

## AMERICA IN A WORLD AT WAR

Address by Chester C. Davis, Member, National Defense Advisory Commission, at the Army Day Celebration, under the auspices of the St. Louis Chapter, Military Order of the World War, and the St. Louis Chamber of Commerce, Monday, April 7, 1941, at the Coronado Hotel, St. Louis, Missouri.

I do not know what gift of foresight or understanding it was that inspired the leaders of the Military Order of the World War who founded Army Day. Their action was particularly remarkable because of ~~the times~~ during which it was taken. The year 1928 witnessed the first formal observance of Army Day. That year also marked the approximate center of two decades during which the thought of the United States was of peace, not war; when every suggestion of planning or preparation for war stood hopelessly discredited.

I think that point will bear elaboration. An eminent contemporary authority wrote: "The year 1928 saw more practical progress toward the elimination of war as a factor in international relations than had ever before been made." In August of that year the Kellogg-Briand Peace Treaty calling for the renunciation of war was signed at Paris by fifteen world powers. These high contracting parties solemnly declared "in the names of their respective peoples that they condemn recourse to war for the solution of international controversies and renounce it as an instrument of national policy in their relations with one another." In January of the year following, the United States Senate ratified the peace pact by a vote of 85 to 1. In July the treaty was proclaimed at Paris with 62 nations as adherents.

So I say it is indeed remarkable that a group of men, in a year that marked the apex of our blind trust in international good will, successfully dramatized a gesture of respectful attention to the Army of the United States. I pay tribute to those leaders of the Military Order of the World War through their representatives here tonight. Their instincts were truer or they saw the world more clearly than did most of us.

It is essential that we take this background into account in attempting to appraise the position of the United States on the international scene today. We meet tonight on the 24th anniversary of the day on which the United States entered "the war to end all wars." Twenty years ago this Nation turned its back upon Europe and its difficulties in what appeared to be resolute renunciation of any responsibility for what happened there in the future. We withdrew from Europe and all her works at a time when our staying in might have altered the history of the world; when farsighted leadership rising above the hatreds of the World War might have resulted in progressive adjustments which would have rendered Hitler impossible and might have averted the present world catastrophe.

I do not say that this is so. What might have happened had our course been other than it was lies in a field of speculation where no man can be positive or dogmatic. This much, however, we now know - those superficial gestures of peace, overlaid upon seething pressure against the restrictions and rigidities of the post-war order, were meaningless and non-realistic.

During those two decades we, as a people, were certain of many things. But hindsight is an humbling teacher - we now can see that we knew too many things that weren't true. We lived in a world that we now realize did not exist at all.

Since then, one by one, the foundation stones of our thinking in international affairs have crumbled. One of the last to go was our conviction that a nation which minded its own business and respected the rights of its neighbors would be left free to develop and enjoy its own way of life unmolested.

That rule hasn't worked in Europe or Asia. Few can be found who are certain that it will work here. The rule of ruthless force and power which replaced it is being exercised throughout the world. There is no limit to the application of the new rule except the limit imposed by fear of another and a greater force.

This then is the lesson current history teaches the United States: 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 nothing but bait.

We can honestly disagree over the early likelihood of serious 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. It calls for the adjustment of individual lives to national effort on a scale we have

never before dreamed of. A colossal horror is astride the world compared with which our individual problems and troubles become petty. Its swift growth did more than blot out the peaceful Scandinavian democracies and the well-ordered life of the Low Countries. It inevitably has changed the pattern of our own existence now and for the future. The stark fact stands out that we are an important part of a world which is at war. We are holding cards in a game in which our whole industrial and agricultural life is involved.

The nature of war has changed. Before Napoleon, wars were fought by relatively small and usually professional armies as a side issue while life and business in a country at war went on pretty much as usual. Beginning with the Napoleonic Wars this easy-going conception of limited professionalized conflict began to change. Each successive war has witnessed a greater concentration of the human and material resources of the belligerents back of the army and navy. But it remained for Germany during the decade of the Twenties to evolve and during the Thirties to effect the idea of total mobilization for total war.

