

WARTIME  
FACTS AND  
POSTWAR PROBLEMS

*A Study and Discussion Manual*

**WARTIME FACTS AND POSTWAR PROBLEMS**

# THE TWENTIETH CENTURY FUND

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*A Study and Discussion Manual*

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*New York*

THE TWENTIETH CENTURY FUND

1943

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*First published May 1943*

*Reprinted May 1943*

*Third printing June 1943*

*Fourth printing April 1944*

MANUFACTURED IN THE UNITED STATES OF AMERICA  
BY THE ACADEMY PRESS, NEW YORK

## FOREWORD

This is a guidebook for the study of the titanic economic developments of the war and of postwar problems which will grow out of them. It does not give the answers to the problems nor even describe them in detail. It is not written by or for the specialist or technician. But it does attempt to tell the average citizen what has happened to our economy in war and what the chief issues of the coming peace are likely to be—and why. And it seeks to guide him in his own study and in discussion with his friends and colleagues. It is designed to be especially helpful to groups and individuals interested in exploring the future, a future charged as never before with uncertainty, danger and—hope.

Most of the material for this manual was gathered by the contributors, members of the Fund staff, whose names appear on the title page. The material came from outside sources believed to be reliable, not from research conducted by the Fund itself. Drafts of the various sections, however, were reviewed by authorities in the several fields covered and have been revised in the light of their criticism. To all those who co-operated in this genuinely co-operative venture goes the appreciation of the Fund and of the Editor.

One of our chief difficulties in the preparation of this book has been to keep up with the headlong rush of history. Each day's news has added to what should be covered and has outdated pages already written. By December 1942, however—a year after the United States entered the war—when most of the contents was written, the most drastic and far-reaching changes in our economic life had probably already taken place or their broad outline could be made out. Measurements within these patterns, however, must be revised from week to week. All we could do in this volume was to reproduce what the kaleidoscope of details showed as of the end of 1942.

This book is one of several efforts which the Fund is making to assist the people of the United States to come to grips with the problems of the postwar period.

In the publication of a series of books by Stuart Chase, entitled "When the War Ends," the Fund is seeking to fire the popular imagination with the challenge which the peace will bring to the people of the United States—the greatest opportunity in our history to utilize our incomparable resources of plant and man power to raise the standards of living of us all. Two of these books have been published: *The Road We Are Traveling: 1914-1942* (April 1942) and *Goals for America: A Budget of Our Needs and Resources* (November 1942). Four others are in preparation: *Where's the Money Coming From?* (Summer 1943) and three subsequent volumes—on problems of our postwar foreign commerce; the place of the farmer, worker, and businessman in postwar America; and on winning the peace.

The Fund is also publishing a series of directories of government and private agencies active in the field of postwar planning. These volumes summarize the facts as to the purpose, setup, activities and personnel of those organizations operating on a national scale. The second of this series, *Postwar Planning in the United States: An Organization Directory*, 2 is now being published. The Fund has also commissioned Lewis L. Lorwin to write a report, for publication later in 1943, summarizing the postwar plans of the United Nations.

All of these publications are outside the Fund's regular pattern of more extended research and policy reports on current and controversial economic problems. A major investigation of this kind is now under way, under the direction of J. Frederic Dewhurst, dealing with the probable needs and demands for goods and services in the postwar period in relation to the resources that will be available—both human and material.

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330 West 42d Street  
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March 3, 1943

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*"We must have just as effective a preparedness for peace as for war. Part of the failure to win the peace last time was because we listened to the slogan of 'Win the war first and discuss peace afterwards.'"*—HERBERT HOOVER before the Chicago Executives' Club, December 16, 1942

*"The problems of peace are already at hand, for in very truth they are inherent in the conflict. When the juggernaut of war comes to rest, it may be too late to know what we are fighting for. Therefore, it is the time to plan for peace since the kind of life that we will live, the opportunities that we will enjoy, the service that we will render, are what we are fighting for."*—HENRY J. KAISER before the Congress of American Industry, December 4, 1942

## *Introduction*

### WHAT DO WE WANT OF THE PEACE?

Since Pearl Harbor, all of us Americans have been watching—and many taking part in—the performance of a miracle. During the great depression a large part of our factories, mines and fields was idle, along with about thirteen million able-bodied men and women, ready and willing to work but unable to find a job. Even in 1940 between seven and eight million were out of work. As the year 1943 begins unemployment in the United States has been practically wiped out and the output of our national industrial plant has been stepped up to a volume never before attained—more than 70 per cent higher than in the peak year of 1929. We are closer to a full-employment economy and the full use of our productive facilities than ever before. Never have more of us had jobs; never has the total of our incomes been as great.

“If we can organize a full-employment economy for war, why can’t we do it for peace?” This thought is catching on in America. It is fanned by the bitter winds of memory—memories of depression days when idle men stood sullen and impotent in the face of idle machines and unfilled human wants. The full use of our man power and machines is a goal that appeals to us all: to workers, because of the full-time wages it brings; to businessmen, because of the net income that constant, high turnover guarantees; to investors, because larger profits and opportunities for new investment come with “good times”; to government officials, because of the greater ease in getting money to pay for public services; to consumers generally—and that means all of us—because it brings higher standards of living for everyone.

#### *Full Employment and Morale*

If we could be sure that we could maintain expanding full-employment production in the years of peace to come we should be inspired with a hope and a challenge that would help us fight the war through to victory. Victory would then promise security and prosperity—not another, and a worse, depression after a possible first postwar boom is spent.

But many problems stand between us and this goal. First of all, *have* we sufficient plant and man power, operating at capacity, to fill our own needs and wants, as well as the stupendous demands from abroad which we shall be called upon to meet to help restore the devastated areas? Second, if we have the resources, can we as a nation—business, labor, government working together—organize and finance 'all-out production in times of peace? In war we are driven by the instinct of self-preservation and by the fire of an aroused patriotism to a unity of purpose and action that no periods of peace have so far equaled. Can any peacetime goals generate in us a similar will to do?

Again, by force of urgent circumstance, we consent to a "planned economy" in war. The government itself orders and buys more than half of our national product and rigidly controls the rest. We get into debt, as a nation, on a scale never dreamed of in peace. But this sort of thing deeply violates our traditions of a free and sound economy. We put up with it in war. As the last war proved, however, peace brings an upsurge of desire—at least among businessmen and investors—to "get back to normalcy" again. Clearly many of the controls are only justified by the demands of war and a shortage of civilian goods. But the reaction against government domination may be so strong as to sweep away all the controls—even those which may be essential for an orderly and profitable postwar reconstruction.

### *Can Private Enterprise Do It Alone?*

Those who tend to favor a second "back to normalcy" might well ask themselves a leading question: Can private enterprise, if left entirely to itself, give us steady and expanding full-employment production after the war? What we have been through since 1920 may create doubts—and the job this time will be much greater and more complex than it was before. Yet some people argue that our troubles between the two wars came from too much, not too little, government interference. Their claims should be carefully weighed. However you look at the coming postwar drama, one thing is sure: the parts which private enterprise and government will play are central to the plot.

In a recent speech before the Congress of American Industry, Henry J. Kaiser characterized the struggle between those fighting for the preservation of free enterprise and the rehabilitation of the world through the production of new wealth and those demanding rigid state control as an instrument for a collectivist economic system as "the greatest conflict of all time." It is to be hoped, however, that the American people will realize

that a third possibility exists: a judicious and practical mixture of free enterprise and government action that will give a common ground over which the extremists on both sides can go forward together to greater national achievement.

The editors of *Fortune* [78]\* have published a supplement to the issue of December 1942 in which this third possibility is given the flesh and bone of specific suggestion. They propose that "it be established government policy, whether Republican or Democratic, to maintain reasonably full employment in the United States" by "seeing to it that private industry . . . has every chance to operate at capacity," and then implementing this full-production policy by a greatly extended system of social insurance, and a comprehensive and flexible program of public works. *Fortune* proposes that, largely through a thorough overhauling of tax and fiscal policies, the government should "recreate an atmosphere in which the creative individual can flourish." "Hitherto," say the *Fortune* editors, "the government in its economic policy has tended to consider itself an impartial umpire among individual Economic Men. This role is obsolete; today the government is governing an industrial society, and the condition of private industry must be one of its primary concerns."

At least one agency of the United States government—the National Resources Planning Board—has accepted this new role. In a report to the President, made public on March 10, 1943 [144], the Board urged that "the declared policy of the United States government" should be "to promote and maintain a high level of national production and consumption" and to plan for "a dynamic expanding national economy on the order of \$100 billion to \$125 billion national income." In another report, made public at the same time [147], the Board recommended a series of "cradle to grave" social security policies for the protection of the individual citizen from the hazards of unemployment, old age, ill health and destitution. The Board stated that "it should be the declared policy of the United States government to underwrite full employment for the employables; to guarantee a job for every man released from the armed forces and the war industries at the close of the war, with fair pay and working conditions; to guarantee and, when necessary, underwrite: equal access to security, equal access to education for all, equal access to health and nutrition for all, and wholesome housing conditions for all."

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\*Numbers in brackets throughout the text refer to the Reading References or pp. 120 to 134.

*We Know What We Want*

Whether peacetime goals and incentives can generate a national will to action sufficient to meet and beat the problems of all-out production for peace is an open question. But we as a people know much more clearly now than we did when the last war ended what we want of the peace. We also know, from bitter experience, what is likely to be the economic aftermath of war. We want no more depressions this time. We want work; we want to be able to buy, with the money we earn, decent food, clothing, and homes to live in; we want security in illness and old age; we want our children educated; and we want at least some of the luxuries that science and machinery have paraded before our eyes—an automobile, a radio, household conveniences. And we want all of these things all the time, not during some brief boom, only to lose them when the crash comes. Not only do we know more clearly, and want more strongly, what we want, but science and research have shown us with far more authority what we ought to have to be healthy and effective citizens of this great republic—and how far below these standards a large proportion of us have had to live.

The NRPB has drawn up a "New Bill of Rights" as a guide to postwar national policies [144]. Its nine points are:

1. The right to work, usefully and creatively through the productive years.
2. The right to fair pay, adequate to command the necessities and amenities of life in exchange for work, ideas, thrift and other socially valuable service.
3. The right to adequate food, clothing, shelter and medical care.
4. The right to security, with freedom from fear of old age, want, dependency, sickness, unemployment and accident.
5. The right to live in a system of free enterprise, free from compulsory labor, irresponsible private power, arbitrary public authority and unregulated monopolies.
6. The right to come and go, to speak or to be silent, free from the spyings of secret political police.
7. The right to equality before the law, with equal access to justice in fact.
8. The right to education, for work, for citizenship and for personal growth and happiness.
9. The right to rest, recreation and adventure, the opportunity to enjoy and take part in an advancing civilization.

Many attempts are now being made to reduce these broad generalities

to statistical particulars and to add them up in totals. We may eventually be able to see the whole picture of what we should and might produce—both in broad outline and detail.

Stuart Chase has attempted a popular summary of these needs and wants of ours in his *Goals for America* [38]. Starting with the five great necessities of food, shelter, clothing, health and education, he has sketched the amounts of goods and services, which we as a nation should have to meet minimum standards of living in the United States, and has told how these standards have been figured out. He has also tried to measure how far short of these standards we have fallen. Above and beyond these minima, of course, are the amenities and luxuries which all of us would like to have if only we had money enough to buy them.

Several government agencies are also working out detailed figures to show the quantities of various kinds of goods which could be sold with production and employment at all-out levels of activity. Of course, to give the whole story, all these calculations must include those needs of the war-stricken countries of the world which the United States will be called upon to fill, especially in the period immediately after the fighting stops.

#### *Have We the Resources?*

Another leading question for the peace is whether we shall have sufficient resources in this country, and through importation from abroad, to meet these needs and wants: not only raw-material sources, transportation facilities, factories and machinery, but also man power. The answer probably is "yes." Careful prewar studies [149] have shown that even with the plant we had in 1929 we could have produced and distributed 20 per cent more goods and services than we did in that peak year of our prosperity—and by the end of this war we shall have vastly increased our plant and the capacity of each worker to produce.

To have a clear picture, on the one hand, of our needs and, on the other, of the resources available to meet them, is to set our sights on the main objective ahead: the utmost possible use of our resources to meet the needs of the postwar world. This is a bench mark from which to survey the problems of the peace.

The sections which follow briefly describe these broader postwar problems of our economy in each of its major fields. In order that the problems may be more intelligently understood and discussed, however, each section is divided into three parts. The first gives the background facts out of which the problems will grow: mostly wartime facts, which many people

have not yet seen in their true perspective. It is assumed that prewar conditions and trends are well enough known. The second division of each section briefly summarizes what the major postwar problems are likely to be. In the third division, a series of leading questions are posed to facilitate discussion—some of them bearing on wartime developments but mostly about the issues of the peace. In most cases, the questions listed at the end of each section cannot be intelligently discussed or answered without further study or knowledge beyond that which is imparted in these pages. Reading references, keyed to each subject in the text, give leads to convenient sources.

## *Section 1*

# INTERNATIONAL RELATIONS

## THE FACTS

International relations is given first place in this manual for two reasons: first, as an antidote to the inveterate tendency of Americans to think of the United States as far more self-sufficient and independent of other nations than it is, and second, because, in the days of what might be called "global peace" to come, the problems of any single nation will depend as never before in history on the way international problems have been met. For example, American domestic postwar policies will be radically different if the United States is part of a workable system of collective security and revived international trade than if we cut ourselves off from commerce with the rest of the world and have to prepare to defend ourselves alone against any possible enemy or enemies in combination. This is especially true of policies in the fields of business and industry, finance and agriculture. And, of course, insofar as faulty international relations might again lead us into another war, our entire national and individual existence is bound up with the way in which international problems will be solved. [19, 25, 35, 47, 48, 49, 51, 54, 62, 63, 64, 68, 74, 76, 77, 98, 117, 118, 119, 120, 131, 153, 214, 215, 219, 226]

### *The Lessons of 1918-1919*

In planning for the peace to follow World War II, we have one great advantage over the peacemakers of 1918-1919—we can gain wisdom from their mistakes.

One great mistake last time was the failure of the Allies to continue, and adapt to peacetime uses, the international institutions set up in the war. Many of the inter-Allied wartime control agencies, among them the vital Allied Maritime Transport Council, were completely dismantled. Only a few were absorbed into a provisional organization for administering European relief.

This failure to convert inter-Allied wartime machinery to the needs of peace was a costly blunder by the United States and her Allies. It weakened the chances of solving the postwar problems of Europe, let alone



the world. Once co-operation broke down it was almost impossible to forge it again. When the Americans withdrew from bodies like the Reparations Commission, as a result of the United States Senate's refusal to ratify the peace treaties, the League of Nations was doomed from the start. Britain and France must bear part of the blame for the League's shortcomings, but the League was badly crippled at birth by our refusal to participate. [35, 37, 63, 228]

### *Between Two Wars*

After World War I, and through the years that followed, shortsighted economic nationalism blocked every attempt of the nations to work together for their long-term common interest. It prevented continuous collaboration between the Allies in adjusting the tremendous burden of international indebtedness left by the war. Reparations imposed on Germany could not be paid, because—in part at least—the creditor countries were unwilling to accept payment in goods which would have competed directly with the products of their own manufacture. Similarly, Allied war debts to the United States were not paid in full because the United States wanted cash, not goods.

During the twenties many countries had a period of temporary prosperity compared to wartime years. But the bubble burst in 1929 and the great depression reached into every part of the world. Industrial unemployment became a major problem in all highly developed nations. To protect domestic business and discourage imports all the nations raised their tariff walls. Though many tried to sell as much as possible to other countries, markets became harder to reach. Nations rushed to adopt restrictions on foreign exchange, tariff walls, barter trading, import quotas, export controls, and other means of "protection."

Some efforts were made to prevent the nations from smothering themselves behind these barriers of their own making. In 1933 the World Economic Conference met in London to work out world-wide tariff reductions and currency stabilization. (It failed, however, largely under the pressure of the shortsighted economic self-interest of participating nations and the abrupt withdrawal of the United States.) The United States, under the leadership of Secretary Hull, developed a program of reciprocal trade agreements. The "most-favored-nation" clause extended to all nations signing these agreements the special privileges granted any one of them.

On the other hand the "Ottawa Agreements," which encouraged buying within the British Empire, the rapid growth under Hitler of German

autarchic economic nationalism, and many other such developments only built the walls around the nations higher. During the late thirties, one nation after another, led by Japan and Germany, devoted more and more of its industrial effort to the production of war materials. Agriculture was increasingly directed toward national self-sufficiency.

Some sections of the League of Nations were doing effective work in the control of drug traffic, in framing international recommendations on child labor, the control of international traffic in women, and in encouraging the development of public health services. The International Labour Office has already achieved substantial progress in the improvement of standards in the field of labor and social security. But the League's economic and political functions proved to be seriously inadequate. The sanctions provided by the Covenant were not applied against Japan in the case of Manchuria in 1931, and were ineffectively supported against Italy during the invasion of Ethiopia in 1935. A new road to war was opened. Balance-of-power politics and political jockeying once more began to dominate the scene. Treaties for mutual protection, defense alliances, and mutual-aid agreements were hurriedly negotiated. Nations prepared for their own defense. "Collective security" had failed. [35, 37, 39, 63, 98, 114, 228]

#### *Rise, Fall and Partial Comeback of Foreign Trade*

Just as the international political machinery failed, so did the international exchange of goods. Shortsighted economic nationalism made it impossible to solve the problems of international trade. By the end of the thirties outright economic warfare had broken out.

Before World War I (1913) our total exports amounted to \$2.4 billion and our imports to \$1.8 billion. Sixty per cent of our exports went to Europe, and almost 50 per cent of our imports came from there. Thirty per cent of our exports went to countries in the Western Hemisphere, from which came almost 32 per cent of our imports. The World War made the United States a creditor nation, and 1920 was our peak year for both exports and imports, the former reaching over \$8.2 billion, and the latter over \$5.2 billion. As the world depression grew more serious (1931-1935), exports dropped to a yearly average of \$2.0 billion, and imports to \$1.7 billion; less than half of what they had been in the latter half of the twenties. Beginning in 1936, however, and except for a setback in 1938, our export and import flow staged a steady recovery. By 1941 the value of our foreign trade had almost returned to its pre-depression level under the influence of war.

The proportion of our trade carried on with Europe continually fell off. Exports declined from 54 per cent of our total in 1920 to 40.9 per cent in 1940. Imports remained fairly constant at around 30 per cent of our total until they, too, fell sharply—to 14.9 per cent in 1940. Meanwhile our trade with Asia showed a marked increase. Exports to Asia even in 1940 were four times those of 1913, while imports more than tripled. Trade with South and Central America also increased, from \$790 million in 1914, to a yearly average of \$1,857 million between 1926-1930. It declined to a yearly average of \$723 million between 1931-1935, but rose by 1940 to a total of \$1,428 million.

The total dollar volume of all world trade decreased from an average of \$64 billion in the late twenties to a low of \$23 billion in 1934, rose to \$31 billion in 1937, but was \$27 billion in 1938, the year before war broke out. Part of this recovery for us has come from systematic efforts by the United States government to promote and stimulate trade with Latin America in the interest of better relations. The loans and credits of the Export-Import Bank (see below) were made largely for this purpose. The Department of Agriculture, and the Office of the Coordinator of Inter-American Affairs, have also carried on a wide program to increase production in, and trade with, the other Americas, as has the Inter-American Development Commission. [48, 52, 197, 205, 218, 226]

### *Foreign Investments and Credits*

During the golden late twenties, when the speculative pot was boiling, a flood of private American dollars overflowed into other countries—often without nearly enough knowledge of their chances of return. These dollars increased earlier accumulations of American capital abroad—especially in Latin America. American money financed waterworks in Athens, petroleum and zinc mining enterprises in Poland, irrigation works in Chile, roads in Argentina, public buildings in Peru—and so on around the world. From 1925 through 1929, \$5.1 billion of loans were floated in the United States, with repayments leaving the net at \$3 billion. In 1929 German indebtedness to the United States reached a total of \$2 billion including the Dawes and Young Plan loans. And, of course, there had been the loans of the United States government to our Allies during World War I. Most of these loans and credits were never paid. The story of the Inter-Allied debts is well known. Largely because we would not buy from the debtor countries, they could not obtain a sufficient supply of the dollars to redeem their debts.

Then the world-wide depression struck. Reduced national incomes, extreme changes in exchange rates, general uncertainty followed. When Britain went off gold in 1931 the full force of the storm was on. Before the end of 1931 world-wide financial panic had largely paralyzed the whole organism of international finance. By the end of 1935 \$2.4 billion of our loans to foreign governments were in default. At the end of 1939 \$1.2 billion out of the \$1.6 billion of loans of the twenties to Latin America alone had blown up and the Foreign Bondholders Protective Council was trying its best to salvage the pieces.

Since the middle thirties, however, another but smaller, flow of credit to Latin America has set in. This time the United States government itself is directing it and with much greater care than did the private investors of the twenties. Loans have been made by the Export-Import Bank—a government-owned agency set up by Congressional Act in 1934 and greatly expanded by amendments made in 1940. These credits, mostly to Latin American governments, have been made to stimulate the purchase of United States products—both by government and private interests in those countries, and in some cases to be sure that their products did not go to our enemies. Large loans have been advanced to Haiti and Central American countries to finance road building, port developments, bridges, water systems, etc.; to Brazil, Chile, Mexico, for transportation equipment; to Brazil, to build great steelworks; and so on. The United States-Brazilian economic accords of 1942 provided for millions of dollars in credits for building mines, railroads, rubber farms, etc. In addition, the government loaned \$120 million to China through the Export-Import Bank between 1938 and 1941 and in February 1942 Congress authorized a further loan to China of \$500 million. [65, 73, 76, 77, 100, 116]

### *Raw Materials and Colonies*

Before the present war the Axis governments continually contrasted the "have" and "have not" nations—those which had plenty of living room and access to raw materials and those which had not. They claimed that colonies were essential and explained the conquests of Manchuria and Ethiopia as necessary to provide an outlet for surplus population and a source of essential materials. These claims do not jibe with the facts. Not more than 3 per cent of the total prewar production of all commercially important raw materials came from colonies, while the colonial market for goods represented not more than 12 per cent of the world's trade. The bulk of essential raw materials, except for rubber, palm oil and

copra and smaller proportions of tin, cocoa, and phosphates, came from sovereign nations.

Access to raw materials, however, had been limited before the war: (1) by measures which restricted and controlled the available supply, and (2) by factors which limited the purchasing power to buy them. Governments supported control by private producers both over the volume of production and market price. Governments themselves sometimes exploited the existence of a monopoly or quasi monopoly of an important product. Producers of the Dutch East Indies, with government aid, had a practical monopoly on the sale of quinine bark and kept prices at a high level. The British Stevenson Act from 1922-1928 limited export of rubber from the colonies, and prices soared. International agreements or cartels also controlled production or marketing. Largely through the International Tin Committee, set up by agreement among the governments of the most important producing countries, the price of tin between 1931 and 1934 was doubled. Cartels for other products such as potash and copper have often raised prices and kept them at a high level. Both high prices and lack of foreign exchange have limited the power of most nations without raw materials to purchase them. Some international agreements, however, have helped to stabilize production at prices equitable both to producers and consumers.

Before World War II, 13 per cent of the world's population, about 270 million people, provided the population of India is excluded, lived in colonial areas—55 per cent in Asia or on Pacific Islands, 42 per cent in Africa, and 3 per cent in other continents. Of the total, one fourth were under British rule, one fourth under French, one fourth under Dutch, and the remaining quarter under the administration of Portugal, Belgium, Italy, Japan, Spain and the United States. Before 1918 Germany also had colonies in Africa and in the Pacific Islands.

After the last World War, former Turkish and German colonies were placed under a mandate system, operated through the League of Nations, and administered by individual nations under international supervision of a commission of eleven experts. The policy behind the mandate system was to administer the colonies with the welfare of the natives in view and to afford equality of economic opportunity to all states. [48, 72, 90, 167, 219, 227]

### *Allied Collaboration in World War II*

When the Germans invaded Poland the old economic and political

world met sudden death. During the first phase of the war each of the countries attacked or menaced by the Axis defended itself with its own military and economic power. It soon became clear, however, that this unco-ordinated system of defense would not work against the total mobilization of Axis resources and labor for military conquest. The need for more concentrated, unified military and economic strategy became desperate. The anti-Axis world joined hands under the name of the United Nations.

Spokesmen for the United Nations have already laid down certain policies for the postwar world which have been accepted as the aims for which we are fighting. In his "Four Freedoms" message to Congress, on January 6, 1941, President Roosevelt stated as our objectives: "establishing and securing freedom of speech; freedom of religion; freedom from want; and freedom from fear everywhere in the world." In the famous Atlantic Charter, President Roosevelt and Prime Minister Churchill stated eight common principles, now officially approved by twenty-nine others of the United Nations besides the United States and Great Britain, on which they "base their hopes for a better future for the world." The Charter commits these nations to co-operate during and after the war in peaceful solution of economic and political questions. It asks for equal access to trade and raw materials by all states, international collaboration to secure improved labor standards and social security for all, a peace affording all nations safety within their own boundaries and enabling all men to traverse the seas without hindrance, the disarmament of aggressors and a wider and permanent system of general security.

At the Conference of the International Labour Organisation held in the United States in November 1941, the economic and social provisions of the Atlantic Charter were formally endorsed by a series of statements and resolutions. One of these resolutions, submitted by the delegation of the United States, including employers, workers and governments, gave to the International Labour Organisation a mandate to deal with problems of social and economic reconstruction on an international scale.

#### *Lend-Lease: Two-Way Street*

In the lend-lease agreements between the United States and thirty other nations a degree of international economic co-operation has actually been realized which never before has even been approached. The signatory governments pledge themselves to employ their full resources, military or economic, against the Axis, to co-operate with the other signatory

governments and not to make a separate armistice or peace. Through them previous obstacles to international trade expansion—the tangled knots of currency and banking procedure, tariffs, clearing and loans with interest—may have been largely cut away.

