Address delivered by George S. Messersmith, American Ambassador to Mexico before the National School of Economy on April 9, 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. Ezekiel Padilla.

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

When my good and esteemed friend Dr. Tello asked me before my departure on leave for the United States in middle January if I would be willing to give one of the addresses in this cycle of studies on the economies of the American Republics as affected by the war I was very happy to consent as I had every confidence that I would have ample opportunity during my projected holiday in the United States to prepare a well-documented address at leisure.

The fact that I was not able during the entire period of my six weeks' absence from Mexico City to give any thought to the preparation of this address, much as it was on my mind from time to time, is indicative in some respects of the repercussions of the war on my country. My holiday trip turned into a period of intensive labor. I naturally proceeded immediately from Mexico City to Washington in order to report to the President and to the Secretary of State and I found from the very first day of my stay in that Capital that any thought of a holiday was out of the question. The enormous tasks of the war are increasingly placing greater burdens on all those who have anything to do with the complicated machinery of government, the conduct of the war and with the multitudinous problems of organization and supply caused by them.

When the war broke out in Europe in 1939 - that is when hostilities actually began - I was serving as an Assistant Secretary
Secretary of State in the Department of State in Washington. For some years some of us had recognized the increasing inevitability of war. For some years some of us had seen the incapacity of governments to take the action which prudence dictated to stop the progress of the Nazi dreams of world domination, because of the reluctance of their peoples to recognize the danger to each and every one of them which these Nazi dreams of power implied so clearly. For some years I, like many others in my country and in others, had seen that the only way in which these ambitions could be crushed would be through another war which would involve the whole world in its wide consequences, if these measures of prudence and prevention were not taken.

When the war actually broke out there were those in my country and in others who breathed a sigh of relief; because they felt that this war would bring with it an almost immediate solution of so many of the problems, political, economic and social, which had been increasingly troubling us in so many countries. This illusion I for one did not share for I had lived in the midst of the developments for so many years that I realized that the world had permitted the German power under the Nazi government to develop to such a degree, while we had remained supine, that the struggle before us would be a long and a bitter one and that we would have war not only in Europe but in the Far East against two implacable enemies which would be struggling at the same time and together for world domination, and in the latter phases for their own existence. There were many of us who realized that the war would envelop, inevitably, practically every government, every people and every area of the world and that it would bring with it political, economic and social dislocations.
dislocations and consequences which would create problems of far greater magnitude and complexity than those with which we had been dealing previous to the outbreak of the war. I was, however, one of those who shared in 1939 the conviction that the war was then inescapable and that my country was inevitably concerned therein, and before the dread conflict came to an end, would have to bear a major responsibility in the conduct of the war.

Unfortunately all this has turned out to be only too true. Today the United States with its 130 millions of people and more is involved with the rest of the United Nations in this great struggle. The other American Republics almost without exception have either severed their relations with the Axis Powers or have declared war thereon. The whole of the hemisphere is united in its recognition of the fact that the United Nations and the Democracies are fighting not only for their sovereignties and existence but for the re-establishment of peace and order and decency in the relationships between states. The solidarity of the Americas conceived in times of peace and nourished during years of collaboration in the political and economic field is now being consolidated through a common effort and a common sacrifice in this great struggle and by that increased understanding and through that increased solidarity we are preparing ourselves for the common responsibilities which will be ours after the war, not only so far as our peoples in the Americas are concerned but so far as our obligations to the rest of the world are concerned.

There is also another thought which I wish to emphasize at this time. In the early stages of the war there was a tendency to repress and reprove those who spoke of this war as one fundamentally of ideologies. We were told that it was
was a war to maintain the sovereignty of small as well as great states and to destroy the aggressors who were endeavoring to establish their political domination over the world. There was however something deeper than this behind the ambitions of the aggressor states. Germany, Italy and Japan had made it very clear from the outset that they were interested in the establishment of a "New Order" - a new order which involved not only political domination and political enslavement of smaller and larger states but also a new order in the economic and in the social field which carried with it the same subjugation as that which they contemplated in the political field. Today we frankly recognize that this war is also primarily a war of ideologies and that what we are fighting for is not merely our political sovereignty and integrity and decency in international relationships but also the preservation of the best in our economic and social structure and in all that we call our way of life.