Let us stop for a moment and reflect on what this thing called "total war" means. It means that no dividing line exists between military operations in the field and civilian life behind the lines. It establishes one national goal and one goal only - that of victory. It is prepared to sacrifice everything that does not contribute to that objective. It assumes that the modern army is no stronger than the industry which equips it with the complex machinery

of modern conflict, or than the farms which feed it. It places all of these on a war footing. It subjects management, labor and farmers to military discipline - and military rations. I suppose it is logical, therefore, that modern war considers the civil population just as fair game for military attack as soldiers in the trenches.

There is much in the idea of total war which Americans unconditionally reject. Total war as the dictator states define it means the complete and utter sacrifice of individual freedom and individual rights. But the preservation of the right of the individual to think, speak and worship as he chooses is the heart of the principle this Nation is arming to defend. We have the same task as the dictator nations of welding our economy to the building of defense machinery. We are challenged therefore to demonstrate that we can make full use of our manpower and our material resources and at the same time preserve the essential rights of the individual and the institutions which we value.

I believe we can do this job and do it as a democracy. We can organize and execute an armament program beyond anything the world has ever seen in any country and preserve the essentials of our freedom for posterity to enjoy. But we cannot do it without sacrifice and we cannot do it without changing our viewpoint on many things. Let me mention some of them.

Industrial management must expand capacity to produce essential materials for defense and civilian requirements notwithstanding

its quite understandable apprehension over the peacetime use of the new facilities.

Labor must supply the manpower which this effort requires, and do it without contributing substantially to the vicious spiral of rising wages, costs, profits and prices which could work deadly impairment of national efficiency in the job at hand.

Both industrial management and the leaders of organized labor must be prevented from taking advantage of this national crisis as an opportunity to try to increase their comparative advantages one over the other. The Nation must not and will not permit their disputes to stop the vital flow of production.

If we are to do this job well and to preserve the basis for our future freedom, no participant in production can be permitted to enrich himself as a result of this national effort and the expenditures that go into it. If we make extraordinary profits, we must expect to turn them back to the Government through taxation. We must expect to divert our savings by whatever extent is required to the financing of this program.

This whole subject is too vast and the time is too short to treat it adequately. I can only hope in this talk to throw a flashlight over the scene and perhaps illuminate for a moment some of the aspects that have interested me particularly.

In the remainder of my time I want to talk briefly about three things: first, the problem of the location of our defense industries so as to make full use of our labor and physical resources where

they are; next, the effort that is being made to spread throughout the country the work arising from defense contracts which in the first instance are concentrated in the hands of the very few; and finally, some principles that arise in connection with financing our international 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 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.

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.

That the location of defense plants up to date has in many respects been unsatisfactorily done from the standpoint of industrial decentralization is not due to any lack of interest or sympathy on the part of the Army or the Navy or the National Defense authorities. The trouble lies in the lack of planning for this national crisis. That is not surprising. For twenty-two years the business of the United States has been peace, not war. Now the whip of speed has forced decisions which might have been avoided if this country had had an understanding of what lay ahead, and the organization to make its survey and its plans in advance.



My experience with plant locations on the Defense Commission has convinced me of one thing - as a nation we had never planned for a national job of these dimensions. The very organization of the Army, itself, had been based upon conceptions of warfare that were shown to be obsolete by the blitzkriegs of less than a year ago.

Modern warfare is no longer only a question of numbers of men and numbers of guns. It is also, to an ever-increasing extent, a question of industrial organization, of technical and scientific skill. Private industry naturally develops on lines applicable to present-day manufacturing and commerce that do not necessarily meet the needs of modern armament. The Army at its arsenals has carried on limited experimental work in peacetime devoted mainly to the old type of warfare. There is an ever-widening gap between them which needs to be filled. Humbly, as a layman, I risk the suggestion that to direct this work the Army needs within its own organization a large number of the best men who can be drawn from civilian life into its service, a strong and permanent body of technically-trained men who know the problems that have arisen in this new kind of warfare even though they haven't been trained to direct men to march and shoot. I believe provision should be made now and never abandoned for such a dignified career branch of the Army with adequate rank and compensation to work in advance on problems of this character so that the country need not again be caught with inadequate plans.