Lend-lease help is limited, according to the agreements, to "defense articles," but these include, beside weapons, ammunition and ships, "any agricultural, industrial or other commodity or article for defense." Furthermore, lend-lease aid is offered "without any consideration being given to the maintenance of the balance between the value of goods and services received and given." In other words, each one of the participating nations puts what it can into a common pool, out of which the war needs of all are supplied according to their urgency. Definite terms of repayment are not set; payment or repayment may be in kind, in property, or any other direct or indirect benefit the President of the United States may deem necessary.

The groundwork for postwar international economic collaboration was laid in the Master Lend-Lease Agreement of February 23, 1942, signed by the governments of the United States and Great Britain, and has set the pattern for lend-lease aid. It was agreed that the final determination of payments or benefits to this country for wartime aid should not be such as to burden commerce between the two countries, "but to promote mutually advantageous economic relations between them and betterment of world-wide economic relations." The agreement further provides that the two nations and "all other countries of like mind" should provide for action "directed to the expansion, by appropriate international and domestic measures, of production, employment and the exchange and consumption of goods . . . to the elimination of all forms of discriminatory treatment in international commerce, and to the reduction of tariffs and other trade barriers," and generally to attain the economic objectives of the Atlantic Charter.

From March 1941 through February 28, 1943 the total amount of lend-lease aid supplied by the United States was \$9.6 billion. Goods made up 79 per cent of the total and services, 21 per cent. The bulk of this aid is composed of military items such as guns, ammunition, tanks and planes, but large quantities of foodstuffs, petroleum products, cotton, etc., are included. Reports from the Lend-Lease Administration have stressed the reciprocal nature of the program. From co-operating countries the United States has received raw materials, food, equipment and services for its armed forces. Here are two typical examples. From Australia and New

Zealand we received in 1942 as reciprocal lend-lease more beef, veal, lamb and mutton than we exported to all lend-lease countries. In December 1942 the United States spent only \$25,000 in the United Kingdom for its large forces stationed there. The remainder of their needs for food, shipping, building materials and so on purchased in the United Kingdom were supplied through United Kingdom lend-lease aid to us.

In addition to the special administration set up in this country to carry out the provisions of the lend-lease act, and to the Combined Chiefs of Staff Organization in the military field, other economic agencies of the United Nations are now actively at work. The United States and Great Britain have set up three boards: one to deal with shipping (Combined Shipping Adjustment Board); another, munitions (Munitions Assignments Board); and the third, raw materials (Combined Raw Materials Board). Members of the Boards confer with representatives of the USSR, China and such others of the United Nations as can make the most effective use of the joint resources of the United Nations.

Combined regional agencies have also been established: the Middle East Supply Center, for economic planning over a vast area; and the Anglo-American Caribbean Commission, to give attention to common problems of labor, agriculture, housing, health and education and the financial measures necessary to solve these problems. The United States and Canada have set up a Permanent Joint Board for Defense, a Joint Defense Production Committee and joint economic committees working both on war-time co-operation and ways of reducing postwar economic dislocations. [20, 54, 70, 72, 76, 77, 114, 154, 221]

## THE PROBLEMS

### *The Choices Before Us*

When the war ends, the United States will have several choices to face in its foreign policy. (1) We might try to withdraw into a new American isolation. We should have to hold military and naval bases throughout the Western Hemisphere, and in Atlantic and Pacific waters, and to maintain a large military and naval establishment. We should not need to be aggressive, but would have to be prepared to defend ourselves from aggression by the rest of the world. (2) We might try to impose an American peace on the world, either alone or in association with the British Empire or perhaps others of our Allies as junior partners or through an



alliance of Western Hemisphere nations. To do this we should have to maintain naval and air bases throughout the world, and to possess dominant air and military power. (3) We might pursue the time-honored "balance of power" policy toward the rest of the world, constantly seeking to divide and weaken our potential enemies and to strengthen our Allies. (4) We might enter into some regional or hemispheric organization of nations. (5) We might participate as a full-fledged partner in some kind of world organization to keep the peace.

The aims of the United Nations to create a world in which nations and peoples are free to decide their own destinies seem to imply that we shall make choice No. 5 which means certain limitations by these nations on their own freedom of action—both political and economic. Certainly freedom to indulge in another era of economic nationalism and so-called "self-sufficiency" would only lead again to armed conflict. An increasing number of authorities argue that the only way to prevent another war is to establish some form of international police force. Unless it be simply the instrument of a postwar alliance, such a force would presumably carry out the decisions of an international executive, assembly or court.

It is possible that representatives of the United States may have a hand in designing the structure of some sort of world organization when the war is over. The Senate may again be called upon to ratify, or reject, our active co-operation in such a plan. It is possible also that another attempt will be made to keep the United States out of these commitments. According to Dr. Gallup, however, the percentage of voters favoring United States participation in "a League" increased from 33 per cent, in October 1937, to 50 per cent in July 1941, and to 73 per cent in July 1942.

Whatever is done about world organization certain major problems of international relations will face the nations of the world when the war is done. [25, 35, 47, 48, 54, 59, 62, 63, 74, 76, 77, 98, 106, 120, 131, 215, 219]

### *Social and Economic Well-Being*

It is now recognized that international problems are not only political but affect the social and economic well-being of nations and individuals. Postwar economic and political arrangements should make possible achievement of the social purposes of full employment coupled with a rising standard of living for all.

President Roosevelt, at the 1941 Conference of the International Labour

Organisation stated his conception of the role of social and economic reconstruction in international affairs as follows: "We have learned too well that social problems and economic problems are not separate watertight compartments in the international any more than in the national sphere. In international, as in national affairs, economic policy can no longer be an end in itself. It is merely a means for achieving social objectives.

"While the same social and economic standards cannot be expected from all nations, in the post-war world there will have to be recognition of the need for gradual development of standards designed to promote better living and working conditions adapted to the particular needs of different areas. Whatever may be agreed upon in the political field, long range economic and social measures will be needed to ensure a rising standard of life."

### *Relief and Rehabilitation*

The most immediate of the economic problems to be faced by the victorious United Nations will be the relief and rehabilitation of Europe and the Far East. The co-operation achieved in this effort may well measure the success of more permanent schemes of international economic organization. Much progress has already been made in plans for relief in Europe. The British and Allied governments in London have been working on the question for two years. The appointment by President Roosevelt, in November 1942, of a director of foreign relief and rehabilitation shows that the United States is also farsighted in making its plans.

The major task of providing supplies and shipping for relief might be handled by an *ad hoc* corporation set up and financed by the Allied governments, while the rehabilitation of Europe's economy, its agriculture, industrial plant and transportation system, might be carried out on a lend-lease principle, or through some international public corporation. The millions of Europeans and Asiatics who have been forced to migrate from their native country because of the war pose other problems: whether they should return to their homes; and, if so, how such large-scale migrations could be handled, and under whose auspices, etc. [48, 62, 98, 117, 214, 221]

### *What About Colonies?*

Nations have wanted colonies in the past for strategic and military advantage, for prestige and for supposed economic gain. Possible solutions for the colonial problem include: (1) a continuation of the

present mothercountry-colony relationship; (2) a mandate system like that under the League of Nations, which would involve some kind of international organization; (3) internationalization of colonies which would mean the mother countries would have to relinquish their sovereignty over colonial areas, which would also be practical only if some effective world organization were set up; and (4) independence for colonial areas, with military protection guaranteed by one or more nations. Naturally the same policy does not necessarily have to apply to all colonies, for some are further advanced than others.

Colonial peoples may not be content with their prewar status. They may demand a role in settling their own fate, and in setting up their own governments. An international colonial charter is widely advocated, which would guarantee the priority of native interests, equality of trading rights to all countries, and steady progress toward self-government. Whether this would meet native demands in all cases, however, is an open question. [47, 48, 54, 72, 90, 167, 227]

### *Problems of Foreign Trade*

When the war ends the old prewar foreign-trade pattern will have disintegrated. It will have to be reassembled. But the shape of the pieces will have been largely changed and new patterns will have to be designed. Foreign trade carried on by private enterprise for its own account has already been cut to the bone in the United Nations group. The import trade of the great trading nations at war is already either in government hands or closely regulated by quasi-government agencies, while export trade is thoroughly controlled by licensing systems. Our prewar markets in occupied Asia and Europe have disappeared; our trade relations with Canada are more closely integrated; South American economies are bound more closely to ours. The old suppliers of dairy products to the United Kingdom—Denmark, the Low Countries, Australia and New Zealand—have at least temporarily lost this trade to the United States. Meanwhile, war has forced rapid industrialization in Australia, India and South America. These countries will never rely as they did in the past, on the importation of manufactured goods. But industrialization will bring a higher standard of living and widened markets for other goods.

In reshaping postwar trade two basic designs will bid for a choice: renewed economic nationalism or interdependence and collaboration. The first implies tariff walls and import quotas, export and exchange controls, barter, trading with some countries to the exclusion of others, govern-

ment control or outright operation of the whole process of trade. The second implies a systematic lowering of tariffs through reciprocal agreements or otherwise and the abolition of export and exchange controls—some authorities argue for complete free trade, at least as an ultimate goal; efforts to stimulate both export and import trade between *all* nations rather than between any particular two or more; the elimination of governments, as far as possible, from nationalistic control of all the processes of trade. Whether economic nationalism or collaboration is to be the choice largely depends, of course, on whether or not isolationism or world organization dominates the political design of the postwar world. [51, 52, 74, 76, 115, 117, 130, 205, 226]

*International Finance*

When the war is over the United States will have greater financial power, actual and potential, than any nation in all of history. We own now four fifths of the gold stock of the world. We shall be owed by other nations vastly more than we shall owe them—in money and in goods and services (lend-lease). If the war ends within a couple of years, without serious bombings in this country, we shall have a productive plant and human and natural resources far greater than any nation has ever possessed. Especially if we can continue a high level of production and employment, we shall be able to loan funds on a vast scale to other nations, and our voice will be listened to with great respect when plans are made for joint action to meet the problems of the peace.

Unprecedented foreign needs for funds will call on these incredible resources. It is said that only the most urgent requirements for the reconstruction period which are contemplated by China, India and Latin America come close to \$1 billion a year—as much as our foreign loans in the lush twenties. This does not include the funds needed to finance the first months of relief and rehabilitation: for food, clothing, fuel, medicines, repatriation. And for the long run, fabulous untapped resources of Brazil, China, Africa still lie dormant for the Midas touch of capital, as did those of the United States in the 1700's before the British loaned us the money to develop them.

How American dollars can meet these foreign postwar needs raises many hard and complicated problems: the role of the United States government in the whole process, the degree to which these loans should be under some joint international control, the amount of freedom private interests should have in making them, the relation of foreign govern-

ment and private interests to the projects which are to be financed, whether and how far future threats to these properties from local disorders, plans for nationalization, etc. may justify United States intervention—if ever and at all. No matter how or where the dollars are placed, or the volume of their flow, another problem will be crucial: keeping their value relatively stable in relation to the currencies of the other nations. And above and beyond all other problems will be the political effects of our prodigious power and the ways in which we use it, discussed separately below.

Possible patterns for the postwar future have already been projected by United States, inter-American and United Nations actions before and during the war. The functions already being performed for the United States by the Export-Import Bank might be taken over, in the interests of all the nations, through some such international agency. The proposed Inter-American Bank, designed to assist in stabilizing currencies, clear international payments, and promote economic development, is an example on a hemispheric scale. [35, 40, 47, 48, 51, 54, 65, 73, 74, 100, 116, 117]

### *The Problems of Raw Materials*

The Atlantic Charter proclaims that "all states, great or small, victor or vanquished," should have access "to the . . . raw materials of the world which are needed for their economic prosperity." How this can be done has yet to be worked out. Nor have the governments of the United Nations given any leads. This is one of the knottiest of all the postwar problems, entangled as it is with the whole question of colonial administration. Such essentials as oil, rubber, tin, copper, together with the basic foods—wheat, sugar, rice and coffee—exist, or can be raised, in quantities enough to give a decent standard of living to all the population of the world.

These might be left entirely to private or nationalistic exploitation after the war as they largely have in the past. But this *laissez faire* caused much dissatisfaction in the past and, of course, has been used as an excuse for war. What attempts were made to control production and allocate the proceeds—in rubber, wheat, sugar, coffee—were usually in the interests of producers. But in the postwar period the interests of consumers are going to be heard from.

The World Wheat Agreement of July 1942, an attempt to bring order out of postwar chaos in this essential commodity through intergovernmental action, is an example of how raw materials problems may be met. It seeks the stabilization of production by quotas imposed on surplus countries, sets up a wheat council to determine prices and enforce the

quotas. Without such an arrangement, says the Department of Agriculture, each country would "compete with the others for limited outlets, markets would become disorganized, prices would drop to unprecedented levels, export subsidies would be increased, importing countries would be forced to adopt new protective measures to prevent the collapse of their agriculture and a new wheat war would be under way. The country with the greatest resources would no doubt win but the peace would be lost." [35, 48, 51, 54, 76, 77, 111, 117, 167, 227]

*"The American Century"?*

The social and political results of our overwhelming economic power will pose problems both difficult and subtle in the postwar world. The very existence of such power will tend to stir envy among the other nations. And, unless the power is wielded with tact and understanding, the envy will lead to distrust, hatred and hostility. Those who talk about "The American Century" may be playing with political dynamite which has a high suicidal potential for the nation as a whole. The dollar diplomacy of the twenties so bedeviled our own long-run interests in Latin America that it has taken ten years of "Good Neighborliness" for the United States to be able to assume genuine leadership in the Western World. Our recent overdue renunciation of extraterritorial "rights" in China is an example of the consideration for the feelings of other people that may well pay out in the long run—in terms of our interests as well as those of others. Big Brothers often accomplish more when they stay Big Brothers and do not turn into Uncle Shylocks or Big Bad Wolves. [49, 54, 72, 74, 76, 77, 110, 117, 219]

### QUESTIONS

1. What were the forces that led to the withdrawal of the United States from participation in the League of Nations and other international bodies at the end of World War I? What is the attitude of people in your community now toward participation in some international organization after this war? What do they think of the lend-lease program, and the various joint committees set up by the United Nations in wartime? Will they want to scrap them or keep up international collaboration when the war ends? Why?
2. What do people in your community think about countries working together for collective security? If they favor this idea, with what

- nations do they think the United States should co-operate in carrying it out? If not, what policies do they advocate to protect the United States from future attacks by other nations?
3. Do you think the United States should join an international organization and accept full responsibility as a member nation? Is an international police force, in your opinion, an essential feature of a successful world organization? What do you think are the central problems to be met in setting up world organization? What areas of operation should an international organization include—political, economic, social?
  4. In what ways do you think the present agreements between members of the United Nations can be used after the war is over? Which joint agencies now in operation could so be used? In what ways do you think these agreements and agencies could be strengthened now in ways that would be useful after the war?
  5. What are the arguments for carrying on relief and rehabilitation of war-torn countries through joint international as against national agencies? What role do you think the United States should play in this work? How can an adequate program of relief be financed? Would you and members of your community be willing to carry wartime controls, like rationing, into peace in order to make possible international relief work?
  6. How do you think colonial possessions should be held and administered after the war is over? Under what circumstances do you think nations should give up their colonies? Do you think we should have a mandate system, or do you believe in some kind of international colonial administration? What kind of provisions might be made for colonies to obtain independence?
  7. Looking back over the last twenty years, what do you think of high tariffs? Of other protectionist measures? What do people in your community and state think about them? What are the dangers of economic nationalism as practiced before the war for the world, for your country, for your state, for you?
  8. To what degree do you think barriers to international trade should be let down after the war is over? Is free trade a goal to be worked for—even if not immediately practicable? How far do the master agreements of the lend-lease program lay the basis for future trade arrangements?
  9. Do you think that access to raw materials has been a cause for war in

the past and why? What are the arguments for and against putting certain essential raw materials and foods under international control as far as production, distribution and prices are concerned? What would you recommend?

10. What kind of opportunities for foreign investment do you think will develop in the postwar period? What are some of the problems involved, in types of projects, in means of investment, in management and operation, in political pressures? What character do you think America's foreign investments should take, and under whose authority should they be made? Do you think that any international control of foreign investments should be set up? What are some of the problems involved?
11. What political dangers do you see, if any, in the financial power which the United States will have in the postwar world? What are the dangers and advantages in the use of "The American Century" as a slogan for the United States?



## Section 2

# INDUSTRY AND BUSINESS

## THE FACTS

### *Wartime Expansion of Our Industrial Plant*

The defense and war effort has generated, during the last two years, the greatest industrial expansion in our history. During the whole decade of the twenties we invested \$20 billion of capital in our manufacturing plant and equipment and during the thirties \$14 billion; but in the short period from June 1940 to June 1942 plant expansion financed by government agencies alone (1,887 projects for the Army, Navy, Maritime Commission, Defense Plant Corporation, and Reconstruction Finance Corporation) totaled \$13 billion and private commitments for war-plant expansion (8,686 projects) involved almost \$3 billion more—a total of \$16 billion. In those two years alone we put more money into our industrial plant than in the whole preceding decade.

Various government agencies are said to have owned at the beginning of 1943 about \$13 billion worth of industrial plant of the most modern design—\$7 billion by the Defense Plant Corporation, about \$4 billion by the Army and close to \$2 billion by the Navy. Almost all of this plant is being operated by private concerns under leases of various kinds. On much of this plant the operators hold the option to purchase from the government when the war is over.

Meanwhile we have also converted thousands of our plants and whole industries from peace to war production. For example, automobile plants are now turning out anti-aircraft guns, plane and tank engines; and we have converted many peacetime products to wartime uses—such as the textiles now used for uniforms and blankets for our armed forces. [17, 38, 41, 43, 107, 140, 151, 157, 178, 191, 194, 217]

### *Production Exceeds All Records*

Despite the secrecy that must surround our war production, we know that the increase in our output has been phenomenal, not only in total bulk but also in production per worker. In December 1942 our production of durable goods was considerably more than double that of the peak pro-

perity of 1929 in spite of the absence of some seven million workers in the armed forces.

Specific known examples are sensational. Annual production of aluminum, essential to airplane manufacture, increased from 287 to 843 million pounds from 1938 to 1941 and has probably been over one billion pounds in 1942. By the end of 1943 we shall be producing aluminum almost seven times as fast as we did in 1939, which in turn has called for more electric power a year than was used in twenty-six small states for all uses put together in 1940. In 1939 we produced 6 million pounds of magnesium—used as an alloy to strengthen aluminum; in 1943 we shall produce over 300 million pounds. In the world's largest magnesium plant, government-financed and owned, which began operation in Nevada in September 1942, we have a capacity nearly three and a half times the total United States output in 1941.

Production of refined copper has risen from over 68,000 short tons for the month of May 1939 to a monthly production of over 98,000 tons in May 1942. In October 1941 we were producing about 587,000 tons of steel plate a month; by July 1942 we had achieved a rate of more than a million tons a month. Shipments of machine tools more than doubled from 1939 to 1940, and increased 74 per cent from 1940 to 1941. Production in the first six months of 1942 was 69 per cent above the first six months of 1941.

In the case of airplanes we are now establishing a plant that will be capable of turning out in a single year almost twice as many planes as were produced in the entire thirty-seven years before the defense program began. The automobile industry had unfilled orders on its books in July 1942 equal to over three times the output of cars in 1941. In the two years ending December 31, 1942 we built over two and a half times as much shipping tonnage as in the whole three years' effort of World War I.

Latest estimates indicate that the gross value of products manufactured in the United States in 1942 was \$152 billion compared with \$89 billion in 1939 and \$119 billion in 1941. [38, 60, 107, 191, 194, 217]

### *New Products and Processes*

Under the whip of war American industry has probably advanced ten or fifteen years in the past year—in terms of new products and processes and in improvements in the old. And the tempo is on the increase. The strides made along these lines already are sensational. Before the war nylon had conquered silk. Now it is being used for heavy duties such as

tow rope. Glass is now being transformed into draperies, table cloths, ropes, canvas, filters, etc. Plastics are being used for airplane bodies and wings, for the turrets of bombers. Dr. Charles M. A. Stine, a Vice President of E. I. duPont de Nemours Company, is authority for the statement that:

The newest and most versatile of plastics will be available after this war on a scale beyond all previous conception. The high pressure synthesis of ammonia, one of the major chemical exploits of the century, will have taken on an industrial status that, in terms of new producing capacity, may be comparable to the discovery of a sixth continent. The amount of fertilizer chemicals that this new capacity will be able to supply farmers will be so large that the basic trends of agriculture might be changed. And these comprise but one group of a hundred or more products stemming from this high pressure synthesis, which utilizes air, water and coal as its building blocks. We will have glass that is unbreakable and glass that will float, wood that won't burn, and laminations of plastics and wood that will compete with the structural metals. . . . We will have at our command ten, fifty, a hundred times what we had before, chiefly of new materials. . . . Fuels and metals and plastics are now ready to complete the revolution in transportation begun early in the century. The automobile manufacturer's slate has been wiped clean for a fresh start, which should result in new cars that will be of incredible efficiency judged by present standards.

Fuels can now be made from petroleum that outclass even octane and petroleum now furnishes ten times as much toluene for TNT as used to come from coal. [136, 217, 220]

### *Our Raw Material Supplies*

Raw materials for war production are a key to United Nations' victory. Despite our domestic peacetime production of over half the world's raw materials supplies, plus wartime expansion, we still cannot meet all our wartime needs. Meanwhile, war has cut us off from many essential basic materials we used to get from abroad: from natural rubber, of which we consumed an average of 454,000 tons a year in the thirties, from tin of which we consumed an average of 62,000 tons a year in the thirties, from silk, Philippine hemp, palm and cocoanut oils. Supplies of various metals, especially those used as alloys to harden steel, are scarce.

Since we used to obtain chromium, tungsten and manganese largely from

the Pacific area, we have had to work our low-grade deposits at home, encourage production in South America and buy elsewhere whatever we can. Domestic deposits of low-grade copper are being worked and a bonus price paid for the resulting higher costs of production. Gold mining in the United States has ceased entirely so that skilled men may work in mining more essential metals. A vast new synthetic rubber industry is now being created. If the Baruch recommendations are carried out our domestic production of synthetic rubber will be twice our prewar imports of the natural product. Cotton rope is substituted wherever possible for Manila hemp, rayon for silk, and so on. But in many cases substitutes cannot be found, and for some purposes are unsatisfactory. [134, 167, 217, 227]

### *The Role of the Federal Government*

To meet the demands of war the United States government has, in less than two years, become the biggest business concern in all of history. The federal government is now probably the largest lender of capital, owner of plants, and buyer of goods in the world.

The authorized program for war expenditures from June 1940 through August 15, 1942 totaled approximately \$215 billion for: airplanes, ordnance, munitions, naval ships, industrial facilities, merchant ships, stock piles of supplies, housing, and other war needs. For most producers of materials of war, government war contracts constitute from 90 to 100 per cent of business. For example, the government has invested a total of \$175 million in five magnesium plants which it now owns. Its over-all authorization for expenditures on industrial facilities has totaled \$17.6 billion from June 1940 to August 15, 1942.

Among the agencies established to handle some of the government's wartime industrial operations, are: the Defense Plant Corporation, which acquires real estate, expands plants and acquires facilities for the manufacture of arms, ammunition, and implements of war; the Defense Supplies Corporation, which acquires and carries stocks of strategic or critical materials; the Metals Reserve Company, which buys and carries a reserve supply of critical materials, principally tin and manganese; and the Rubber Reserve Company, designed to acquire and carry supplies of crude rubber and now undertaking a program to stimulate production of synthetic rubber. Contracts for war purchases are usually let directly by branches of the armed services. The War Production Board exercises general direction over the war procurement and production program, including labor, materials, industry operations, purchasing and problems of

civilian supply. [22, 43, 55, 60, 67, 163, 191, 194, 195, 196, 217]

### *Big versus Small Business*

For more than a year after the United States began to expand war production most of the contracts went to "big business" concerns. This was natural. The larger companies were best equipped to handle large orders with the least effort in negotiations, reorganization and expansion of plant, etc. But by the end of 1941 this policy was under severe attack from two directions: from the smaller concerns, pinched by shortages and eager to get war contracts themselves, and from outside critics who feared that the process would entrench monopolistic practices after the war. During the two years of 1941 and 1942 idle capacity was widespread among the nation's smaller manufacturing concerns (employing from 1 to 125 workers) and their total output remained about constant in the face of the great increase in the production of American industry as a whole. About one third of all these smaller plants actually experienced or faced curtailment in output. Only 40 percent of their combined output was war products. But 85 per cent of these plants were either unsuited to war production or did not need war orders.

Efforts of the government to meet this problem evolved through several stages in the early part of 1942—promotion of subcontracting, pools, etc. In June Congress passed legislation which has resulted in (1) the Smaller War Plants Corporation with \$150 million of capital to aid small firms in financing war contracts and in plant conversion, and (2) the Smaller War Plants Division of the WPB which examines plans of procurement officers and tries to distribute orders to smaller plants either directly or by subcontracting. In spite of all these efforts, however, it is probable that the war to date has made big business bigger in relation to smaller concerns both in total size and in economic power. [67, 78, 179, 181, 191, 196, 217]

### *War and Our Distribution System*

Rationing and reduction in the amounts of products available for civilian use have hit wholesaler and retailer alike. In lines no longer being made, like automobiles, electrical household appliances, washing machines and radios, both wholesalers and retailers face the alternative of shutting up shop or developing substitute lines. Rubber shortages have forced stores to deliver less frequently; rulings on charge accounts and installment sales have limited extension of credit; labor shortages of clerical help are working havoc in some parts of the country.

In England over one third of the retail stores have had to close up.

