline and lubricants to the fighting fronts, to our own forces and to others of the United Nations, together with the shortage of fuel transportation from production areas to seaboard shipping points have also proved the wisdom of these measures.

I shall now briefly refer to certain financial repercussions of the war which have their immediate as well as long-range consequences. First, a few words with regard to the debt load. The financing of this vast war production effort has naturally been reflected in an unprecedented rise in the national debt. The gross direct debt of the United States Government, which had gradually risen from 40.4 billion dollars on June 30, 1939 to 55 billion dollars on November 30, 1941 - one week before our entrance into the war - almost doubled in the following thirteen months to 108 billions on December 31, 1942. The estimates of the Treasury Department indicate that the debt will have increased to 135 billion dollars by June of this year, and to 210 billion dollars by June 1944, or over five times the 1939 figure. The limits of this address do not permit me to make any comment or observation on this debt structure.

The impact of the war has of course been sharply felt by the overwhelming majority of our people through sharply increased taxation, which has been levied to help to pay the staggering cost of war financing, with the supplementary objective of checking inflationary tendencies. The Revenue Act of 1941 increased corporate income and excess profits taxes, estate, gift and excise taxes, and surtax rates on the personal income tax, and at the same time substantially lowered the personal income tax exemption. The effect of this act was not completely reflected in the tax receipts for the fiscal year of 1942 because of statutory lags in collections. However, the Government tax receipts, which had totalled between 5 and 6 billion dollars for each of the fiscal years 1938, 1939 and 1940, and over 7 billion dollars in the fiscal year 1941, rose to 13 billion dollars in the fiscal year ended on June 30, 1942. Income and excess profits taxes, which accounted for 42% of the total tax receipts in 1941, contributed 53% in the fiscal year 1942, as the higher rates of the Revenue Act of 1941 drew deeply from the increasing national income.

A new Revenue Act was approved in October 1942. It is estimated that new taxes provided for in this law will produce 7 billion dollars additional revenue a year, of which increase nearly three-quarters will be derived from individual income taxes. As significant of the tax policy, it is to be noted that in addition to the increases in the normal and surtax rates, the new Act reduced the personal exemption for the head of a family, which in 1939 was 25 hundred dollars and
and in 1941, 15 hundred dollars, still further to 12 hundred dollars. The exemption for a single person, which in 1939 was one thousand dollars and in 1941, 750 dollars, was lowered to 500 dollars. The credits for dependents were reduced to 350 dollars for each dependent. By thus lowering the exemptions, it is estimated that 32 million personal tax returns will be filed in 1943, which is 7 million more than in 1942; and that of these 32 million, 27 million will be liable to tax. The 1942 Act likewise increased corporate income and other taxes and imposed a Victory Tax of 5 percent on gross income over 624 dollars, which it is estimated will be paid by some 40 million taxpayers.

Again, time does not permit any extensive comment on these obvious figures but it is interesting to note that as a result of increased Federal taxes, as well as heavy state and local taxes, it is estimated that about 25 percent of the national income will be paid out in taxes in the fiscal year 1943. Furthermore, in his budget message to Congress on January 11, 1943, President Roosevelt recommended that in the fiscal year 1944, which begins on July 1, 1943, not less than 16 billion dollars additional be collected out of taxes and savings. The Congress is at present discussing the new tax bill, which will add unquestionably new and greater tax burdens.

I will confine my comment in this respect to pointing out that this income tax now reaches further down and increasingly further down in the low income field and that this is considered as sound tax policy and an effort to reach as equitable as possible a distribution of the tax burden.

Concerning the manner in which the war effort is being financed aside from taxes, it is sufficient to say here that War Bond issues have been one of the major financing measures. From the inception of the War Bond program in May, 1941, through December, 1942, eleven and one-half billions of dollars of War Bonds were bought by over 50 million Americans. These figures are exclusive of very much larger amounts of Government Bonds bought by banks, insurance companies and other large corporate and individual investors. A Victory Loan campaign in December, 1942, resulted in the purchase by corporate and individual investors of 13 billion dollars of new Government Bonds. A similar campaign is being conducted this month. The statistics of the Treasury show that voluntary War Bond investment has exceeded any previous Government financing in world history, both as to volume and the number of people participating.

Price controls have become necessary as a means of stabilization and of preventing inflation. Total war appropriations and contract authorizations in the United States rose from 64 billion dollars at the end of November, 1941, to 206 billions in June, 1942. With war expenditures expanding far more rapidly than the rise in taxes and savings the upward pressure on prices was greatly increased. In May, 1942, the Office
Office of Price Administration took action to stabilize the prices of most goods at the highest levels reached in March of that year. Action has also been taken to stabilize rents, and with certain qualifications, wages. Industrial wages have reached record high levels. At the end of 1942, the cost of living was some 20 per cent higher than in the period of virtual stability from 1939 to early 1941, and 5 per cent higher than in March, 1942. It may be accepted as certain that this increase would have been substantially larger had it not been for price control measures.