The repercussions of the war on my country and on practically every country of the world already have been such as to show clearly that out of this war there is developing and will develop a changed world in which the fundamental principles in the relationships between states and in the economic and social field will be more clearly defined and established - and that in order to accomplish this there will have to be a long period of adjustments after hostilities cease during which the United Nations must assume the responsibility for the orderly implantation and implementation of these principles.

The effects of the war in the countries carrying the principal
principal burden thereof, and in the countries occupied by the aggressors, each different in their nature, have already been so far-reaching that it is evident that, once hostilities are over, we cannot establish the peace at a peace table as in previous years. The political, social and economic dislocations have been so far-reaching and so deep in their effects on the life of all peoples that there is no group of men, no matter how wise, informed and far-seeing they may be, who could sit down at a peace table or in a conference and in six months or a year arrive at those sound conclusions and far-reaching settlements which would re-establish peace and order in the world and implement those economic principles and those political arrangements which are absolutely essential if this war is not to be followed within a relatively short period by one even more devastating in its consequences and which would inevitably leave the world in chaos for many generations. In the countries occupied by the aggressor such devastating and far-reaching changes have taken place and there has been such systematic and far-reaching decimation of the peoples and the best elements thereof, such a destruction of moral, such a creation of political, economic and social chaos that they present in themselves one of the most serious post-war problems. In the internal life of the democratic nations which will have won the victory, the winning of the victory will have brought about so many internal changes and problems that to endeavor to solve them at a peace table and then to leave things to take their course would be devastating and would be planting the seeds of new international disorder and war.

We therefore of the United Nations have to recognize now and
and to reconcile ourselves to the fact that for generations there lies before us a task of organization, of peace and the establishment thereof through the imposition of controls of various kinds, the necessity of the duration of which none of us are wise enough to determine at this time. It is not too much to say that in spite of the enormity of the task of winning the war which it would be a grave error for us to underestimate the problems of the peace and of the post-war period will in some respects be even more difficult and will require greater effort and greater wisdom and perhaps as great sustained will. For this reason the problems of the peace and of this difficult post-war period cannot too soon have our serious and common consideration. It is encouraging that in the Americas, in my country, and in the United Nations these problems are receiving serious study and that there is already among the peoples of the United Nations as well as their governments a definite recognition that they cannot evade the responsibilities which will be theirs over a long period of years.

To me it is particularly satisfying to be able to say that in my country there is I believe no longer any doubt as to our recognition of our responsibilities not only during the war but in the post-war period. Every poll of public opinion in the United States confirms this and in an increasingly significant manner.

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. This is indeed a broad subject and it was my original intention in choosing this theme to present to
to you this evening a well-documented study presenting to you in detail and with proper facts and figures the changes which the war has brought about in the internal life of my country. Unfortunately I was unable during my stay at home to prepare this address as I had planned and where I had the facilities to gather this documentation, and since my return I have been occupied with the pressing problems of my duty so that I am obliged to speak to you in more general terms. I can only assure you that if I do not present to you appropriate documentation that the broad and general statements that I may make are supported by the facts.

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 of entering the war. From the very beginning of the outbreak of hostilities in Europe the majority 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
decision precipitated by Pearl Harbor was made the people of my country realized that that decision involved not only the placing of all of our energy and resources into the winning of that war but that it involved 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. In other words, the United States, its government and its people, realized that this time once the victory is won, whatever may be our desires to mind our own business exclusively there is a common business which the United Nations will have to carry through and there is a common effort which the United Nations must carry through and that we cannot and will not shrink from our responsibility.

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. The repercussion of the war has been to demonstrate to the people of my country as well as to the people of the 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
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 these powers, whether they be military or economic or both, will be used unwisely and against the interests of small states. It seems to me that such thoughts are utterly unworthy and only discredit those who give expression to them. 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 maintenance 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 résumé I think it may be correctly stated that in the political field the principal repercussion of the war has
has found its most definite expression in the almost unanimous recognition of the people of my country of the fact that its 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 which will carry with it an improvement in standards of living.