Here, over 54 per cent of the retail stores do less than \$10,000 worth of business each per year. Under the pressure of shortage of goods, ceiling prices, and other restrictions, some of them, as well as larger concerns, may have to go out of business. With increasing emphasis on regional distribution and avoidance of crosshauling, problems of wholesaler and retailer may grow more and more difficult as the war goes on. Major emphasis will be devoted to keeping the main channels of trade open, greater care in the extension of credit and streamlined efficiency of operation. [21, 182, 190, 217]

### *Destruction in Foreign Countries*

Every day machinery, public works, factories, dwellings, supplies, and other forms of productive wealth in other countries are being destroyed on a vast scale. No estimates are possible of the total destruction, but we do know that it must be even now a substantial percentage of prewar physical resources in Germany, Italy, Belgium, Holland, Norway, Poland, Russia, China and the East Indies. Presumably Japan will eventually be added to the list of devastated countries.

In November 1942 President Roosevelt appointed Governor Herbert H. Lehman of New York as Director of the Office of Foreign Relief and Rehabilitation Operations. Mr. Lehman took office on December 4th. His office, attached to the State Department, began at once an intensive survey of probable needs in the devastated areas. The results of this survey will, of course, be of immense importance in meeting the problems which American business and industry will face both before and after an armistice is struck. [35, 48, 51, 62, 70, 117]

## THE PROBLEMS

### *The Challenge of Our Productive Power*

Unless the United States is heavily bombed we shall emerge from this war with a plant capable of producing possibly twice the volume of durable goods which the consumers of America have ever had the buying power to purchase—even in the most prosperous peacetime year. And this will be possible with far fewer workers per unit of output. These are facts of transcendent importance and of revolutionary implications for the people of the United States—and especially for business and industry. For the first time in history the industry of a nation will be physically equipped

to give every family in the country what we know in the United States as a middle-class standard of living. Our people—both at home and at the front—are beginning to realize it can be done. If, after this vision, it is *not* done, if the new machine is allowed to stall, the disillusionment of the population might threaten the foundations of society. [12, 17, 19, 22, 38, 39, 40, 43, 55, 66, 67, 78, 83, 97, 108, 109, 117, 121, 136, 149, 153, 157, 163, 164, 165, 189, 190]

#### *Over-All versus Company Plans*

Although peace is not yet in sight, an increasing number of forward-looking business concerns are already preparing for "D-Day." They are surveying the changes wrought by the war in sources of raw materials, in foreign and domestic markets, in productive capacity and methods of manufacture. In the meantime many of their capital assets are deteriorating and their reserves are being depleted by increased taxes. But they are already wondering what to do with what may be their excess capacity and surplus labor force after the war. They are also trying to foresee the markets they can have after the war is over. They are making plans for new processes and new products.

But, over and above such postwar planning of individual firms for their own businesses, are the larger issues, larger problems. American business is conscious, as never before, of its duties and responsibilities for the working of the nation's economy as a whole, for the full use of our vastly expanded productive machine. Business seems to realize that unless it assumes these responsibilities after the war the government itself will assume them. The conviction seems to be growing that if business can mobilize all its resources to continue and expand high-level activity when the war is over, continuing government intervention can be headed off. Many influential groups of business leaders—the U. S. Chamber of Commerce, the new Committee for Economic Development, the National Association of Manufacturers, etc.—are all of them working out over-all programs and policies for business in the postwar world. The full and increasing use of our productive facilities and full employment have come to be recognized by many business leaders, as well as the general public, as the prime objective. In a *Fortune* poll of management officials published in the issue of September 1942, 90.5 per cent said they thought "business *should* get together and assume major responsibility for eliminating unemployment." [21, 78, 80, 88, 108, 109, 110, 122, 123, 133, 139, 140, 144, 149, 157, 163, 165, 188, 189, 190, 191, 194]

*Shall the Government Guarantee High-Level Production?*

At the same time there is a growing demand that the government itself should take at least ultimate responsibility for maintaining high-level production and employment. Nor does this demand come entirely from outside the ranks of business. The editors of *Fortune* have made it the principal plank in their platform for the domestic economy after the war in their declaration that "it should be established government policy, whether Republican or Democratic, to maintain reasonably full employment in the United States." In the September 1942 *Fortune* poll, 81 per cent of those interviewed said they thought that the government *would* assume major responsibility for eliminating unemployment by large-scale expenditures.

On the government side, plans of this sort are said to be rapidly developing. The popular appeal of a government guarantee of a job for every man would obviously be terrific. Many proposals to this end are being threshed over in Washington. One of them is said to be a combination of a guaranteed market and guaranteed employment. The government would set its sights at a certain high national-income level. It would then assign a minimum employment quota to each industry—so much to steel, so much to automobiles, etc.—to be divided up as each industry itself might decide; and, at the same time, the government would guarantee that the products turned out would be sold—if not to private buyers, then by government purchase.

The National Resources Planning Board has recommended consideration be given to:

"1. Measures to encourage the healthy and aggressive development of private enterprise, to stimulate initiative and resourcefulness of management and to open the channels of investment opportunity, large and small;

"2. Measures to prevent the abuse of economic power, or monopolistic privilege, and to check the wasteful exploitation of the nation's resources; and

"3. Measures to eliminate avoidable uncertainties and needless burdens in the laws affecting enterprise and in their administration." [43, 60, 67, 78, 80, 108, 109, 117, 118, 122, 123, 133, 139, 140, 144, 156, 163, 189, 190, 217]

*Business-Government Co-operation*

Entirely apart from the relative responsibilities of government and business, yet of great importance, will be the general atmosphere of postwar



opinion toward business. Antagonism between business on the one hand and certain sections of the government and the general public on the other has often worked to the serious disadvantage of both sides. One of the most important postwar problems will be how to increase the area of understanding between business and government.

The National Resources Planning Board's proposals for a combination of government and private ownership and control of certain kinds of concerns have a direct bearing on this problem. "The public interest may be served better," the report of the Board says, "by the use of mixed corporations than either wholly private enterprise or outright government ownership and operation. A variety of arrangements are possible. . . . The government's proportionate investment in the corporation might be so great the corporation would be operated essentially as a public enterprise. On the other hand, private stockholders might own a majority interest and government representation be concerned solely with matters relating to public policy."

In addition to concerns dealing with materials and products essential to national defense, the Board suggests this type of setup for new operating units in the fields of urban redevelopment, housing, terminals, air transport, communications and electric power. [43, 78, 109, 110, 136, 140, 144, 163, 190]

### *Relaxation of Government Domination*

How fast and how far the wartime government domination of private business shall be relaxed when peace comes will, of course, be one of the most immediate and pressing of postwar issues. An increasing body of opinion, even in business circles, seems to hold that a sudden ending of it all might lead to serious results. For example, a sudden stoppage of government war orders and a wholesale cancellation of contracts might involve great dangers to large areas of the country's business structure; or a sudden abolition of price controls might allow prices to skyrocket.

Furthermore, after the last war, we had a temporary boom, followed by a slump and, after a long period of prosperity, by the greatest depression in all history. The pent-up spending power of the population caused by increased war incomes in the face of restricted purchases caused a temporary upsurge of business and an inflationary rise in prices which gave way to the depression of 1921. Because the increase in the national income and the limitations on consumer goods in this war will be vastly greater than in World War I, one of the greatest problems immediately after the

peace will be to keep under control any unhealthy expansion of activity, at least in certain industries, and a dangerous rise of prices which might well lead to a serious deflation later. [78, 80, 83, 109, 121, 133, 139, 140, 144, 165]

### *Monopoly versus Competition*

The perennial problem of monopoly is bound to flare up with a new intensity when peace comes—fed by the irritations of small business over war discriminations and by the fear of the public of the increased power of big business. The editors of *Fortune* plead for "a more rigorous policing of the free market" when the war is over. They see a great threat to a full-production free economy in the propensity of big corporations "to sequester and privatize sections of the free market . . . by killing competition, not with better mousetraps but by a variety of devices learned in the lobby, the locker room and the jungle." They say that "size alone is a callow criterion of criminality" but point to price control as the central problem to be tackled and that when "corporations get grossly bigger than their technology warrants a presumption of monopoly should certainly lie against them." One form of control they suggest is federal incorporation—long advocated by some critics of monopoly. [43, 55, 78, 97, 135, 136, 178, 179, 180, 181]

### *Conversion of Industrial War Plants*

Perhaps the greatest single immediate problem industry and business will face is the conversion into peacetime production of that vast proportion of its plant capacity and labor force that has been used for war purposes. Factories and machinery that have been making tanks, planes, guns, warships, ammunition, must be replaced or retooled to make automobiles, refrigerators, radios, washing machines. The transfer from peace to war production was dictated by government orders. The transfer back again will not have the same assurance of a market and will raise more difficult problems of finance.

Some companies will be able to make the change-over with funds they have at hand; others will have to borrow either from private sources or from the government. Conversion will involve the transformation of buildings, extensive retooling and purchase of new machinery, the retraining and shifting of workers, perhaps unemployment while the change-over is being made and other difficult problems. [78, 80, 83, 97, 109, 123, 133, 144, 165]

*Disposal of Government-Owned Plants*

A major postwar problem that concerns business will be the disposal of new equipment built for war production which the government owns but which private concerns have been operating under lease. The terms of these leases vary widely. The operating concerns are given a firm option to purchase much of this plant when the war is over. In other cases, such as aluminum, magnesium and synthetic rubber, no such option exists. The Army and Navy have the right to determine which of the plants they own shall be kept in operation and the operators have an option only if the services are willing to sell.

The public, and especially labor, which may feel that it has some direct concern in them, will probably insist that the disposal of these plants be carried out on terms that protect the public interest. Business will be faced with the problem of financing its acquisitions. It has been suggested that private interests might supply the equity funds and the government hold senior securities for long-term amortization. The National Resources Planning Board has urged that the disposition of government interests follow an orderly plan which will: (1) prevent monopoly control, and (2) make for a more desirable regional distribution of manufacturing. In the case of aluminum, magnesium, synthetic rubber and other materials and products essential to national defense, the Board has made the interesting proposal of a "joint private and governmental partnership" through which the "government could participate in the selection of areas and the business units which are to continue to operate in these industries." [78, 80, 97, 109, 123, 133, 144, 165]

*Disposal of Surplus Commodities*

Another major postwar problem of great importance will be the disposal of the surplus of military supplies and commodities of kinds purchased by the government in connection with the prosecution of the war, which will not be needed when peace comes. Disposal of surplus commodities after the last war raised some difficult issues and scandals were subsequently disclosed. After this war, the volume of surplus commodities will be many times greater than after World War I. Unless some orderly program for their sale and distribution is worked out, this huge volume of goods hanging over the market may have serious effects. On the other hand, controlled disposal might be used as an instrument to stabilize postwar markets and do a great deal to help prevent runaway inflation. [78, 80, 97, 109, 123, 133, 144, 165]

*Meeting Postwar Market Demands*

Another central problem facing business after the war will be to forecast the size and character of consumer demand. Industry will need to know more accurately than it did in prewar days what patterns of consumption are going to be in the postwar period so as to construct its capital and operating budgets. These patterns will be shaped by the extent to which we wear out our existing stocks of durable goods and cut off their current output during the war.

The war will have been a half-boom, half-depression period marked by shrinking supplies and rising money incomes. The backlog of deferred demand, high-level incomes, debt retirement, and accumulated savings will be favorable factors, operating to promote postwar reconversion and to keep initial postwar demand and output at a high level. From a knowledge of these factors and of family expenditures in the past at different income levels, it should be possible for industries to plan their postwar production. [38, 40, 56, 78, 83, 88, 157, 164, 165, 220]

*Foreign Rehabilitation and Development*

American business and industry will have an enormous stake in the relief and rehabilitation of war-devastated areas abroad—in Europe, Asia, Africa. How vast this stake will be, of course, varies directly with the length of the war. The war-torn countries will need, first of all, consumers' goods in huge quantities—clothing, shoes, household equipment—far more than their own devastated factories can turn out. Then, for the longer run, they will need the materials and equipment necessary to rebuild their production plant—basic metals, machine tools, machinery itself.

In addition to the needs of war-devastated areas will be demands from other countries—especially those industrially undeveloped but rich in raw materials, such as Brazil and other Latin American nations—for American plant and machinery to create their own basic industries. To gauge all these markets in advance and to fill the demands when they come is a major problem for American business genius. [48, 51, 52, 65, 74, 76, 77, 117, 118, 130, 131, 226]

*Raw Materials in Peacetime*

War has forced us to substitute home-produced or synthetic products for unavailable prewar imports, and to develop new foreign sources of supply. One of our problems will be to determine whether we are going to continue our war-born reliance on home products or wartime foreign suppliers,

often more expensive, or to re-establish purchasing from countries that supplied us before the war. For example, shall we buy natural rubber from Malaya, as we did before the war, or obtain artificial rubber at home from guayule, alcohol and other synthetics and from war-developed resources in Brazil? Shall we endeavor to buy silk on the prewar scale from Japan and China, or shall we develop our capacity for producing nylon, rayon and other synthetic yarns at home?

Meanwhile war needs are depleting some of our domestic raw materials resources, especially metals. In the interests of conservation shall we continue an allocation plan of some of these scarce raw materials and extend our imports from other countries, or shall we continue to mine at home until our resources are exhausted? [51, 52, 116, 117, 169, 220, 227]

### *New Industries and Products*

Perhaps the most interesting and challenging problem for business and industry will be the development and commercialization of the new products and materials which the war has produced in such a sensational abundance. In many cases, such as new fuels, existing concerns may be expected to produce and market them. In the case of many new products new concerns will be called for to develop and distribute them. Both cases raise difficult problems of promotion, organization and finance.

Plastics, household appliances, air conditioning, dehydrated foods, paper bottles, photographic equipment, sound insulation, textile waterproofing, rust-proofing, and dry-cleaning solvents are some of the newer products which are expected to have special growth after the war. Other industries that will call for development include vitamins, infant foods, rural food lockers, fluorescent lights, powdered metallurgy, hydroponics, plant hormones, fireproofing compounds, fast-drying printing inks, aluminum products, synthetic plastic fibers, and magnesium. Investment and long-term credit facilities for these new products and industries will demand special attention in the postwar world. [40, 56, 88, 132, 136, 137, 142, 144, 220]

## QUESTIONS

1. What has been the effect of the war on industries in your own community? How far have they been converted to produce different products than before the war? How much have their plants been expanded? How was expansion financed?

2. What problems do you think the industries in your community will have to face when the war ends? Can these industries be readily converted to peacetime uses? What disposition do you think should be made of their excess plant capacity?
3. What, in general terms, do you think will be the nature and volume of the immediate postwar demands for the products of American industry in the devastated countries of Europe, Asia and Africa? What will be the longer-run needs? Will such demands be confined to the war-torn nations? If not, from where will they come and what will be their nature? How will these demands affect your own community?
4. What would happen if the government should relax all its wartime controls over the economy as soon as the war is over? Which, if any, controls do you think should be continued and why?
5. How far do you think that business itself can and should assume responsibility to maintain a high level of production and employment after the war? In what ways do you think this might be done? What, if any, changes in prewar policies of government toward business do you think should be made to facilitate this end?
6. How much responsibility should the federal government itself assume for the maintenance of full and expanding production after the war? How do you think this should be done?
7. What indications are there that "big business" will emerge bigger and more powerful in relation to "small business" when the war is over? How do you think monopoly practices are going to be a postwar problem? How do you think they should be controlled?
8. Should we try to be as self-sufficient as possible in the field of raw materials? Or should we import those raw materials which can be obtained more cheaply or are of a higher quality from other nations? What should be our conservation policy regarding our raw-material resources?
9. What kinds of goods are you going to purchase after the war that you have put off buying now? What new products do you see a market for in your community? How far do these call for new concerns for manufacture and marketing?

### Section 3

## TRANSPORTATION

### THE FACTS

#### *Transportation Before and After Pearl Harbor*

Transportation—railroads, ocean and inland shipping, air lines, trucks, busses, automobiles, and pipe lines—represents about one fifth of all the nation's investment and, before the war, we paid over \$20 billion a year for the use of these facilities. If in times of peace transportation is a cornerstone of our economic life, it is even more crucial in time of war when military, as well as civilian activities, so largely depend upon it.

Before the defense program began we seemed to have had a surplus of transportation facilities in the United States. Certainly, the railroads had been suffering from a lack of business. Trucks, busses and passenger cars, not to mention water-borne transportation, had cut deeply into railroad traffic. Now that the economy is producing at the peak, however, we find we have a serious transportation shortage—in spite of emergency expansion where that has been possible. War has strained our transportation facilities to the limit. With many of the commercially operated planes withdrawn for military use, the losses from submarines and diversion of coastwise and intercoastal shipping, and rubber shortages and gasoline rationing limiting use of passenger cars, the railroads have had to carry an increasingly heavy volume of traffic.

While carrier rates and, to a certain extent, their finances had been regulated by the Interstate Commerce Commission before the war, no national attempt at co-ordination had been developed. Since war came the Office of Defense Transportation has been given jurisdiction over railroads, rubber-borne transport, inland waterways, pipe lines, coastwise and intercoastal shipping. Its job is to see that goods are moved where and when needed, that there is sufficient equipment, and that good management-labor relations are maintained in the transportation industry. [1, 3, 30, 31, 75, 126, 148, 217]

#### *Railroads Shoulder the Burden*

The war has thrown on the railroads of the country a special and un-

precedented burden. In 1940 there were 1,338 railway companies in the United States, but only 166 were the "Class I" roads. These operated about 95 per cent of total operated mileage of over 400,000 miles. In 1940 American railroads carried 1.9 billion tons of revenue freight, as against 1.5 billion in 1935, but in 1941 they carried 2.3 billion tons, and 1942 will probably show a record of 2.7 billion tons. In 1942 rubber shortages and gas rationing, along with movement of troops, have enormously increased passenger traffic. In 1935 the railroads carried 446 million passengers, but in the first eight months of 1942, the load was at the rate of 625 million passengers a year.

Class I railroads incurred deficits in four years out of the last decade. Increased activity caused by the war program gave them a net income of \$500 million in 1941, the highest since 1930. For the first six months of 1942, net income was figured at the rate of about \$800 million. Meanwhile with hourly and weekly earnings the highest ever recorded, railroad employment is a third less than in the last war. But rolling stock and equipment are far short of the demands they are called upon to meet and new units are difficult to get. [1, 3, 30, 75, 102, 126, 148]

### *The Work of the Motor Carriers*

Trucking has grown into a major transportation industry. Today there are nearly five million motor trucks in operation in this country compared to 326,000 in 1917. Meanwhile, truck production for civilian use has ceased, and rubber and gasoline shortages have forced an extensive conservation program. Railroads themselves in 1941 used some 80,000 trucks, with an additional 14,776 operated by the Railway Express Agency; twenty large cities now receive all their milk by truck; 25 million tons of coal are shipped from mines by truck. Increasing quantities of livestock, fruit and garden crops are also carried by trucks. State highway planning surveys show that 54 per cent of the passenger miles of private automobiles was for purposes connected with earning a living or closely related economic pursuits. [1, 75, 126, 142, 148]

### *Wartime Growth of Aviation*

From a small and struggling business in the late twenties, air transportation had already grown to be a major industry before the war. Between 1929 and 1941 the number of passengers carried annually had increased from 173,000 to four million, and freight traffic, from 257,000 pounds to twenty-two million. While the fantastic expansion of airplane



production since the war has been mostly of military planes, a substantial proportion has been for immediate transportation purposes; and many of the fighting craft can also be converted to peacetime uses.

While the details are a military secret, it is generally known that the United States in co-operation with its allies has already set up a vast, world-wide web of air-transportation routes that are carrying troops, passengers and freight in a rapidly growing volume to every continent on the globe. [1, 126, 142, 217]

#### *Water Transportation*

Ocean and inland waterways shipping is going through an unprecedented resurrection because of the war. Before the war broke out the Maritime Commission had already begun the rebuilding of our merchant marine under the Ship Subsidy Act with a program of fifty ships a year for ten years—or at the rate of 525,000 tons a year. A few weeks after Pearl Harbor, President Roosevelt announced a shipbuilding program of 8 million tons for the first year of the war—largely of 10,500-ton "Liberty Ships." For months, of course, ship sinkings by submarines outran new ship construction, but now the balance is gradually shifting the other way.

Assuming a United Nations victory, the United States will undoubtedly emerge with a vastly larger and more modern merchant marine than we had before the war. Late figures for water-borne passenger and freight traffic are not publicly known, of course, but the ocean, lake, canal and river ships of the United States are carrying more people and freight than in any time in history. [1, 31, 130, 217]

#### *Other Transportation Facilities*

The war is putting a record strain on other transportation agencies—pipe lines, terminal and port facilities, etc.—and has underscored the weaknesses in them that have long been known to exist. According to a recent report by a National Resources Planning Board committee, headed by Owen D. Young, there had been, before the war, a "universal neglect of terminal operations," which had already resulted in "antiquity of port facilities, duplication and inefficiency in railroad yards and stations, difficulties of urban truck loading and passenger car parking," and "lack of modern and conveniently located airports." [1, 7, 126, 148, 217]

## THE PROBLEMS

*Transportation After the War*

The Young report has given the nation a vivid picture of the situation which the transportation industry will face when the war is over. It points out that air, motor, water, railroad and pipe-line transportation will all be competing vigorously with each other.

Air transport will be "not only lading the country with passenger, express and freight carrying airlines and private planes but circling the globe with distance-shattering schedules—backed by capacity to build more than 100,000 planes a year."

Motor transport will be "resurgent after the lean years of rubber and gasoline rationing, with completely new productive capacity and new designs in automotive equipment freed from the shackles of the past."

Inland water transport will be "expanded in scope and volume and re-equipped with new and more efficient tow-boats and barges."

Intercoastal and coastwise water transport will be "restored to normal routes and augmented in tonnage by accessions from the emergency merchant fleet."

"Expanded by the exigencies of the war," pipeline transport will be "backed aggressively by parent companies starved because of their dependence on more vulnerable water transport."

Finally, railroad transport will be "flushed with the traffic gains of war through diversion and full employment and striving energetically to hold these gains against resurgent rivals."

On the assumption—which, of course, has yet to be proved—that post-war economic policy will be directed toward the maintenance of productive and national income at levels assuring full employment, the Young report predicts a shortage of transportation facilities and many urgent problems to be faced. [1, 3, 30, 31, 75, 83, 102, 126, 130, 142, 144, 148]

*Co-ordination of Transportation*

The Young report emphasizes the prewar lack of co-ordination in the leadership and control of the various branches of transportation. It proposes a new national agency which would absorb existing agencies concerned with the development of transportation and have the special responsibility of providing leadership in railroad consolidation, the unification and reconstruction of terminals, and co-ordination of the various kinds of transportation.

This would not only improve the nation's transportation facilities but provide postwar employment for millions of men released from wartime activities. Among the new forms to be encouraged would be aviation.

"The proposed National Transportation Agency," says the report, "should be directed to accept the unexampled challenge of air transportation by planning in the most enlightened manner for the establishment of the new medium as a major and integral part of our future transportation system." [1, 126, 142, 144, 148]

#### *Railroad Consolidation—Government Ownership?*

In the last war the weaknesses of railroad transportation conducted by hundreds of privately owned and competing roads were so great that the government took over and ran the roads. On the other hand, in the present war the roads have handled record-breaking traffic without any serious public or private complaints.

The Young report calls for further United States consolidations after the war which will produce substantial economies of maintenance and operation. The report says that a single national system under private management would be objectionable since it would place vast economic power under the control of a few and raise serious regulatory problems. But, it says also that, should integration proceed to that degree, government ownership and operation would seem to be the only feasible alternative. [1, 3, 75, 102, 144, 148]

#### *Railroad Finance*

While the war has brought temporary strength to the railroad financial structure, it has long suffered from serious weaknesses. In 1938, 109 railroads operating 77,000 miles of line were in the hands of trustees or receivers. The postwar period will call for some permanent reconstruction. The Young report recommends a more flexible structure with charges contingent on earnings, larger sinking funds and reserves for obsolescence in all future capital increases, and urges that government credit be made available for railroad development. [1, 3, 75, 102, 148]

#### *Improvement and Co-ordination of Terminal Facilities*

The lack of co-ordination and efficiency in the nation's terminal and port facilities, so strikingly revealed by war demands, has raised a major postwar problem. The Young report calls for the improvement and co-ordination of terminals, and the elimination of wasteful competitive prac-

tices which have been so prevalent in the large terminal areas. [7, 132, 142, 144, 148]

*International Competition*

While war necessities have required pooling of shipping resources among the United Nations, there may be great and dangerous competition to recapture traditional routes of trade. Meanwhile, all the international problems may again be renewed. Among them are those of landing fields, rights of air transit over national territory, of new companies, and competition among such prewar lines as the British Overseas Airways, Pan American Airways, the French and German lines and the Dutch-owned KLM. [48, 51, 54, 76, 77, 117, 130]

**QUESTIONS**

1. Are the transportation, terminal and port facilities in your neighborhood adequate to the war and probable postwar demands? In what ways do you think the efficiency of their operation could be improved? How far do you think conditions in your area reflect a national situation and need?
2. Is there need for some national government agency to take the postwar leadership in co-ordinating and improving the nation's transportation facilities? What functions might such an agency perform? What limits do you think should be placed on its functions and powers?
3. What do you think will be the future of the railroads in relation to airplane, truck, automobile, and water-borne transportation? Are there any natural allocations of functions that could be made between these various forms of transportation? How far can co-ordination be achieved?
4. What are some of the more obvious advantages and disadvantages of competitive private ownership of railroads? Do you think a drastic consolidation of the nation's railways should be forced after the war? Should this go so far as government ownership and operation? How would consolidation of the railroads in your locality improve conditions, if at all?
5. What are some of the problems of transportation between the United States and other nations likely to be after the war? How may these international problems affect your own community? What policies can you suggest that would mitigate the difficulties?

## Section 4

### FINANCE

#### THE FACTS

##### *Financing the Economy in Peace*

In times of peace the amount of economic activity that takes place depends largely on the decisions of hundreds of thousands of businessmen who look ahead and figure out what orders they should place during the coming months. These decisions depend on what they think they can sell, on existing or expected price levels, and on the ease and expense of the credit which they need to finance their operations. In this process the decisions of the producers of consumer and durable or capital goods interact on each other. For example, the decision of a railroad to electrify its lines creates new jobs and spending money which in turn makes business for the clothing, food and housefurnishing trades.