At the outset of the war it was realized by the United States that there would be a scarcity of consumer goods - not only of goods consumed in the United States, but also of supplies which we had over a long period of years been furnishing to our friends in this hemisphere and elsewhere. It was obvious that if most of the raw materials available would necessarily have to go into the war effort, most consumer goods would have to be rationed. From the very outset, however, my Government set up as a definite principle of its action that so far as consumer goods were concerned, we would supply them to our friends in this hemisphere in exactly the same measure - no more and no less - as they were made available to our own people. This equitable principle I can assure you has been religiously adhered to.

It is inevitable that in some of the American Republics certain consumer goods and certain supplies for industry ordinarily obtained from the United States cannot be available in the same measure as before, but I can assure you that they are available to our friends in the American Republics in the same measure as they are available to our people at home. I need not say to you that this is a war for our very preservation and that it is a common effort. It is not necessarily an equal effort, because in the very nature of things, the effort put forward by certain countries and peoples has to be greater than that of certain others. The sacrifices in such a war, however, cannot be unilateral but must be shared by all of the United Nations as equally as this may be possible. In justice to my own country and to its people, it is necessary to say that so anxious have we been to maintain the economies of our friends in this hemisphere that in many respects, so far as consumer goods are concerned, they are in a better position than we are at home.

I have, for example, already stated that during the period of the war the creation of new industries in the United States, no matter how favorable they would be to the ordinary economy of the country, is out of the question. Not only are many of our smallest and best plants completely idle, but all new plant construction, large or small, except for war purposes, is out of the question. To this degree private initiative, which is so important in the life of any country, has been temporarily suspended. On the other hand, without going into specific examples...
examples, I could cite you instances of how, in Mexico and in others of the American Republics, we are even during the period of the war endeavoring to aid in industrial and agricultural development, where such development is believed essential to the economy of the country concerned. In all due justice, therefore, to the actuation of the United States, I think I should say that in spite of all the sacrifices which we have been obliged to make and are making and in spite of the far-reaching repercussions of the war on every aspect of our life, we have not failed to keep in mind the needs of the economies of our friends and have given them fair and equal treatment.

In spite of this equitable policy of giving this equal treatment in the way of consumers' goods to our friends in the other American Republics - that is, the same treatment as our people get at home - there is a great deal of unfortunate misunderstanding still among some of our friends. There is still some feeling that we are not allocating all in the way of consumer goods and goods for industry which is desired. That it is not possible to supply all that is desired is unquestionably true. But it is equally true that our people at home are not getting what they want. I have already stated that our extremely important agricultural production in the United States is hampered by the fact that our agricultural industry is not able to get all it needs in the way of tractors and equipment. Our production of fats and oils, particularly in the elaboration thereof, is hampered because certain industrial equipment is not available. This necessity for iron and steel going into the war effort has created these serious shortages for ordinary, and, in many cases, even for essential purposes. I am confident, therefore, that in the American Republics it will be realized that we are doing the best we can and making every effort to satisfy their needs and I am equally confident that they will understand that the first responsibility of us all is to devote goods to the winning of the war.

I think it is essential that I give one example to show how serious these shortages are and how they affect even major war programs. Everyone is familiar with the shortage of crude rubber due to the fact that the Far Eastern sources have temporarily been lost. The need for rubber for war purposes in the United States is enormous and must be met. On the other hand, there are certain needs of the civilian economy which must be met if certain aspects of life must go on and because they may form a part of the war production effort. As the stocks of crude rubber are extremely limited and the length of the war cannot be predicted, extraordinary measures for the restriction of the use of rubber have had to be put into effect and a very considerable program for the production of synthetic rubber entered into.

Completely aside from the technical and research problems involved in producing synthetic rubber in quantity, huge industrial plants must be erected with complicated machinery and equipment necessitating very great quantities of iron and steel. This synthetic rubber program involves such a tremendous
dous demand for steel and iron for machinery and equipment and plant construction that a grave question arose as to whether it should be carried out in full - for carrying it out would take some of the steel and iron needed for the ship and tank program. The decision therefore involved not only a production problem. It involved high questions of strategy in the war program. The final decision was that even though iron and steel would have to be diverted in a certain measure from the production of ships and tanks, the construction of the synthetic rubber plants would have to go forward so that they could be completed and in production by the end of this year and some in the beginning of 1944. This decision has been made, and the synthetic rubber plants are being constructed rapidly.

