

# REPORT to the NATION



***The American  
Preparation for War***

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# REQUEST FOR REPORT

THE WHITE HOUSE

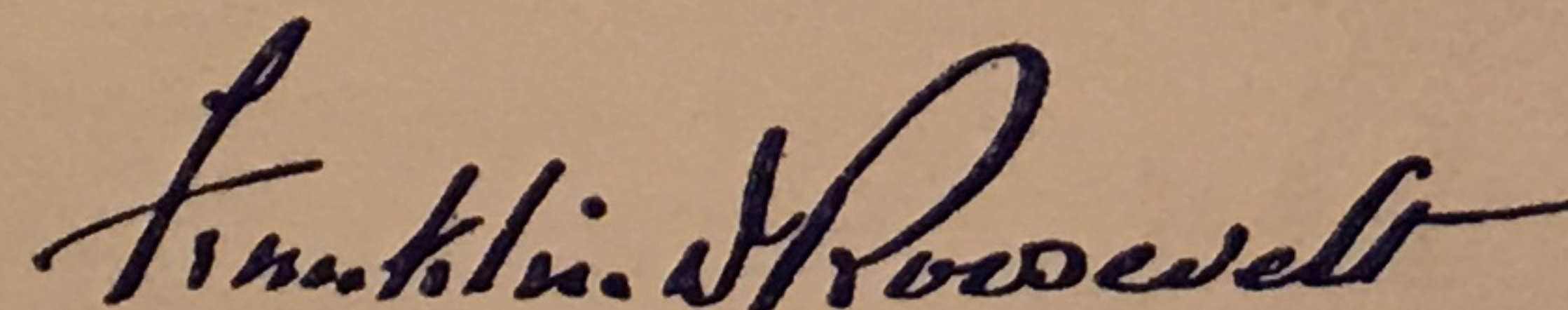
Washington, December 2, 1941

MY DEAR MR. MACLEISH: As you know, I am most anxious that the general public be fully informed concerning the scope and progress of the defense program.

To this end, I should like the Office of Facts and Figures to prepare a report on the progress of the defense effort of the Federal government, as of December 31, 1941. The report should be prepared on the basis of factual information furnished by the various departments and agencies primarily responsible for the program. I have directed the Director of the Budget to obtain this information for the use of the Office of Facts and Figures.

It is extremely important that the country should be aware of the progress of the defense effort insofar as information can be published without giving aid and comfort to those who are not our friends. The people of a democracy are entitled to the essential facts and the government of a democracy must continuously have, in critical times as well as in peaceful times, the benefit of enlightened public criticism and enlightened public understanding.

Very sincerely yours,



FRANKLIN D. ROOSEVELT.

HON. ARCHIBALD MACLEISH,  
*Director, Office of Facts and Figures.*

# LETTER OF TRANSMITTAL

JANUARY 14, 1942

MY DEAR MR. PRESIDENT: I have the honor to submit herewith the report on the progress of the defense effort you have asked the Office of Facts and Figures to prepare. Factual information has been furnished, as you directed, through the Bureau of the Budget by the various departments and agencies primarily concerned and these departments and agencies have been most cooperative in reviewing the report to check statements of fact. Information provided by the report is not, of course, as detailed as it could have been before the war but it provides, I think, a basis for an understanding of the defense effort down to the end of the year 1941. Certainly the American people will understand both the present necessity for restriction upon the publication of statistics and the over-all significance of the figures of which publication is still possible.

Broadly speaking, the report presents the story of the effort of the American people to arm themselves and to supply their friends in the 18 months between the fall of France and the Axis attack upon the United States. It constitutes, in other words, an accounting of the Arsenal of Democracy from the time, in the summer of 1940, when the American people put their labor and their resources at the disposal of the forces opposed to Axis aggression, to the time, in the winter of 1941, when Axis aggression struck at the American people themselves and changed the Arsenal of Democracy to an Army of Democracy.

The intention of the report is to present the record of this period in over-all factual terms. The report, in other words, is in no sense an "investigation" of the defense effort nor is it an attempt to interpret or to evaluate the defense effort. There were, of course, delays and omissions and mistakes in the realization of the program as in the realization of all human efforts of comparable magnitude. These mistakes and omissions have had and will continue to have critical attention in appropriate quarters. The report here presented limits itself to the record of what was actually done and to the question of present ability to move forward.

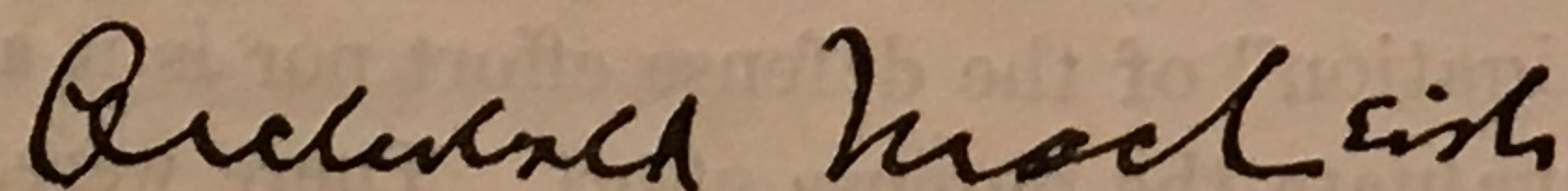


The question the American people now wish answered is not the question of American production of war materials, of American consumption of consumer goods, over the 18 months from the fall of France to the declaration of war by Japan. The American people realize that their consumption of consumer goods was higher during this period, and their production of war materials lower, than they might well have been. What the country wishes to know now is where it stands in relation to the work it has to do—what its present production *capacity* of materials of war is—what it is *ready to accomplish*. For in modern warfare it is not stocks in reserve but production capacity in prospect which makes a nation powerful. Considered in this aspect, the country can take much satisfaction in the facts here recorded.

At the beginning of the period under review, American industry was peace-time industry devoting a minute fraction of its productive capacity to the manufacture of weapons of war. At the close of this period—at the beginning of the new period of all-out national effort inaugurated by the Message on the state of the Union of January 6, 1942—American industry was war-time industry, in a position to devote to the gigantic task before it all its resources of labor and courage and will. New skills had been acquired, new techniques had been developed, new lessons had been learned. Some of the types of weapons already produced were the finest in the world.

American industry, in other words, had passed through the period of transition, the time of trial and error, and stood ready to undertake the enormous task of armament of ourselves and those associated with us which the Message on the state of the Union projected. In a sense the real work is only now beginning. Much remains to be done to adapt the American industrial establishment to the labor before us. In another sense, however, a tremendous work has already been accomplished: the country has been brought to the point at which it can now begin to produce the necessary materials of war with assurance that the job can and will be done.

Very respectfully yours,



ARCHIBALD MACLEISH

Director, Office of Facts and Figures.

To:

THE PRESIDENT,  
The White House.

# REPORT TO THE NATION

## Introduction to Total War

We have been at war for more than a month. American soldiers and marines have fought at Wake Island, Guam, Midway, and the Philippines. The Navy has gone into action in the Atlantic and over the broad stretches of the Pacific. There have been defeats. But this much our small forces on our island outposts have demonstrated: We have an Army and a Navy that can fight.

It is only the beginning. In his address to Congress on the State of the Union, the President said that American sea, air, and land forces will take stations in the British Isles. They will be protecting the Western Hemisphere. They will be operating throughout the Far East, and on all of the seven oceans.

Total victory is our objective. Speaking for all of us, the President has expressed our common determination not to stop short of the destruction of Hitler and the certainty, so far as we can establish that certainty, that the world will never again suffer the disaster of nazi-ism. To win such a war and to win such a peace, it will not suffice merely to attain a slight superiority in armaments over the Axis aggressors. We must attain an overwhelming superiority. We must take the offensive on a front that extends around the world. We must liberate Guam, Wake, and Manila. We must carry the war to the enemy's home ground and hit him again and again wherever we can reach him.

Our goals have been set:

This year 60,000 planes.

Next year 125,000 planes.

This year 45,000 tanks.

Next year 75,000 tanks.

This year 20,000 anti-aircraft guns.

Next year 35,000 anti-aircraft guns.



This year 8,000,000 tons of merchant shipping.

Next year 10,000,000 tons of merchant shipping.

No other nation in the world has ever undertaken or could ever undertake such a program. In 1942 alone we will produce nearly three times as many weapons and supplies of war as in all the eighteen months since the fall of France. In 1942 alone we will produce as many tanks and planes as Hitler did in all the years before 1939 when he was preparing for world conquest.

### ***We Decide to Do the Job***

The immensity of the production that we have set ourselves reflects the transformation that has been effected in the country. From a people reluctant to go about a business we hate—the business of war—we have been changed to a people determined to get the job over with as quickly as possible.

Napoleon said that war was Prussia's chief business. War is Hitler's only business. The business of the United States, from the days of the Revolution, has been the business of peace, the welfare of its people. We were reluctant to exchange our business for Hitler's.

Hoping to remain at peace, we gave up many traditional rights. We passed a neutrality law in August 1935. But when Hitler invaded Poland in September 1939, it became evident that the neutrality law favored the Nazis, who had accumulated vast stores of arms, while penalizing the democracies who had not. We repealed those features of the law. It was our first learning of the lesson that merely wanting peace does not mean that a nation can stay at peace.

But we did more than repeal laws. We began, gradually, to take action for our own defense. In September 1939, the President appointed a War Resources Board to survey the Nation's resources. The Board's recommendations were useful in planning an increased armament effort. It was disbanded when its work was finished. Then the invasion of the lowlands and the fall of France

in the spring of 1940 revealed the full power of the Nazi war machine and our peril. On May 28, 1940, the President created the National Defense Advisory Commission, partly composed of leading industrialists. It was an "advisory" commission and our aim was "defense."

But the lines of offense pushed closer. By December 1940, London had become our first line of security. We could not let Britain fall for want of food or guns, tanks or planes. The President announced our determination to serve as the arsenal of democracy. On January 10, 1941, the lend-lease bill was introduced into Congress. To gear our production to the urgent needs of the free nations, the Office of Production Management was set up, superseding the National Defense Advisory Commission. O. P. M. pooled the practical experience of industry and labor in one organization responsible for assisting the Army and Navy. Still hopeful for peace, we were resolved to give every aid to the democracies "short of war."

### ***The End of "Business as Usual"***

As the lend-lease billions began to be spent, the size of the job we had undertaken became apparent to all. It was a job too big to be reconciled with "business as usual." In August 1941, the Supply Priorities and Allocations Board was created to direct the harsh task of curtailing the less essential civilian industries so that our available raw materials would go for the production of first things—munitions—first.

Then Hitler showed his hand and it held a sword made in Japan.

To speed the mobilization of the Nation for total war, on January 13, the President announced the creation of a new War Production Board, with full and final authority over all American production given to one man, the chairman.

How badly or how well have we, in the 18 months just past, prepared for the total war now forced upon us?



The dollar, translated into the tools of war, is one yardstick by which we can measure what we have done.

On July 1, 1940, with the tragedy of Dunkirk fresh before our eyes, we were spending for defense at an annual rate of 2 billion dollars. On January 1, 1941, on the eve of the lend-lease legislation, our defense spending had risen to the rate of 6.2 billions a year. By the following July 1, as the Nazis were invading Russia, we were spending at the annual rate of 10.6 billions. On December 1, 1941, spending had reached an annual rate of almost 20 billions.

True, this was an accomplishment.