Economic expansion is also largely influenced by the willingness of investors—corporate or individual—to risk their money in new ventures. In normal times a large proportion of our economic activities is devoted to new capital goods: to building new plants, factories, machinery, roads, bridges, tunnels. Merely to keep up a healthy economy new capital for these projects must constantly be forthcoming. If it is not furnished by private investors, and the government does not fill the need, a depression is in the making. A good index of prosperity in any economy is the size of the flow of money into investments for capital expansion and replacements. Any expansion of the economy, of course, would call for an increase in this flow.

One of the chief troubles of the depression years was the unwillingness of investors to risk their money. Some said there were too many government restrictions, others that high taxes would take most of the profit anyway; others who did not hold the same views would not risk their funds because of the reluctance of the rest. Anyway, the flow of new capital tapered off. Between 1919 and 1938 the amount spent on construction and the production of durable goods varied from \$26 billion in 1929 to less than \$8 billion in 1933. The annual average of 1923-1929 was nearly \$24 billion against \$13 billion for 1932-1938.

To bring the nation's economy out of the collapse of the early thirties, the New Deal initiated a policy of "pump priming" with government projects, so that private investors, seeing some flow, would swell it. The scale of our "deficit spending" between 1933 and 1939 was relatively small, but it was followed—whatever the cause—by rather pronounced increases in the national income. Another New Deal policy was to set up government agencies to ease the people's credit burdens and risks—the Home Owners' Loan Corporation, the Federal Housing Administration, the Farm Credit Administration, etc. Another was the insurance of bank deposits on a national scale.

We had some recovery, but not nearly enough. Whether the recovery was due to these New Deal policies, whether it might have been greater and healthier without them, or whether even more spending would have brought more recovery, is still debated. Anyway, the war came: first in Europe, which started our "defense" program, here, and then Pearl Harbor, which set off the most prodigious national production effort of all time. All of a sudden the government itself took the place of multitudes of businessmen and investors in making the decisions that determine the nation's economic activity, and on a record-breaking scale. In six short months, government orders for war production outstripped all the private orders in the country put together—and the proportion increases every week. [6, 22, 26, 38, 39, 40, 43, 84, 91, 101, 144, 146, 149, 170]

#### *How Much We Are Paying for the War*

During the year ending June 30, 1943, our government will probably spend about \$78 billion for war purposes, or at the rate of almost \$215 million a day, as against \$6 billion—\$16 million a day—spent for nonwar activities. During November 1942 we spent over \$201 million a day for the war. War expenses in 1943 will take more than 60 per cent of the estimated national income compared with 3 per cent in 1940. From June 1940 to the end of November 1942 war expenditures totaled \$58.6 billion—more than the total federal expenditures for World War I and the three years following. [40, 151, 160, 217]

#### *The Mounting Government Debt*

Only 30 per cent of federal expenditures in the fiscal year ending June 30, 1943 will be paid out of taxes. The rest—about \$60 billion—will be met by borrowing. Before we entered the war, the national debt had reached \$57 billion, which many authorities thought was too much. In

seven months of war the debt had already gone to \$77 billion and on January 31, 1943 it had reached \$111.6 billion while experts are predicting a debt of well over \$200 billion when the war ends—even if it lasts only till June 30, 1944. After World War I the debt was only \$25 billion—up to then the highest in history. [58, 92, 95, 103, 169]

### *The War and the National Income*

The vast increase in production and employment caused by the war has brought a corresponding rise in the income of the nation as a whole. For the individual in the middle and upper brackets, however, what is left after taxes is often much less than before, and because of various shortages the standard of living of most of us declines. In 1939 the national income was \$70.8 billion. By the second quarter of 1942 it had increased to an annual rate of \$112 billion. Total wage, salary and other payments to employees had gone up from \$48 billion in 1939 to an annual rate of \$79 billion in 1942; corporate savings from \$0.4 to \$2.0 billion; and interest and dividends from less than \$9 to \$10 billion. Corporate profits, after taxes had been deducted, were twice as large in the first half of 1942 as in 1939. Individual savings rose from \$6 billion in 1939 to \$12.7 billion in 1941. [58, 85, 107, 140, 151, 170]

### *Changing Character of Bank Loans*

The reluctance of private business during the depression to embark on new operations, coupled with the increased borrowings of the federal government to cope with the situation, caused a sharp decline in loans made by banks to business and a rise in the loans they made to the government. This tendency, of course, has been carried to unimagined heights by the war. Already, by the middle of 1942, more than half of the earning assets of the member banks of the Federal Reserve System consisted of government securities, and this proportion is bound to be sharply higher by the end of the war. In contrast, the proportion was less than 11 per cent in 1929. [26, 40, 99]

### *The Threat of Inflation*

With an increasingly large part of the civilian productive plant turned to war uses and the loss of foreign sources of raw materials has come a growing shortage of things the consumer can buy—automobiles, tires, gasoline, refrigerators, metal goods of all kinds. And we have not yet begun to feel the real pinch.

There are fewer and fewer things we can buy but more and more money with which to buy is flowing into our pockets as a nation. Consumer spendable income in 1942 was about \$81 billion, after taxes and savings. But only \$70 billion of consumer goods at 1941 prices were on the market to be bought. The \$11 billion difference measured the pressure upwards on prices—the “inflationary gap.” In 1943 the gap, and the pressure, will increase. Unless this pressure is kept down inflation results: prices will go up and up and each dollar we get of income will buy less and less. This is as true of the government in its purchase of war material as it is of you and me in buying groceries at the corner store. Between August 1939 and October 1942 (when drastic action was taken against inflation) the cost of living rose 18 per cent. In the comparable period of the last war it rose 27 per cent. [6, 42, 107, 169, 188]

### *The Battle Against Inflation*

There are at least four fronts on which the government can fight inflation—and three of them are aimed at mopping up the income in the “inflationary gap.” (1) The government can ration goods so no one can buy more than a certain amount no matter how much money he has—which sterilizes the excess income and forces people to save more. (2) It can tax so heavily that the excess income is taken by the government. (3) It can, by persuasion or force, cause the excess to be saved—and so sterilized—until the crisis is past. (4) It can put a ceiling on prices and not allow them to rise beyond that point no matter how much upward pressure develops.

The government has acted and will continue to act with even greater vigor in each of these four directions. Rationing, begun with sugar and automobile tires and gasoline is rapidly spreading to a widening circle of consumer goods. Price ceilings, of varying resistance strength, have been placed on almost everything we buy. The government has gone in for a tremendous bond-selling campaign to increase savings, and its tax program is aimed not only to get the money to pay for war goods but to get it out of the pockets of consumers. Plans are also being discussed to promote the buying of goods during the war for delivery when the war is over—so-called “layaway” programs. [42, 151, 169, 199]

### *Taxation*

War taxes are already heavier than we have ever known them in this country and will be even more so before the war is won. The most import-



ant federal taxes are those on income and profits. In 1939 they accounted for 39 per cent of all federal tax collections. In 1940 the total of these taxes was over \$2 billion—over \$1 billion from corporations and almost \$1 billion from individuals. The 1943 goal is over seven times as great—\$13.6 billion. Efforts have been made to supplement income with sales taxes but these have been opposed on the ground that they bear most heavily, in proportion to income, on the least well to do. In addition to heavier rates in the income levy, exemptions have been lowered so that millions now will pay who never paid before. And the rates will go higher, the exemptions lower. [33, 91, 169, 171, 183]

## THE PROBLEMS

### *Financing Full-Employment Production*

The central financial problem of the peace will be to work out those fiscal policies and to set up, or continue, those financial controls and agencies which will promote the maximum possible use and expansion of our productive facilities—which means full employment and an increasing standard of living for the people as a whole.

We know, better than ever before, what the people of the United States need to give them reasonable standards of health and decency, and we can guess at the needs from abroad that we shall be called upon to meet. We are sure that we have the resources, both human and material, to fill those needs. But how can the job be financed?

Some answer that the funds will come out of the enormous national income which the full use of our rich productive resources, material and human, will make possible. They say we can afford as high a standard of living as we are able to produce. They see no financing problem which cannot be managed under a full-employment national income. For example, the National Resources Planning Board says that tax revenues on a \$100 billion income will yield enough both to service the public debt and cover all other governmental outlays and still leave more for private expenditure than we had left in former years under a \$70 billion income with lower taxes.

Others argue that the cost of servicing a huge national debt alone will be a burden on the private enterprise system after the war, and will lead to governmental fiscal and financial policies which will throttle postwar reconstruction under private auspices. They point to the prospect of still

further increases in the national debt after the war, which will follow the huge appropriations for public works and social services designed to maintain full employment. And they fear that the resulting tax burden may seriously restrict the capacity of private enterprise to lead in postwar reconstruction efforts. These divergent views indicate some of the problems of how best to finance a full-employment economy after the war. [17, 22, 35, 40, 67, 78, 80, 117, 118, 123, 133, 140, 144, 149, 156, 164, 190, 215]

### *Government and Private Interests*

One of these problems is the part which the government should play in postwar finance—entirely apart from the policies that are adopted. Many businessmen believe that the main causes of prewar depression were the obstacles which the government placed on private investment: high taxes which impeded the flow of money into "venture enterprises," costly restrictions on the flotation of new securities imposed by the Securities and Exchange Commission, etc. The National Association of Manufacturers says: "Resumption of private investment, both in new enterprises and in rejuvenation of old ones, is the only sound avenue to full employment. All obstacles to private investment must be removed." To that end, the NAM urges the elimination of "all emergency wartime regulation and control" when peace comes. From this point of view the smaller the government's role the better.

Most Americans, however, seem to believe that private enterprise and initiative should be allowed—and encouraged—to run our economic life as far as possible; but that, when private interests fail, some agency of the government should do the job. Many people doubt whether private investors and private businessmen could or would provide the necessary financing for the full use of our productive plant even if government obstacles were eliminated as far as the NAM would like.

The editors of *Fortune* suggest the government should, in its fiscal policies, go out of its way to stimulate new private investment. "The daring individual, the risk-taking entrepreneur should," they say, "become the darling of America's future economy," but they would at the same time have the government go in more heavily than ever before for social-security measures and stand ready to pump huge supplies of new capital into public works if private investors will not invest.

The National Resources Planning Board expresses much the same point of view. It states that "it is our national policy" for the government "to foster and encourage private individuals and agencies in advancing their

well-being through productive enterprise. . . . Accordingly, the fiscal and monetary policies of the federal government should be conceived and administered to complement and supplement these activities of private enterprise in the maintenance of adequate effective demand." But the Board also emphasizes the need for a common national policy that would be binding on all government agencies with fiscal functions. It says that "working under appropriate legislative guidance and authority, the several branches of the federal administration dealing with fiscal and monetary policies and action must work within the framework of a common national policy, if our purposes are to be satisfied. Experience has shown that common national policy in the fields of taxation, expenditure, federal borrowing, federal lending, and monetary planning cannot be achieved by the several federal agencies working separately or by voluntary time-to-time collaboration." [22, 40, 43, 78, 83, 85, 99, 103, 123, 133, 140, 144, 147, 164, 165, 215]

### *Investment and Credit Needs*

Business operations always create a demand for capital and credit facilities—funds for plant expansion (the proceeds of stock or bond sales, or long-term borrowing), and funds for current operations (usually short-term credit). The reverse is also at least partly true: investors and others with funds they are willing to advance create a demand for widened business operations.

At all events, any program for the full and expanding use of our plant and resources after the war depends largely on whether the necessary funds can be made available to finance it. Some authorities say that this cannot be done without a drastic expansion and improvement in our credit, savings and investment mechanism. For example, they say, commercial bank credit has not been made as freely available for long-term capital needs as it has for short-term operations, and capital credit banks have been proposed to meet this need. Others claim that without government interference the present mechanisms are sufficient.

Shrewd estimates are called for as to the total investment and credit—both for capital and operating uses—required to maintain a full-employment and expanding economy, and an imaginative study as to how this can best be furnished—both as to the kind of machinery and whether the government or private interests should operate its various parts. Presumably these questions can best be solved, not on the basis of principles and beliefs, but on the basis of which agency and control can do the best

job in the long run for the public as a whole. [26, 40, 78, 83, 91, 99, 140, 162, 164, 170]

### *Financing Foreign Rehabilitation*

Estimates such as these should, of course, feature both the immediate and the long-run needs of foreign countries for United States capital and credit. First of all will come the problem of financing the vast relief operations which must be begun even before the fighting stops: huge shipments of food, clothing, household goods. How far these operations should be based on the lend-lease pattern and how far we can expect some definite payment will be leading issues to be met. Then, for the longer run, will come difficult problems of credit and investment to rebuild shattered plants and equipment and to finance further industrial expansion. And demands and opportunities for United States underwriting will probably come in record-breaking volume and insistence from countries which have not been damaged by war but which will seek to expand their industries—especially the larger and less developed countries of Latin America. As we have seen (page 11) a rising stream of loans from the United States has already begun to flow southward. [35, 51, 62, 76, 77, 116, 226]

### *Our Monetary-Banking System*

We cannot forget the breakdown of our banking system in 1930-1933. While we have done much by the federal insurance of bank deposits and by other changes in our banking laws to remove some of the causes of our previous difficulties, many unsolved problems remain. One is to create some control over variations in the supply of money—and hence, in part, in our prices. A decline in the general level of prices such as occurred after the last war could be very serious for the government, and the nation as a whole.

To protect the solvency of the banking system after the war, it is said, the government will be forced to prevent important declines in the market prices of government securities. But if the assets responsible for the greater part of the deposits of our banks are going to consist of government securities, some will ask, "Why not nationalize the banks?" Nationalization would involve grave difficulties, and would be strenuously opposed. But the new conditions of the postwar period will surely call for a more intimate relationship between government and banking than has existed in the past. [26, 40, 85, 91, 99, 101, 162]

*International Monetary Relations: the Problem of Gold*

International trade after the war will depend largely on the arrangements for the payment of transactions between nations. The United States and other leading countries of the world will have to decide whether to go back to an international gold standard, under which they all freely accept gold in unlimited quantities at fixed rates of exchange and pay out gold to other countries whenever the balance of payments is against them. If so, their internal price levels will be strongly influenced, through international gold movements, by price changes in other countries.

Other problems will flow from the fact that the United States now owns more than four fifths of the world's monetary gold. A sufficient redistribution of gold among other countries to permit them to adopt the gold standard will be difficult. New, large international loans for this purpose have been proposed but this requires that we keep our tariffs low enough to permit other countries to send us goods in payment of the interest and the principal.

We might ourselves refuse to go back to a free gold standard, in spite of our huge holdings of gold, so that we could keep full control over our domestic monetary and price policies, no matter what other countries do. But then we must be prepared to allow the foreign exchange value of the dollar to fluctuate in terms of foreign currency and perhaps in terms of gold, rather than to keep it fixed.

These are perplexing questions, and satisfactory answers to them may not be found for many years after the close of the war. Nevertheless, at least tentative working answers will have to be found soon after hostilities are over. [6, 35, 51, 100, 115, 226]

*Taxation*

Taxation will be one of the most highly charged—and thinly insulated—of postwar problems. We shall have to get record-breaking peacetime revenues merely to pay the interest and principal on our record-breaking public debt. If the national debt should be \$200 billion at the close of the war, and if the average rate of interest is only 2.5 per cent, the government's annual requirements for interest alone will be \$5 billion a year. This would be more than the entire peacetime budget of the federal government during the twenties.

But in addition to servicing the debt there will be the necessity of meeting government operating expenses from year to year. These will drop off sharply when the war ends. But the prewar trend was upwards, as

government services and functions grew, and this trend will probably keep on. If the isolationists win and we have to keep armed to stand off the world, the burden of expense will be vastly more than if some form of collective security is worked out. But in any event the nation's nonmilitary expenses after the war will probably be greater than ever before in times of peace.

Entirely apart from the amounts to be raised by taxes are the problems of the forms and purposes of taxation. Some authorities urge that taxation should be levied for revenue only; others advocate the use of taxation to achieve certain economic and social ends. Some say that since all income is ultimately personal, taxes should be levied as far as possible on personal incomes, inheritances and gifts, and graduated in accordance with ability to pay; that sales and other direct taxes are bad because they bear more heavily on the poor than the rich in proportion to income. Others point out the relative ease of collecting sales and excise taxes. Whatever may be the pros and cons of any particular form of taxation, one thing is clear. As *Fortune* has put it: "the entire tax structure has grown so complex and mazy that even businessmen, whom it chiefly affects, need expensive legal help just to understand it."

When peace comes "a complete and uninhibited overhaul of the whole structure" will be needed, according to the editors of *Fortune*—"starting from the basic question of what a federal tax system is for." The editors think that taxes in the past have penalized initiative and urge that tax policy in the future "should favor the man who invests in a new or expanded business." One defect in the present tax system—that we pay last year's taxes out of this year's income—seems well on the way to correction even before the war is over. [6, 33, 92, 140, 144, 162, 171, 183]

### *The National Debt and Balancing the Budget*

The huge size of the federal debt at the end of the war will be a problem in itself. The National Association of Manufacturers believes that sufficient taxes can be levied to "cover all legitimate expenses of the government and leave a significant amount for debt retirement." But possibly the public will demand government expenditures far beyond what the NAM would call "legitimate," and that, instead of a reduction of the national debt, it will be increased through increased borrowings to meet expanded government activities.

Some economists argue—although many disagree—that there is no reason why the debt should ever be paid off, if our national income is on the

increase from year to year. In fact, they say, the debt might safely be increased if the increase is not out of proportion to the increase in the national wealth and income. From this point of view a balanced national budget ceases to be important as an end in itself. As the editors of *Fortune* put it: "Although a balanced budget may at times be desirable, we never have to have one and there will be times when it would be disastrous. There will be times when tax receipts should exceed government outlay and times when they should be less." [40, 78, 92, 95, 122, 123, 140, 144, 162]

#### *Federal-State-Local Fiscal Relations*

In 1935 several hundred dual impositions on the same tax base by federal and state governments were said to exist. These mean unnecessary costs in administration and in time and money to taxpayers. The tax structure must be viewed as a unity, economists argue, to cope effectively with budget deficits and the restricted sources of taxes for state and local governments. A more reasonable division of tax resources, as well as a clearer distinction between administrative responsibilities, is called for. It is argued that the most suitable unit of government should collect each tax and allocate proper shares of the proceeds to other government units. Taxes levied by states to control the interstate movement of goods emphasize particularly the need for closer co-operation among the various levels of government. Grants-in-aid have proved an effective device for distributing funds to states and localities with large unmet social needs. [33, 144, 171, 183]

### QUESTIONS

1. What are some of the financial problems involved in achieving the full and expanding use of our plant and man power in the postwar period? Is it true that "we can afford as high a standard of living as we are able to produce?"
2. To what extent, in your opinion, was the recovery of the late thirties due to the financial policies of the "New Deal" or retarded by them? What lessons do you think there are in that period for the solution of postwar financial problems?
3. What are likely to be the demands on the nation's prewar credit and banking mechanisms and agencies, both private and governmental, to furnish the funds necessary for the full use of our productive plant?

- What new devices can you suggest for meeting these postwar needs more effectively? What old agencies or policies should be abandoned?
4. What do you think will be the major financial needs of your own community in the postwar period? Are these likely to be met with the agencies that now exist? Have you any suggestions for making these local facilities more effective?
  5. What kinds of demands for short- or long-term credit and investment do you think will come from other countries—those whose plant and equipment have been devastated and those which have not suffered the direct effects of war? How can these best be met?
  6. Why is the solvency of the banking system of greater importance to the government now than it ever has been? Will its importance be increased in the postwar period? Does this importance justify considering the nationalization of the banking system?
  7. What will be the advantages and disadvantages to the United States of a postwar international gold standard? Do you think the United States should try to establish it as widely as possible? What implications would this have for the use of the nation's present gold supply, and for international trade policies?
  8. What are some of the purposes of taxation in addition to raising revenue to meet government expenses? Do you think these other purposes are sound?
  9. What tax policies in respect to business, especially new developments, do you think should be adopted in the future? Should our tax policies promote new products and new industries? How?
  10. What forms of taxation do you think are the best? What are the relative merits of graduated income taxes and direct taxes on sales?
  11. What principles and policies do you believe the government should follow in determining the relative amounts to be raised each year from taxation, as compared to borrowing, in the postwar world? Are balanced government budgets always desirable? Do you think that the national debt should be decreased or further increased after the war? What are the advantages and dangers of each policy for the national economy?
  12. What conflicts and overlappings now exist between the taxes levied by your city, state, and the federal government? How do you think these might be eliminated?



## Section 5

# AGRICULTURE

## THE FACTS

### *Farms and Farmers*

Of our whole population of 132 million, some 30 million or 23 per cent live on farms, and another 27 million, or 20 per cent, live in rural villages and towns. The entire farm population, and the bulk of the inhabitants of the rural communities, depend for all or most of their living on agriculture. They also constitute the first line of defense in producing the nation's food and fiber, and, before long, will be called upon for the heroic task of succoring the famished postwar world. Of the total agricultural population, nearly 8.2 million men and women were classified in 1940 as employed workers; they operate over six million individual farms, large and small. Of these workers, over five million were farm owners or managers, over one million were unpaid family workers, and nearly two million were wageworkers, including foremen.

The small family-owned and operated farm is the rule, though, of course, from region to region these farms vary enormously in size and in crops. In New England where truck, fruit, and dairy products are the main crops, the farms average 100 acres; in the Middle Western corn and hog belt, 160 acres; in the Great Plains wheat fields, 400 acres; and in the cotton and tobacco South, 80 acres. Scattered throughout, and especially in the hill country, are small "one-mule" farms, of 5 to 40 acres—the so-called subsistence and submarginal farms. Also, in many industrial regions, there is a steady increase of "twilight-farming"—part-time agriculture engaged in by industrial workers.

The great depression, coupled with periodic droughts and cumulative soil exhaustion, caused a wave of farm bankruptcies in the thirties and drove people from their farms to become migratory workers or share croppers. In 1940 nearly 40 per cent of all American farms were operated by tenants and share croppers. Machines like the tractor, corn picker, and thresher had greatly reduced the need for farm labor, and for the decade before the war there were many more farm workers than jobs on the farm.

So drastic were these changes that the migration of farm workers into

the cities did not nearly eliminate surplus labor on the farms. For many years America's farms had supplied much of the increase of our city population. During the twenties, six million more people left the land than returned to it. But the depression slowed down this movement in the thirties and a net of only about four million people shifted from agriculture to urban life. Surplus farm labor, before the war, was probably between two and three million. Over a million farm families were on relief in 1933.

But the war has completely changed the picture. Because of record-breaking demands for men in industry and in the armed forces, and as a result of increased crop production, acute shortages of farm labor exist in many farm regions today. [14, 38, 46, 57, 83, 117, 124, 125, 128, 129, 149, 193, 197, 200, 202, 203, 224, 227]

#### *Farm Income*

Rural living standards are relatively low. Although farmers made up about 23 per cent of our population, they received as net income from agriculture (including government payments) only 7.3 per cent of our national income in 1939 and only 9.5 per cent in 1942. Although it is true that during the war the per capita net income of farmers from farming has risen 126 per cent, while nonfarm per capita income has risen 54 per cent, the figures on which these percentages are based must be considered. Farm income per capita was \$172 in 1939 and \$389 in 1942, while nonfarm income per capita was \$663 in 1939 and \$1,023 in 1942. Forty-seven per cent of the farm families had cash incomes of less than \$750 in 1941. The average monthly wages (with board) of farm workers were approximately \$23 in 1913, \$52 in 1920, \$18 in 1933, \$27 in 1939, and \$35 in 1941.

Hazards of weather, prices, and markets have meant that farmers have not been able to buy good seeds, enough fertilizer, adequate farm equipment, or enough clothing, household necessities, and recreation and education for their families. Often on one-crop farms, they have not even had a truck patch, chickens, or a cow to produce some of their own food. Low levels of prices, and inadequate national food consumption, combined with soil depletion and inadequate crop rotation and diversification, have been in part responsible for low farm incomes. These have also been due to the fact that farming, at least in the past, has been a sort of residual industry into which the least capable can enter with very little capital. [13, 83, 199, 200, 225]

*The Uses of Farm Products*

About 75 per cent of the farmer's income is derived from food products. But agricultural products are also increasingly used in industry. About 14 per cent of the cotton used in this country goes into various industrial products other than textiles. Furthermore, animal carcasses are used to produce leather, soap, fertilizers, and glue. About one per cent of our total milk production goes into casein used in glue, cold-water paints, and paper coatings.

War-industry needs have stimulated the production of fibers and of fats used in the manufacture of metals, textiles, leather goods, and explosives, and have forced us to grow products we used to import, such as tung oil (China). We have also had to develop substitutes for imports, such as cotton rope for Philippine hemp.

In recent years, chemical magic has been finding new uses for farm crops. In the manufacture of plastics, for example, large amounts of wood and cotton fiber and small quantities of skim milk, oat hulls, vegetable oils, and soybean meal are utilized. Other new industrial uses of farm crops such as plywood adhesives from soybeans, cloth from milk, road binder from oats, and rubber from grain alcohol, may be expanded in the postwar period if the processes are cheap enough. "Chemical magic," however, has a way of hurting and disarranging farm markets, as well as helping. For example, chemically produced new fibres can accentuate the problem of cotton disposal. [124, 200, 220]

*Farm Surpluses*

Surplus crops have, of course, been one of the factors in the low prices of farm products and the low income of farmers. The problem of what to do with and about these mounting surpluses came dramatically to a head in the late twenties and thirties. The ruination of European agriculture in World War I and the hunger of millions of people had caused a great boom in American farming—the era of "the plow that broke the plains." Our agricultural exports reached a peak in 1918-1919, and during the twenties they averaged slightly less than \$2 billion a year, while our agricultural imports averaged slightly more.

But increasing production in other countries, the growing wave of national self-sufficiency and tariff walls, the depression and the outbreak of World War II cut deeply into these markets. During the thirties our average annual agricultural exports declined to \$770 million annually while imports declined to \$1 billion annually. In 1927 agricultural pro-

duce constituted 38 per cent of our total exports; by 1937 it had dropped to 26 per cent, and by 1939 to around 20 per cent.