In the economic field the repercussions of the war in my country 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 only give you a very inadequate picture. In order to appreciate these repercussions already on 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 a long period of years we had concentrated our energy in the United States in the development of our resources and our industry and in 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 we welcomed 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 that in a country with the resources of the United States and the initiative of its people that surpluses of industrial and agricultural products
products should be developed out of our industry for which outlets must 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 field of industry, science, agriculture and public health, whose objective 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. There is no doubt that of the sacrifices of individual liberty, of which the war has brought so many to my country, the restriction of private initiative has been one of the most serious and it has been accepted only as a necessary and inevitable factor in the winning of the war.
We are determined however in my country that this fundamental basis of our social structure as well as of our political structure, which is private and individual initiative, shall be restored in as large a measure as the common good makes possible.

I somehow feel that I should speak in considerable detail of this temporary sacrifice of private and individual initiative because our sacrifices in this respect for the duration of the war are so real and that we are willing to make this temporary sacrifice of one of the things most precious to us as necessary to win the war is, I think, one of the most definite indications of our will to the war.

Our young people, men and women, with their ambitions for a career, whether they be on the farm, in the factory, in the laboratory, in a profession or in business, found themselves under the necessity of giving up presently all their hopes and aspirations and of putting on the uniform of the armed forces or to work 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 young women are increasingly putting on the uniform of the armed forces in great numbers in order to take over the tasks
tasks ordinarily carried on by the men in uniform.

In our Army, in our Navy, in Government and in business women have taken over tasks 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, 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.

Completely aside from the dislocation which the military service of our young men has caused in their personal lives and future, their removal from the ordinary life of the country has brought about dislocations in our economy and in our production that appear at times almost impossible of solution.

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 tremendous a scale that the Congress is now considering legislation which would practically draft all men and women between certain
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 the war itself 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 this tremendous scale and where minimum needs of the civilian population must be met, and for the United States it is not only a question of feeding 130 millions and of maintaining our armed forces in various parts of the world but of helping to feed the populations of the others of the United Nations who are helping to bear the burden of the war and which have been cut off from former sources of supply.

The problem of agriculture in the United States is a particularly serious one, not only because of the manpower situation but because of the fact that the supply of agricultural implements needed 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,
respects, is aiding in the prosecution of essential programs in the common war effort.

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 see what is in progress, 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 130 millions of people in the United States have had necessarily their ordinary consumption of supplies of all goods tremendously reduced and the production of ordinary consumption goods has been reduced to a minimum. This means that in practically every form of ordinary consumption goods there is a scarcity of all supplies. 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.

In many lines of consumption goods production is reduced to an absolute minimum and while for many products no rationing has so far been necessary the supply to the consumer is limited by production. Despite curtailment of production for consumer use, and the drain on manpower for the armed forces, it is remarkable that 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
almost double the production in the years immediately preceding the outbreak of the war in Europe.

An inevitable consequence of the increased production program and of the more intensive employment of labor and of higher wages has been increased buying power of the great mass of the people of the United States and the demand for consumer goods and the money capacity to acquire such goods have consequently and greatly augmented. In spite of this it is significant that the overwhelming mass of the people of the country have accepted these restrictions on the production and distribution of consumer goods as an unavoidable feature of the war and one finds general understanding and acceptance. Systems of rationing in articles already existing in plenty have been imposed and are now in effect and they have affected the life of our people in a startling and far-reaching way. I noted while I was home that our people were not concerned with the rationing itself which they accepted as inevitable but were concerned merely with the problem of adapting themselves and their daily life to it.

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
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 in this field alone production has far exceeded expectations and is rapidly reaching a maximum which it 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 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 few of their losses. 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 however 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 producing materials but that of transporting them to far-flung and distant battle areas. We have not only the problem of raising great armies but of transporting them to the lines of battle far-distant from this hemisphere. 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 also 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.

The enormous production program within the United States for all purposes has meant a complete change in many respects in our industrial structure. The major problem has been to produce as rapidly as possible as effective and as great a quantity of instruments of war as possible. This necessarily means mass production and the concentration of production in existing or in newly constructed large industrial establishments. The consequence has been that small industrial establishments and small business have in many ways suffered to a degree which it is difficult for those who do not observe this at close range to appreciate.