But it is only a fraction of what we must do to survive as a free nation. The President has told us that we must step up our spending on total war to more than 4 billions a month this year, to more than 5 billions a month in 1943. The record sum of 1.8 billions spent on war in the month of December 1941 represented little more than one-fifth of our national income. We must now divert more than one-half of our national income to the prosecution of the war.

That means the mobilization of every available man, woman, dollar, and thing—every plant, tool, machine, and bit of material to contribute to our total war effort. Literally, our military strength will depend upon what we, the people, can do without.

The report which follows is the story of the foundations we have laid for such a total effort. They are good strong foundations. But they are foundations only. The President has told us that we "must face the fact of a hard war, a long war, a bloody war, a costly war." How hard a war, how long, how bloody, at how great a cost, depends on how quickly we can erect the necessary structure upon these vast foundations.

The answer will be given by 132,000,000 Americans who, never having failed in any crisis, now face the gravest crisis in their history.

## THE NAVY

### *Full Speed Ahead*

In 1922 the American Navy, honoring the promises made at the Washington Arms Conference, began to scrap and strip and sink more than a million tons of its own fighting ships.

In 1932 the American Navy, becalmed against its will, found itself approaching a level below Britain, below Japan, below even France and Italy in the number of its effective fighting ships.

At the beginning of 1942 the American Navy had completed a full year of full speed ahead on its two-ocean program and had become within the space of a few months the strongest single sea-borne fighting force on this planet.

The "two-ocean navy"—most crucial of all our necessities—is under way.

When France fell we began to wonder what would have happened to us if Britain had not survived Dunkirk. On June 14, 1940, an 11 percent expansion of our naval forces was authorized by Congress. Five days later, the 11 percent was raised to 70 percent. By the end of 1940 the Navy was growing at the rate of \$179,000,000 a month. The cost of 1941 was over \$3,000,000,000.

When Japan struck we had 17 battleships, and 15 more being built. We had 7 aircraft carriers, and 11 more being built. We had 37 cruisers, and 54 more being built. We had 171 destroyers, with 193 more being built. We had 113 submarines, and 73 more being built.

That is by no means the whole story of the Navy's progress in 1941. By November 1941 the Navy had com-



missioned 25 new combatant ships. It had added 2,000 planes to its hangars and its aircraft carriers. Its new chain of overseas bases extended far into both oceans, and it had enrolled some 5,000 new officers and more than 12 times as many men.

In those 10 months 345 new combatant ships of many kinds were under construction, as well as 96 auxiliary vessels, 243 mine craft, 225 patrol boats, and other floating equipment generally overlooked in accounts of battles at sea, but essential if the men-of-war are to go into action.

Where were they being built? At shipyards up and down both coasts and as far inland as the Great Lakes, where even submarines are born. At the beginning of the year 72 private yards were building ships for the Navy. By November there were 133 yards—not including the Navy's own 86 yards.

The air is as important to the Navy as the sea. The Navy's plane complement of 15,000 has been increased. Before the war entered the shooting stage the Navy—and the Marine Corps—had more than 5,000 pilots. Thousands more were in training. It is interesting to note here that last July the rate of enlistment for naval aviation training was 8 times the rate in May 1940. A greater rush was to come.

The Navy alone has 34 air stations. In Jacksonville and at Pensacola the Navy has in operation 2 of its greatest new training stations. A third is in Corpus Christi, Tex. The Corpus Christi Station shows what Americans can do when they decide to put their backs into an effort. In just 10 months a flat, desert area of sand and scrub was turned into a modern city, a city with miles of streets and runways, a city of permanent buildings with leagues of water mains and power lines, a city with one purpose—to help build an air fleet for our Navy.

### **Our Far-Flung Line**

All this expansion of air and sea forces has led to a vast increase in naval shore establishments.

American sailors and marines are now serving in Newfoundland; they are serving at Bermuda; they are serving at Great Exuma Island in the Bahamas; they are serving at Antigua, Jamaica, St. Lucia, and Trinidad in the Caribbean, and in British Guiana in South America. In the Pacific our sailors and marines hold a far-flung bastion of bases protecting us from would-be invaders from Asia.

A great deal of work has gone into the development of those overseas bases. As Secretary Knox pointed out, what we gained in the destroyer trade with Britain was not bases but the right to build bases. Defenses against attack from the air and attack by sea had to be installed. Dockyards, coast artillery, barracks, lines of supply for guns, food and coal, workmen to do the building were needed. Nearly half a billion dollars was spent in developing our bases last year.

For some time American ports have been shared by nations resisting Axis aggression. Ever since the lend-lease program got under way the men-of-war of Great Britain have been coming into American yards to repair the ravages of battles on distant seas. Merchant ships flying the flags of Britain and of Russia, of Holland, Norway, Greece, and other countries have also put into our harbors. They have been outfitted with degaussing cables against magnetic mines, repaired, overhauled, and fitted with guns. Liners have been turned into transports to carry troops to outposts and to bring British flying cadets to our training fields.

Meantime, impressive numbers of our own ships were also being overhauled and converted for more effective wartime use. They were strengthened in protective devices and provided with increased fire power. Mine protection equipment and sky lookout stations were installed. To give an example from a single class: Twenty-three old destroyers were modernized and recommissioned. Forty-one others were converted for important uses. Private



shipyards shared in the work, gaining valuable experience for the big job ahead.

### **A Naval Problem Without Parallel**

The Navy's task today is twofold—it has the greatest battle of its life on its hands, and it also has a tremendous defensive patrolling job to carry out. The Navy, like the rest of us, is at war with Germany in the Atlantic, with Japan in the Pacific, with Italy in the Mediterranean. At the same time, it must police with Britain the sea lanes from Iceland to the bulge of South America and, with the British, Dutch, and Australian Navies, the vast Pacific as far as Singapore. Fighting ships which might otherwise be used to attack the Japanese Navy must serve as two great mobile arcs of steel guarding all our continental coastline. They must see that German ships do not menace the routes to and from the eastern ports of South and Central America. They must keep Japanese ships clear of the Western Hemisphere from the Straits of Magellan to the Northern Bering Sea. This is a naval problem without parallel in history.

Long before Pearl Harbor, the Navy's ability to give and take severe blows had been shown in the waters between America and Europe, in the months when it was obeying the President's command to shoot first.

The Navy and the Marine Corps entered the war with an unprecedented peacetime strength. Their complements of fighting forces are being increased with a speed that can be matched by no other nation on earth at this time. The Navy's ultimate strength rests soundly on the resources, the spirit, and the capacity of this country to carry to completion a plane and shipbuilding program years before we thought it could be done.

## **THE ARMY**

### **The Two Most Important Weapons**

Since the spring of 1940 the United States Army has undergone a sixfold expansion in manpower and has made remarkable progress toward its thirty-twofold expansion in munitions. When France fell, the American Regular Army consisted of 230,000 enlisted men and 13,500 officers. About 225,000 National Guard men, partly equipped and trained, were standing by.

By the autumn of 1941, the Army of the United States had reached a strength of over a million and a half men—seasoned in the extensive 1941 field exercises—equipped for training with modern weapons of warfare despite supplies sent to other nations fighting the aggressors.

Troops in tactical units now form 34 divisions—27 Infantry; 5 Armored; 2 Cavalry. Within continental United States, the divisions are organized into 9 Army Corps. These make up 4 field armies. American troops stand guard at Atlantic defense bases from Iceland to Surinam in Dutch Guiana; in the Pacific, from Alaska to the South Pacific area.

On January 15, 1942, the Secretary of War announced the largest expansion plan of all—doubling the size of the armored units, adding 32 largely motorized triangular divisions of some 15,000 men each, and doubling the combat units of the Air Force—providing, in all, for an American Army of 3,600,000 men by the end of 1942.

To shelter this great new Army, and provide air bases and new fortifications, the Army has already completed on schedule 450 construction projects—over 50,000 separate buildings—in 250 areas.



Stocks of Army clothing and personal equipment now on hand are sufficient to maintain the current Army and to permit orderly replacement. Additional supplies are accumulating to care for new increases in Army strength.

The two most important weapons in this war are the plane and the tank. In these weapons we are already on our way to outbuilding the world. We already are producing light and medium tanks in quantities and the first heavy tank was delivered to the Army the day we declared war on Japan.

### **One Great Advantage**

A great part of the billions allotted to the Army since the fall of France has gone into building new tank arsenals, ammunition factories, smokeless powder and aircraft plants to make these weapons and the shells and bombs they will carry. More plants will be built as needed to meet the President's goal for 1942 and 1943.

Modern war calls for tanks with heavy fire power; anti-tank guns for our new tank-destroyer outfits; improved anti-aircraft batteries, searchlight and aircraft detectors; vast quantities of machine guns of heavier calibers. It also calls for such weapons as the Garand rifle, which has three times the rate of fire of the Springfield, and the new 155-millimeter gun which, mounted on a 35-mile-an-hour carrier, can place a 95-pound shell on a machine-gun nest 10 miles away. It calls for tens of thousands of fighter and bomber planes—well armored, carrying ever greater fire power, ever heavier bomb loads.

We begin our offensive against the Axis with one great advantage. The Army has benefited by the reports of hundreds of Army observers on the fields of battle throughout the world. Actual battle tests have been given our new equipment by the fighting men of friendly nations.

Despite all handicaps, production of tanks and combat vehicles is more than three times that of a year ago, giving the Army the mobility needed for offensive action.

The rate of tank production has been pyramiding and, at present, far exceeds estimates of a year ago. The 1942 goal of 45,000 tanks is great enough to equip and maintain with replacements more than 60 armored divisions—in action.

Production of guns of all types has increased nearly five times, while production of ammunition is nine times that of a year ago. There are ample supplies of rifles, with Garands coming off the production line at better than a thousand a day; both light and heavy guns now have reached volume production.

Army warplane production has been stepped up to the point where, with Great Britain, we soon will exceed the plane output of the Axis countries. More important, we will have the plant capacity to increase our production to the point where we can seize control of the air in all areas of the world struggle.

### **The Superiority of Our Planes**

In performance, our Army Air Corps can be credited with spectacular progress. We now have four types of combat planes *better* than anything yet produced abroad, so far as is known. Details on air speeds cannot be given because, with the declaration of war, these became military secrets. Our new achievements in performance were accomplished not with specially built power units but with engines in regular production. This is particularly significant because of the promise of improvement through the development of more horsepower in still larger types.

American aircraft for some time have been flying in the altitude range necessary to modern bombing tactics—that is, 30,000 to 40,000 feet. Credit for this goes to a supercharger developed by American industry. American bomber types now in mass production are superior to those built anywhere else in the world. Still better models are on the way.



The manning of these warplanes has required an immense training program for pilots, bombardiers, navigators, gunners, observers, and mechanics. In 1940, flying officers were being trained at the rate of 7,000 a year. For 1941, this was raised to 12,000 a year—and this rate was passed in November with the graduation of 1,200 aviation cadets.

At present, the Air Forces form the second largest branch of the Army. Current plans for 1942 call for the addition of 20,000 aviation cadets per month. By mid-year, Air Force strength will have passed the 750,000 mark, and will be expanding rapidly.

Through wide revisions in the requirements, approximately 2,000,000 more men are expected to become eligible for the Air Forces.

At the beginning of the war in September 1939 we did not possess a munitions industry of any great significance. We had to build one. Nearly a billion dollars' worth of new munitions plants are now in full operation. Several billions' worth of additional munitions plants are on their way to completion. Among the 23 new munitions plants already in operation are some of the largest of their kind in the world.