What I have wished to emphasize in quoting this example is that when some of us are critical when we cannot get iron and steel for this or that purpose, we must realize that the demand for iron and steel is such that even in the war program in such major items as synthetic rubber, tanks and ships, re-adjustments in the program are necessary if more steel is to be diverted from one to the other. In all of these problems we must bear in mind that the essential thing at the moment is the winning of the war and that everything else must be subordinated to it. What use will there be in carrying on any of the ordinary activities of life if we do not win the war? This enormous readjustment in the industrial life of the United States brought about through the repercussions of the war has created a situation which will bring us problems most difficult to resolve and which our sister republics will have in a similar but reduced measure. The solution of these post-war problems of the readjustment of industry will require all of the wisdom and all of the good will that we can bring to them. We recognize this situation in the United States and realize that the task of normalizing industry and of re-establishing and maintaining private initiative to full effect is a primary task.

In order to judge the enormity of United States production effort I will give briefly some figures concerning lend-lease for the two years ending March 1, 1943. The dollar value of lend-lease added over this two-year period is $9,632,000,000. Of this, $7,331,000,000 was for goods and $1,801,000,000 for services. Yet these figures represent less than 35% of United States production over the same period. It is interesting to note that during the past year alone we have shipped to our allies 30 out of every 100 bombers we have produced; 36 out of every 100 fighter planes; 28 out of every 100 light tanks and 33 out of every 100 medium tanks. Lend-lease since 1941 has been distributed 46% to the United Kingdom, 19% to the U.S.S.R., 16% to Africa and the Middle East and 14% to China, India, Australia and New Zealand. During the past year more than half of total lend-lease has gone to Russia and over the two-year period most lend-lease planes have gone to Russia, Britain and Africa in that order, while a half of all tanks lend-leased have gone to Russia. During the last six months of 1942 the United States lend-leased to Russia, the United Kingdom and all of the United Nations over two billion
billion pounds of food, or the equivalent of 16 pounds for each man, woman and child in the United States.

While all these goods were being shipped to our allies, we were building up and equipping in the past 15 months alone an army of almost seven million men, one and a half million of them being already overseas; we have more than doubled the size of our Navy; we have opened a front in North Africa and are protecting the longest supply line for our troops there; we are waging a bitter and relentless campaign of attrition against the Japanese in the Pacific.

I have endeavored in this brief, and for that reason I fear somewhat unsatisfactory manner, to bring out some of the major repercussions of the war on the industry and economy of the United States. After briefly referring to the increasing consciousness in the United States of the responsibility of ourselves and of the United Nations to implement the peace in the years to come, I have touched on the forced wartime abandonment of individual initiative and freedom; the enormous shift of manpower and womanpower from peacetime occupations to the armed forces and war industries; the dislocation of family, community and university life; the problems and necessities of increased agricultural production; the rationing of consumer goods, food, gasoline, fuel; the closing of small industrial plants; the problems of ocean, rail and highway transportation; the staggering debt load and the financing thereof through heavier taxation and sale of Government bonds and securities; the cost of living; and finally our constant efforts to provide friendly nations with goods on the same basis as, or in many cases on a more generous basis than, they are supplied to our own people. I have by implication or by brief discussion tried to bring out some of the tremendous problems which we have to face now, and which we will have to face to an increasing extent as a result of these repercussions.

These problems are not limited to the United States. They are problems that confront or will confront in varying degrees, every nation in this, the first total and global war in history. England, Russia, Germany and other countries were the first on which such problems were forced and they are struggling hourly for their solution. The United States through its participation in the actual conflict two years after its outset was soon immersed in these same problems. Mexico too, and others of the great American Republics, are meeting them to an extent which to date has been relatively limited but which will increase every day as the war goes on.

Here in Mexico, fortunately up to the present time life has in many respects kept its normal course. In some ways economically the war has brought benefits rather than disadvantages. It is my own personal conviction that the broad and deep implications of this great struggle are daily being better understood and appreciated by the great mass of the Mexican
Mexican people and that they are prepared to share fully in the sacrifices of the war as it may be necessary for them to so do. The Mexican people have already given abundant evidence of their devotion to our common cause.

The events to this date give ample proof that this is no easy war and that no early solution is imminent. In the months and in the years to come the fighting will go on and when the victory is won there will be launched the even, in some ways, longer and more complicated battle of the peace.

I am confident that you will agree with me that the only way that Mexico, the United States, and all of the United Nations can hope for a successful outcome of the war, and of the peace as well, is by meeting the respective problems with which all of us are faced in a spirit of warm cooperation, mutual understanding and of joint effort on a scale unprecedented in world history. It is through such a common effort and understanding alone that the repercussions of the war can be successfully met, overcome and shaped to mould an equitable and enduring peace.