One of the strengths of the industrial system in the United States has been the large number of small industrial plants competing with each other and with the larger plants in the same line. This has been a part of our system of private and individual initiative and there has been no element of strength in our industrial and economic structure more significant than the prevalence of this extraordinary number of small industrial establishments.

In order to maximize production it has been inevitable that many small plants have been abandoned during the period of the war and production centered in the larger and for the moment more effective plants. A very considerable number of our smaller industrial plants dedicated to the production of consumer goods have been obliged to close either because the raw materials with which they work are no longer available for consumer goods or because the plant cannot be converted effectively to war production. The result has been that
not only the owners of such plants are temporarily deprived of all income from them and their initiative but that the workers therein are obliged to seek employment in the nearest large industrial establishment and it is not uncommon that workers have to go as many as thirty miles a day to their place of employment which used to be next door. This has meant a dislocation not only of an important factor of strength in our industrial and economic and financial life but also a dislocation of family and community life of far-reaching character and involving physical and social sacrifices of first order. I have been a witness to the manner in which this sacrifice is being accepted by our people, among so many others, as an inevitable and necessary part of the war effort.

In the field of transport within the country itself very great changes have taken place. Our highly developed system of railways over the country which had fallen into a difficult situation as a result of road transport has proved to be an enormous benefit in the war effort. In spite of the competition from which these railways had suffered from highway transport, and in spite of the unfavorable tax and legislative system to which they were subjected in the pre-war period, they 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. This is in itself an
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, which had become almost exclusively motor-propelled, the circulation of vehicles is now almost entirely restricted to absolutely essential traffic. The circulation of private automobiles for purposes other than the most essential for the conduct of the essential activities of a 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 unessential purposes is limited throughout the nation to a degree which a few months ago we would have considered inconceivable.

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 seaport shipping points have also proved the wisdom of these measures.

I shall now briefly refer to 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, approved on September 20, 1941, increased corporation, 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 in June 30, 1942. Income and excess profits taxes which accounted for 42% of the total tax receipts in 1941 contributed 58% 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
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 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 300 dollars. 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 it is estimated that of these 32 million, 27 million will be liable to tax. 1942 likewise increased corporate, income and other taxes and imposed a Victory Tax of 5% on gross income over 624 dollars, which it is estimated will be paid by some 40 million taxpayers.

Again, time does not permit any 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% 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 refrain 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 this
is considered as sound tax policy and as equitable as possible a distribution of the tax burden.

I should like to say something concerning the manner in which the war effort is being financed aside from taxes but again the limitations of my time do not permit. 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 was in progress during the month of March of this year. 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. The total war appropriations and contract authorizations 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 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
living was from 20% higher than in the period of virtual stability from 1939 to early 1941, and 5% 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 which over a long period of years not only in the United States but also so far as the 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 that 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 are concerned we would supply them to our friends in this hemisphere in exactly the same measure - no more and no less - than 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 supplied 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
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 my own 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 in 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 and which is so fundamental in the life of my country has been temporarily suspended. On the other hand without going into specific 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. In all due justice therefore to the actuation of my country I think I should say that in spite of all the sacrifices which we have been obliged to make and are making and that 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
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 giving them all in the way of consumer goods and for industry which they want. That it is not possible to supply all that our friends want 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 this agricultural industry is not able to get all it needs in the way of tractors and equipment. Our production of fats and oils and particularly in the matter of 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 our friends in the American Republics will realize 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 of rubber for war purposes in the United Nations 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 available of crude rubber
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 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 involved therefore was 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 or 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
everything else must be subordinated to it. What use would 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 a problem which our sister republics will have in a similar but reduced measure. These post-war problems of the readjustment of industry will involve all of the wisdom we can bring to them and all of the good will that we have in their solution. 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.

There is one other repercussion of the war on my country which has a significance greater than that realized among some of our friends. While this is a war which has to be fought with men and machines the question of food both for the fighting forces and for the civilian populations is equally important. The demands upon the United States have been not only for arms, ships and all kinds of military equipment but also for food. Among some of our allies very large portions of their most productive territories have been occupied by the enemy. Some of our allies most active in the war have been cut off largely or entirely from former food sources. In many cases the population has been deprived of most of its food by an implacable enemy and millions of people are literally starving.