The billions already spent in building tank arsenals and powder plants, small cities of cantonments, hospitals, and storage depots will be matched by more billions as our Army grows.

### ***The Goal: 7,000,000 Soldiers***

In the maneuvers of 1941 and in the battles in the Far East the officers and men of the United States Army have measured up to our traditions of soldiering.

Into the immense frame of our new Army fit the thousands upon thousands of American soldiers who were civilians a short time ago—the Wyoming cowpuncher who is now a pilot in the Air Corps and the Hartford insurance salesman who is now a buck private in the Infantry;

the brakeman on the Northern Pacific who used to work out of St. Paul; the student; the school teacher; the clerk; the man who ran a newspaper stand in New Orleans; young men from Maine and California and the Mississippi Valley. Yesterday comparatively few American families were represented in the Army. Tomorrow there will be comparatively few that are not.

More than half the present Army is made up of men chosen through the Selective Service System. Up to December 7, 1941, the Selective Service System had registered 17,672,000 men between the inclusive ages of 21 and 35, and around 925,000 had been inducted into the Army.

A wave of voluntary enlistments was one answer to the wave of Japanese planes over Pearl Harbor. To insure the fullest possible supply without taking essential men from the assembly lines and the forges, from the shipyards and the munitions plants, the Selective Service Act was amended. The amendment expands the age brackets for military service to include 20-year-olds through 44-year-olds. All men from 18 to 64, inclusive, are required to register for all kinds of war work. With the new law, the United States will be able to recruit an Army estimated at 7,000,000 men.

The Army has come an astoundingly long way since 18 months ago. Then, as General Marshall said, "Each division constituted a force which, when concentrated 3 or 4 months later, would permit one regiment to train—if all the other troops of the division stayed in camp and loaned their transportation to that one regiment."

### ***The Future Is the Present***

Today, the Army is encamped all along our seaboard, far inland, at our overseas bases, and in the Canal Zone. Our Air Force can strike from the mainland and from our overseas bases against invaders of our country or South America. Teams of air and mechanized forces have shown in maneuvers that they can work together effectively.



Yet, as Secretary Stimson said just before the Axis struck: "In the light of present world conditions the Army which we are now training is far from large. Our total military forces amount only to a slightly larger number of soldiers than were contained in the armies of Belgium and Holland at the time when they were overthrown in a few days by the might of Germany. We are trying to arm them with weapons of a better quality than those in the hands of any other soldiers in the world, and we are trying to fit them to be not only the equal of any such soldiers but to serve as the leaders and teachers of the large forces which the future may show it is necessary for us to raise."

That future has now become the immediate present.

The Army has come an extraordinary long way since months ago. Then as General Marshall said, "The Army constituted a force which, when concentrated, would later, would permit one regiment to train all the other troops of the district in camp and journal their transportation to that one regiment."

Today, the Army is equipped all along the coast for inland or over-seas bases and in the East. Our Air Force can strike from the mainland and our over-seas bases against targets of our choice. South America, Korea, and the Philippines have shown in maneuvers that they can be effectively

The relatively small trickle of assistance—so it was described last September—can hardly be called a river even now. But it is a stream and it is growing fast. Last March only \$18,000,000 in lend-lease aid was given. By November 1941 this swollen to \$281,000,000 a month. A grand total of \$1,100,000,000 has been spent, which is some 10 percent of the total cost of the war.

## THE JOINT EFFORT

### *Our Unique War Weapon*

The sun never sets on the men and materials of the Lend-Lease Act, passed by Congress a scant 10 months ago. It is a unique war weapon. The men who fight or labor under the banners of lend-lease range from young British pilots, trained in the United States, to steam-shovel men at work on bases in the cold and fog of Northern Ireland. The materials vary from vitamins for the babies of besieged England to bombers and tanks.

The theater of lend-lease is the world itself. Thirty-three governments, in addition to the British Empire, are eligible for benefits. The United States, with roughly 7 percent of the world's area and population, has pledged itself to become the arsenal of democracy for 72 percent of the world's area and for 64 percent of its peoples. To this end almost \$13,000,000,000 has been appropriated.

Does the Axis plan a push eastward? We are preparing for such a thrust. Out of lend-lease funds, British bases are being built at Rangoon in Burma, at Karachi on the Arabian Sea, and other vital outposts on the Persian Gulf and in Eritrea. Planes already bought by the British are being delivered by the Army Air Corps Ferrying Command; new planes are being purchased. Pan American Airways has received a subsidy for a new route across the South Atlantic. Another lend-lease air line reaches to Iceland. Trucks supplied with lend-lease fuel and oil careen over the crazy twists of the Burma Road, China's main life line. The United States Public Health Service is battling malaria among the 250,000 Chinese laborers who are building a railroad, paralleling the Burma Road.



The "relatively small trickle" of assistance—so it was described last September—can hardly be called a river even now. But it is a stream and it is growing fast. Last March only \$18,000,000 in lend-lease aid were given. By November 1941 this swelled to \$283,000,000 a month. A grand total of 1.2 billion dollars has been spent, which is some 10 percent of all we have spent for defense and war since the Lend-Lease Act was passed.

The stream must become a river, a torrent, and then a flood. Training British pilots, guarding the health of those who labor on the Burma Road, repairing war and merchant vessels—all must continue and be augmented. Planes, tanks, guns, ammunition, and food must flow in even greater quantities to Russia, the Dutch East Indies, Australia, Burma, China, Africa, the Middle East, the British Isles, and South America.

The story of lend-lease goes back to the collapse of Europe. France had been buying here. Great Britain, to a much greater extent, had been exchanging her credits in this country for munitions and other supplies. The spring of 1940 brought disaster. An invasion of England seemed certain. We did not wait upon technicalities. The British received all the guns, munitions, and other supplies which we could spare. The guns were of World War vintage and their value had been written down from 300 million to 43 million dollars. Yet they might well have saved the British Isles had England been invaded.

That summer the American people awoke to their own danger and the first of the defense billions was provided. Our policy was defined by the President—defense of the Western Hemisphere; continued and increasing aid to Great Britain; the freedom of the seas; denial of appeasement to Hitler.

#### **H. R. 1776**

By now it was a joint effort. The winter and early spring of 1940-41 made it apparent that the joint effort would fail unless the hands of Britain were upheld. The

British, who had continued to buy their necessities of war, were running out of dollars. Ships were being sunk in the Atlantic at the rate of 5,000,000 tons a year. On January 10, 1941, a bill with the historic number, 1776, was introduced in the House of Representatives. This was the Lend-Lease Act. It was followed by an appropriation of \$7,000,000,000. Seven months later a second appropriation of nearly \$6,000,000,000 was approved.

It was relatively easy to appropriate the billions; it was infinitely more difficult to transform the dollars into weapons or services or food—and, finally, to get them on ships en route to their destinations of desperate need. No Government agency existed to do the work. Our industrial productive system was already jammed. The shortage of ships grew hourly more grave as the sinkings continued.

The first organization created by Executive order was the Division of Defense Aid Reports. Subsequently, the Division's name was changed to the Office of Lend-Lease Administration. A clearing house for requests for aid from the nations which are fighting the fight of the democracies, the Lend-Lease Administration buys nothing, produces nothing, delivers nothing. The purchasing, producing, and delivering are done by the War and Navy Departments, the Department of Agriculture, the Treasury Department, and the Maritime Commission. The State Department makes the agreements whereby nations receiving assistance clearly understand their rights and obligations. The Board of Economic Warfare is consulted, as is the Office of Production Management. Final determination of the countries to be assisted rests with the President.

Actual exports sent abroad thus far hardly exceed \$600,000,000. The balance of the 1.2 billion dollars already spent went for services rendered, for air and other training programs in the United States, for the repair of ships, the construction of munitions plants. Future exports will be gigantic when we achieve all-out war production.



### **Lend-Lease in the Air**

Of the total of 2.8 billion dollars appropriated for aviation, 2.7 billions already have been earmarked, and contracts up to 1.8 billions have been let. Few of these airplanes have been shipped abroad as yet, but they are beginning to come off the assembly lines.

Other aerial warfare activities financed by Lend-Lease include the Army Air Corps Ferrying Command, new air lines across the South Atlantic and from West Africa to Egypt, new airports, the training of thousands of British pilots.

For lend-lease ships and shipping, nearly \$2,000,000,000 has been authorized. On our East and West coasts, on the Gulf of Mexico, and on the Great Lakes 26 shipyards are turning out lend-lease ships. Existing yards are being enlarged and new ones built.

Sailors of British war vessels and merchant ships have been fed and housed here while their ships were being repaired.

Lend-lease appropriations for war on the land total almost \$5,000,000,000. This will go for ordnance, for tanks, for miscellaneous military supplies, and for expanding production facilities in the United States. All this is aside from supplying food.

To Great Britain have gone guns, tanks, medical supplies, raw materials, and machine tools. These necessities are to go also to Australia, New Zealand, India, and South Africa. Several hundred American tanks have already been in combat in the North African campaign.

Aid to China is far from adequate. But heavy machinery of various kinds has been sent. Materials for the new railroad along the Burma Road have been supplied; also arms and ammunition.

Russia is promised \$1,000,000,000 in lend-lease assistance by June. American material has been going to Russia since July, paid for by Russia and not under lend-lease. Lend-lease shipments, still far from large enough,

are expected to be stepped up rapidly. This will include large quantities of oil and gasoline.

### **Lend-Lease Food**

The millionth ton of American food has safely arrived in England. This has defeated Hitler in his attempt, through submarines and aircraft, to starve England into submission. For a time this was a real threat. As long as present shipments are maintained, Hitler will never starve England. More than that, with fuller rations, British workers will be able to increase their production of munitions.

Food for England was a primary objective of the Lend-Lease Act and is one of the most successful parts of the entire program. Over half a billion pounds of meat and fish products had been provided by the end of November 1941, in addition to hundreds of millions of pounds of sugar, eggs, milk, fruits, vegetables, cereals, and grains. We have undertaken to do much more. By the middle of 1942 we will have supplied these totals: dairy products equivalent to 5.6 billion pounds of milk; meat and lard from 9,000,000 hogs; eggs from 40,000,000 hens; 45,000,000 pounds of chicken—among other items. As a whole, food shipments will represent 6 or 7 percent of our total farm production. Weather permitting, production of those foods most needed for human health will be greater than ever in our history.

No touch of altruism lies in the lend-lease program. We have been sending supplies to the nations which have fought a delaying action while we were getting prepared. In exchange for lend-lease aid, American airfields have been permitted in British territory in Africa; from all over the world we are getting vital supplies of essential war materials—chromite, asbestos, platinum, tung oil, tin, tungsten.

The purpose of the Lend-Lease Act is military. It is a war weapon. Methods of repayment have been left



until after the war. The law says, "the benefit to the United States may be payment or repayment in kind or in property, or any other direct or indirect benefit which the President deems satisfactory."

The first benefit is to be the defeat of the Axis.

The purpose of the Lend-Lease Act is to provide a means by which the United States can furnish to the United Kingdom and other countries which are fighting against the Axis, the material and supplies which they need for their war effort. This has been done in the past through contributions and gifts, but the Lend-Lease Act provides a more effective and permanent method of doing so. It is a war weapon method of payment in kind.