But the farm surplus problem has even deeper underlying causes. The growth of commercialized, one-crop farming, improved machinery and methods, better seed, etc., had steadily swollen the volume of the staple cash crops. And the deepening depression, with millions of wageworkers and their families either unemployed or on meager relief work, caused some drop in the nation's food-buying capacity.

In the thirties our average annual carry-over of wheat amounted to 241 million bushels; in 1933 it was 378 million, and in 1940, 282 million bushels. Our average carry-over of cotton stock from one year to another was 7.8 million bales for the whole decade of the thirties; but in 1939, it amounted to 13 million bales. Similarly, for flue-cured tobacco, our average annual carry-over was 955 million pounds; but in 1940, for example, there was over 1.5 billion pounds carry-over. The varying amounts of these huge surpluses have made them doubly troublesome. [14, 124, 128, 197, 198, 199, 200, 205, 208, 218]

#### *Effects of the War—Here and Abroad*

World War II has again stepped up farm exports. Lend-lease funds at the rate of \$1 billion per year are being used for direct food purchases. Agricultural products also go into war material under the lend-lease program. And World War II has again increased employment, wages, and national income to the point where all food that can be spared by lend-lease and our armed forces is being demanded by the civilian population.

Vastly increased demands at home and abroad have caused serious shortages of food. Meat and other products are rationed and civilian consumption of certain vegetables and fibers has had to be drastically reduced. Less apparent—but more important in the long run—the shift from the troublesome staple crops to finished food products—milk, meat, vegetables, and eggs—is being rapidly stepped up. The dangers of much more serious food shortages must be faced.

Finally, in all the war-devastated lands of Europe and of Asia a vast and increasingly urgent demand for food and for the materials for proper crops is being piled up higher and higher as the weeks of fighting stretch into months and the months into years. In parts of Europe and Asia millions had not had enough to eat before the war. With millions under arms, crops destroyed, and transportation thrown out of gear, the postwar

demands upon the United States for farm products will surpass anything known before. The Inter-Allied Postwar Requirements (Leith-Ross) Committee is preparing estimates of those foods and other essential supplies which will be needed by the war-torn countries when the war is over—and how they can be shipped. [38, 48, 51, 65, 70, 125]

### *Federal Aid to Agriculture*

The welfare of agriculture, from pioneer times to the present, has always been a primary concern of the United States government. The plight of agriculture during the depression, however, was so desperate, and the voice of the farmer was so powerful in Congress and in the Administration, that the federal government went much further in aiding and reorganizing agriculture than any other area of our economic life.

The main attack on the farm problem was a triple thrust: against farm surpluses, against farm tenantry, and against soil depletion. The weapons ranged from subsidy through expanded credit facilities to outright compulsion. This expansion of government intervention and power was based on the premise that agriculture as a whole profoundly affects interstate commerce and the national welfare.

Whether this vast activity of the government in support of agriculture has "paid out"—whether it has been worth the effort and money put into it in terms of human gains of all sorts—is impossible to say. Because the government's role has been dramatic and extensive, however, it is easy to minimize the role of the millions of independent farmers of this country who have played by far the larger part in the drama of American agriculture without government. [13, 158, 200, 201, 202, 204, 206, 208]

### *"Agricultural Adjustment"*

The Agricultural Adjustment Act, originally passed in 1933 but drastically amended in 1936 and 1938, was designed to assure to farmers an income comparable to that of industrial workers. The goal aimed at was "parity prices," which were defined in the case of most crops as the average prices of commodities in the period from August 1909 to July 1914, when the level of prices farmers received for the produce they sold bore a favorable ratio (from the farmer's point of view) to the level of prices for the goods they bought.

*Restricted Acreage.* One method used to reach this income goal was to restrict the acreage of surplus crops. More than half of the short time changes in production and prices of important staple farm crops like wheat

and cotton are due to yearly changes in the acreages planted. Under the AAA, therefore, acreage allotments were made to individual farmers for various staple crops. Those who agreed not to plant more than their allotted acreages were offered payments as an inducement to make the reduction. When the original AA Act was declared unconstitutional by the Supreme Court, this inducement was offered in return for a more positive contribution by the farmer. He was paid for shifting from "soil depleting" crops, like wheat, cotton and tobacco, to "soil conserving" crops like grasses and legumes. The great surplus crops are, in fact, the soil depleting crops; and this shift in the basis of payment was a most important step toward soil conservation and diversified farming.

*Stabilizing Markets.* Another method of reaching the goal of parity prices was to even up the marketings in good and bad crop years and thus prevent dumping and price slumps; in short, to maintain an "ever-normal granary" of continuous and stable supplies of basic farm products at prices fair to both farmers and consumers. Marketing quotas were established for specified crops which limited the amount coming into the market during a given period. Before they can be put into operation, however, the marketing quotas have had to be approved by a two-thirds majority of the producers of the commodity concerned. To aid the farmer in carrying his produce through the marketing period, the Commodity Credit Corporation, created in 1933, makes loans on specified crops. The Corporation not only aids the farmer in the carry-over, but absorbs surpluses of bumper crops and helps to meet deficiencies in periods of crop shortage.

*Crop Insurance.* To protect the producer against crop failures the Federal Crop Insurance Corporation was established in 1938. Wheat was chosen as an experimental crop. Experience with insuring this crop will be applied to a similar program for other crops. Cotton has already been included. Premiums are paid in the commodity or the cash equivalent at the current market price. From the crops of 1939, 1940 and 1941, the Corporation received almost 33 million bushels of wheat in premiums and paid out or accrued 52 million bushels in indemnities for losses.

*Other Measures.* To increase distribution of surplus commodities at home and abroad, two other measures were taken. (1) The Food Stamp Plan was initiated in 1939 by the Surplus Commodity Corporation to replace the cumbersome direct distribution of surplus foods to families on relief. Under this plan, the farmer's surplus crops, in finished form, go to retail grocers, from whom low-income families, usually on relief, obtain them in return for Food Stamps issued by the government. (2) Export

subsidies are paid by the AAA for specified commodities, especially wheat and cotton, to enable exporters to sell agricultural products in world markets where prices are lower than at home. When these production and marketing controls proved insufficient to stabilize the prices of cotton, corn, wheat, tobacco, and rice at parity levels, direct parity payments have been authorized to bring prices nearer the goal.

About six million farmers, representing 80 per cent of the nation's total crop land, co-operated in the 1941 AAA conservation and adjustment program. Moreover, through county and state committees, officially recognized, they have had an important share in shaping the developing policies of the agricultural adjustment program and assisting in its administration. [124, 158, 200, 201, 202, 204]

### *Farm Credit*

In 1933, when Congress passed the first Agricultural Adjustment Act, it also enacted legislation to provide for the refinancing of the debts of thousands of farmers who were faced with foreclosures. In the course of this refinancing program, the Farm Credit Administration—through the Federal Land Banks and the Federal Farm Mortgage Corporation—refinanced the pressing debts of several hundred thousand farmers amounting in the aggregate to between two and three billion dollars. This removed the danger of foreclosures and enabled these debtors to pay off their obligations in an orderly fashion as conditions improved. Agriculture is further bolstered financially (1) by the Rural Electrification Administration which makes loans to finance generating plants and power lines, and for individual installations of electrical equipment; and (2) by banks for farm co-operatives. [124, 158, 193, 200, 201]

### *Rural Rehabilitation*

The Farm Security Administration, successor to the Resettlement Administration and other agencies, was established late in 1937 to carry out a vast rural rehabilitation program. In general, the AAA program had reached the more prosperous farmers, those whose operations contributed most to accumulating surpluses. The FSA program, on the other hand, was designed to help the poorest of the rural population. Its main work has been the rehabilitation of tenant farmers, share croppers, and farm laborers. To such farmers, it makes long-term loans for land purchase and short-term production loans, provides work relief in the interim of getting established and relief grants in emergencies, and gives continuous expert advice

in making and carrying out farm-management plans that assure farm prosperity and the repayment of the loans. As a part of his loan contract, a farmer agrees to follow methods of crop rotation, diversification, and soil conservation approved and checked by expert FSA advisers, and to grow and store a specified quantity of food for home consumption.

The FSA also helps submarginal farmers to develop better systems of farming or to move to better farms, and helps debt-burdened farmers to negotiate adjustments with their creditors. The Soil Conservation Service purchases large areas of low-grade land on which farming is doomed to failure to convert them into public forests, parks, game refuges, or grazing ranges. Many farmers formerly on submarginal land have been settled on fertile land in irrigation projects and elsewhere. The Farm Security Administration has also established 162 "resettlement" projects, including part-time farming, full-time farming, migratory labor, and suburban home projects. In hundreds of counties, with the co-operation of county medical associations, it has promoted group health facilities for the rural population now serving over 500,000 members. [46, 71, 124, 158, 200, 201, 202, 204, 224, 225]

### *Soil Conservation*

In 1933 the Soil Conservation Service was created in the Interior Department and was later transferred to the Department of Agriculture. Soil erosion had already taken a gigantic toll of our richest farm lands, our Western grazing ranges, and our denuded timber lands. Many millions of acres had been gullied beyond repair or had lost most of their rich organic topsoil. The Service rapidly created over six hundred great demonstration areas ranging from 8,000 acres to 200,000 acres, scattered throughout the country. It developed and demonstrated in them integrated techniques of erosion control through contracts with the farmers. In return for government aid, the farmers agreed to follow management plans worked out jointly by them and experts.

Beginning in 1936, over forty states have adopted the Standard Soil Conservation District Act. Under it farmers are democratically organized to assume the main burden of soil conservation with the advisory aid of the federal and state governments. Already more than four hundred million acres of farm land have been organized into these districts, which are recognized legal bodies politic of the state. With the consent of a majority of farmers of such a district, mandatory land use regulations may be adopted and enforced. [86, 172, 200, 207, 209]



*Range Conservation*

In 1934 Congress passed the Taylor Grazing Act, under which most of the unreserved public domain of the West has been brought under scientific range management. For many decades, the herds of the livestock graziers of the West had grazed and trampled it without let or hindrance. The native vegetation had been depleted, both in quantity and quality. Erosion was ruining the range and the wastage of water in flash floods was threatening the great irrigation projects. With the co-operation of organized committees of livestock men, the government is now regulating the numbers of livestock and their seasonal use so that the native plants can reseed naturally and again produce a dense soil- and water-holding cover. The Interior Department, which has the management of these lands, is also carrying out many erosion-control techniques on the public domain and in the Indian Reservations and National Parks. [172, 200, 209]

*Forest Conservation*

There are 630 million acres of forest land in the United States. Of this total, 196 million acres are publicly owned (including the National Forest system of 175 million acres) and 434 million are private property. Of the 630 million total acres of forests, 462 million produce commercial timber, 341 million of which are privately owned. Private lands produce 95 per cent of the crop and the woods and mills employ over 400,000 men and women. But only 70 million acres are adequately managed with a view to maximum future crops and unscientific methods of lumbering have stripped 90 million acres of their cover. A nation-wide system of forest fire control covers nearly 500 million acres of forests including private and public lands. [172, 200]

*Postwar Planning*

The Committee on Postwar Programs of the Department of Agriculture has helped set up 10,000 community, 2,000 county, and 47 state agricultural planning committees to discuss local and national farm problems and to make suggestions to the Department. In all, there are some 140,000 members of these committees, of whom 122,000 are farmers and 18,000 government representatives. The Department itself is engaged in intensive agricultural planning for the postwar period, including estimates of farm production, regional surveys for land use and development projects and programs of services and facilities to improve rural living conditions.

## THE PROBLEMS

*Interdependence of Agriculture*

The postwar problems of agriculture will largely depend—if not in form, certainly in magnitude and urgency—on the policies that are carried out in two other fields: industry and international relations. Agriculture, more than any other area of our economic life, illustrates the extreme interdependence of the modern world—of one industry on another, of one nation on all the rest.

For example, the amount of farm employment and of agricultural output depends largely on the degree to which we get the full use of our industrial plant and man power. Increased volume and variety of industrial output mean increased demand for farm products for the factory; increased industrial employment and prosperity mean greater demand for food and a greater ability to buy it. After the last war, our tariff policy and the mad struggle of other nations to become self-sufficient cut down the demand for our own farm products and made planning for the future difficult and hazardous. If the same thing is to happen after this war, our farm problems will be much more acute than if effective international agricultural controls are worked out.

Unless we are fully successful in achieving full employment of men and machines in industry and in organizing the postwar world, however, agriculture is bound to be plagued—to a greater or lesser degree—by problems of surpluses, agricultural unemployment, low incomes and living standards, and wastes of natural resources. The ways in which these problems are met will raise still further problems: issues of compulsion versus freedom, of government versus private interests, of small versus large-scale operations, of corporate versus individual farming, etc. [14, 35, 38, 39, 52, 55, 78, 83, 124, 128, 158, 197, 200, 218, 226]

*Farm Surpluses*

Now, under the pressure of all-out war, we are faced with problems of shortages, not surpluses. But the very conditions that have bred the shortages now may intensify the surpluses of postwar years. For example, the food needs of our allies in the war will probably step up our acreage used for export products from the 1934-1935 level of eighteen millions to a 1942 record of twenty-six millions. The feeding of starving populations, in enemy as well as friendly countries, when the war is over will keep up the demand for our farm products for a while.

But our own efficiency, increased under the whip of the war drive, will rise to plague us later. As the other nations get back to normal farm life, and as output per farm worker increases the relatively high level of our own present output for export will make the lower levels of the future more difficult to cope with. And the increased use of machinery and the improved organization and management of farms, which increased productivity here before the war, will operate even more intensively in the years of peace to come.

Surpluses can be reduced in two ways: either by increasing the demand or cutting down the supply. Attacks that were made on the prewar surplus problem suggest the lines of postwar strategy. We can increase the demand by increasing the variety and volume of industrial uses of farm products and the food-buying power of the population. We can regulate the supply by crop-production controls—both national and international, or by reducing the number of farmers and farms.

Full-employment production in peacetime would do more than anything else to solve the farm surplus problem by increasing the demand for food. Then, too, the natural increase in population will increase the market for farm products. The war is making us aware, as never before, of the need for national dietary minimums for the whole population both in quantity and kind. Millions of our people have too little energy because they have too little, and badly chosen, food. Possibly the twenty million additional acres we are now cultivating for war use could be used to give our own people a minimum standard of food.

We can regulate the supply of farm products, if surpluses occur, by further and more rigid controls than we have worked out in the past over the crops on land already under cultivation in the United States. But unless we also prevent new land from being cultivated, these controls may easily be undermined.

The possibilities of international co-operation both in the production and distribution of farm products will also call for attention when the war is over. We have had some experience before the war with international pools and controls—in wheat, sugar and coffee. Possibly these and other arrangements can be worked out in the future with better success than in the past. [52, 113, 117, 124, 128, 129, 158, 197, 208, 218]

### *Agricultural Unemployment*

We are now producing a record-breaking farm output in spite of the fact that farm workers by the million have gone into the armed services

and industry. It is clear now that "when the boys come home" there is going to be a vast employment, or at least a placement, problem on the farms. How serious it will be depends, of course, upon the success we have in keeping farm production at high and even higher levels. And this again largely depends on the volume of industrial production. High industrial output helps solve the agricultural employment problem in two ways. It creates more work on the farms and it makes more jobs in industry for those who cannot find work in the country.

It will take time to shift our industries from war to peace production. During this interim, a program of intensive food production for the emergency world market could absorb large numbers of workers, who could gradually be fed back into reviving industry as world food demands decline. Some farm experts suggest that agencies and methods be developed to divert most of those who have left from returning to the farm and to withdraw what surplus labor may occur. [14, 38, 113, 124, 128, 156, 158, 193, 204]

#### *Rural Restoration and Conservation*

When the war is over we shall still be confronted with the gigantic task of restoring natural resources that have been steadily and destructively depleted for a century and more. We have learned the art of doing this job; now we need the will and the means to accomplish it. If we lack the will, we shall be confronted with the relentless decline of the natural wealth which alone will support a permanent civilization. We do not lack the means, if only we have the courage to organize a bold attack.

Agricultural experts suggest a twofold thrust: to organize a large system of conservation credit and a rural conservation works corps. They argue that land-owners—whether of farm, forest, or range lands—can do the bulk of the conservation job if they are given long-term, low-interest noncommercial conservation credit. In so doing, they can also greatly increase rural employment. Experts say that vast areas of forest, grazing and submarginal land might be brought into public ownership where private capital cannot do the job; and that this transfer of ownership could be painlessly achieved by paying for the land with long-term, low-interest bonds which would be retired from a sinking fund fed by net public land receipts, if any, otherwise out of general revenues. It is possible that the more acute and extensive phases of erosion and deforestation can be cured only by public action.

A rural conservation works corps might provide part-time rural employment for millions of men on flood control, erosion control, reforestation,

and forest-fire protection on public and private lands. This would supplement similar work that can profitably be done by private capital. [14, 86, 113, 172, 200, 204, 206]

### *Farm Income*

The relatively low levels of farmers' income may again be a problem in the postwar world. Its intensity will vary, of course, with the success we have in preventing farm surpluses. The entire federal program of the past will come in for reappraisal and efforts will undoubtedly be made to amplify and extend it. [113, 158, 199, 200, 226]

### *Shall Farming Be Industrialized?*

The mechanization of farming and the rise of large-scale corporate enterprises, operating large tracts and often getting diversification by holdings in different climate areas, raise somewhat the same basic issues that faced industry when machinery first came into use. A strong argument can be made for the complete rationalization of farming by large-scale corporate ownership and mechanization. Such a system could be better financed and better managed, and might be more productive. But it raises the question whether we want to turn our farmers into wageworkers rather than to make them permanent, independent owners. In the long run, the success of agriculture will depend not merely on what crops, but on the kind of people, it produces. [113, 128, 158, 193, 206, 224]

## QUESTIONS

1. What were the chief problems of the farm population in your neighborhood and state before the war? In what ways has the federal government helped the farm population to solve these problems? How effective has this assistance been? Was there much opposition? What effects has the war had upon farming and farmers in your region?
2. What have been the reasons for the federal government's prewar national agricultural program? How successful have been the policies our government has pursued in extending credit to farmers; in placing limitations on the production and marketing of farm products; in conservation measures? What functions do you think the federal government should carry on in the agricultural field during and after the war?
3. Has there been any marked wastage of land or forests in your neigh-

borhood or state in recent years? What conservation measures have been carried out? How successful have they been?

4. What relation do you think the solution of the principal postwar agricultural problems will have to policies carried out in other fields, such as trade, business reconversion, international organization, etc.?
5. Will the end of the war bring a boom or depression, or neither to American agriculture—in the short run, in the long run? Why? Do you expect any different conditions in your own neighborhood or state?
6. If we have farm surpluses after the war, what broad methods of attack do you think should be made on the problem nationally, internationally? Should the federal government go farther than it has in trying to control the production and marketing of farm products? Should controls be set up over the use of new land for the production of farm products? Do you think that the demand for farm products will be increased after the war? From what sources and in what ways?
7. Do you think that after the war we will have a farm-unemployment problem in the nation? In your region? If so, what do you think should be done to cope with it?
8. What would be the values and disadvantages of a broader and more vigorous program of soil, forest and range conservation? How and by what agencies do you think it should be done?
9. What are the arguments for or against the belief that the income of farm workers should be on a parity with that of industrial workers? Do you think that this problem can be worked out in the postwar world without government action? If not, what should the government do?
10. Has corporation farming made much headway in your region? In what fields? What are the basic issues involved in extension of large-scale industrial farming as against preservation of small individual farms? Do you think that the "industrial revolution" is destined to sweep agriculture as it has manufacturing?

## Section 6

### LABOR

#### THE FACTS

##### *Employment in Peace and War*

War means jobs for almost everybody. Today man-power shortages have become a serious national issue. The contrast is striking with the latter part of 1939. Then almost 10 million of our labor force of 54 million workers were unemployed or had jobs on public-emergency work (WPA, CCC, NYA). By December 1942, even though 6.5 million men were in our armed forces, our national civilian labor force remained at 53.5 million. This means that many thousands of new workers had come into the job market. Meanwhile the number of unemployed and people working on public-emergency projects dropped from 10 to 1.5 million, employment increased from 44 to 52 million and the WPA and CCC were abandoned. The number of people employed in war industries jumped from 500,000 in April 1940 to 10 million in April 1942.

If the war continues we shall probably have 22 million men and women working in war industries by December 1943, and over 10 million men and women in our armed forces. But even at the peak of the war effort we shall have an irreducible residue of nearly one million unemployed whose particular skills are not needed, or who live in the wrong places. This pool will not necessarily be made up of the same individuals, over any long period, but we must assume a changing, floating group which, even in full employment, cannot be expected to shrink much below one million. [29, 38, 39, 41, 55, 67, 78, 80, 83, 117, 118, 123, 139, 140, 156, 161, 168, 187, 194, 195, 196, 210, 217]

##### *The Vast Shifts in Jobs*

War has also worked widespread changes in the types of job to be filled in many industries. Employment in nonagricultural establishments jumped 32 per cent between July 1939 and July 1942. Employees in manufacturing increased 62 per cent; government employees, 38 per cent; construction workers, 49 per cent; and transportation and utility employees, 19 per cent. Employment in the trade, finance and service industries generally,

though higher than in 1939, declined somewhat during the year 1942.

Manufacturing has become increasingly important in total employment. In July 1939, manufacturing employees constituted 32 per cent of our non-agricultural employment and, in July 1942, 39 per cent. Shifts from production for civilian to wartime military needs have created a great demand for man power and also for special skills, especially in the steel, machine-tool, engine, shipbuilding, aircraft, transportation and mining industries. [24, 36, 78, 168, 187, 194, 195, 196, 210]

### *Labor Migration and Shortages*

By April 1942, the war had caused a vast labor migration. About two million men and women had traveled the country to reach more attractive or better-paid jobs. As war production expanded and as employers desperately needed certain skills, they began "pirating" workers from other companies by offering higher wages and by promises of wage increases, more rapid advancement or other incentives. Job turnover was, and still is, high. It is somewhat less in areas where the War Manpower Commission has frozen workers in their jobs.

By the end of 1942 real labor shortages had become general and, in many cases, serious enough to interfere with war production. Over two million able-bodied men had left their jobs to enter the armed forces. In addition, artificial, but nevertheless effective, labor shortages were created in some communities because (1) of discriminations against employing women, negroes, and other groups; (2) of employer "hoarding" of skilled workers, part of whose time might have been loaned to other companies; and (3) of transportation and housing difficulties.

The necessity for quick production has tended to concentrate war contracts in existing industrial areas, thus increasing the labor shortage. To meet this problem the government has tried to decentralize industry, to build new plants in suburban areas closer to unused labor supplies, and to develop new industrial regions. For example, ordnance plants have been built in the Southwest, in Kansas and in Mississippi, and ship construction has been expanded in Texas and the Great Lakes. Hartford, Connecticut; Norfolk, Virginia; Montgomery and Mobile, Alabama; and San Diego, California are typical war-boomed cities faced with scarce housing, low labor supply, and a great number of new workers demanding municipal services. From 1940 to mid-1942 it is estimated that the population of Norfolk increased 33 per cent, San Diego 35 per cent, Mobile 33 per cent and Montgomery almost 30 per cent. Although present government



policy is to discourage migration which is not directed by the United States Employment Service, and to encourage total use of the local labor supply, the federal government may be forced, as shortages become more acute, to shift labor by compulsion to places where it is most needed. Some comprehensive plan for the conscription of labor, at least for war production, may eventually be put into effect. Already in December 1942, the War Manpower Commission, under Paul V. McNutt, had been given sufficient powers to carry out such drastic controls. [36, 57, 168, 185, 187, 194, 195, 217]

### *Training for Jobs*

"Upgrading," training within industry for more skilled tasks, and job simplification by which complex jobs are broken down so that less skilled workers can perform each part, are increasing labor's effectiveness. A great deal of training is done by industry itself. Companies train new workers on the job, offer pre-employment or "vestibule" courses before actual work begins, or co-operate with local schools and colleges in organizing training courses and offering jobs to graduates. The federal government has greatly expanded a broad prewar training program which is operated through the Department of Labor, the Federal Security Agency, the United States Office of Education, and the National Youth Administration.

Now the training work of these agencies, plus new emergency programs, is co-ordinated and focused on wartime needs by the War Manpower Commission. Training is offered men and women workers already employed, youths seeking first jobs, unemployed needing "refresher courses" to polish up rusting skills and training in new skills. Courses provide for upgrading of semiskilled or unskilled workers, for training of needed technicians. About three million persons were enrolled in such courses between July 1, 1940 and January 1, 1942. Another two million had been trained within industry by July 1942. The United States Office of Education estimates that 40 per cent of the 10.5 million workers entering war industries in 1942 required pre-employment or supplementary training. [24, 36, 168, 187, 210, 211]

### *Hours, Wages and Productivity in Wartime*

Our average industrial work week in 1939 was about 38 hours. By November 1942 it had increased to 44 and was over 48 hours in some war industries. For the whole machine-tool industry it was 55 hours, and in nine plants, an average of 70. Weeks of 48 to 55 hours are especially com-

mon in the machine-tool, engine, gun, aircraft and ship-construction industries. The Fair Labor Standards Act of 1938, however, requires time-and-a-half pay for all hours worked over 40 in any one week.

From November 1939 to November 1942 average hourly earnings in all manufacturing industries increased 38 per cent: from 65.3 to 89.9 cents per hour. Average weekly earnings increased about 50 per cent in the same period. Under the wage-stabilization order issued by the President on October 3, 1942, wages are stabilized at levels of that date but provision is made for adjustment where serious inequities exist.

