

NATIONAL DEFENSE

Address Of

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## NATIONAL DEFENSE

This convention closes under conditions vastly different from those we conceived to exist even as late as one year ago. To an increasing extent during the last 12 months, the pattern of our lives has been shaped by happenings abroad. You have assembled here for your 51st annual gathering with the old world falling into pieces about you. Even from our comparatively safe vantage point 4,000 miles away from the actual scene where so-called civilization is tearing itself to shreds, the outlook is unspeakably grim.

The United States is not escaping and cannot hope to escape the profound consequences in our way of life which must follow chaos abroad. Not in our time will the old habits of thought and action return to serve us.

When the Arkansas Bankers Association held its convention here in Hot Springs on May 16 and 17 in 1940, not one of you who attended would have believed a prophet if he had appeared before you then and foretold the events of the year that has elapsed. European news was ominous then. On the day your convention opened last year the Germans passed Sedan, and Paris was placed under martial law with the enemy only 130 miles away. On the day your convention closed, the Belgian Government moved to Ostend and news reached this country that the north Maginot Line had been breached for over sixty miles.

Even then we had not grasped the swift tempo of events. Few would have believed that the surrender of France would occur within little more than a month. No one dreamed that within three weeks, without opposition,

German troops could occupy Paris.

One year ago we were certain of many things. In fact, we knew too many things that weren't true. Since then the keystone of our thinking on international affairs has dissolved. That was our conviction that a nation which minded its own business and respected the rights of its neighbors would be left free to develop its way of life in its own sphere.

That rule hasn't worked in Europe and Asia. Few can be found today who are certain that it will continue to work here. On the contrary, another rule is proclaimed and is being demonstrated. In it force and power are all that count -- and the demonstration hasn't been ended yet. There is no limit to it except the limit imposed by fear of another and a greater force.

Wealth and resources, mountains of gold and millions of acres of factories, are not power in the equation that is known over three-quarters of the world today. They can be organized into power; until then they are just bait.

We can honestly disagree over the likelihood of serious military war being launched against the United States at home from either Europe or Asia; but we cannot disagree with the proposition that the likelihood recedes as our armament advances.

This is a new concept for many of us. At home we common everyday men and women are confused and baffled. Many of us are gripped by a growing pessimism as to man's ability to run the machine he has created. Our individual troubles are coming to seem petty to us, compared with the colossal horror that is astride the world. Its swift growth did more than blot out the peaceful Scandinavian democracies and the well-ordered life of the Low Countries. It did more than conquer France and Greece and the Balkans. It

inevitably has changed the pattern of our own life now and for the future.

As a nation we are an important part of a world at war and it isn't the old kind of war which the world has always known, either. Modern war as dictators have shaped it is incredible in its speed, range, destructivity, malignancy and totality. That last word is the one I want to fix in your minds. In this country we haven't yet even glimpsed what total organization for war means. But we will be compelled to understand it and to match it if democracies are to compete at war with dictatorships, and if we are to perform successfully the role of arsenal for democracies we are assuming.

Total war as dictators wage it subordinates or eliminates every other aim, interest, and consideration than the one goal of complete victory over present and potential enemies of their regime. There is much in that concept which democracy unconditionally rejects. But it grows increasingly apparent that we cannot now fashion to our heart's desire the world we live in. We face a grim challenge, not of our own choosing. Can we mobilize our vast potential industrial strength promptly and on sufficient scale, and at the same time preserve the essentials of a democratic way of life?

Obviously we cannot do it while preserving unimpaired all the privileges and immunities we as groups, classes, corporations and individuals have prized so highly. The best we can hope to do while joining forces in the task at hand is hold fast the democratic idea of individual freedom, and in yielding from its form that

which is necessary to single-minded action, do so in the determination to regain it all when the crisis passes.

Production for the purposes and on the scale to which we are committed can be had only from three sources: from the slack of unused capacity and unemployed men and materials which has existed in our economy; from new factories and expended facilities and newly-trained labor recruits which have been or will be provided; and by diverting from peacetime production to the arms program a portion of the plants, materials and men that normally supply our consumer needs.