The Lend-Lease Act is one of the most successful parts of the entire program. Over half a billion pounds of material and supplies have been provided by the end of November 1941, in addition to hundreds of millions of pounds of sugar, eggs, milk, fruits, vegetables, cereals, and other foodstuffs. We have undertaken to do much more. By the middle of 1942 we will have supplied these countries with an amount equivalent to 5.6 billion pounds of material and supplies. This is a total of 2,000,000 tons of material and supplies. As a whole, the Lend-Lease program will represent 7 percent of our total production. Weather permitting, production of these goods most needed for human health will be greater than ever in our history.

No touch of surplus lies in the Lend-Lease program. We have been sending supplies to the nations which have fought a delaying action while we were gathering strength. In exchange for lend-lease aid, American soldiers have been permitted in British territory in Africa and in other parts of the world we are getting vital supplies of raw materials—chromium, cobalt, tungsten, and vanadium.

## THE BATTLE OF ECONOMIES

### *The Silent War*

While our sea, land, and air fighters are meeting the Axis throughout the world, action has been joined on still another front. This silent and stubborn battle may well be the most decisive of all. It is the battle of economies. It is a war of commerce and shipping, of barter and buying, of loans and agreements, of blacklist and blockade. It is starvation for our enemies and food for our friends.

The term "economic warfare," with all its exciting, if vague, connotations, has become familiar to the average citizen in recent months. Just what does it mean? It means fighting the Messerschmitt before it is a Messerschmitt, fighting the tank before it is a tank, smashing the submarine before it can go to sea. It means preventing the manufacture of Axis weapons of war by preventing the Axis from getting raw materials. It means getting raw materials for our own production.

In the days of the Napoleonic wars, indeed of our own Civil War, the technical equipment of armies was relatively modest, and a belligerent nation could furnish its own metal and supply. To prosecute war successfully today—to build planes, ships, armaments—raw materials must be brought from every corner of the earth.

The production of the tools of war is an endless adventure into chemistry and metallurgy. Armor plate for battleships and tanks requires not only steel but manganese, nickel, chromite, tungsten, and vanadium—coming from Latin America, Canada, Turkey, Africa, and China. Armor-piercing bullets and high-speed tools depend upon



tungsten that comes from China, Bolivia, and the Argentine. Platinum is needed in the manufacture of smokeless powder. Platinum comes from Colombia, Canada, South Africa, and the Soviet Union. South America's bauxite becomes aluminum for airplanes.

For more than 18 months a host of Government agencies, each working in its own specialized field, has been laying the battle lines to see that we get these necessities, and that the Axis doesn't.

### **The Pre-War Enemy Attack**

One of our most important moves in this battle of economies has been to counter the enemy's attacks upon us. He has worked for many years to weaken our military potential. Through patent controls and cartel agreements he succeeded in limiting American production and export of many vital materials. He kept the prices of these materials up and the output down. He was waging war, and he did his work well, decoying important American companies into agreements, the purpose of which they did not sense. Our businessmen were peaceful traders. The enemy's businessmen were and are, all over the world, agents of aggression.

The list of materials affected is long—beryllium, optical instruments, magnesium, tungsten carbide, pharmaceuticals, hormones, dyes, and many more. When you match each product with its military use, the significance of the attack becomes clear. Beryllium is a vital element for alloys that make shell springs; magnesium makes airplanes and incendiary bombs; tungsten carbide is essential for precision machine tools.

Concealed behind dummy corporations, the enemy went unchecked for years, using our own legal machinery to hamstring us. In the summer of 1938 our Government began to fight back. Investigation, exposure, antitrust indictments, and decrees have broken up many of the agreements that bound us. Every product listed above is now free from restrictions.

Our Government also has worked to break cartel arrangements under which certain of our products were shut off from South America and other markets of the world.

### **Foreign Funds Control**

Not all our action on the economic front has been defensive. Since April of 1940 we also have carried the economic battle to the enemy.

More than \$7,000,000,000 of assets of 33 foreign countries have been frozen in the United States. Such action automatically severs normal economic relations between the United States and these countries.

Foreign funds control helps our friends and harms our enemies. When Germany invaded Denmark and Norway, the President, by Executive order, froze Danish and Norwegian assets in this country. Thus, the assets of these countries are prevented from falling into Axis hands. As other nations were invaded or dominated, the control was extended successively to the Netherlands, Belgium, France, and the Balkan States.

In June 1941 the assets of Germany, Italy, and their satellites were frozen and, shortly afterward, the assets of Japan. The control now embraces all of continental Europe except Turkey. After the fall of Manila the assets of the Philippines were frozen to thwart the Japanese. Blocked assets include bank deposits, earmarked gold, securities, merchandise, patents, business enterprises, and other forms of property.

These things, in themselves, are the tools of economic warfare. The freezing of assets paralyzed German and Italian efforts to acquire vital and strategic materials in the Western Hemisphere. The Axis was using American dollars and American banking facilities to underwrite sabotage, spying, and a propaganda campaign in both North and South America. The blocking of Axis assets abruptly choked this poisonous stream.

Against Japan, the blow was even more telling. Japan's economy is heavily dependent on imports. So is her war



machine. Japan's purchases of mercury—vital in certain explosives—increased 240 times in 1940 over the amounts acquired in 1938. Her purchases of zinc increased 60 times. In a 2½-year period she bought 4,350,000 tons of scrap iron and steel here. This accumulation of stocks for the war that is now a reality ended on July 26 when the United States, Great Britain, and the Dutch simultaneously applied freezing control.

Approximately 2,500 business enterprises with varying degrees of foreign domination now are operating under licenses granted by the Foreign Funds Control. Each firm is required to file an affidavit giving the organization of the corporation, officers and directors, nature of operations, and its principal customers. Periodic reports must also be filed. As a result of this, plus the first comprehensive census ever made of foreign-held property in the United States, the Treasury Department now has in its files strategic information on the structure, activities, and background of Axis-owned and Axis-dominated concerns.

All security accounts of foreigners have been frozen. The unlicensed importation of securities from any foreign country has been prohibited. This struck against the Axis, which has attempted to dump into the American market a wealth of securities looted from fallen countries.

### **The Blacklist**

Another powerful weapon in fighting Axis influence has been the Blacklist or, to give it its legal name, the Proclaimed List of Certain Blocked Nationals. First used against Axis agents in this hemisphere, the Blacklist has now been extended to cover the neutral nations of Europe.

The Blacklist is in effect a roll call of individuals and firms with which Americans must not trade. There are now approximately 5,600 names on the list. They represent billions in Axis investment. In one small Central American country alone German firms did an annual business of between \$75,000,000 and \$100,000,000.

The names on the Blacklist—a Who's Who of Axis undercover agents and their dummies—represent months of investigation and intelligence work by the Office of the Coordinator of Inter-American Affairs, the Department of Justice, Treasury, the Department of Commerce, and the State Department's diplomatic missions in the various countries.

Particular effort has been made to prevent dislocation of the economy of the democracies of the Americas, as a result of the eradication of Axis influences. Guatemala is an example. Germans there owned 50 percent of the coffee industry. To have barred this German-grown coffee from the United States would have created a desperate financial crisis in Guatemala. Treasury and State Department representatives arranged for the Guatemalan Government to take over the coffee crop and clear it to this country through a central bank in Guatemala City.

The Blacklist has effectively ended, except for small quantity smuggling, all direct trade with Axis firms. The problem now is to deal with firms serving as cloaks for enemy trading. The profits from dealing in contraband are enormous. Some companies have been offered as much as 75 percent of the value of an export cargo merely for the use of their names as the shippers.

It is now accurate to say that Hitler and his partners will find no further economic aid or comfort in the republics of the Americas.

### **Other Weapons**

Directing our campaign in this battle of trade, the Board of Economic Warfare aids the military in the establishment of blockades. It also is empowered to control exports under a licensing system and to requisition and seize commodities whose export is forbidden under emergency laws.

Recently 590,000 pounds of tin plate were seized in a New York warehouse. Purchased a year ago and kept



in storage, the tin plate was consigned to an industrial concern in a nation now dominated by the Axis. Thousands of tons of aluminum and iron and steel products originally billed for similar destinations have been found in warehouses and in railroad yards. The Government is taking over and using these goods.

Control of exports and the Blacklist are inseparable. The shipment of many nonvital commodities to South America and the British Empire is freely permitted under so-called general licenses, but such licenses are not granted until the Blacklist has been consulted. Issuing of licenses has been greatly speeded so that legitimate industry does not suffer. Some 3,000 applications are being handled a day. In most instances a decision is made within 2 days.

The elimination of Axis-controlled air lines in South America is another excellent example of successful economic warfare. The shipment of high-octane gasoline to suspect companies was cut off. Most of the Republics wanted to buy out foreign owners but lacked the means. An 8-million-dollar lending fund was set up to facilitate these purchases. In September of 1939 there were 4,109 miles of Axis-dominated lines in Bolivia; now there are none. There were 5,494 miles in Colombia, 594 miles in Ecuador, 1,210 miles in Peru. Now there are none. The job is virtually complete in other countries.

Not content to block the export of products from the United States to the Axis, we have worked to prevent the Axis from getting strategic materials from any country. We have contracted for the purchase of materials which might otherwise be sold to enemy agents.

Before the end of 1940 agreements had been signed which assured us substantially the entire copper production of Chile, Mexico, and Peru. In November 1940, we agreed to buy almost all Bolivian tin not earmarked for Great Britain. A few months later, in the face of higher Japanese bids, an agreement was made to purchase Bolivia's entire tungsten output. Under the 1941 agreements with Brazil, Mexico, and Peru, we are taking the

entire exportable surplus of almost all their strategic materials. We have made similar arrangements for the control of Colombian platinum and Cuban sugar.

### ***Supplying a Hemisphere***

Choking off the enemy's sources of materials fitted naturally into our broader efforts to obtain our own stocks. The Government's stock-piling program—to build up reserves of imported war materials which might be cut off in time of war—began in the summer of 1939, but feebly. It was stepped up after the fall of France. These reserves will continue to be bolstered, but their exact size will be kept secret. As users of tires and golf balls are now aware, supplies of some materials are not sufficient to meet both our fighting needs and our civilian desires.

Special studies have uncovered processes for treating low-grade domestic ores, providing new sources of strategic metals. Agriculture research men are working to develop substitutes for materials which we have imported from the Far East. New uses have been found for some of our own most common products.

In the case of rubber, we are supplementing our stock pile by building synthetic rubber plants, by increasing the reclaiming of rubber, by stimulating rubber production in South America, and by preparing the way for increased production of guayule rubber, which comes from a shrub we can grow in our own Southwest.

Our dependence on the democracies of the Americas for strategic materials carries with it an obligation to send in return the manufactured goods they can get nowhere else. It is a part of our economic policy to continue sufficient exports to our neighbors to satisfy their minimum essential requirements, treating their civilian needs as we would our own. Special consideration has been given to supply them with machinery needed for their part in the productive effort. We have granted export licenses for tin plate to maintain the canning



industry of South America. We have given high priority ratings for railroad equipment to Brazil.

The allocation of supplies is worked out, so far as possible, in cooperation with the other American Governments.

To aid in the financing of these purchases and to develop new, untouched resources the Export-Import Bank has granted loans and credits to eighteen American republics. For example, credit was extended to Brazil for the erection of a steel plant. Costa Rica, Ecuador, Nicaragua, El Salvador, and Panama have received loans for highway improvements; Haiti for rubber production. Outstanding loans and undisbursed commitments now total approximately \$290,000,000.