In all manufacturing industries output per man-hour increased about ten per cent from 1939 to 1941. The tremendous drive for greater production in wartime plus technological advances will undoubtedly step up this figure considerably. [36, 187, 191, 210, 217]

#### *Unions and Collective Bargaining in War*

Between 1933 and 1943 trade-union membership rose from less than three to a record high of about twelve million. Of these over five million each are claimed by the AF of L and the CIO, over 600,000 by the miners; and about a million by other unaffiliated unions. Even so, nearly three-quarters of American wage and salary workers in 1941 were not members of trade unions or covered by collective agreements. Groups still largely unorganized are: agricultural workers, wholesale and retail trade employees, workers in financial and service trades. Collective bargaining contracts between workers and employers have recently shown a trend toward regional and national coverage, greater organization of employers, and development of industry-wide collective bargaining—resulting in standardization of labor conditions over wider areas.

Antagonism to unions is still strong among many employers. The National Labor Relations Act, however, requires employers to bargain collectively when agencies representing a majority of the workers demand it, and protects employees from interference in their organizing activities by employers. Wartime pressures have also caused many employers to cease their resistance to unionism and to adopt a policy of collaboration. The relative stability of management-union relations, however, varies greatly: from the automobile industry, in which collective bargaining is young and comparatively unstable, to the printing trades and the railroads where it has been in successful operation for years. On some of the railroads union-management co-operation has proven possible in the actual planning and improvement of operations.

The war has brought the government into a position of unprecedented power in the labor, as in other fields. The National Labor Relations Board still functions as the agency which administers the Wagner Act by settling controversies over the legitimacy of bargaining groups, and the mediation and conciliation machinery of the Department of Labor still attempts to settle disputes between employers and unions in their early stages. But the War Labor Board, with employer, union and public representation, has been set up by the President and given powers to settle those industrial disputes which cannot be resolved by other means. These powers amount in practice almost to compulsory arbitration. While the Board cannot enforce its decisions, the President has in some cases used his emergency powers to order compliance with the decisions of the Board.

The so-called union-maintenance shop has become an especially acute issue since the war began because certain awards made by the War Labor Board have required it. Under this plan employees are given the choice of joining or refusing to join the union at the start, but thereafter the employers must discharge any union member who defaults in the payment of dues. This has met with bitter opposition from many employers who claim that, without legislative authority, no government agency should compel workers to continue union membership as a condition of employment.

Before the war broke out strikes in defense industries were common and, in many cases, seriously threatened production. After war was declared, however, the AF of L and the CIO made a public pledge not to exercise the right to strike for the duration. In spite of this pledge, however, some unauthorized walkouts have occurred. In each case the War Labor Board has intervened to stop them. In the interests of greater production the unions have also voluntarily waived many of the "make-work" rules which employers have claimed to be arbitrary restrictions on output. [23, 29, 36, 186, 194]

#### *Union-Management Committees*

One of the outstanding developments of the war has been the establishment of worker-management committees to work out methods for increased production. Their organization was recommended by the War Production Board. Between April 1942 and January 1943 more than 1,900 were set up in war plants throughout the country. The duties of these committees are to solicit from employees of all ranks suggestions designed to increase efficiency, reduce production costs and eliminate wastes; to review the suggestions; and to adopt those that are practical. Both management and

union share in the resulting benefits. A poll of executives of 181 plants made by *Factory Management and Maintenance* in October 1942 showed that four out of five of these committees had been successful.

### *Labor Standards and the War*

Peacetime regulations protecting labor standards are being widely modified. In the state of New York, for example, the Industrial Commissioner is authorized by emergency legislation to relax labor laws when they restrict maximum possible production in industries engaged in war work. The Industrial Commissioner is permitted to allow operation and employment in war work on a seven-day, multiple-shift basis, and to waive such other provisions of law as may restrict operation or hours of employment. Extension of hours of employment is forbidden in certain cases, for example, for minors under eighteen or for other persons unless health and welfare of workers are safeguarded, or where available labor supply has not been used and maximum efficiency in production has not been achieved. New York experience is typical of the pattern followed in other states with, of course, many variations. [127, 196, 210, 217]

## THE PROBLEMS

### *Full Employment Not a "Labor Problem"*

While full employment is our chief postwar goal, its achievement is not strictly a "labor problem." Full employment will be primarily the result of the full and economic use of our productive facilities—our factories, mines, fields, forests, railroads. When they operate at full blast, employment is at the peak. But their operations depend on the decisions of business managers and government officials: most directly on the orders which businessmen place—in the light of what they think they can sell—for steel, coal, shoes, machinery, buildings.

The Committee for Economic Development has made the following analysis of the employment objectives of postwar business policies.

When peace comes the government will no longer be in the market for \$85 billion worth of war goods, as in 1943. A minimum of 7 million men in the armed services and most of the 20 million persons now in the war industries will be eager for productive work in peacetime pursuits. To provide employment to these millions of men and women, it will be necessary to offset quickly the billions of dollars of war production with an

equivalent output of peacetime goods and services. An output of approximately \$135 to \$150 billion (at 1941 prices) will be required. This output must be reached quickly—at most, within two years after peace comes—and employment must be increased by half a million jobs per year, in subsequent years, to take care of normal increases in available manpower.

The central labor problems after the war will be to allocate the work that is to be done among those available to do it in such a way as to strike a sound balance between maximum employment and maximum production per worker; to connect those who can work with the jobs that are open; to fit the workers to perform the jobs; to maintain satisfactory wages and working conditions; and to assure the greatest possible output per worker consistent with enlightened standards. [12, 17, 38, 39, 78, 80, 109, 110, 117, 118, 123, 139, 140, 147, 156, 163, 181, 226]

### *Demobilization*

The first and most transcendent problem of the immediate postwar period will, of course, be the demobilization of the vast hordes of men and women we have recruited to fight the war and to supply those who have done the fighting. The immensity and complexity of this problem baffles imagination. If the war lasts another year, we shall have more than ten million men actually under arms and several million men and women who have left their previous jobs to do war work or who never worked outside their homes before. In millions of cases the jobs they had before the war are filled with other men and women, but the Selective Service Act provides that returning service men be reinstated, with no loss of seniority or priority, wherever possible. So demobilization often means a two-way adjustment: giving jobs back to those demobilized and finding some satisfactory activities for those whom the demobilized have displaced. Some of the leading issues will be, of course, how far the individual employer can give their old jobs back to those who served in the war, how far he is obligated to help those displaced find some new work, and how far the government—national government and local—should go in facilitating all the processes of adjustment. A Reemployment Division in the Selective Service System already directs the work of re-employment committees in various localities which co-operate in replacing all persons in the armed forces released from service. Some people have urged the use of draft boards as re-employment agencies but others favor a wider use of the United States Employment Service. [12, 17, 24, 80, 89, 96, 129, 133, 140, 144, 156, 165, 196]

*Government and Labor*

In the field of labor, as in almost every other field, the relative roles of government and private interests will be a crucial long-run postwar issue. But in the case of labor there are two private interests to be considered: the employers and the employees. Government controls over the activities of labor have been of two kinds: through laws—such as the basic 40-hour week for wages, and the National Labor Relations Act requiring collective bargaining; and through the acts of administrative agencies—such as the National War Labor Board, the National Labor Relations Board, etc.

The war's end will surely bring demands from the employing interests and other sections of the public for an extension of legal controls over labor—at least in certain directions, such as remedying the alleged inequalities of the Labor Relations Act, the incorporation of labor unions, requiring open records on their finances and membership and limitations of their initiation fees. Also, there will surely be a wide demand to strengthen and expand the various agencies of investigation, mediation and voluntary arbitration which have been developed by the federal, state and local governments to reduce the likelihood of strikes. No great sentiment for limiting the ultimate right to strike, however, seems probable.

Labor, presumably, will demand the removal of all government restrictions on labor union activities after the war. Labor has always jealously guarded the unrestricted right to strike and has usually resisted efforts to incorporate and to regulate unions. [22, 29, 55, 83, 140, 144, 186]

*Collective Bargaining and Labor Unions*

The tremendous growth in the membership of labor unions since prewar days, as well as the cumulative effects of the National Labor Relations Act and of the decisions of the National War Labor Board, will probably leave unions at the war's end in the strongest position in all of their history. Unions will undoubtedly seek to take every advantage of this position to increase their power and influence after the war is over. They will press with greater vigor than ever for a larger share of industrial control and for the protection that comes from guarantees of permanence, especially through maintenance of membership, union and closed shop agreements, through checkoff systems, etc. Some managements will be glad to continue the collaboration and the guarantees—in plants where they have demonstrated their value. Others will take the first opportunity to get rid of what is considered interference in purely management affairs.

On the other hand, while labor unionism at the end of the last war was

stronger than it had ever been before, the great depression canceled out a large part of these gains and those of the prosperous twenties. If another depression follows this war, labor unions may face another period of decline in membership and in their power to resist attacks of antiunion employers. All the events, the extension of collective bargaining and labor unionism will be leading issues of the postwar period. [23, 186, 187]

#### *Union Structure*

One of the major prewar problems may still dominate the postwar labor scene—the rivalry between the AF of L and the CIO. Underlying differences of principle and practice in the labor movement—craft versus industrial unionism for example—may be modified by wartime practice but will probably remain an issue when the war is over.

As the industrial revolution tended to outmode craft organization and to foster industrial unionism, so the effects of the war may even tend to outmode the industrial basis of labor organization. A firm like General Motors may not be, after the war, only an automobile manufacturer. It may straddle over several different mass-production industries. The same is true of General Electric, Henry J. Kaiser, and many others. If industrial organization is preserved as the dominant union form, these employers will find themselves dealing with a number of different unions. The development may bring pressure for company-wide unions: not company-dominated, but coextensive with any given company no matter what its industrial demarcations may be. On the other hand existing unions may meet the situation in such companies through joint agreements or amalgamations. [23, 36, 186]

#### *Wages and Working Conditions*

After the war, labor will undoubtedly not only seek to protect itself against all attacks, but to raise the standards of wages and working conditions. In some cases, like shorter hours and "make-work" rules, this will mean an attempt to get back advantages it had before the war. Labor will want a basic 40-hour work week again and to go back to what have been criticized as "restrictive practices" of prewar years. In the case of wages, every effort will be made to keep up the high levels which have come with wartime production. But high and rigid wage levels, "artificially" maintained by pressure groups, raise deeper economic problems of the same sort as "administered" prices kept up by collusion between industrial firms.

Any rigidities such as these magnify the strains in a changing economy. [23, 36, 186, 187, 196]

### *Immigration*

If a lasting peace requires the free movement of goods it seems at least logical to many that there be the free movement of human beings. Any discussion of the possibility of opening this country to new waves of immigrants must be a discussion of primary interest to American labor and it is sure to come when the war is over. The immigration problem has already been raised by the current use of Mexican farm labor. What about these workers after the war? [47, 48, 51, 226]

### *Regional Differentials*

Regional wage differentials will raise other problems. For example, the war has accelerated the industrialization of the South. Wages there are lower than in the North. Government agencies have been sympathetic to labor demands for eliminating the differential but have, for the most part, held that full action would have to be deferred until after the war—as in the National War Labor Board decision in the Aluminum Company of America case. With unions entrenched in the South's new rubber, aircraft, steel, and shipbuilding industries—and stronger than ever in textiles, clothing, etc.—this will be an important postwar problem. [194, 196]

### *Vocational Training and Placement*

Entirely apart from the stupendous placement problems of the demobilization period, the growing necessity for new skills to meet new products, and for new mobility to meet the shifting geography of industry, will call for a farsighted and long-range program of vocational training and job placement. Unprecedented demands may be made upon the U. S. Employment Service and other employment agencies both for job guidance and for the task of bringing the worker and the job together. Demands will also be made upon the various agencies, both public and private, inside and outside of industry to train workers for new occupations. [24, 36, 168]

### *Unemployment*

If the growing demand by all sections of the American public for full-employment production after the war is not met we will again be faced



with the unemployment problem—in a form aggravated by disappointment and disillusion. A thoroughgoing appraisal is in order of the various methods of attack which were used by government in the past depression years, both here and abroad, the degree of success they achieved and the promise of their success in the changed world we are likely to face at the end of this war: financial assistance, CCC camps, public projects by federal, state, and local governments, etc. Efforts of private concerns to maintain employment in bad times will also be assayed. [12, 38, 80, 83, 96, 129, 139, 140, 156, 163, 188, 196]

### *Discrimination*

If competition for jobs becomes acute we may see increasing discrimination against employing negroes or other minority groups, women and older workers. Further, the Selective Service Act provisions that drafted workers be reinstated as far as possible in their prewar jobs may create serious hardships for persons replaced. Similarly there may be discrimination in wages, so that women, for example, receive less pay for doing the same work than men do. Solution of these important problems depends in part on how effective we shall be in continuing all-out production after the war. [12, 176, 194, 196]

## QUESTIONS

1. What plans are being made in your community to find jobs when peace comes for those who fought the war and furnished the supplies for those who fought? Do you think these plans are adequate? Do you believe employers are going to be able to give old jobs back to all those who formerly held them? To find other places for those who will be displaced in the process? How far should government assist in the great readjustment, and through what agencies?
2. What are the arguments for and against labor unionism? Which do you think are the weightier? What proportion of workers in your locality are union members? Do you believe that both employers and unions should be organized and deal with each other on an industry-wide basis? What do you think would be the difficulties, such as geographical differences, and what the economic effects? Do you think some form of membership guarantees such as maintenance clauses, union or open shop provisions, should be included in collective bargaining agreements?

3. What forms of union organization do you think will be best suited to industries with which you are familiar: craft, industrial or company-wide? Do you think that the AF of L and CIO should compose their differences and amalgamate? What are some of the problems involved?
4. As a general principle do you believe that the government should increase or decrease its legal regulation of the activities of labor after the war is over? Specifically, do you favor or oppose and under what circumstances: (a) incorporation of labor unions, (b) publicity of finances and membership, (c) limitations on the right to strike, (d) limitations on hours of labor, (e) minimum wage regulations, (f) legal guarantees of the right of collective bargaining, (g) participation of unions in management?
5. Do you think the powers of the War Labor Board and the National Labor Relations Board and the Conciliation Services of the Department of Labor should be continued, decreased or abolished when the war is over? Do you favor compulsory arbitration and, if so, how do you think it should be administered?
6. What do you believe is the likelihood that standards of wages and working conditions for American workers can be progressively raised in the future as they have in the past? Should these come about by agreement between employers and unions or by the action of employers alone? Is there any disadvantage to the public as a whole through wage rates that are relatively rigid because of labor union agreements and organization?
7. After the war what services should be provided to guide workers to job opportunities? What kinds of vocational training are likely to be needed and how can we make them available? What are likely to be some of the new job opportunities in your community after the war; in the nation?
8. What are the arguments for and against freer immigration? How far would you relax restrictions? What effect would this policy have upon labor?
9. Why would you favor or oppose elimination of regional wage differentials and of differentials between the sexes for the same work?
10. Is there job discrimination against negroes in your community? Against Jews? Do you think such discriminations are un-American? Why? What effects do you think these discriminations have on business and industrial efficiency?

## Section 7

# PUBLIC WORKS AND URBAN REDEVELOPMENT

## THE FACTS

### *Public Works in the Thirties*

Public construction—the building of schools, post offices, roads, water works—has always been undertaken by the government on a large scale in the United States. During the prosperity years 1925-1929, our federal, state and local governments spent over \$3 billion every year for works of this sort. As the depression hit our country, however, both public and private construction sharply declined. By 1933, we were spending only \$1.9 billion for all public construction. Then, faced with widespread unemployment and a collapsed construction industry, the federal government began "priming the pump" by putting more federal money into public works, both directly and through grants to states. Governmental expenditures for public construction reached a total of \$4 billion in 1936. This topped even the predepression peak of \$3.6 billion spent for public construction in 1930.

The federal program followed two main lines: first, a stepping up of regular construction of schools, post offices, bridges, and so on; and second, the development of emergency projects through the Work Projects Administration. The WPA program provided large numbers of jobs for unskilled labor, and required that persons employed be certified as in need of relief. Between 1934 and 1939 this program of emergency "work relief" gave jobs to an average of 1.6 million people a year (of which 222,000 were employed indirectly), while an additional 1.2 million (of which 641,000 were employed indirectly, were given jobs annually during the same period on public construction financed wholly or in part by federal funds.

Before the depression state and local governments were responsible for much more public construction than the federal government. But since then the ratio has been sharply reversed. In the twenties federal funds paid for only one twelfth of public construction and maintenance, but between 1934 and 1940 they paid for more than one half. During the twenties state and local expenditures for public construction averaged

\$2.1 billion a year but in 1938 they had shrunk to \$1.1 billion. From 1925 to 1929 federal aid to states averaged \$85 million and in 1938 it reached \$1.6 billion, if work relief is included. Direct federal expenditures on public construction averaged \$106 million in the twenties, and in 1938 were up to \$475 million.

The proportion of public construction to private building also showed a radical shift during the depression. While in the 1925-1929 period we spent an average of over \$10 billion a year on private construction as against over \$2.3 billion for public construction, in 1938 we spent \$5.2 billion for private, compared with \$4.1 billion for public, construction of all kinds.

Highways account for the largest share of public outlays, never falling below 40 per cent annually for twenty years to 1939. Out of a total of over \$2 billion spent for public construction in 1938 (excluding work relief and maintenance) \$837 million was expended on public highways, \$606 million on residential and nonresidential buildings, \$179 million on sewers and water supply systems, \$62 million on military and naval construction and \$402 million on all other types of construction; largely rivers and harbors, flood control and reclamation work and public service enterprises. [39, 40, 84, 134, 139, 140, 144, 146, 150, 200]

### *The War and Public Works*

War has made great changes in our public construction program. Building of public works not essential to war, such as water works, parks and recreational facilities, forestation and so on, has fallen off, especially when financed by states or localities. As materials and labor grow scarcer this kind of public construction may stop altogether. Federal funds are being poured into a public construction program for war of over \$22 billion, including roads, military and naval building, industrial plants, most of which will be completed by the middle of 1943. Military and naval construction increased 108 per cent in the first half of 1942 over the same period in 1941, and construction of federally financed industrial facilities increased threefold for the same period. Our total expenditures for public construction rose from around \$2.4 billion in the first six months of 1941 to \$4 billion during the first half of 1942. [139, 217]

### *Who Plans Our Public Works Programs?*

Planning ahead for public works has been carried on for some years by many federal, state, regional and local agencies. After Pearl Harbor

a survey showed that Planning Boards were maintained by forty-five states, over 1,500 counties and numerous cities. Regional planning agencies had also to be set up for such areas as the Pacific Northwest, the Tennessee Valley, Missouri Valley, New England.

Among the many federal agencies devoted to planning activities are the National Resources Planning Board and the Federal Works Agency which co-operate with local, state and federal agencies in developing a program of useful public works projects. Various federal departments and special agencies also have construction programs. Today cities, counties, states and the federal government, prevented from carrying on many kinds of public works construction because of the war, are building up "shelves" of public works projects to undertake in the postwar period. On the other hand a reaction against "planning"—certainly in Congress—set in after the November elections. [83, 137, 144, 146, 147, 150, 153, 188]

### *Urban Redevelopment*

Over the years we Americans have built a nation of cities. In 1790 only 5 per cent of us lived in cities of 2,500 persons or more compared with 55 per cent in 1940. In the same period the number of these cities grew from 33 to almost 3,200. Cities are still growing, but during the last decade they grew less than ever before in our history.

Today most American cities face serious economic problems: slums and blighted areas, lag in public improvements, exploitation of urban land, housing inadequacies, obsolescence, legal obstructions. At the same time they also face serious competition from their own suburbs. During the thirties suburban areas grew nearly three times faster than central cities. Business, as well as homeseekers, migrated from the center of the city to its outskirts.

For example, many chemical, metal and woodworking industries have moved from Manhattan to sites in Queens, New Jersey and Connecticut; between 1925 and 1935, 127 manufacturing concerns left corporate Chicago to outside points within its industrial area. Land, too, remains vacant in the centers of cities, while building goes on along their peripheries. A study of 221 cities has shown that nearly one third of the privately owned land within their corporate limits was vacant lots, most of them scattered separate small plots of ground.

Blight, the decay of the center of a city, and mushrooming of the suburbs is estimated to have poisoned as much as 30 to 50 per cent of

residential land in the typical American city. The toll of blight is said to be between 10 and 20 per cent of the annual budget of such cities as St. Louis, Birmingham and Boston. [27, 53, 87, 132, 141, 145]

### *Traffic Engineering*

Traffic facilities in and out of cities have not yet caught up with the revolutionary needs of the automobile and airplane although many efforts have been made to relieve city congestion by building express streets and widening present thoroughfares. Improvements like this cost heavily. In Chicago, the construction of Wacker Drive cost \$22 million a mile; the double decking of Michigan Avenue, \$16 million a mile. Railroad and trucking terminals, airports and harbor facilities have ordinarily been built with little relation to over-all city needs. Meanwhile, highways and landing fields are being developed to meet twentieth-century needs. A strategic network of highways, approved by the War Department in conformity with a master plan, has been designated by Congress. The erection of landing strips for planes along highways is also part of our war program. [7, 27, 53, 141, 145, 148]

## THE PROBLEMS

### *The Role of Public Works in the Economy*

Public works have been considered a prime economic and social necessity both in times of depression and prosperity. The building and maintenance of schools, post offices, roads, parks, waterworks, dams, etc., have always been recognized, by conservatives and radicals alike, as essential functions of government. But of late years, especially under the influence of the "New Deal" philosophy, public works have come to be considered also as devices with which to combat depression and unemployment. A large proportion of the great increase in federal expenditures for this purpose in the thirties was part of the pump-priming policy of the Administration and of its efforts to create jobs for the unemployed.

Some critics have claimed that the failure of these policies to bring full recovery was due to excessive government interference with the free functioning of private enterprise; others have said that the government did not spend enough, and cite the full-employment war production to prove their point. The problems posed by these two schools of thought

will be among the most important and difficult of the postwar era.

Already some postwar "planners" seem to count on public works not only to stop any depression that may set in, but also to play a major role in carrying over full-employment war production into the years of peace. On the other hand the National Association of Manufacturers believes that "government efforts to avoid or control all these readjustments by spending our way into prosperity will merely pile up more trouble for a later period," and "would involve adding still further to the then already large national debt and would mean still larger taxes at some later time." Some authorities stand on middle ground. They do not believe that a public works program could stop every depression that might set in, but they do advocate more public works construction in depression than prosperity so as to increase employment as far as possible.

The postwar role of public works in the economy can be discussed with a greater sense of proportion if the relative size of these operations, even at their peak, is kept in mind. While government expenditures for public works in 1939 were \$4.4 billion, the entire private gross capital formation in the country was \$11 billion and the total national income was \$70.8 billion.

At all events any program for postwar America will undoubtedly have two purposes: (1) to build those public works which are necessary in themselves and (2) to build, in addition and when needed, those that can best combat depression and serve the public at the same time.

Some experts now argue that we should build up a reserve of many types of projects. The volume of construction, they believe, should be kept flexible so that in periods of high employment it could be diminished and accelerated in periods of excessive unemployment. The nature of the project selected would also vary under these circumstances, with greater emphasis on numbers of jobs afforded in periods of unemployment. Those who favor this policy stress the importance of planning ahead of time for this flexibility—i.e., complete plans and specifications, they say, should be drawn up and filed away for instant use when the need for them should arise. [12, 39, 78, 80, 83, 84, 109, 129, 139, 140, 144, 150, 153, 200, 225]

#### *Role of the Several Governments in Public Works*

Trends of the thirties in financing public works, plus federal war expansion, raise complex questions for the postwar period. Some types of

projects are strictly local in character while others, such as river valley development, extend beyond the boundaries of municipalities, counties and even states. The role of the federal, state and local governments in building up a reserve of postwar public-works projects will be crucial. Different projects will also require different methods of finance: straight federal financing, or a combination of federal-state finance, or state and local financing. Priorities of one project over another will also raise many and varied problems to be solved in years that follow the peace. [83, 140, 144, 150, 153]

*Urban Redevelopment*

The postwar period will see an increasing demand for comprehensive programs of urban redevelopment, including not only the metropolitan areas but also the cluster of suburbs on the outskirts. A comprehensive urban redevelopment program covers improvements of whole neighborhoods within the city and includes new and remodeled home dwellings, shopping districts, parks, schools, hospitals, post offices, proper allocation of industry, reorganization of traffic facilities and various municipal services.

Many difficulties stand in the way. Comprehensive and adequate plans are needed, public opinion is often not ready for so drastic a move; local governments do not have enough powers (now held by the states) to purchase land and to control its use; corporate limits are not the same as the economic areas they dominate; and finally, the average city's fiscal condition cannot stand the strain of underwriting so large an undertaking. Advocates of urban redevelopment, however, say that with state legislation giving cities wider powers, and with federal financial aid, these plans can be carried out.

The National Resources Planning Board has recommended in one of its recent reports:

(1) That metropolitan regions and cities set objectives and make plans now, for their whole urban areas and for the human, institutional, and physical problems that will follow the war;

(2) The establishment of agencies, authorities, or arrangements in metropolitan regions and cities, broad enough to deal with the problem regardless of existing arbitrary boundary lines, and with powers adequate to deal promptly and effectively with the basic problems of urban reconstruction;



(3) That federal legislation be enacted authorizing such federal participation in such agencies, authorities, or programs as may be necessary and appropriate. [27, 53, 87, 132, 138, 141, 144, 145]

### *Traffic Engineering*

War-born expansion of the airplane industry will bring revolutionary changes in transportation after the war so that landing fields with connecting facilities to cities will need drastic reorganization. Railroad terminals, harbor facilities, airports, trucking terminals will need to be placed with a minimum of congestion resulting from their use, and with crosshauling eliminated wherever possible. Moreover, experts point out the necessity for a nation-wide system of express highways by-passing large metropolitan centers; of extending adequate roads into rural areas; of developing and extending our land facilities for air transport. All of these would form part of a nation-wide plan of traffic engineering and would undoubtedly involve large expenditures of federal funds. [7, 27, 53, 141, 144, 145, 148]

### QUESTIONS

1. Describe the nature of public works projects carried out in your locality in the past few years. By whom were they financed? How many were WPA projects? Evaluate their usefulness in terms of (a) effect on employment, (b) effect on private business, (c) usefulness to residents of your state. In the postwar period what would be some of the additional public works projects you would recommend in your community? Why?
2. How much do you think a public works program could contribute to our postwar goal of full employment? What effects would a large-scale public works program have on the building materials and consumer goods industries? What reasons would you advance for or against building up a reserve list of public works projects to be constructed in the postwar period? What would be your arguments for or against making a public works program flexible to meet changes in the employment scene?
3. Does the city or town with which you are most familiar need a program of urban redevelopment? How extensive would be the changes such a program would effect in this community? What would be some of the social effects of such a program? What would be your

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asons for or against including an urban redevelopment program  
our list of postwar projects?

ow do you think the highway routes and other traffic facilities in  
ur city and state need to be reorganized and expanded to handle  
gh-speed auto and air traffic? Take the city or town you know best  
d discuss the necessity and implications of an over-all plan for  
ffic control, including automobiles, airplanes, railroad terminals  
d harbor facilities (if any).