One simple statement will illustrate the enormity of the job we have undertaken. Scarcely one year ago the sum total of our government's appropriated commitments for armaments was two and one-half billion dollars. Today the total for our armed services and to supply the opponents of aggression abroad has reached the staggering figure of forty-four billions. And this expenditure is to be forced into the economy at the swiftest practicable rate and in the shortest possible time.

Only an incurable and unrealistic optimism can imagine that this will be done without profoundly changing our mode of life, our ways of business, and the inter-relationships between the government and both.

If events of the past year have been swift and far-reaching, I am sure those of the year ahead of us will be no less so. Before many of you reach your homes from this convention, other and important chapters may have been written. Under these circumstances the subject "National Defense" on which you asked me to speak becomes big enough to touch vitally every fiber of individual and

national being. It is a tough assignment to handle.

One year ago this month the President set up the first of a series of emergency agencies to deal with problems of national armament and national defense -- the National Defense Advisory Commission. My connection with it ceased with the acceptance of my resignation on May 5. I felt free to resign because the Commission had practically ceased to function as a Commission, and because the Agricultural Division had been superceded in its original field of work by the Department of Agriculture. My departure from Washington has been recent enough, however, to leave me a clear current picture of the Capitol as the nerve center of a nation that is gearing itself for war.

Whether war on our part will continue to be merely economic and financial; whether our Navy will become engaged and if so, when and where; and whether our participation will go beyond those fields, are questions I can no more answer dogmatically than you can. I merely set forth as my opinion that the world, and we with it, are engaged in a conflict which will go forward for a long time and on many fronts -- economic as well as naval and military. We had better get over the idea that some bright morning we are going to wake up and find that something has clicked to throw us back again in the old comfortable grooves of the twenties.

Since this subject is so vast, I would like your permission to treat with some of its relatively limited segments in my talk today -- decentralization of the defense effort to make better use of the manpower and material resources than we are doing today; the Defense Contract Service which has been established to aid in a better distribution of the actual job of production than is

possible without extensive sub-contracting; and finally, and nearer home, the contribution which this section, the central and lower Mississippi Valley, can make toward the national effort.

When the National Defense Advisory Commission was organized last summer, I expressed the view that new industries required under the defense program should not be located in areas where existing industries essential to defense are now concentrated when there was any possibility of placing them elsewhere without undue sacrifice of speed and efficiency. It was clear that this was the only way in which new reservoirs of unemployed labor and resources would be tapped without uprooting families and shifting them thousands of miles into communities where ebbing of the armament effort would leave them stranded.

The plans for war production which had been made prior to the emergency were not based on such a principle. In carrying out the program up to date some progress toward decentralization has been made, but I am afraid that on the whole we have followed the same pattern of regional concentration that was followed in 1917 and 1918. Then we handicapped our effort by shortages of labor and transport and left an aftermath of over-concentrated industry. I am afraid that we will again reap some of the same harvest of economic and social consequences.

New facilities and new production are now being authorized for the United States and for aid to England. I am hopeful that the armed services and the defense authorities will do a better job with these than has been done heretofore. I do not mean that the plants and facilities that have already been located will not produce efficiently the materials and the implements they are designed to turn out. By a "better job" I mean that the additional

units yet to come will be located where they can tap resources of materials, facilities and men heretofore untouched. The importance of such an effort to the Midwest area will be apparent to all of you. It is of equal importance, I believe, to the agricultural regions of the South and Southwest. In these areas are the great reserves of manpower and materials which are not now being tapped for the defense program and which must be brought into use.

On the human side and to minimize the aftermath, it is important that we avoid so far as possible drawing men from the mountains and the prairie, from farms and interior cities and towns to crowd them into industrial centers hundreds of miles away. It is far better to leave as many as possible on farms and in the villages but give those with low incomes opportunities for employment in industry. This would lessen the immediate need for housing and provide a measure of security when the emergency has passed.