Beyond today's objective, to defeat the Axis in the war, lies the peace of tomorrow. The economic highways we have pioneered in war will still be there. If we have pioneered well, the blows struck in economic warfare will be blows struck for our future freedom and prosperity, and the freedom and prosperity of all friendly nations, large and small, everywhere.

## SHIPS FOR THE WORK OF WAR

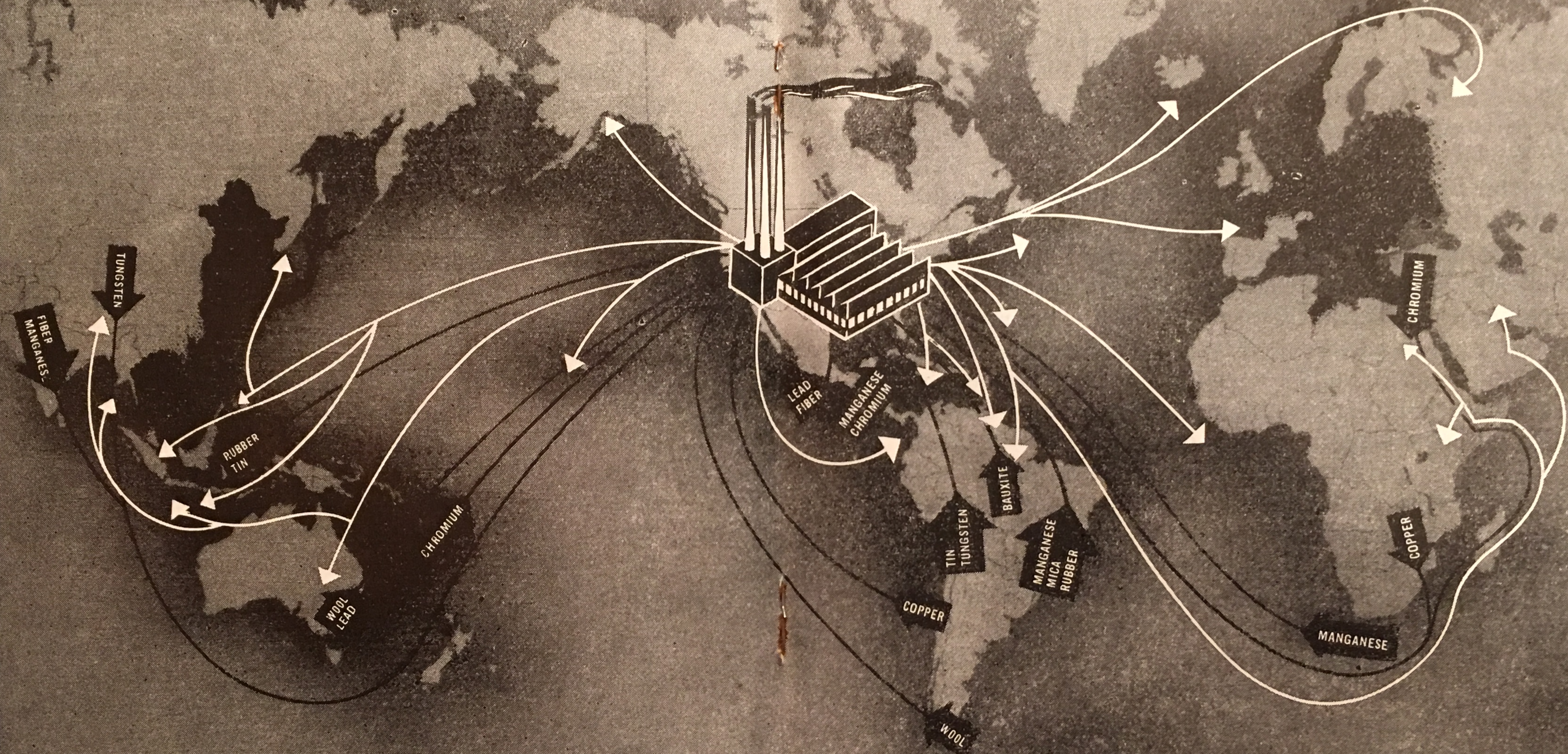
### *The Globe is Our Battlefield*

A major objective of our war program is the building of a merchant shipping fleet on an unprecedented scale. The war has spread over all the continents and all the oceans. The whole planet has become a battlefield. Tremendous quantities of supplies must be sent across uncounted leagues of water. Our ships must take them across the Atlantic to Britain, across the Pacific to Russia, India, and Burma, north to the Arctic ports, and south into the Tropics.

Our supply lines must reach from our own industrial arsenals over the seas to fighting fronts of the whole world. The Maritime Commission is now launching ships at the rate of 1 every 24 hours. In the next 6 months, or before, it expects to be launching 2 a day. Present schedules call for the building of about 2,000 oceangoing vessels. Eighteen hundred of these are to be ready by the end of 1943, in accordance with the expanded schedules announced by the President.

Today's program dwarfs our First World War building of the bridge of wooden ships. At the time of the armistice peak employment in American shipyards was about 350,000 men. We had at least equaled and possibly exceeded that total before our entry into this war. At least 750,000 men will be at work building ships in America for ourselves and other nations fighting the Axis when the present program is in full operation. New methods of prefabrication and welding have drastically cut the time it takes to build ships.





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|--|--|
|  | Incoming—Strategic Raw Materials           |
|  | Outgoing—Planes, Tanks, Guns, and Supplies |

# THE ARSENAL OF DEMOCRACY



Up to the beginning of December 1941 contracts had been signed for 999 ships; keels for 272 had been laid; 154 had been launched—and 123 of these had been delivered and sent into active service.

According to the schedule set before President Roosevelt ordered further increases in 1942 and 1943 production, 79 new merchant ships were to be launched in the first quarter of this year, 131 in the second quarter, 167 in the third, and 140 in the fourth. For the first quarter of 1943 those plans called for 154 vessels, 166 in the second quarter, 158 in the third, and 173 in the fourth. Those figures are now being revised upward to meet the goals set by the President.

With the Navy also carrying out the greatest program for building fighting ships in our history, the capacity of our existing yards was long ago exceeded. To meet the demand, the Maritime Commission has ordered 131 new shipways. More than 95 percent of them are already in use and the rest are to be in production in the next 2 months. Shipyard facilities have increased since the Commission began its program in 1937 from 10 yards with 46 shipways capable of turning out vessels 400 feet or more in length, to 40 yards with 275 ways, capable of this work. Twenty-nine of these yards—with 202 ways—are devoted to building oceangoing merchantmen. The 40 yards are strategically located along our Atlantic, Gulf, and Pacific coasts to take the fullest advantage of existing facilities, labor supply, and industrial production. Other yards and plants, many of them on the Great Lakes, are launching a great many smaller craft of importance to war work, such as coastal tankers, coastal cargo boats, barges, seagoing and harbor tugs, and the long carriers that carry ore down the Great Lakes.

### ***The Shipway Assembly Line***

Speeding up of the present huge construction program depends primarily on labor, materials, and equipment.

The principal shortage of equipment is in propulsion machinery—engines to make the boats go.

A wide distribution of work among available manufacturing concerns, large and small, was devised when the construction program first got under way. The Commission reports that the shipbuilders of America have applied their ingenuity to the development of new techniques to the end that a shipway shall become, as nearly as possible, an assembly line.

After the Nazis got control of Europe's continental coast from Norway to Spain, a shortage of ships to meet our commercial needs and our promised aid to Britain soon developed. As the fighting areas spread over the earth, the shortage was aggravated. Since the beginning of the war, the Commission has permitted the transfer of 227 ships—vessels of 1,000 gross tons and over—to foreign flags. These ships total approximately 1,100,000 gross tons. They consisted of vessels considered obsolete from an economic standpoint. Many had not been in use for several years.

Another 200 vessels, totaling about 1,500,000 gross tons, have been transferred to Army and Navy use since the fall of 1939.

Moreover, the President directed the Commission in April 1941 to assemble a pool of 2,000,000 tons of shipping to be allotted to the nations resisting aggression.

All these transfers and allocations account for more than 4,000,000 gross tons of shipping, 50 percent of the 8,000,000 tons of oceangoing merchant shipping available to this country when we went to war.

Meantime, while the ships were being transferred or allocated, the volume of goods to be transported grew. In 1938, our sea-borne foreign trade called for the transportation of 75,000,000 cargo tons. American ships moved about 26 percent of this trade. Now, preliminary estimates indicate that the total movement of our exports and imports for 1941 exceeded 80,000,000 cargo tons—and that



American ships accounted for 33 percent of this movement.

Under the Ship Warrants Act, approved last July, the Commission is authorized to prescribe conditions as to ship operations and, in that way, to enforce priorities in all merchant shipping entering American ports. Britain has a similar system—so that our two nations, between them, can exercise control over the operations of virtually all the world's merchant shipping not under the fist of the Axis.

To date, the Commission and our armed forces have acquired the services of 100 foreign vessels, aggregating more than 550,000 gross tons, which had been immobilized in American ports. Other American republics have similarly taken over 72 ships amounting to more than 360,000 gross tons. These actions have helped alleviate the shortage of ships.

#### **The Search for Seamen**

The problem of getting officers and crews for all these ships is considerable. About 40,000 seamen of all ratings and 10,000 officers now are serving on 1,200 boats engaged in deep-sea trade. With a program calling for more than double this number of ships by the end of next year, at least another 40,000 seamen and 10,000 officers will be needed. Some of the new ships will carry Army and Navy personnel. Some may sail under friendly foreign flags with foreign crews.

The Commission is assuming that crews will have to be found for at least 800 ships. On the average, a merchant vessel requires 35 seamen and 8 officers. Eight hundred new ships would call for 28,000 seamen and 6,400 officers. Some can be recruited from among seamen who have retired or who have found better paying jobs ashore. The Commission is now planning to train at least 25,000 new seamen and 6,300 officers in the next 2 years.

The training-ship fleet has been increased from 10 to 18 vessels. Unlicensed personnel, including apprentice sea-

men, are being trained at shore stations; licensed officers at stations aboard merchant ships, and at four State marine academies.

At two stations training in gunnery is being given to new seamen and officers. This will be extended to other stations and training ships as soon as ordnance now on order is received from the Navy. The men in our new merchant fleet are going to be armed and trained to protect the cargoes they deliver.



## THE LABOR FRONT

### **"Spontaneous Cooperation of a Free People"**

On the world's labor front the contrast between the Fascist system and our own is sharply and dramatically drawn. The first conquest of the Nazis was the conquest of their own people. As a consequence, many Reich factories that are turning out guns meant for the enslavement of other people are themselves run by slaves. And workers of countries overrun by the Axis have been wrenched from their homes and shipped into the Reich as forced labor.

In this country we have placed our reliance on what President Wilson called, "the highest and best form of efficiency \* \* \* the spontaneous cooperation of a free people."

We are fighting our battle of production confident that free labor will outproduce slave labor.

Five million workers have already been drawn into America's tremendous war-production program. But that is only a beginning. Five million more will be required in the next 6 months. By the end of the year labor's army of men and women in war industries will be tripled—and it will be quadrupled in 1943.

During the first year and a half of our defense program disputes between labor and management were allowed to interfere with production. From June 1, 1940, to December 1, 1941, O. P. M.'s Labor Division tallied 160 defense strikes of "primary significance," involving 280,100 workers, causing the loss of 2,667,900 man-days. On March 19, 1941, the National Defense Mediation Board was created by Executive order to mediate labor contro-

versies and avoid strikes, stoppages, and lock-outs. In roughly 10 months of its existence, 114 cases, affecting nearly 2,000,000 workers, were certified to the Board. In 61 of these cases strikes were in progress and defense production interrupted when the Board was called in. Ninety-two disputes, affecting more than 1,000,000 workers, were settled.