## Section 8

# HOUSING

## THE FACTS

### *Our National Housing*

We have over 37 million dwelling units in the nation—in single, double and apartment houses. About 40 per cent were occupied by their owners in 1940. Up to 1930 the long-time trend in the United States was toward increased homeownership in cities and towns and decreased homeownership on farms. Since 1930 there has been a decline in urban as well as farm homeownership.

Of our dwelling units 18 per cent need major repairs, 45 per cent have no private bathrooms and 21 per cent have neither gas nor electricity. In the twenties we built around 700,000 dwelling units a year with a peak of 937,000 in 1925. In the thirties we built about 275,000 a year with a low point of 93,000 in 1933. In the last ten years we have built enough new homes to provide for only three out of every five additional families. [15, 16, 38, 45, 79, 83, 93, 143, 174, 184, 222, 223]

### *Urban Housing*

We have over 21 million dwelling units in our cities, but over 28 per cent of them need major repairs or have no bathrooms. Overcrowding, and lack of play space for children are far too common. In city tenements and poor single-family housing areas there is frequently no central heating and often one toilet and a cold water tap serve many families. Many cities and towns give an outward impression of better housing than they have. For example, in one small town, famous for its fine old New England homes, only 19 per cent of the housing was recently found to be in good condition.

Much of our city housing is deteriorated and underequipped. In 1940, for example, almost five million city dwellings had no private bath, almost one million no gas or electricity, over two million no refrigeration equipment, while over one million lacked central heating or stoves. Conditions are even worse in rural communities where a much higher proportion need major repairs, and three fourths of the sixteen million dwelling units

are now reported to possess no bathroom facilities. [15, 27, 45, 87, 132, 138, 184, 222]

### *Farm Housing*

Our country has over seven million farmhouses but the census showed that over two million needed major repairs. Few had baths or running water, while five million had no gas or electricity. Between 1930 and 1940 only \$182 million a year was spent for farmhouse repairs, while \$213 million was put into farm service buildings: barns, sheds, chicken coops and the like. The value of farm buildings fell almost 20 per cent in the last decade: from \$13 billion in 1930 to \$10 billion in 1940. [125, 128, 184, 200, 201, 203]

### *Government Aid For Housing*

Since the beginning of the depression, the federal government has played an increasingly important role in the housebuilding industry. All federal housing activities are now centralized under the National Housing Agency.

The Federal Home Loan Bank Board (now the Federal Home Loan Bank Administration) and the Federal Housing Administration have helped to maintain a sound mortgage structure and to assure ample funds for housebuilding. The first agency, through the Home Owners' Loan Corporation, brought a halt to the wave of residential mortgage foreclosures during the depression and paved the way for recovery, and through its twelve regional banks has continued to provide credit reservoirs for savings and loan institutions that are members of its banking system. The Federal Housing Administration, through the insurance of mortgages, has increased the amount of private funds available for home mortgage lending at low interest rates and long periods of repayment. Both agencies have encouraged sound lending practices, particularly by extending the use of the single long-term mortgage amortized in monthly payments, and have improved construction and site planning standards.

The United States Housing Authority (now the Federal Public Housing Authority) has provided financial aid to local public-housing authorities to develop low-rent housing and slum-clearance projects. The Farm Credit Administration in the Department of Agriculture makes farm loans which can be used for building and improving farm homes. The Farm Security Administration operates about 140 rural community-housing projects, camps for migratory farm workers, and subsistence homestead projects. [15, 44, 93, 132, 143, 159, 223]

*The Residential Construction Industry*

The construction of dwellings in the United States is mainly a small-scale, handicraft, seasonal business employing large numbers of contractors, subcontractors, material dealers and members of over forty-five different building trades. Large-scale concerns put up big buildings using modern engineering and construction techniques, but, before the war, little housing was erected in this way. Since housebuilding requires little capital, much of the business is on a small local scale. Of over 33,000 builders in thirty-seven states who built 110,000 one- and two-family homes in 1938, only 279 put up more than thirty houses each while 17,000 produced only one house apiece.

At its seasonal peak in 1938 employment in housebuilding was estimated at 600,000 men with another million or so engaged in the manufacture and distribution of building materials. Labor costs are estimated at from 30 to 50 per cent of building costs depending on the efficiency of the builder. Even though hourly costs of labor are high—in New York City in 1937, bricklayers earned \$1.84 an hour, carpenters \$1.75, asbestos workers \$1.65—the usual working year is only 36 to 40 weeks, so that annual incomes are not high. At the same time, new methods and materials threaten the job security of various skilled trades in the industry. Hence, "working rules" have been developed which restrict the use of laborsaving materials and tools, and require the use of many different crafts.

Efforts to maintain high unit costs rather than to increase annual income by expanding volume have been characteristic not only of labor but all the other elements of the industry, particularly subcontractors and materials suppliers. Consequently, various sorts of collusive arrangements limiting output and raising prices have been for many years a constant sore spot in the industry.

For a typical \$5,000 house, costs might break down to \$600 for land, \$2,500 for materials, \$1,600 for labor, and \$300 for profit. Since our great residential need is for homes costing around \$3,000, this means that all of these items must be shaved down considerably. Basically, production costs are high because of the handicraft nature of housebuilding. Other industries have been able to reduce their costs enormously through the greater use of machinery and scientific methods of operation. Only recently have housebuilders begun to apply mass-production techniques to the house as a whole. And not until the labor time required to build a house has been substantially reduced will costs show any appreciable decline. [44, 45, 79, 143, 155, 159, 177, 184]

*War and Housing*

As war plants have mushroomed all over the country, housing facilities have been quickly exhausted in many war-production centers. Even though some communities have developed repair-modernization programs for old houses, further housing for war workers has usually been needed. Everything from trailers and barracks to well-constructed, permanent houses has been built to fill the housing shortage. Orderly city planning has often been scrapped, and often utilities, schools, transportation and other services are insufficient to serve the new housing.

To meet the shortage, the federal government has taken measures to maintain private construction in war areas and also to increase the amount of public housing construction where private resources were insufficient or where the investment risk was too great for private capital. In 1942 a total of 493,000 nonfarm units (chiefly in war industry areas, military and naval centers) was produced, 194,000 with public funds and 299,000 by private funds, which in considerable measure were insured by the special wartime facilities of the Federal Housing Administration. During 1943 it is expected that about 340,000 units in all will be erected, divided about equally between private and public initiative. Dwelling construction is thus being held to a bare minimum even in the most critical places, and elsewhere has been stopped altogether, resulting in accumulating shortages to be met in the postwar period.

War has hastened the development of new methods and materials—reduced the amount of labor needed in putting up the house, increased the use of prefabricated parts and assembly-line methods. [45, 132, 184, 185]

## THE PROBLEMS

*Our Postwar Housing Needs*

To replace our worst substandard dwelling units and to care for the increase in families, we shall probably need a building program for the next decade of more than one million dwelling units a year in towns and cities. In rural America we need a rural housing program of around \$4 billion. If we can carry out a housing program of this magnitude, experts believe it will make an important contribution, both directly and indirectly, to full employment in postwar America. Our greatest residential need will be for homes costing \$3,000 or less, and renting at around \$35 a month. This means that in postwar America we need more building of cheaper

homes. But, to achieve this, costs will have to be lowered so that the masses can buy or rent up-to-date living quarters. [15, 38, 44, 79, 83, 87, 132, 141, 144, 174, 184, 222, 223]

### *Reducing the Costs of Housing*

The basic element of any house is the land on which it is built. In the past land values have been subject to speculation, though they are tending now to become more stabilized. If we are to construct low-cost housing in cities, land prices will need to be lower. Again, tax liens and other legal restrictions on vacant land in cities make it difficult to assemble large enough blocks of land to develop large-scale housing projects without excessive cost. Various types of controls to protect the quality and quantity of housing, such as zoning and subdivision regulation, are needed to prevent deterioration of a neighborhood and protect the housing investment. Some people go so far as to say that municipal ownership of land might be necessary to provide for the orderly development of housing. Production costs of houses themselves will need to be lowered before we can begin to meet our existing housing needs; but the present methods of operation in the building construction industry are a bar.

An important housing cost is always the interest paid on borrowed capital. Interest rates have fallen a good deal during the past ten years but there is a growing belief that even lower rates are needed—on a secure investment basis—to allow unsubsidized housing to serve a larger proportion of families. [16, 44, 87, 143, 155, 184]

### *A Healthy Residential Construction Industry*

Some people believe that a piecemeal reduction of costs of labor and materials will lower the cost of housing; others argue that substantially lower costs cannot be attained unless a revolutionary change occurs in the present method of building houses and mass production is developed. One of the fundamental problems for labor in the industry is to provide adequate annual earnings. Some authorities claim that a reduction in hourly wages, allowing lower labor costs for an individual house, will produce greater annual earnings by making larger operations possible. Also the "restrictive rules" which protect the employment of various crafts on a building job and contribute to high labor costs might be unnecessary if the industry were put on a mass-production, continuous-operation basis. The greater the proportion of housebuilding done in factories, the more work can be done during bad weather.

Today the housebuilding industry is so divided among a number of elements—the contractor, numerous subcontractors, material producers and suppliers—that no centralized control exists. As a result the various groups try to maintain their present position against possible technical changes, and resist cost-reducing and efficiency-producing innovations. More efficient management in the housebuilding industry is called for if costs are to be lowered. [45, 79, 93, 177, 184]

### *The Role of Government in Housing*

Another leading long-range issue after the war will be the role which the government should play in each part of the housing field—direct ownership and operation ("public housing"), mortgage insurance, refinancing of mortgages, new mortgage money, etc.—in relation to private interests.

Most controversial, of course, will be the question of public housing. Public opinion has certainly not opposed government projects for those income groups which private interests have not furnished with decent living quarters. But there has been a good deal of criticism of the way it has been done: high costs, constructing new buildings instead of renovating old ones, the subsidization of the building instead of the tenants, etc. In some quarters, any government housing at all has been opposed because of alleged competition with private interests.

The part that government should play in helping to reduce the costs of private housebuilding will be another postwar issue: the desirability of direct action against the various alleged restrictions, changes in tax policy to encourage large investments in housing, the aggressive use of research and testing to facilitate the use of new materials and processes, etc. The contraction or expansion of the agencies already set up by the government to help solve the housing problem will, of course, become leading concrete issues when the war ends, especially of those grouped in the National Housing Agency—the FHA, the Federal Home Loan Bank Administration and component agencies, the Federal Public Housing Authority as well as the Farm Credit and Farm Security Administrations.

A more immediate problem will be that of the peacetime use, or the disposal, of the vast new housing projects which [are being put up to accommodate war workers. In many cases the war plants will be closed, the workers will move away and the need for the housing will no longer exist. In other cases the plants will be converted to peace uses and the war housing can still be used. [15, 45, 87, 144, 159, 184, 192, 223]



## QUESTIONS

1. In your community, how many people own their own homes and how many are tenants? Houses and apartments of what sale price and rental rate seem to be in greatest demand? How many additional housing units do you think your community will need after the war? How extensively have old dwellings been repaired and modernized?
2. Are there any war housing developments in your community? If so what disposal or use of them should be made after the war is over?
3. What do you think will be the national need for new houses after the war? What will be the need in your own locality by income groups?
4. How important do you think the housebuilding industry will be in giving us full employment after the war—both nationally and in your own locality?
5. In what ways do you think the federal, state and local governments should contribute toward the solution of the nation's housing problem and of the problems in your own town or district? Should private enterprise alone, or with federal aid, or the federal government alone undertake: (a) a rural housing program; (b) a rental housing program for low-income urban groups? What, if any, limits do you think should be set on public housing?
6. What do you think should be done about the reduction of high costs in the housing industry? About restrictive rules of subcontractors and labor? What would be the attitude of contractors, building-materials dealers and labor unions in your community about the increase of factory methods and large-scale operations?

## Section 9

# HEALTH

## THE FACTS

### *How Healthy Is America?*

Of the first two million men examined for active military service, 45 per cent were rejected. "An indictment of America," President Roosevelt called it, because so many of their defects were preventable or remediable. The National Health Survey of 1935-1936 had already shown serious inadequacies in our health and medical facilities, especially in the poorer states and the rural sections of our country.

Many of our people suffer from the results of defective diet. Preventable pellagra, for instance, which can be directly attributed to faulty nutrition, attacks probably 100,000 persons in some thirteen of our southern states every year. On an average winter day about six million persons are temporarily or permanently disabled because of illness. Over 450,000,000 working days were probably lost to American industry in 1942 from illness alone.

Illness is also directly related to income. Only the comfortable groups in our population can afford to pay for all the care they need. Whatever the causal relation may be, people with the lowest incomes are usually sick oftener and die sooner. Persons on relief in 1935-1936 averaged seventeen days of illness a year; those with family incomes under \$1,000 averaged almost eleven days; those in the \$1,500-\$2,000 income group averaged seven days; and those with incomes of over \$5,000, six and a half days of illness. [11, 38, 50, 81, 83, 104, 105, 175]

### *Our Prewar Health and Medical Facilities*

Our chief medical facilities, as they existed before the war, are summarized briefly below.

We had 6,358 hospitals with 1.3 million beds, 55 per cent in mental and tuberculosis institutions. There was a shortage of beds for those unable to pay except in cities and in some northeastern sections of the country. There was also a complete lack of hospital facilities in certain rural sections.

There were about 165,000 physicians in active practice, some 300,000 active nurses, and 71,000 dentists. As with hospitals, there was a maldistribution of these professional groups, with an oversupply in some large cities and too few in the poorer sections of the country and in rural areas. The ratio of physicians to population before the war was one to every 800 people for the United States as a whole—the highest in the world. But in thirteen of the poorer states, the ratio has been one to more than a thousand people.

Cities, counties, and states are directly responsible for health in their respective areas. The United States Public Health Service administers the grants to state public health services and conducts basic research on national health problems and the United States Children's Bureau carries on certain health work for mothers and children. Grants to states under the Social Security Act have greatly extended services for the control of venereal diseases, tuberculosis, cancer, and for maternal and infant care and aid to crippled children. Although the number of counties with full-time health officers has more than doubled since the social-security laws went into effect, more than 1,200 counties—many of them, no doubt, sparsely populated—are still without full-time officers.

State, county, and city hospitals and clinics, city and county doctors, medical-service divisions in departments of welfare (sometimes in departments of health) provide medical services for the dependent sick. The mentally diseased are usually cared for in state hospitals, the tuberculous in local sanatoria. The federal government is responsible for special groups, such as veterans and Indians. Wide provision is made under state workmen's compensation laws for medical care in the case of industrial accidents. [10, 11, 50, 61, 71, 104]

### *Effects of the War*

The war has caused a great increase in the use of, and need for, hospitals. Industrial workers have more money to pay for hospital care; the influx of new populations into industrial cities like Baltimore, Bridgeport, and Detroit has resulted in bed shortages even in cities with adequate prewar facilities. New war industries have created boom towns, often in areas where there are few or no hospitals. At the same time, hospitals have lost professional and other personnel to the war and are working with skeleton staffs.

By the end of 1942, about 40,000 physicians, some 12,000 dentists, and over 20,000 nurses had been taken into the armed forces. Unfortun-

ately, physicians have volunteered in the greatest numbers from the communities least able to lose them. A shortage of doctors probably exists in three hundred American communities. In some counties the ratio of doctors to people is less than one to five thousand persons. A few have no doctors at all. There will be fewer dentists to take care of civilians. Hospitals and departments of health are already feeling the nursing shortage acutely. Employment of nurses in private homes will be curtailed.

Departments of health are losing other personnel to war activities. A recent study by the Division of Public Health Methods, National Institute of Health, estimates that over six thousand persons are now needed in these departments either to fill vacant positions or to occupy new ones: physicians, dentists, veterinarians, public-health nurses, sanitary engineers, and others. [10, 61, 175]

#### *Recent Developments in Medical Care*

Within the last ten years many groups have set up voluntary plans which enable people to obtain medical care on a prepayment basis and so to budget their illness costs in advance.

Hospital service plans protect over eleven million people in more than seventy, mostly urban, communities against the costs of hospital care. Employed groups pay from fifty to eighty-five cents monthly for individuals, \$1 to \$2 per family. Semiprivate care usually is provided, with ward care at lower rates in some places. Physicians' and nursing care are not included.

For many years some large companies—railroads, lumbering concerns, mines, and a few other large companies—have furnished complete medical service for employees, occasionally for their families. Sometimes it is entirely financed by employers; but much more frequently with employee contributions collected as payroll deductions.

Consumer co-operative medical service plans have been set up by groups of individuals, sometimes employing physicians on a salaried basis and operating their own hospitals and clinics, sometimes buying service at agreed rates from physicians in private practice and from community hospitals. These plans cover home, office, and hospital services of physicians, and sometimes nursing and dental services.

Some groups of physicians, working together in "group practice" units, have set up prepayment plans providing both medical and hospital services for employed groups. There are usually nominal additional charges for dependents.

Within the last three or four years, medical societies in a number of

states have started their own prepayment plans. They are more expensive than other types, and usually offer a limited scope of service. Ceilings are placed on family incomes, usually \$2,000 to \$2,500, or else physicians are allowed additional charges to families of higher incomes. Free choice of physicians is given, and fees paid to physicians are based on units of service.

The Farm Security Administration lends money to low-income farm families for group payment of medical care. Arrangements are made with medical societies for payment of bills from these pooled funds. Membership charges are from \$15 to \$30 a year per family. Service is mostly of general practitioners only. In June 1942 these plans covered 586,000 persons in 1,022 counties in thirty-nine states.

Rates for the industrial, consumer co-operative, and group practice plans range from \$20 to \$30 per year per individual; \$60 to \$100 per family for complete medical and hospital service, except dentistry. While effective for the groups whom they serve, the total coverage in relation to population is small. Voluntary plans, if subscription rates can be kept low enough, are useful to families in the \$2,000 to \$3,000 income group. They would be welcomed in the \$3,000 to \$5,000 group. The large number of workers in the lower-income groups, however, who most need such service cannot afford the cost of even prepayment service without contributions from their employers or the government.

The American Medical Association and the state and local medical societies have fought the establishment of plans in which groups of consumers or physicians set up their own plans and employ a professional staff on a salary basis. Many thoughtful physicians, however, are in disagreement with these policies of the Association and the societies. [11, 34, 50, 71, 81, 104, 105, 112, 152]

## THE PROBLEMS

### *Compulsory versus Voluntary Health "Insurance"*

The most crucial and controversial long-range issue of the postwar period in the health field will undoubtedly be the lengths to which the government—federal, state, and local—should go in guaranteeing adequate medical and hospital care to the entire population. The health shortcomings of draftees, and the grave gaps and deficiencies in our health facilities which they have dramatized, together with the drastic and comprehensive program of government guarantees proposed for Great Britain

by the Beveridge Report, will give great impetus in this country to demands that adequate medical care, like education, should be furnished by the state—at least to all those who cannot provide it for themselves. Comprehensive plans for compulsory government health "insurance" will undoubtedly be proposed.

In these plans, as in the case of voluntary ones, a subsidiary issue will be the form in which protection is to be given—i.e., cash versus service benefits. In other words, should the medical and hospital care itself be furnished to the insured, or money with which to buy it? Another issue will be the degree to which those who cannot afford to pay the entire cost of protection should be required to contribute to the program. Still other problems in any nation-wide compulsory health-protection program will be the division of functions in its administration between the federal and state governments, and the role of the medical profession both in determining the character of services to be provided and in their administration.

The strength of the movement for compulsory health insurance in this country will be largely influenced by the degree to which voluntary plans give protection to those who need it most. It is obvious, however, that, to be effective, such plans must cover not only hospital service charges but medical care in the home, office and the hospital, and necessary nursing. Furthermore, the rates must be low enough for the low-income groups to pay them. It is at this point, of course, that voluntary plans cannot possibly meet the needs of the entire population. Adequate all-round medical and hospital care at its greatest efficiency can hardly be given even to large groups of people for much less than an average of \$20 a year. But many people cannot afford to pay even that amount. How to give proper protection to them is the knottiest problem of all. On one point, however, almost everyone is agreed. The present situation—in which such people either do not get any care at all or get it through private charity (free doctor's services or donations by the rich)—is no longer tolerable in the United States.

One of the chief factors in the situation will be the attitude of the organized medical profession. The medical societies, national and local, have bitterly opposed almost every effort of the lay public to provide organized medical service. They have insisted on the "free choice" of doctors and resisted almost every modification of the traditional relationship between the individual patient and practitioner. Their opposition has been especially bitter to any compulsory government health "insurance."

At the same time there has been a rising current of dissatisfaction in the profession with the necessity of so much free service to those who cannot afford to pay. [11, 34, 38, 50, 71, 81, 104, 112, 147, 175]

#### *Postwar Adjustments of Personnel*

When the war ends, and as the armed forces are demobilized, we shall face a vast and complicated problem of readjustment of medical personnel. Some assistance will be needed for the many thousands of physicians leaving the service to re-establish themselves in civilian practice. Soldiers are, as a rule, younger men who can go back to the jobs they left but physicians may find their practices have entirely disappeared. Some provision should also be made to induce returning physicians not to crowd into the more prosperous areas which are always better served and to induce them to settle in the less populous and poorer regions which have never had their proper complement of doctors. Better hospitals, clinical and research facilities in rural areas would offer greater incentives. Provision also will be needed for the greatly increased number of nurses who have entered the field as the result of the war. Possibilities include: increased employment in the public-health field, always understaffed; inclusion of nursing in hospital and medical-care plans; extension of public nursing services for low-income groups. [10, 38, 71, 104]

#### *Extension of Public Health Facilities*

Pending the establishment of some comprehensive national health "insurance" program, an extension of existing public health facilities will undoubtedly be called for when the war is over. Various problems will have to be met: the introduction of new types of disease by returning soldiers; epidemics such as the "flu" after the last war; great movements of people as war industries cease and others start; the shameful number of dental defects uncovered by the selective service examinations. An extension of school health services seems especially needed for more effective care of children and adolescents not only through examination to discover defects but also through actual treatment where it is necessary to correct them. [61, 104, 105, 147]

#### *Hospital Construction*

A large increase in the existing hospital plant of the nation will be needed in the postwar period which may be more or less tied in with comprehensive plans for public works. The normal increase in new

building and in the enlargement of existing plants has been stopped by the war. This has created a pent-up demand in addition to the need for facilities in regions that have always lacked them. Facilities will also be necessary for returning soldiers requiring hospitalization. [38, 104, 105]

### QUESTIONS

1. How far short were the medical facilities in your locality before the war in supplying adequate protection to all the people against the hazards of accident and illness: (a) hospitals, (b) physicians and surgeons, (c) dentists, (d) means of payment?
2. What efforts or plans are being made in your community to ensure adequate medical care for all income groups? How should these activities be extended?
3. Which of the types of prepayment plans seem to you most likely to reach the largest number of people and to prove most satisfactory in a community like yours? What services or facilities are most frequently omitted from these plans? What has been the attitude of the medical profession toward them?
4. Are voluntary plans likely to meet all our people's needs? If not, what steps, legislative or otherwise, should be taken? What can you, as individuals and groups, do to ensure adequate medical care for everybody?
5. What changes in medical personnel has the war brought about in your community? What steps do you think should be taken to re-establish physicians and others now in the armed services when peace comes?
6. Is the hospital plant in your community sufficient to meet normal needs? If not what expansion do you think is called for when the war is over?



## Section 10

# EDUCATION

## THE FACTS

### *How Well Educated Are We?*

Of 30.7 million children between five and seventeen years, 26 million were enrolled in public schools and 2.7 million in private schools during 1937-1938. But over two million were not in any school at all. Out of 8.3 million children between the ages of three and six, only 645,000 were enrolled in kindergarten or preschool classes which mostly existed only in larger cities.

The average number of school years completed by city children is 8.7 and by farm children, 7.7 years. Of city youngsters less than six in every hundred spend four years in college and less than two of every hundred farm youth achieve a full college training. Average American adults have had little more than a grade-school education. But in Arkansas, for instance, half of the adults have not even completed grade school; 26 per cent of the adults in urban communities and 50 per cent of the rural dwellers did not go beyond the sixth grade. Rural America has had less educational opportunity, and poorer facilities, than city dwellers.

Illiteracy in the United States has not yet been conquered. In a study of ten states it was found that 1.5 per cent of the native whites, 16.3 per cent of the negroes, and 9.9 per cent of the foreign-born whites could neither read nor write. Among these states was North Carolina, where 10.6 per cent of the negroes were illiterate compared with 3.1 per cent in California. In Kentucky 5.7 per cent of native-born whites were illiterate as against 0.6 per cent in Pennsylvania. [2, 9, 28, 38, 69, 160, 166, 192, 212, 213]

### *Our Educational Plant*

In 1938 we were using over 229,000 public school buildings. But over one half of them were only one-room, one-teacher schools. In twelve states, over 368,000 pupils were enrolled in these one-room schools where a single teacher gave instruction in eight and sometimes as many as twelve different grades. Rural consolidated schools staffed with several

teachers and using busses to transport children from a fairly wide area are a growing trend in rural education. City schools, too, are often outdated and lack adequate facilities. In a recent survey of 506 cities 39 per cent of the schools were found to be over thirty years old and badly equipped. [2, 28, 38, 173, 192, 212, 213]

### *Personnel*

For 1937-1938 the number of teachers, supervisors and principals in public schools was over 918,000 and in private and parochial schools, 96,000. The average number of pupils enrolled to a teacher in urban public schools was 32.5 and in rural public schools, 27.1. If all the children between five and seventeen not now in school were enrolled, we should need 71,000 additional teachers on the basis of our 1937-1938 ratio of 29.6 pupils to one teacher.