There has been therefore an enormous demand for foodstuff of all kinds upon the United States and upon the American
Republics. These go to China, to Russia, to Egypt, to North Africa, to England, to Spain, to Alaska and to all of the far-flung battle lines where the troops of the United Nations are battling every day.

It is not only a question of producing these foods but of transporting them and in order to meet the question of transport and to economize on shipping space tremendous advances have been made in the dehydration and preparation of foods in concentrated form. Through advances in technical practice it has been possible to prepare already in the United States some two hundred different forms of food in dehydrated or compressed state which are going from the United States to every one of the United Nations and to the battle fronts. This story of these dehydrated foods is in itself an epic and this progress in technical science will undoubtedly affect our food problem, our diet and our food distribution system after the war.

The demands for food are enormous and it is well for us to recall that not all of it reaches its destination just as not all of the war material produced and shipped reaches its destination. The demand as well as the wastage are enormous. The result has been that a widespread system of rationing of many foodstuffs is already effective in the United States not because there is any lack of food but because of these enormous shipments of food abroad. There is not a home in the United States which does not now feel the rationing of foodstuffs as well as of so many other articles formerly considered essential. It is not too much to say that the family table of every family in the United States has already undergone a considerable change in the quantity as well as the variety of food which can be served.
served.

Even so far as fuel is concerned rationing has had to be very seriously and drastically applied - not so much because of the lack of fuel but because of the enormous shipments abroad to the battle fronts. We are passing though one of the coldest winters we have had for years in the United States and because of the extraordinary shipments to the fighting fronts and to the needs of the military machine of ourselves and of our allies the fuel for domestic purposes has been very greatly diminished. This I should like to say affects every sector of our population from the richest to the poorest. Many of my friends who formerly lived in very comfortable estates near the large cities in which they had their business, I found on my recent trip home, are now living in small apartments of two or three rooms as they have been obliged to close their homes having no means of transport and no means of heating. It is not too much to say that men who are directing great industry in the United States and who are in the highest place in our Government are walking to their offices or are using trams or autobusses.

I cannot close without drawing attention to the fact that all of these changes taking place in the economic and social life in the United States are striking every sector of our population but it cannot be said that they are striking them equally. The rich have no advantages over the poor in this rationing and regimentation which are necessary in the war economy and if there are any who have any advantages today in such a war economy it is the poor rather than the rich. The very nature of all forms of restriction, rationing and regulation which we are imposing is such that it definitely affects the higher strata more than the lower strata of the population. In some respects this is true with regard to the
the sacrifices of the war rather than material. Those who are flying our ships in the air and who are manning them on the sea and who up to now have borne the brunt of the war are the very flower of our youth who have come from our middle and upper middle class. I am not wishing to draw any distinctions but it is obvious from what I have said in this very unsatisfactory if too long résumé of the repercussions of the war on the industry and economy of my country, that war is a great leveler.

Great things are happening. We in the United Nations are fighting for common ideals and common objectives. We are making sacrifices of all kinds such as have before not been made in any war of history. These sacrifices are not yet equal in all of the countries which will benefit by the war. In my country in spite of the enormous effort which we are making in every direction and the sacrifices which we are imposing upon ourselves materially and in the lives of our youth we are still better off than those peoples under the heel of the oppressor in the occupied countries. In Mexico life up to this time has gone on in many respects in its normal way and perhaps in many ways the war has brought benefits rather than disadvantages. But this does not mean that the Mexican people are not prepared to share in the sacrifices which are necessary in the measure which may be necessary. We are learning many things in the political, economic, social and technical field. If we are wise and if we use the victory which will crown our arms eventually, wisely, we shall be able to build a better world. The technical advances which the war will have stimulated will bring untold benefits to the great masses all over the world. The establishment of justice and decency will enable us to live in that relationship in which the Creator intended us to live.
live. All these things however depend upon our courage and our fortitude and our will during the war and upon our wisdom and understanding in the peace. If we are willing to carry into the peace the sacrifices and understanding which the United Nations are showing during the war our future and that of the world will be secure.