Speaking to the Southern Governors at New Orleans a few weeks ago I made reference to the fact that out of 11-1/2 billions of prime

contracts for war materials awarded between June 13 of last year and February 15 of this year 30 per cent had gone to 62 companies or interrelated groups of companies; between 40 and 45 per cent had gone to 6 closely interconnected groups; and between one-fifth and one-quarter had gone to two groups of companies of closely connected ownership.

These are the companies that were best equipped with experience and management to attempt the different phases of the colossal job we have on hand. But the defense authorities clearly recognize that if the manpower and the facilities of the country are to be brought fully to bear on the job of production, the corporations and firms holding these prime contracts must spread the task of production through subcontracts as widely as possible over the land. As most of you know, an organization is being perfected under the direction of the Office of Production Management through which the Army and the Navy and the other defense authorities are going to try to do an effective job of spreading the work covered by these contracts. This is going to require a lot of attention and a lot of work from all of us. In one way or another the end must be accomplished.

I have stressed the fact that our primary problem is the immediate mobilization of our physical resources and manpower for the maximum production of the things necessary for our own defense and to aid the democracies that are resisting aggression. The subsidiary problem is to mobilize our dollars to meet the huge costs of these efforts. I say "subsidiary" because it is easy for the financial community

to over-emphasize the financial aspects of the program.

There need be no serious difficulty in raising the funds that are needed and I hope there will be none. All classes of our population are anxious and willing to bear their fair share of the financial burden with the same spirit of sacrifice and patriotism displayed by those who have entered the armed services.

The program will be financed partly by funds raised by taxation and partly by funds that are borrowed. These two methods should be looked at together; they are parts of the same problem. In each, from the standpoint of our general welfare, there are good ways and there are bad ways of raising the required money.

The methods that are chosen should be such as will restrain tendencies toward inflation now; and they should contribute toward the continued full use of our labor and resources when the time comes that our defense expenditures may be curtailed.

It is possible to pay much, perhaps far more than we think, of our defense costs by taxing as we go. I believe thinking people everywhere have applauded the announcement by the Secretary of the Treasury that he will strive for a program that will raise through current taxation a very high proportion of our defense expenditures.

The choice of methods of additional taxation is enormously important from the standpoint of economic consequences. If we are willing to act courageously, much can still be done to increase income tax revenue by increasing rates and by spreading the base to reach new and numerous income groups. These changes can be made without departing from

the principle of the ability to pay. It seems to me that it is important to avoid heavy consumption and sales taxes at this time. The country may have to come to them when it approaches a condition of full employment, but the general sales tax is an inflexible and not a selective way to raise money. It hits consumption that should be expanded as well as that which should be contracted. Another trouble, it may be difficult to modify or get rid of consumer taxes in the post-defense period when it becomes desirable to expand rather than contract consumption.

Notwithstanding all that may be done to meet defense costs through taxation, a great deal of new borrowing is going to be necessary. The lag in tax collections would require heavy borrowing for the immediate future even if theoretically we could levy taxes heavy enough to pay all defense costs. Here, too, there are right ways and wrong ways to raise money. The borrowing should be in such form as to reach and attract savings of individuals and institutions; it should discourage so far as possible further loans <sup>to the government</sup> ~~or to the government~~ by commercial banks.

The Secretary of the Treasury has announced the new program of savings issues carefully devised to appeal to practically all levels of income and occupation. These new securities are ideal to meet the general objectives I have mentioned for the borrowing program. I am sure that the country will respond whole-heartedly to these offerings and that the people of the Eighth Federal Reserve District will be in the forefront when the lines form.

In conclusion, I wish, with your permission, to turn to a more personal note. I meet you tonight as one who hopes to sink his roots in the rich soil of the Mississippi Valley and stay. While I have never before established my residence in what is known as the Eighth Federal Reserve District, I have always - except for my temporary sojourn in Washington - lived on the rivers whose waters flow past your door. This is the heart of the agrarian economy of the United States. Almost any agricultural product can be grown and nearly every agricultural problem can be found within its boundaries. It is a privilege to be asked to share in the promising future which its soil, its climate, its mineral and transportation resources, and its splendid people combine to guarantee.

In the critical times that are ahead of us there are tasks which everyone of us can help to do. I am glad I am going to have the opportunity to work with you in meeting them.