One of the Board's major objectives was to keep workers on the job while controversies were being mediated. Progress in attaining this objective is shown by the fact that in the 22 cases still pending before the Board early in January, the 98,000 workers affected remained at work in the factories.

Other conciliation agencies of the Government settled 583 disputes in plants working on Army, Navy, and Maritime Commission contracts before they could develop into strikes. These disputes involved more than 2,000,000 workers.

The recommendations of the Mediation Board had no legal force but they rarely were disregarded. In three cases, when strikes were in progress and the Board's recommendations were rejected, the President ordered seizure of the plants.

Japan's attack on Pearl Harbor brought a swift and almost unanimous response from labor. Threatened strikes were called off. Unions circularized their members urging them to buy defense bonds. Others asked to be allowed to give blood for Army and Navy blood banks. Unions, whose membership was largely Italian-American and German-American, affirmed that "we are Americans above all."

The President's appeal to all war industries to work 168 hours a week produced pledges of support. Hundreds of thousands of workers volunteered for overtime until the additional Sunday and night work could be spread out through the recruiting of additional shifts.

This spontaneous rallying of labor reached a climax on December 17 when representatives of the C. I. O. and



A. F. of L. met with representatives of industry to draft voluntarily a formula to insure industrial peace and prevent interruptions in production. This conference reached a unanimous agreement on a three-point formula which was immediately adopted by the President:

1. There shall be no strikes or lock-outs.
2. All disputes shall be settled by peaceful means.
3. The President shall set up a proper War Labor Board to handle these disputes.

On January 12, the President created the War Labor Board, superseding the National Defense Mediation Board. The new Board consists of 12 members, with representatives for the public, for labor, and for management. In the maritime field, labor and management representatives agreed unanimously on the creation of a similar Maritime Labor Board to settle all disputes. The United States Maritime Commission said this agreement assures uninterrupted shipping service for the length of the war.

#### **Ten Million Workers Need Apply**

War industries are expected to need another 10,000,000 workers before the end of 1942. Shortages of some skills cannot be avoided. However, great as are our labor needs, they can be filled from the vast reservoir of manpower that lies in our population of 133,000,000. Where in 1918 only 286 men and 266 women in every thousand were of normal working age, today in every thousand we have 296 men and 293 women of working age.

We are prepared to tap this vast reservoir of manpower. When industry began tooling up for defense the W. P. A. estimated the number of unemployed at 9,000,000. About 5,200,000 now have been absorbed. It is expected that one-half of those still unemployed will be at work before next December.

Since the early summer of 1940 the greatest worker training program we have ever known has been under way. Nearly 2,500,000 workers have received training in

1,200 vocational schools, 155 colleges and universities, and in 10,000 public school shops. More than 600 schools are operating on a 24-hour basis. In addition, several hundred thousand youths have been given work experience and defense training under N. Y. A. and C. C. C. Workers in 1,800 plants have been reached by training within industry itself.

To offset the serious shortage of "lead men," particular emphasis has been laid on the training of foremen and supervisors. Since August about 12,000 supervisors have been trained in 700 plants. The goal is to turn out 350,000 such supervisors, 200,000 of them in the next 6 months.

For some skills, 3 to 4 years are required to train workers. The emergency demands short-cuts. They have been found in such devices as "up-grading," by which workers are moved up through the higher skills within a plant and new workers are hired to fill their places. One aircraft factory was able to expand its labor force from 1,200 to 7,500 in a few months. Employees who had done nothing more complicated than handle a wheelbarrow were "upgraded" to semitechnical operations on the assembly line.

Labor unions in the skilled and semiskilled trades have been searching out former members from the stores and filling stations to which they went during the depression. A more intensified recruiting of such workers will be launched immediately after the new draft registration.

The 1,500 State employment offices scattered throughout the country are being centralized under the United States Employment Service. The Employment Service will operate on the basis of regional labor markets and clear requests without regard to State boundaries.

#### **Help Wanted on the Farm**

The Employment Service, too, is trying to place every available farm worker. With record crops in prospect,



an acute shortage of agricultural labor threatens. Farmers on family-sized farms have been unable to pay wages high enough to compete with industry. Hundreds of thousands of young farmers are going into the armed forces. To fight this shortage, farm families, women and children as well as men, will have to work longer and harder. City youths probably will be organized to go out to the farms for seasonal jobs. A woman's "land army" may be recruited.

Determined to end raiding, O. P. M.'s Labor Division has been arranging industry-wide agreements between workers and employers, stabilizing rates of pay in plants doing similar work. Agreements already have been worked out in the shipbuilding, aviation, and construction industries. Without such agreements, shipyards, aircraft plants, and construction projects would compete in paying higher wages, the Government would have to pay more for munitions, and production schedules would be disrupted by needless migrations of workers.

A Committee on Fair Employment Practice in O. P. M. has been working to eliminate color, creed, and nationality prejudices in the hiring of workers. Efforts are being made to level the barriers against older workers. In the railroad industry the age limit for hiring skilled labor has been raised from 45 to 51; for unskilled workers, from 45 to 60.

### **Women at the Benches**

Beginnings, too, have been made in the recruiting of women for war work. During the last war, nearly one-fourth of all the employees in aircraft plants were women. Before this war ends, one-third of our aircraft workers may be women. In some plants women already are doing light sheet-metal work, riveting, welding, spray painting, pasting, and gluing. Women have been found particularly adaptable to small-arms ammunition work, and in the Frankford Arsenal in Philadelphia nearly 40 percent

of the employees are women. Other women are making gas masks and working as bench hands, solderers, and inspectors in arms and munitions factories. It is estimated more than 500,000 women now are employed in war work. But today only 4 women in every 1,000 are working in war industries, while in 1918 there were 21 such workers in every 1,000.

In shipyards, hours of work have been lengthened to 48 a week, while in some of the critical war industries, such as machine tools, overtime has extended the working day to 9 and 10 hours. The various labor agencies of the Government are keeping tabs to see that this lengthening of hours is not pushed to the point where the efficiency or morale of labor suffers, or where health and safety standards built up during the years are broken down.

As a further source of labor, several million workers are expected to be freed for war jobs as less essential industries are curtailed. Workers will turn from making automobiles to making tanks, from compacts to ammunition, from sewing machines to rifle parts, from fountain pens to fuses, from rat traps to camp cots, from pipe fittings to hand grenades, from lawn mowers to shrapnel, from women's lingerie to mosquito nets.

The same process, however, will produce some temporary unemployment. To minimize hardships, labor defense committees have been established in all industries likely to be affected. Labor and management have come to agreement on certain basic principles in handling problems arising out of curtailments. In the rubber industry, for example, the program calls for protection of seniority rights, transfer of employees from non-war to war jobs within plants, preferential hiring of displaced workers, recall of workers for war tasks, and retention of seniority rights by workers in training for new war jobs.

Surveys have been made of more than 100 communities where serious curtailment of civilian industries seemed



likely and 15 cities, particularly hard hit by unemployment, have been certified for special consideration in the awarding of war contracts. About \$20,000,000 worth of contracts have already been placed in these cities.

Statisticians estimate that our ultimate war effort may require 50,000,000 man-years of work.

## THE HOME FRONT

### *First Things First*

Our plush days are over. We are no longer the care-free land of plenty, every counter heaped with chromium-coated gadgets, every store bursting with limitless supplies of shoes and sealing wax. Total war requires so many materials that there is just not enough to go around. The production of much needed ammunition requires copper that formerly went into ash trays, weatherstripped windows, or toy trains. We need the ammunition. We can do without the toy trains.

To see that first things come first is a major task of the new War Production Board which supersedes the Supply, Priorities and Allocation Board, or S. P. A. B. The new Board includes representatives of the agencies formerly represented on S. P. A. B.: the Army and Navy, the Board of Economic Warfare, the Office of Production Management, the Office of Price Administration, the Federal Loan Agency, and the Lend-Lease Administration.

Immediately after its creation S. P. A. B. called for detailed estimates of all requirements of materials, labor, and equipment for the succeeding 18 months. The situation on strategic materials and tools was carefully studied before the United States entered the war. After the war added attention was given to commodities imported from the Far East, such as rubber, tin, antimony, bristles, chrome, mica, and burlap.

Expansion of production was a general policy of S. P. A. B., and the Office of Production Management was charged with its realization. Since few factories were adjusted to war production at the beginning of the effort,



the job has been tremendous and the perplexities unending. Existing plants have been expanded and new ones built. To this end, the Government and private industry had by December 1, 1941, committed themselves to spend 5.1 billion dollars and 1.2 billions, respectively.

In September S. P. A. B. approved a program of expanding steel ingot capacity by 10,000,000 tons. Before Pearl Harbor, projects for about two-thirds of this program had been approved. Since then additional projects have been rushed through, virtually filling out the 10,000,000 tons. Before Pearl Harbor, too, expansion programs had been drawn up and, in the main, gotten underway to expand our aluminum capacity by 700,000,000 pounds and magnesium by 350,000,000 pounds a year by 1943. With a goal of 125,000 airplanes for 1943, both these programs will have to be stepped up.

High priority ratings have been granted to increase substantially the production of high-octane (aviation) gasoline.

Production schedules of all munitions and tools have been accelerated. Before June 1940 the normal annual output of machine tools—without which no airplanes or complicated guns, tanks, or combat cars can be built—was \$150,000,000. This was expanded to \$800,000,000 in 1941, and should reach 1.2 billion volume in 1942.

The Contract Distribution Division of O. P. M. is acquainting the small manufacturer with the part he will play in the war. The conversion of plants and the drawing of small factories and shops into the war program is one of our most difficult problems in switching from a peacetime to a wartime economy. It has not yet been solved.

### ***Protecting What We Have***

To insure adequate supplies of scarce materials for war purposes, less essential uses of these materials have been curtailed. Steel plates and welding pipe for the construction of petroleum pipe line, for example, were refused.

Construction projects not vital to the war effort have been limited.

However, ample provision has been made for spare parts and replacements so that the life of durable machinery now in the hands of consumers can be extended. With farm equipment, S. P. A. B. reduced the materials available for making new equipment by 17 percent, but raised the quotas of materials for replacement parts by 50 percent.

S. P. A. B. urged conservation of scarce materials and the use of substitutes. Wood, glass, porcelain, and enamelware are replacing aluminum in the kitchen. Cotton and synthetics are taking the place of silk for stockings and of jute for burlap. The possibilities of saving the copper and nickel in our coins are being explored.

The priorities system is our device for carrying out "first things first." To accomplish the major task—getting guns, tanks, and planes to the armed forces—materials of all kinds have been earmarked for war.

For some time past all of the Nation's supply of such metals as aluminum, magnesium, copper, nickel, pig iron, and steel have been wholly distributed under the control of the O. P. M. Many other materials are controlled largely by specific orders. The operations of priorities have touched directly or indirectly virtually every business enterprise and governmental body in the country.

A system of direct allocations to manufacturers now permits a tight control over all our available materials. Under the new system, manufacturers will be allotted fixed quantities of scarce materials in proportion to their production for war and for essential civilian uses.