The average annual salary of teachers was \$1,374 in 1938, but thirty-two states reported an average below this figure. Of these, thirteen states reported an average below \$900; lowest among them were Arkansas and Mississippi paying an average of \$500 a year. Salaries in urban schools average \$1,952, ranging from \$872 in Arkansas to \$2,060 in Massachusetts and \$2,346 in California.

Rural salaries were much lower, the national average in 1938 being \$864, with a low \$409 in Mississippi and a high \$1,861 in California. The difference in salaries for white and negro teachers is equally great. In Alabama the average annual salary for white teachers was \$827 and for colored teachers, only \$393. Comparable figures for Arkansas were \$620 and \$367, Georgia \$876 and \$352, Mississippi \$630 and \$215, South Carolina \$943 and \$373. [2, 28, 38, 173, 192, 212, 213]

### *Adult Education*

For years various kinds of formal and informal adult education projects have been carried on, giving all kinds of instruction from teaching people to read and write to training in highly technical fields. Some two million people regularly attend night classes in public school, and unknown numbers go to forums, debates, take correspondence and extension courses. Depression days encouraged this development. The United States Office of Education experimented with forum projects, and the WPA offered classes throughout the nation in various subjects and grades.

We have over 6,000 public libraries containing more than a hundred million volumes maintained at a yearly cost of nearly \$50 million. Annual

library book circulation amounts to about four books for every person in the nation. Further library resources, including college libraries with sixty million books, institutional and private libraries, are afforded. Radio, motion pictures and museums are, of course, other means of adult education. [28, 160, 161, 192]

### *War and Education*

War has hit our education program amidships. The effect of the draft and higher wages in other jobs has created a shortage of 50,000 teachers with greatest needs in science, mathematics and vocational arts. The expansion of war industries and the influx of new family workers has overtaxed the capacity of schools in many areas. The lure of well-paying industrial jobs is drawing young people from secondary schools. Meanwhile, vocational and industrial training in public schools has been vastly expanded with some courses running almost twenty-four hours a day.

College enrollments have been badly hit by the war with operation of over fifty colleges already suspended for the duration. Enrollment decreased about 14 per cent in 622 colleges between October 1941 and October 1942—24 per cent in junior colleges. Drafting of eighteen- and nineteen-year-olds makes the problem of keeping many colleges open even more serious. Some colleges and universities, however, are expanding their scientific and technical departments, and have been able to work with the armed services in offering many federally financed training programs of various sorts. [5, 9, 160]

## THE PROBLEMS

### *How Much Education?*

At the base of our postwar educational problems is the question of how much education we should aim to give to the people of the United States. It is generally accepted that every boy and girl born in the United States should get at least a grammar-school education. Many people contend that they should all go through high school; others say junior college. Almost every authority agrees that college and university training should be available for those who want and are fitted for it. The National Resources Planning Board has recommended: "(1) that equal access to elementary and high school education be assured all children and youth; (2) that equal access to general and specialized education be made avail-

able to all youth of college and university age, according to their abilities; and (3) that adequate funds be made available by the local and state governments and underwritten by the federal government to carry out these recommendations." Even the least of these objectives is far from what we have yet attained and raises difficult problems of finance and teaching personnel. [8, 9, 38, 82, 144, 147, 160, 166]

### *Equalizing Educational Opportunities*

At least the present glaring inequalities in existing opportunities—as between races, urban and rural districts, and states—call for readjustment. The task is to equalize opportunity by maintaining and upbuilding public education with adequate funds and public support. Some authorities say that federal funds should be allocated to the states to equalize the variations between them. Others argue that this would mean federal control over education which many believe to be undesirable. Federal aid, of course, has been going to many schools in wartime, especially to develop and expand vocational training. Problems of state aid to localities are also involved. Scholarships to needy young people of ability are also urged as another aid to genuinely effective free education. Such a program, it is urged, might be operated separately from existing agencies serving needy students. The National Resources Planning Board favors educational grants from the federal government "as needed to assure educational opportunity for all young people above the age of compulsory school attendance who desire and can benefit by continued schooling, to be distributed by the educational authorities." [2, 38, 69, 147, 160, 166, 173]

### *Improving the Educational Plant*

Even if only a high-school education should be guaranteed to the whole population, a large-scale program of new school construction and of repairs and expansion of the existing plant and equipment would be called for. The need for consolidation of existing schools, especially in the rural districts, to improve the quality and variety of instruction presents another major problem. There is an increasing demand among educators and the public for greater distribution of specialized training facilities, particularly in the higher grades and colleges, to enable young people to study in fields for which they are best qualified.

More industrial, technical, and professional schools scattered throughout various regions of the country and in large metropolitan areas are also being urged. Meanwhile, war experience has shown that the school

plant can be increasingly used by the whole community. This emphasis on using our educational plant for a variety of community needs may mean new kinds of school buildings to meet an enlarged community function. [2, 38, 82, 173]

### *Improving the Content of Education*

Entirely apart from whether a grammar- or high-school education should be the right of all Americans is the problem of what they are taught when they get to school and how it is taught them. Many educators believe that our present education should be drastically changed in order to meet more effectively the needs of the individual and society. Critics of the status quo say that a much closer relationship between education and the community is called for than has existed in the past. This will involve: a greater variety of courses offered; more effective synthesis between courses; greater vocational guidance, job placement, and all along the way, consultation with students not only on vocational questions but on emotional and psychological problems; and the postwar use of teachers and schools for elections, rationing and other public purposes. All these activities, they say, should be effectively directed in the interests of the whole community, with increasing emphasis on student-teacher participation in community enterprises, and community co-operation in school activities. The expansion and more effective guidance of adult education through the schools is also urged. The National Resources Planning Board urges that "the curricula of the schools . . . be revised so . . . that all young people obtain meaningful unpaid work experience in the school or in community service." [2, 147, 160, 173]

### *More Teachers and Better Conditions*

Any comprehensive program for expanding our educational facilities means more teachers and larger and better facilities for teacher training. The present level of salaries for teachers also raises grave problems of personnel relations and finance for the future. With educational standards constantly being raised and one fourth of the states offering salaries of only \$18-\$75 a month, it may be difficult to recruit enough capable teachers effectively to man our present educational plant. Moreover, many people argue that we must think of teachers in different terms, emphasizing experience and a broad outlook as a qualification to teach. The community in turn should give greater status and recognition to the vital work the teacher is doing. Public confidence in this enlarged scope for teachers

should, it is argued, go hand in hand with efforts to improve teachers' financial rewards. [2, 38, 160, 173]

### *Completion of Interrupted Education.*

Many young men and women in the armed forces and in war jobs will want to complete their education when the war is over. Often their training has been interrupted through high school and college. Financial provision was made after the last war for veterans who wished to go on with their studies. A demand for a similar program may follow this war. Because most of these people returning to school will be older and more experienced than young people in a similar grade or class, some program of acceleration of training may be desirable.

Meanwhile the quality of instruction has deteriorated in many schools, partly because of lowered requirements for teachers. For those students desiring advanced training some kind of supplementary courses may be required to help them meet necessary minimum requirements. Many persons will want, after the war, to expand their cultural, professional or general knowledge. Hence our whole adult-education program, both in terms of courses and teachers, must be more rationally related to individual and community needs. [9, 69, 147]

## QUESTIONS

1. Do you believe every American should have at least a high-school education? How many of the young people of high-school age in your community are not now attending school and why?
2. What should be done to raise teachers' salaries in order to attract and hold the most capable personnel? What is the range of teachers' salaries in your community? Has the war created a serious teacher shortage in your state and, if so, how is the problem being met? What can we do to give greater community status to teachers?
3. What should we do to help complete the education of young men and women whose schooling has been interrupted by the war? Would you recommend that we develop a national scholarship program for needy students deserving of further training? Do you think we should provide other local or national assistance to needy students? If so, by what means? What provisions would you recommend after the war for young people who cannot afford to go to school or do not want to, and who cannot get jobs?

4. What are the adult-education facilities available in your community and are they sufficient to meet local needs? How do you think they might be improved? What is done to meet the problems of illiteracy in your state, and is the program adequate?
5. What are some of the ways by which the schools, students and other members of the community can achieve closer co-operation and participation in community life?
6. Do you think that the courses given in the schools and colleges of your community offer the kind of education called for by modern life? If not, what broad changes would you suggest?
7. What are the arguments for and against federal aid to education (a) to equalize facilities as between the states and (b) to continue schooling above the age of compulsory attendance?

## Section 11

# ECONOMIC SECURITY

## THE FACTS

### *Patchwork Security*

In contrast with certain other nations which have been ahead of the United States in this field there is no single, national system of "social insurance" in this country. Our social-security program presents a patchwork pattern of federal, state and local operations. It covers, more or less thoroughly in each case, five major fields: (1) federal insurance against old age and for survivors of deceased workers; (2) unemployment insurance and workmen's compensation operated by the states; (3) federal-state public assistance for aid to the aged, dependent children, the blind; (4) federal-state payments to unemployed persons meeting certain qualifications for work on public projects; and (5) state or locally administered and financed general relief. Also, the Food Stamp Plan has made surplus commodities available to qualified poor persons, and the Farm Security Administration grants funds for bare subsistence in cases of extreme distress in rural areas and makes loans for the rehabilitation of low income farmers.

During the fiscal year 1941, we paid out a total of \$3.5 billion for our whole economic-security program. Of this, the state and local governments spent \$1.3 billion; and the federal government spent \$2.2 billion, \$1 billion for assistance, including FSA subsistence payments, and \$1.2 billion for work relief to persons employed by the CCC, NYA and WPA. [4, 18, 32, 38, 78, 83, 105, 147, 152, 161, 216]

### *Old-Age and Survivors' Insurance*

Federal old-age and survivors' insurance, administered by the federal Social Security Board, provides benefits for workers and their wives who are over sixty-five and survivors' benefits to widows, orphans or aged dependent parents of the deceased worker. These benefits are determined on the basis of (1) total wages received by the worker since December 31, 1936, in jobs covered by the Social Security Act, and (2) of the number of dependents. They are financed by a tax of one per cent of the pay-roll



paid equally by employee and employer on wages up to \$3,000 a year. All occupations are covered except the self-employed, agricultural workers, domestic-service workers, casual workers, and employees of nonprofit, governmental and educational institutions. Under the original law the tax was to have increased from a total of 2 to 4 per cent in 1943. In October 1942, however, Congress froze the existing rate for 1943.

On January 1, 1942, 61 million people had a social-security account number. Over two million persons had account numbers under the Railroad Retirement Act which is operated separately for railroad workers. In May 1942, 524,700 persons received monthly benefits totaling \$10 million under the old-age and survivors' insurance program. For the same month, 157,000 people received annuities and pensions amounting to \$10.2 million under the Railroad Retirement Act. Total assets of the old-age and survivors' insurance trust fund were \$3.2 billion at the end of May 1942, and for the railroad-retirement account were \$105 million. Increased war employment is making many workers eligible for the first time under the federal program. At the same time higher wages mean increased social-security tax revenue which builds up financial reserves. [32, 147, 161, 216]

### *Unemployment Insurance*

The Social Security Act of 1935 stimulated the enactment of unemployment-compensation or insurance programs by the states through the so-called tax offset provision. A federal tax is levied on pay-rolls, but employers who pay state taxes for unemployment insurance receive up to 90 per cent credit against this federal tax. The states rapidly passed unemployment-insurance legislation which qualified them for federal aid. Our state-administered unemployment-insurance program is thus financed by state pay-roll taxes levied on employers and deposited to the credit of each state in the Unemployment Trust Fund in the United States Treasury. In some states workers also make a contribution. Costs of administration are, however, paid by the federal government through grants administered by the Social Security Board to states which meet various qualifications.

While state laws vary a good deal, workers must ordinarily have been employed from thirteen to twenty-six weeks before being eligible for unemployment benefits and usually have to wait for two or three weeks before benefits are payable. The most common scale of weekly benefits is a fraction (usually  $1/26$ ) of total earnings in some specified preceding quarter with a minimum benefit of around \$5 a week to a stated maximum.

The maximum time for which benefits can be received usually varies from twelve to twenty-six weeks.

About 32 million workers had wage credits under these programs in 1940. From the beginning of the program in 1935 to the end of March 1942, \$1.98 billion was paid out in net benefits, \$344 million of which was paid out in 1941. At the end of March 1942, we had \$2.9 billion in the unemployment trust fund. Railroad employees are provided for separately under the federal Railroad Unemployment Insurance Act. In 1941 they received \$15 million in payments. [89, 96, 147, 161, 216]

#### *Public Assistance and Work Programs*

Public assistance covers the various forms of aid given from public funds to persons or families in need. Federal funds are made available through the Social Security Board to the states to help share the cost of benefit payments to needy old people, the blind, and dependent children under sixteen. Federal funds have also financed a work relief program, carried out most recently under the Work Projects Administration, which was ordered liquidated on December 4, 1942. The WPA program was established to provide jobs for workers in need who met various qualifications, and earnings were usually limited to meet the elemental needs of workers and their families. Some state and local relief authorities have also operated local work relief projects. Federal funds were also made available in the past to help needy young people through the CCC and NYA. To help the many individuals and families in need of relief, but who are not eligible under the programs outlined above, the states have made provisions for general relief. Payments are made in cash or in goods, and the extent and amount of payments vary greatly among the several states.

Public assistance and earnings under the federal program amounted to over \$159 million in March 1942, and around 10.1 million people in four million households received benefits. In 1941, we paid out through the states \$2.2 billion under this program, of which \$541 million was for old-age assistance, \$153 million for dependent children, \$23 million for the needy blind, \$937 million for WPA "earnings," \$275 million for Civilian Conservation Corps and National Youth Administration earnings. The states themselves spent \$440 million in all for relief. About 99 per cent of our money for relief or assistance comes from public funds, and one per cent from private agencies.

Since the war both the CCC and the WPA have been abolished. [32, 147, 161, 216]

*Aid to Veterans of Our Wars*

At the end of June 1941 we had disbursed a total of \$14.6 billion in various ways to veterans of our wars and their dependents, of which the veterans of World War I have received \$4.4 billion. For the year 1941, the number of living veterans receiving allowances of \$320 million was 618,926, and the number of deceased veterans whose dependents were receiving allowances of \$113 million was 237,515. In 1941 the benefits averaged \$496 for all recipients, and for veterans of World War I alone, \$477. These benefits have included the World War I "bonus," disability allowances, pensions, etc., and are administered by the Veterans Administration. [161]

## THE PROBLEMS

*Current Demands for Reform*

Even before the war our social-security system, or lack of system, had been under an increasing fire of criticism. President Roosevelt recognized its shortcomings in his message to Congress of January 1942 by recommending: an increase in the coverage of old-age and survivors' insurance; addition of permanent and temporary disability payments and hospitalization payments beyond the present benefit programs; and the liberalization and expansion of unemployment compensation in a uniform national system.

The publication of the British Beveridge Report in the fall of 1942 caused a tremendous revival of interest in the subject of social insurance in the United States and a new upsurge of criticisms and demands for reform in this country. The report of the editors of *Fortune* on "The Domestic Economy" laid down "a greatly extended system of unemployment insurance, old-age pensions and other forms of social security" as one of the planks in its program for permanent prosperity.

The National Resources Planning Board's "cradle to grave" social security report, made public by the President on March 11, 1943, has described in great detail the extension and improvements which the Board recommends to the present system of protection against old age, want, dependency, sickness, unemployment, and accident.

The Social Security Board also recommended to Congress, in a report submitted on March 17, 1943, "a unified social security program which will sustain individual initiative on the part of American workers and

their families while providing a bulwark against all major risks to those whose livelihood depends on work." [4, 18, 38, 78, 83, 94, 133, 147, 161, 216]

### *Better Protection Against Unemployment*

Unemployment insurance now operates under fifty-one different plans with fifty-one different sets of laws and regulations. There are no national minimum standards—either in benefits or periods of payment. Under present state legislation, many workers are not entitled to any benefits at all. Domestic and agricultural workers and persons working for employers of fewer than eight persons are usually excluded. Benefits are not related to the number of dependents a worker may have to support. Some states have substantial reserves and others shaky ones. Moreover, individuals have not only to be employed, but to establish the fact that their earnings have been a specified amount in the state before they qualify for benefits. For workers who have not earned enough in any one state even if combined earnings in two or more states would otherwise qualify them for aid, the present system affords no protection. Furthermore, wide differences exist in the rates paid and in the incidence of unemployment in various states, and there is no uniformity of procedure in handling cases of workers who have exhausted their benefits yet who, through no reason of their own, are unable to find a job.

The National Resources Planning Board recommends: (1) that the present federal-state system should be replaced by a "wholly federal administrative organization" operating a "single national unemployment compensation fund" derived partly from general tax sources; (2) that coverage be extended to seamen and employees of nonprofit agencies and all firms employing one worker or more, while the "inclusion of workers in domestic, agricultural and other low paid employment should be considered in relation to the patterns of employment and the character and amount of their earnings"; (3) that benefits should be extended to 26 weeks and be uniform for all eligible workers and that the "benefits formula should be reconsidered" so that recipients would not have to depend on other forms of public aid; (4) that eligibility rules should be revised so as to admit only those whose records indicate "that they will draw significant benefits from the system" but not so much "as to induce them to prefer benefit status to self support"; and (5) that experience ratings should be abandoned.

In urging the "simplification and unification" of unemployment-com-

pensation insurance the Social Security Board emphasizes the advantages of a single employer's return and wage report for both this and old-age insurance. The Social Security Board would: (1) extend the duration of benefit payments; (2) make the payments uniform throughout the country; (3) extend the coverage to small firms; and (4) provide additional benefits for workers with dependents. [18, 32, 83, 89, 96, 147, 216]

### *Toward More Adequate Pensions*

Our present philosophy of old-age and survivors' insurance is to guarantee benefit payments as a right to workers reaching the age of sixty-five, and to base these benefits on past wages, modified by the worker's family obligations. It is widely believed, however, that benefits to workers have not been adequate. Supplementary aids have had to be advanced by other agencies. Also, if adequate protection is to be provided to everyone, some means of extending the coverage will have to be found.

The National Resources Planning Board urges that the old-age and survivors' insurance system "should be strengthened and made more widely available." The Board has proposed: (1) that employees of nonprofit corporations be included and "additional groups of employees . . . as rapidly as it can be demonstrated that they will receive adequate or significant benefits"; (2) that benefit formulas and eligibility requirements be revised so that "the vast majority of covered workers" and a "larger proportion of the low paid and irregularly employed" can qualify for benefits; and (3) that eligibility should not be impaired by "periods of involuntary unemployment, sickness and military service."

The Social Security Board proposes: (1) that benefits be extended to public employees, farm and domestic workers, the self-employed and the employees of nonprofit institutions; (2) that payments to wives of retired workers and workers' widows begin at sixty instead of sixty-five; and (3) that the wife of a beneficiary with children receive benefits regardless of her age; and (4) that the insurance rights of those in the armed services be protected. [4, 18, 147, 216]

### *Strengthening Public Assistance*

Our present public-assistance program is under criticism on the ground that the process of proving need for payments frequently means that only the most serious cases are reached; and that benefits, varying in amount from state to state, are often inadequate.

The National Resources Planning Board recommends that public assist-

ance, now provided for the needy, aged, blind, and dependent children, be extended "to embrace all groups whose need for socially provided income is likely to be relatively permanent or for long and predictable duration" in a "comprehensive general public assistance program." While the Board would not change the present federal-state basis for the program, it urges that federal grants paid to states should reflect "differences in need and economic and fiscal capacity as between the states." It would extend public assistance directly by the federal government to persons with less than one year's residence in a state and would provide that the federal government should have the power to operate the public assistance program within the borders of any state which refuses to comply with federal standards.

The Social Security Board recommends: (1) that aid be given any child when its family cannot finance its normal development and that the amount of present payments to dependent children be increased; (2) that all needy people—instead of only the aged and blind—who are not eligible for other aid, receive assistance; and (3) that larger federal aid go to the states which are weaker financially. [4, 147, 161, 216]

### *Disability Insurance*

The United States is the only country except Spain which has old-age pensions but no disability insurance. The National Resources Planning Board recommends "the development of a system of social insurance to provide at least partial compensation for loss of income attributable to permanent or temporary disability." The Social Security Board proposes a national system of protection against wage loss through disability, temporary or permanent, and against hospital costs. [112, 147, 161, 216]

### *Federal Work Programs*

The National Resources Planning Board has recommended that a "federal work agency, charged with responsibility for developing and operating work programs, should be established on a permanent basis," and "major financial responsibility" for such programs be carried by the federal government. The Board recommends, however, that "every effort should be made to develop co-operative relationships with the states and localities . . . State and local governments should be encouraged to intensify the efforts now made to develop long range public works planning."

The Board further recommends: (1) that "standards of performance of project workers should be those normally required in private industry and should be strictly enforced"; (2) that remuneration, working

conditions and hours should "parallel as closely as possible those in private employment"; (3) that eligibility be restricted to those who will "normally depend upon full-time employment and . . . are not entitled to receive unemployment compensation . . . or whose unemployment is likely to persist for an extended period of time"; (4) that eligibility "should not be dependent upon undergoing an investigation of economic need"; and (5) that access of applicants to the work program be through public employment offices.

The Board recommends a special work program for youth, "financed and administered on a national basis," but with local sponsorship of work projects, for young people who are not in full-time attendance at educational institutions or in private employment. It says access to youth work programs should be through public employment offices and should not be limited to young people in economic need.

### *Aid to Veterans*

Each major war in which the United States has engaged has left the country with a legacy of problems in the care of the wounded and disabled, and in the payment of various kinds of benefits—pensions, bonuses, disability allowances, etc. The bigger the war, the bigger the problems. The issue has already been raised in connection with this, the biggest of all wars. It is argued that we either extend the work of the Veterans Administration in benefit and pension payments to veterans of the present war, or else that our social-security system be strengthened to provide for demobilized men and women.

Their problems will be many. Absence from the country may make it difficult to establish earnings credits under the unemployment-insurance program as it is now constituted. Absence from employment in covered industries under old-age and survivors' insurance may also leave survivors unprotected, and prejudice benefit rights in old age. In a total war, the presumption is that every citizen makes sacrifices. Whether or not members of the armed services will demand a variety of extra compensations outside the present social-security system will in part depend on whether we can achieve postwar full employment. If, however, there is a depression, we can expect strong political pressure for special aids and payments to veterans. [147, 161, 216]

QUESTIONS

1. Do you think that the present unemployment-insurance and public-assistance provisions in your own state give adequate protection? If not, what changes would you advocate?
2. Do you think that economic protection against unemployment, old-age, disability, and destitution from the "cradle to the grave" is an essential element of a national postwar program for continuing prosperity? What dangers and disadvantages do you see in such guarantees?
3. In what respects do you think our present system of old-age assistance should be strengthened?
4. Do you think that the present program of unemployment insurance should be nationalized? If not, why not? Whether nationalized or not, in what ways do you think present coverages should be extended or strengthened as part of a nation-wide program?
5. Apart from your own state, do you think that any country-wide need exists for reform in the public-assistance programs of the various states and in their relation to the federal government?
6. What difficulties will our soldiers and sailors have after the war in qualifying for benefits under existing social-security provisions? Do you think these will be sufficient to call for special aids and payments to veterans? If so, on what scale?
7. What are the arguments for and against the federal works programs proposed by the National Resources Planning Board?



## *Appendix*

### READING REFERENCES

Below is a list of books, pamphlets and articles, referred to in the text, which are suggested for those who wish to read further on the subjects covered by this manual. The references are here arranged alphabetically. They are classified by subjects as they are referred to in the text. If you want to find out which of these references cover the subject of taxation, for example, you should look up the numbers listed at the end of the subsection on Taxation in the Finance section.

This list does not pretend to cover more than a small part of the literature bearing on postwar problems. It contains only those sources which are at the same time the most suitable for the general reader and reliable. In a few cases, more technical reference books are listed; but these are always indicated by an asterisk.

For those readers who want to know about all the literature which deals with postwar problems, a list of bibliographies on the subject is given on page 135. Continuing sources of information on postwar problems are listed on page 134 and a list of directories of organizations in the field is given on page 136.

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#### CONTINUING SOURCES OF INFORMATION

There is a rapidly growing volume of material on postwar questions. For up-to-date current discussion the following sources may be helpful.

Government publications with current information include:

VICTORY BULLETIN, published by the Office of War Information, Government Printing Office, Washington, weekly, 75 cents for 52 issues, 25 cents for 13 issues, single copies 5 cents

DOMESTIC COMMERCE, published by Bureau of Foreign and Domestic Commerce, U. S. Department of Commerce, Washington, weekly, \$2.00 per year, single copies 5 cents

FOREIGN COMMERCE WEEKLY, published by U. S. Department of Commerce, Washington, \$4.50 per year, single copies 10 cents

MONTHLY LABOR REVIEW, published by Bureau of Labor Statistics, U. S. Department of Labor, Washington, \$3.50 per year, single copies 30 cents

Current discussion of postwar problems is being increasingly featured through articles in leading magazines—especially FREE WORLD, HARPER'S, THE ATLANTIC MONTHLY, THE NATION, and THE NEW REPUBLIC. Special departments on postwar issues have been established in FORTUNE, NEWSWEEK and TIME.

For information on international aspects of postwar questions:

FOREIGN AFFAIRS, American Quarterly Review, published by Council on Foreign Relations, New York, \$5.00 per year, single copies \$1.25

FOREIGN POLICY REPORTS, published by Foreign Policy Association, New York, fortnightly, \$5.00 per year, single copies 25 cents

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