A moment ago I spoke of the Defense Contract Service. This is a decentralized branch of the Office of Production Management which maintains field offices in each Federal Reserve Bank and Branch throughout the country. When the first re-armament orders were placed, most of them of necessity went to large firms that had the managerial, engineering, and factory personnel to translate orders of such type and magnitude into terms of plant facilities, manpower and materials. It is now imperative that every suitable factory in the country, large and small, be enlisted. The Defense Contract Service was established to this end. It provides a clearing house of information close to home for prospective contractors and sub-contractors, for Army and Navy procurement officers in the field, and for firms that now

hold defense contracts and need sub-contractors to help them speed up deliveries. These are its objects:

1. To establish a chain of conveniently located offices throughout the Nation where a contractor or potential contractor can receive all the information he could get from a trip to Washington.

2. To advise manufacturers how to get contracts for defense work they are equipped to do.

3. To encourage prime contractors to subcontract the greatest possible amount of their work.

4. To help small shop owners pool their facilities so they can jointly participate in defense work which none of them is equipped to handle individually.

5. To see that any manufacturer who has suitable facilities and is otherwise qualified for defense work obtains the necessary financing.

With only one exception, there is an office of this Service within 250 miles of every industrialist in the United States.

These regional offices are headed by production-minded business men. Their staffs include technical men competent to advise on the use and adaptability of plant facilities for defense work. Senior officers of the Federal Reserve Banks and branch banks are available to advise on financial problems. Staff members are there to explain the provisions of Government contracts.

These offices do not take the place of Army and Navy procurement officers who have been maintained in the field for many years, nor are they intended to be super sales organizations set up for benefit of any industry or group of industries.

Their object is to coordinate the activities of the Government purchasing officers, civic defense groups, and manufacturers, to the end that production may be speeded up as quickly as possible. The Defense Contract Service should be of particular interest to you bankers since it provides a source of information to which you may and should refer your customers and from which you, yourselves, can get assistance with respect to any problems which may confront you in financing your customers who are engaged in defense work.

Now, finally, it is time to bring these matters home to the great agricultural empire of which Arkansas is ~~the~~<sup>A</sup> part. I realize that I haven't been talking to you today as bankers. I could have talked about the part you are playing and will play in defense financing. All of us who are cooperating in that phase of the nation's efforts have been gratified by the spirit and promptness with which the banks of Arkansas, and of the other states in this Federal Reserve District, have taken hold of the distribution of the new series of Savings Bonds. The banks and the citizens of this area will do their part in the days ahead as they always have done in the past.

But in other ways the contribution which this section will make to the future of our country is great almost without limit. The great waterways of the nation meet and flow past your boundaries.

I am proud to have been asked to become a part of this Eighth Federal Reserve District.

Within its boundaries almost any product can be grown, Its climate ranges from the northern temperate to the sub-tropical. Its soil types encompass everything from the richest alluvial soil in the world in the Mississippi Delta and the blue-grass

region of Kentucky to the red clay hills of Tennessee and Mississippi and the rocky ridges of the Ozarks. Almost every agricultural problem facing the nation today can be found within its bounds.

Despite the many economic difficulties now confronting this District, some of which will continue during the next decade, I firmly believe it has the most promising future of any section of our nation. Its fertile soil, its growing climate, vast mineral resources and splendid people combine to make its future bright and its prospects unlimited.

If, for a moment, I may be permitted to assume the role of a prophet, I would prophesy that this area is destined to become the hub of the wheel of progress of the richest and greatest industrial nation in the world. Since the days of our pioneer ancestors, the trails of our covered wagon have crossed and criss-crossed this region bound for the West and Southwest. Today the highways and railroads form a similar pattern. Tomorrow as our hemispheric relationships become closer and distances become meaningless before the progress of our great aviation industry, our airports will become the hub and center of air transportation.

The Mississippi and its tributaries form virtually a private waterway for this area. The cities on its banks should logically be the fabrication centers for domestic products going to the Americas and by the same token this area is ideally situated to use its mineral, agricultural and industrial resources for the conversion of the hemisphere's raw materials into manufactured articles. Geographically, this territory possesses unsurpassed opportunities for industrial development. What is most needed is the spirit of exploration of the early settlers and the hardihood

of our pioneering forebears.

Although I can visualize the development of a promised land in this area, I must emphasize that it will not come to us of its own accord. It will require the wisdom, foresight, energy, ambition and leadership of all of us to so strengthen the economic fabric of our nation that no set of circumstances can disturb it, save temporarily, and that we may go forward into an era of prosperity, the like of which the world has never before witnessed.