To aid our allies fighting the Axis, S. P. A. B. authorized shipments of wide steel plates to Canada for use in constructing cargo ships. A special United States mission to Russia brought back a list of Russian requirements. S. P. A. B. ordered allocation of the necessary materials and immediate shipment.



During 1941 the United States produced more articles for civilian consumption than ever before in its history. To strip off some of this "fat", production cuts have been ordered for everyday goods like automobiles, radios, ice boxes, irons, washing machines, lawn mowers, garden rakes, paper containers, fancy galoshes, and juke boxes. It has been estimated that \$20,000,000,000 of productive capacity, based on 1941 operations can be diverted from civilian to military life. We face immediate and sweeping curtailment of the less essential civilian products.

### **Price Control**

Our eagerness for news from the battle fronts of the world must not blind us to the silent, bloodless battle at home: the battle of inflation. Inflation ravages a population as effectively as bombing from the air. More than 45 percent of the total cost to the United States of World War I resulted from inflation. Should prices continue their present upward swing, they will add to the war program more than the total cost of the first World War. Defense expenditures from July 1940 to December 1941 including sums appropriated by Congress, and loans by R. F. C. corporations, and foreign orders totaled 18.4 billion dollars. Of this, 2.4 billion or 13 percent, represented excess cost due to inflation.

Inflationary signs are everywhere apparent. Since the outbreak of war, in September 1939, wholesale prices have risen 24 percent. Almost two-thirds of this increase has taken place within the past 9 months. The cost of living, meaning the prices paid by the housewife for food, clothing, and shelter, has increased 11 percent. Four-fifths of this increase has taken place within the past 9 months. The cost of living is surging upwards at the rate of  $1\frac{1}{2}$  percent a month and, should it continue unabated, will have risen 15 percent by March 1942. An increase of 15 percent in living costs means that the great mass of

people will forfeit, to inflation, 1 day's wage out of every 7.

Inflationary pressures are inevitable during wartime. The billions spent on war boom the purchasing power of civilians. But the supply of goods that civilians can buy fails to keep pace. More money bidding for less goods means higher prices all along the line. These price advances in no way increase the available supply. They merely determine who gets the scarce goods. Without price controls, the goods go to those with the fattest purses. People whose incomes are fixed or low suffer harsh reductions in living standards.

Not only must inflation be prevented so that profiteering is prevented and the burdens of war are distributed equitably; it must be prevented also to avoid social and economic prostration after the war. The higher prices are allowed to rise now, the farther they must fall after the war.

### **The Way Ceilings Work**

In the absence of specific price-control legislation, the Office of Price Administration has relied on informal, persuasive means of control, supported by the emergency powers of the President. These controls have taken the form of suggestions and warnings, letters freezing prices, lists of fair prices, voluntary agreements with individual producers, and more formal price ceilings. Ceilings do not "fix" or "freeze" prices. Only an upper limit is set, below which prices can fluctuate freely. As of December 20, 1941, 57 ceilings had been invoked. In all, 35 percent of the total value of wholesale goods was under control.

The effectiveness of these ceilings has been proved. Since the beginning of the war in September 1939 uncontrolled prices have risen one-third more than controlled prices, although the commodities selected for control have been in greatest demand. Almost half the field of metals and metal products is covered by price ceilings. These



prices have advanced only 10 percent since the beginning of the war. Steel prices, controlled, have remained virtually unchanged since September 1939. In the same number of months of World War I, the price of steel plates, uncontrolled, rose 210 percent. Pig-iron prices, controlled, have risen 15 percent, compared with 53 percent during the first war. Between July 1914 and October 1916 copper prices rose 113 percent. Today, controlled, they have risen 16 percent. During the last war chemical prices more than doubled. Now they have risen one-fifth.

Inflation is being fought along a broad front. Regulations governing installment buying have been tightened to require larger down payments and to shorten the periods in which to pay. The possible inflationary effects of competitive Government buying have been minimized through centralized purchasing. Wherever possible, the supply of materials and goods has been expanded.

In some instances, as in copper, lead, wool, and hides, this has meant increasing imports. To bring in the production of low-cost copper mines, the purchase of this copper at a subsidy price above the ceiling was arranged. Speculators, who in the past contributed to inflation by running wild on the commodity markets, were kept in hand by the Commodity Exchange Administration of the Department of Agriculture. With the cooperation of the exchanges, safeguards such as increased margins on speculative trading and reducing price fluctuation limits have been put into force.

The Anti-Trust Division of the Department of Justice has broken up conspiracies to raise prices. Many high food prices, for example, are purely the result of conspiracies. Indictments have been obtained against cold-storage speculators, cheese distributors, bread companies, grocers, meat packers, and others charged with raising the price of their products by illegal means. Three days after the Department of Justice obtained an indictment against a tungsten carbide monopoly, the price of tungsten carbide fell from \$200 a pound to \$48 a pound.

### ***We Face Increased Control***

The attack on Pearl Harbor brought us abruptly to total war, including prices.

Because the United States imports all but 3 percent of its crude rubber from the embattled Far East, a tire rationing program went into effect January 5; more than 85 percent of the Nation's motor vehicle users will be unable to buy new tires. In the past, 70 to 80 percent of our crude rubber went into new tires. Only about a year's normal supply of rubber was on hand October 31.

War naturally means a tightening of the consumer's belt. The Director of Consumer Services of the O. P. A. is charged with seeing that the standard of living is maintained on the highest possible level consistent with military requirements. The Consumer Service has taken steps to create an aware buying public, by means of a field staff that aids consumers in understanding the effect of the war program on their daily lives, and by providing accurate information on good buys in food and clothing throughout the country. There is food enough to go around, but a people at war must eat the right food in the proper proportions.

While prices have been held down successfully in a large sector of the economy, the general price level has continued to advance. The Office of Price Administration warns that we face a disastrous inflationary spiral unless effective price-control legislation becomes the law of the land.

### ***Food for War***

Total war will require us to do without many things—but not food. Crop and livestock production for 1941 was the greatest in the history of the country. It was the second consecutive record year. Unless we experience droughts of unparalleled severity, or divert quantities of some specific product, such as sugar, into war uses, we are not likely to have to carry ration cards during this



war. In this, we will be unique among all the warring nations of the world.

The abundance of 1941 was planned. In December 1940 the Secretary of Agriculture appealed to farmers to increase the 1941 spring pig crop. In response, one-seventh again as many pigs were farrowed. In April 1941 with Britain requiring vast quantities of animal protein foods and vitamin-rich and mineral-rich vegetables and fruits, the Secretary again appealed to the farmers. This time he asked for more milk, eggs, meats, tomatoes, and dry beans. Six billion pounds more milk were produced, 276,000 more dozens of eggs, and 75,000,000 more pounds of meat.

Even greater production goals have been set for 1942. Last fall a program was drawn up for an over-all increase in agricultural production of 15 percent, sufficient to leave us with a surplus for reserves against the future.

For such commodities as wheat and cotton, of which we have huge stocks, no increase was asked. Instead, farmers were urged to produce more milk, eggs, meats, vegetables. During October and November 125,000 farmer committeemen visited their neighbors in every county, reaching nine of every ten farmers to invite them to sign up for increased production.

Our entry into the war compelled farmers and government to revise these 1942 production goals—upward. Especially now do we need more fats and oils, which means more soybeans and peanuts and flaxseed. The 1942 farm goals now call for production 17 percent above 1940.

### **Fighting Air Raids**

To defeat the enemy's air raids by keeping him from achieving his major objectives—panic, unchecked fires, and the loss of production—is a task for private citizens as well as for the Army and Navy. The Office of Civilian

Defense was established last May to mobilize the necessary forces from the civilian population.

The O. C. D. has provided an organizational framework for volunteer efforts, with regional units under national supervision to assist State and local defense councils. It has assembled a staff of experts on air-raid protection. It has sent two missions to England to study and report on the English experience. It has drawn up plans for handling such emergencies as gas attacks and evacuations. It has published 58 pamphlets and handbooks on civilian protection, and of these it has distributed more than 5,000,000 copies. Thousands of instructors, who were trained before Pearl Harbor, now are holding classes daily for volunteer policemen, firemen, and air-raid wardens.

A civil air patrol has been established, in which it is planned to enroll 90,000 certified pilots, besides other thousands in the ground personnel. By performing many nonmilitary functions now assigned to the armed forces, these civilian volunteers will release Army and Navy flyers for combat duty.

The Emergency Medical Service of O. C. D. is carrying out a detailed plan for the emergency expansion of medical facilities. The American Red Cross has made all its services and equipment available. Cooperation between the Red Cross and O. C. D. will include programs for the collection of blood plasma, the enrollment of medical technologists and nurses, and the training of first-aid workers and volunteer nurses' aides.

The work of organizing local defense councils has gone ahead, beginning with the more critical areas near the two coasts and extending inland. Last May there were only 1,500 councils and many were inactive. By November 1 there were 5,549 councils with 753,000 persons enrolled. Late in December there were more than 6,000 councils, and more than 3,500,000 volunteers had offered their services.



## ***Aliens and Antisabotage***

On the first day of the last war when our alien population was twice as large as it is now, only 63 alien enemies were taken into custody. More than 1,000 were apprehended by midnight on December 8, 1941.

This time we were well prepared for dealing with the alien enemy problem. Registration of more than 5,000,000 aliens had been largely completed 1 year ago. To prevent the entry of undesirables or the departure of aliens without proper documents, our borders were practically closed. The size of the border patrol had been doubled.

The Voorhis Act of 1940 had made it possible for our Justice Department to survey and disclose the intent, good or evil, of certain organizations under foreign control and other groups, including exiles from conquered countries and their sympathizers, who advocate the overthrow of governments. These precautions made unnecessary such a general round-up as took place in Great Britain in 1940 when some 80,000 aliens were picked up.

We know already how many aliens there are among us, who they are, where they are, and what they are doing. We realize that 95 percent of them are law-abiding and democracy-loving sojourners.

Since the fall of 1939, the Federal Bureau of Investigation has served as a single coordinating agency for the investigation of matters bearing upon our internal security. It directs the hourly vigilance of its own 2,800 agents, especially trained in modern techniques of counter-espionage.

Sabotage is most effectively met by preventive methods. More than 2 years ago a system of surveying and instituting protective facilities for defense industries and public utilities was set up. Detailed instructions for detecting possible sabotage at vulnerable spots have been distributed widely. There have been explosions and fires in plants making war materials. There will be others. Most of these mishaps are the result of industrial acci-

dents. Compared to a similar period in the first world war, thus far, there has been only a negligible amount of sabotage.

## ***Communications***

A 24-hour safeguard of our home front is the policing of the domestic ether to run down suspicious communications. Ninety-one Government monitoring stations, strategically placed throughout the United States and our possessions, patrol the entire radio spectrum. Since July 1940 more than 2,000 cases of illegal or subversive use of radio have been investigated and 23 operators have been convicted. Also detected have been 75 radio circuits operating between Germany and its agents abroad, a German-Japanese radio circuit, and an active radio transmitter in the German Embassy in Washington.

Four particular listening posts intercept foreign broadcasts, note their contents and teletype summaries post-haste to interested government agencies. No station is too weak to be caught by these foreign monitoring stations, and much information is gathered this way which is unavailable elsewhere.

Many months ago the Defense Communications Board, in collaboration with the communications industry and the Federal Communications Commission, began adjusting our peacetime communication system to the defense emergency. As a result, commercial services are being subjected to few restrictions. Radio stations must go off the air if staying on will make them beacons to guide enemy planes. Fifty-five thousand amateurs were ordered off the air on December 8, and some of the wave lengths reserved for their use were diverted to military purposes. Commercial radio stations have granted military and defense agencies needed time on the air. Alternate facilities for all services have been arranged in case normal facilities break down or are destroyed.

The most effective control of information that might help the enemy is control at the source. Citizens must



learn not to pass along facts or gossip which might eventually reach Berlin or Tokyo.

### **Transportation**

It is not enough to produce the materials of war. They must be moved, and moved swiftly, by rail, by truck, by boat to their destination. A successful transportation system depends chiefly on three factors: first, fixed plant equipment, which means motor roads, railroad tracks, navigable waterways, and such things as terminals, docks, and repair shops; second, carrier equipment in the form of freight cars, trucks, buses, barges, pipe lines; third, the use to which these facilities are put.

With 246,000 miles of track—30 percent of the world's railroad mileage—1,300,000 miles of surfaced roads, 28,000 miles of navigable inland waterways, and 310,000 miles of pipe line, the United States has enough fixed plant to meet the severest tests.

We are now not only adding to equipment, but we are making better use of the facilities we have. Railroads, which carry 61 percent of our total freight load, last year handled 33,000,000,000 ton-miles more than in the peak year of 1929. To do this, the loading, unloading, and terminal handling of freight cars had to be speeded up; roundabout routings had to be curtailed. The average load carried by a freight car was raised nine-tenths of a ton—a saving in space equal to 26,000 freight cars. Ice-breaking machines opened the Great Lakes shipping season earlier than usual in 1941. This made possible an all-time record movement of iron ore by Lake boats.

Since September 1939 the railroads have added 150,000 new freight cars and 75,000 more are on order. They have 1,000 new locomotives and another 600 are on order. Trucks have increased from 4,600,000 to 5,000,000 in the past year; 4,500 miles of new pipe line have been added.

Freight traffic, however, has increased to the point where it is now in close balance with the carrier capacity

of the country. To care for the added freight that war will bring—an increase estimated at more than 10 percent in 1942—new equipment will be needed and more ingenuity exercised in using the equipment we have. The rationing of rubber tires will have repercussions all through the transportation system, and may necessitate far-reaching reorganization and coordination of all forms of transportation. This will be done by the newly created office of Director of Transportation.

### **Housing For War Workers**

To more than 300 communities in the country, war work has brought a serious housing problem. For 15 months 10 Government agencies, working under the Office of the Coordinator of Defense Housing, have been pushing a \$792,000,000 program of public housing construction to provide these workers with shelter at reasonable rents.

As of late December, 129,154 housing units had been planned, of which 63,684 were completed. More than 43,000 homes are now under construction, with another 20,000 waiting on the appropriation of additional funds by Congress. In the temporary shelter field, 8,745 trailers and portable homes and 11,051 dormitory units have been provided.

Besides these Government-financed homes, it is estimated another 400,000 privately financed houses have been erected in these same defense areas.

Lacking formal rent-control powers, which are part of the price control bill pending in Congress, the Office of Price Administration's efforts to prevent rent profiteering have been restricted largely to the formation of so-called "fair rent" committees in some 150 defense areas. The usual practice is for the committee to select a date and publish a statement saying that as of that date rents were fair. Complaints by tenants are investigated. If landlords refuse to lower their rents, public pressure is exerted. In the District of Columbia where the vast expan-



sion of the Government's war activities has resulted in a new high in the number of Government employees, rents have been frozen as of January 1, 1941, by an act of Congress.

### **Keeping the Public Informed**

So that the people may know at all times what their Government is doing, information officers are attached to each of the Government agencies. Questions asked by mail are answered by the United States Information Service. In addition to press releases, the Information Division of the Office for Emergency Management issues pamphlets on the work of the wartime agencies. The Office of Facts and Figures has been directed to "formulate programs designed to facilitate a wide-spread and accurate understanding of the status and progress of the national defense effort."

But it is also necessary to prevent any news of military value from reaching the enemy. To this end, an Office of Censorship was established on December 19, with authority to control all communications between the United States and foreign countries.

Troop movements will henceforth be secret even in our own country, as ship sailings have been for a long time. Detailed weather forecasts can no longer be published, since they would furnish a timetable for enemy bombers and submarines. It will also be necessary to discontinue the publication of certain information regarding contracts, the selection of plant sites and other matters relating to procurement and production.

In military and naval operations there will of necessity be delays in giving full reports to the public. One of the favorite propaganda tactics of the enemy is to broadcast exaggerated rumors partly to spread confusion and consternation and partly to force denials and thus receive information as to the location of forces. As soon as the facts can be told without aiding the enemy, they will be announced officially.

Though censorship has been established, it functions on a voluntary basis, so far as the publishing and broadcasting of news within the country is concerned. The newspapers and radio chains have been asked to exercise certain self-restraints. The censor feels they have met the request loyally and wholeheartedly.



# PAYING FOR THE WAR

## *The Rate of Spending*

Seventeen months of rearming and 1 month of fighting the war have cost the American people some 15.6 billion dollars, in appropriations and R. F. C. loans. This we have actually spent for making weapons and for training manpower.

Two years ago such a prospect of spending for arms would have taken our breath away. After a month of war this huge sum does not begin to approach the cost of ultimate victory.

We were relatively slow in getting started, reluctant to stop producing the goods of peace and to start producing the instruments of war. Yet the past 12 months have seen the highest Government expenditure in our history. In the calendar year 1941 we spent close to 19 billion dollars—as much as we spent in the previous record fiscal year of 1919. Defense and war accounted for 12.5 billions. Of this 1.8 billions were spent in the last month of the year alone.

This record sum of 1.8 billion dollars, spent in the month of December 1941, while it exactly equals our defense expenditure for the last six months of 1940, represents only about 22 percent of the rate of national income for that month. For the fiscal year 1943 the President has submitted a budget calling for 56 billion dollars in war expenditures, or more than one-half of our national income. Britain's war effort already is consuming about 50 percent of her income, while Germany has diverted an estimated 60 percent to war. The high German figure, however, is made possible by the systematic

looting of materials and goods from the conquered countries.

Those responsible for financial policy have endeavored to work out a sound program of taxation and borrowing, which would not only produce the needed funds, but would also translate into action these fundamental principles; to pay as you go, so far as possible, to spread the burden as fairly as possible, and to avoid the dangers of inflation. Each of these principles called for the imposition of higher taxes.

Year by year the tax structure has been broadened to reach millions of Americans who never before had been called upon to pay direct taxes. The Revenue Act of June 1940 took a step in this direction by increasing the rates or widening the base of almost every existing tax. October 1940 saw the passage of a Second Revenue Act raising corporate income tax rates and introducing a new excess-profits tax. Another, though not an immediate source of revenue, was provided by the Public Debt Act of February 1941, which made the income from all future Government bond issues subject to Federal income taxes.

The stepped-up defense requirements that came with the months that followed were reflected in the Revenue Act of September 1941. This act was intended to raise 3.5 billion dollars additional revenue. A broader income-tax base and increased rates were expected to draw 1.1 billion dollars more from individuals and 1.4 billions more from corporations. Capital stock, estate, and gift taxes were to yield \$180,000,000 more, and excise and miscellaneous taxes to yield \$850,000,000 more.

## *Spreading the Burden*

The trend of personal income taxes over the past two years has been toward spreading the cost of arming among more and more Americans. Under the 1939 Revenue Act 4,000,000 people had to pay income tax. Under the 1940 act 7,520,000 paid taxes. This March, it is estimated, 13,200,000 will pay income taxes. This is not quite a



third of our nonagriculturally employed civilian workers in November 1941.

The 1940 act lowered the exemption of a single person from \$1,000 to \$800 and of a married person from \$2,500 to \$2,000, while the 1941 act again lowered the exemptions to \$750 and \$1,500, respectively. At the same time, national income was rising steadily, swelling tax returns. On July 1, 1940, the national income payments were at the rate of 74.7 billion dollars a year; on January 1, 1941, the rate was 81 billions; on July 1, 1941, the rate was 89 billions; and in October 1941 the rate was 95 billions a year.

Revenue from individual income taxes rose from \$891,000,000 in the fiscal year 1940 to 1.3 billions in 1941, a 47 percent increase. Corporation income taxes reached 1.6 billion dollars or 72 percent more than the preceding year. A steadily rising yield from corporations in 1942 is suggested by recent Federal Reserve figures which show that 416 corporations earned about 30 percent more in the first 9 months of 1941 than in the corresponding months of 1940.

Total net receipts for the year ending last July were 7.6 billion dollars, an increase of nearly 41 percent over the preceding year.

So sudden and so vast an increase presented the Treasury with a number of new problems. To acquaint new taxpayers with their obligations and to insure prompt collection, two new aids for the taxpayer were devised. The first was a simplified tax form for those with incomes under \$3,000, a form so clear that only six simple steps are needed to complete it.

The second was the tax anticipation note, introduced last August. These notes can be purchased at any time and be used in paying future taxes. In effect, those who invest in these notes are paying their taxes in advance and they receive interest for so doing. More than 2.5 billion dollars' worth had been sold by the end of 1941.

## Government Borrowing

In spite of growing tax receipts, the Government must look to borrowing for an ever-increasing proportion of the cost of war. Our net deficit, which rose from 3.6 billion dollars in the fiscal year of 1940 to 5.1 billions in 1941, is expected to exceed 12.6 billions by next July 1.

To meet these deficiencies the Treasury goes to the banks and to the people. In the year ending July 1, 1941, the Treasury sold for cash just over 3 billion dollars worth of bonds and notes, and refunded for a similar amount three series of Treasury notes maturing during the year. Since last July there have been four major offerings to the value of 3.7 billions.

Each of these issues was heavily oversubscribed. The latest and largest issues, for 1½ billion dollars of new cash, were oversubscribed seven times on the very eve of our entry into the war. The average interest rate on the Government's outstanding debt is now the lowest in our history, having fallen from 2.566 percent in December 1940, to 2.409 percent in December 1941. Thus, while the national debt has reached the record level of more than \$57,000,000,000 and while the Government's borrowing is greater than ever, it can obtain new money more cheaply than ever before.

Large-scale borrowing from banks involves serious decisions of policy, since these operations, by creating new deposits, may result in credit inflation. In line with a consistent anti-inflationary policy, the Treasury embarked last May upon a new program of borrowing directly from the people. Defense savings bonds, of which by January 1, 1942, about 2.5 billion dollars' worth had been purchased, were designed to reduce the volume of purchasing power by enlisting the current savings of millions of wage earners. High-pressure methods of selling were avoided. Stress was laid rather on the importance of systematic saving as a curb to price inflation.



A determined effort is being made to persuade all wage earners voluntarily to invest a part of their earnings regularly through pay-roll savings plans.

### **The Fight Against Inflation**

No one weapon can hope to fight inflation successfully. Reduction of purchasing power by means of voluntary savings and price fixing are vital expedients. Still greater taxation than we have yet envisioned may be necessary.

In contrast to the last World War, when we were blind to the danger of inflation until it was upon us, our eyes are open today to this evil and to the need of controlling it with every weapon at the command of the Treasury and other departments of Government. Our response to the challenge of inflation may well be a test case of our ability to master our own destiny, of the power of a democracy by the application of popular mind and will to cure its own internal illnesses. Just as dollars alone cannot buy victory over the Axis, so understanding, self-discipline, and aggressive action by the people are needed to defeat inflation at home as well as the enemy abroad.