

WSM, July 6, 1944

Good Morning, Friends:

The main interests in Washington this week have centered around the big problem of reconversion from wartime to peacetime activities, the warning by army and navy officials and the War Production Board that production is lagging to such an extent as to hinder the war effort and delay victory, and the Allied victories and gains on all fronts.

On Tuesday, the House and Senate reconvened after a six-weeks' recess but agreed to take three day recesses until committees have prepared legislation for consideration. War Mobilization Director James F. Byrnes, last week, notified Congressional leaders that immediate action should be taken with the view of preparing and enacting comprehensive reconversion legislation. Meanwhile, House Speaker Rayburn, returning from Texas where he won Democratic renomination to Congress, instructed House committee chairmen to get demobilization, reconversion and ~~re~~ unemployment insurance legislation in order, preparatory to the convening of the House after the present three-day recesses. Senate Military Affairs Committee and Senate Finance Committee chairmen have called back to Washington committee members and those committees have been at work this week considering reconversion legislation.

The collapse of the Axis in Europe, whenever it may come, will necessitate reconversion of industry and demobilization of armed forces. If this is to be handled without unnecessary unemployment, without further inflation and chaotic confusion, we must be ready with a well-defined, well-planned program, developed in advance. We must not let those awful depression days which followed World

War I return, and we must not have the long lines of unemployed and unfed people, which we witnessed in the early 20(s, and a general breakdown of our economic system.

We must be prepared for victory when it comes, and we can not wait until that day to make our post-war plans. Legislation must be enacted and machinery set in motion not to utilize our expanded productive powers. United States will be a leading nation, and other countries of the world will look to us for many manufactured goods as well as food during the reconstruction period. Unless we are prepared for the post-war period, we may expect economic chaos and depressions similar to those experienced after the last war. We can not afford to let this happen again.

Two big steps on the road back to normality already have been taken. Before it recessed in late June, Congress enacted legislation for prompt settlement of terminated war contracts and passed the G. I. Bill of rights, providing returning veterans with job priorities, unemployment benefits, educational opportunities and government-financed loans.

But there still remains important legislation necessary for the conversion of the nation's economy from a wartime to a peace-time basis.

The problem of reconversion presents a big task, with many angles. The job is to set up machinery and find jobs for an estimated 20,000,000 war workers, many of whom will be immediately thrown out of work when our industry completes its wartime production program; demobilization of some 11,000,000 servicemen and

women and returning them to civilian life; disposing of huge stockpiles of war supplies and billions of dollars worth of war plants, and converting industry back to peace-time production with a minimum of confusion and unemployment.

Estimates of the volume of war supplies, ranging all the way from bailing wire to trucks, that will be thrown on the market after the war range from \$15,000,000,000 to \$100,000,000,000.

The Office of War Information estimated this week that surplus property valued at \$15,000,000,000 will be back on the domestic market. This 15 billion dollar domestic surplus will include \$6,000,000 in industrial facilities, \$1,000,000,000 in housing, \$1,000,000,000 in stockpiles, \$3,000,000,000 in manufacturing inventories, and \$4,000,000,000 in army and navy supplies.

Thus, the enormity of the task and the urgency of reconversion legislation may be seen. And, House and Senate Committees are meeting this week to draft the necessary legislation to present to the Congress just as soon as this legislation can be prepared and reported out of committees.

On the homefront this week. Lt. Gen. Brehon Somervell, Chief of the Army Service Forces, announced that American war production is lagging so critically in most of the needed supplies and equipment for overseas units as to jeopardize an early victory. War Production Board Chairman ~~wfck~~ Donald M. Nelson declared that June production lagged far behind military needs and that the Nation's output of munitions must be stepped up 20 per cent during the remainder of the year. General Somervell reported that peak production for the

Army Service Forces, which supplies fighting equipment, was achieved in November of 1943, in the amount of \$2,112,000,000 and has fallen off in June to \$1,852,000,000. These shortages threaten to slow down the present rate of our offenses - shortages in 320 vital categories, in 90 of which we have less than 50 per cent of minimum requirements fixed by our commanders in the theaters of war. To meet the demands of our men on the fighting fronts, as outlined by the generals of those theaters, we must increase production in the second half of this year over the first half in combat and motor vehicles, especially heavy ammunition, artillery and trucks, bulldozers, communication and electronic equipment, guns and fire control equipment, rubber tires, and certain types of ships. Without this equipment, our leaders say we can not win soon and delay will mean the needless sacrifice of many lives of allied soldiers.

Lack of manpower is the basic reason for the shortages in producing the fighting equipment for our forces overseas. There is sufficient material on hand, but it is evident that this serious production lag is the result of too many workers leaving essential industry to go into non-essential industry. Then, too, there is an overconfidence of an early victory, which has had a psychological effect upon war workers, causing absenteeism and a general slow-down of workers. A third factor is that our requirements increase proportionately with our activities in the invasion. The advances of our troops in Italy, Normandy and Brittany have proved that the more big shells, tanks, guns, ammunition that our soldiers have to fight the enemy with, the faster our advance, the lower our casualties, and the sooner the winning of the peace.

War Stabilization Director James Byrnes, working with production, manpower, and military procurement officials, is announcing a program which will call for intensified recruiting of manpower for these critically lagging munitions programs with tighter production scheduling in the trouble spots to make most effective use of labor already on the job. Representatives of tire manufacturers have agreed that they would be able to provide the needed increase in production if the labor is provided. So, it is apparent that there will be shifts in labor to these industries making such essentials as rubber tires for heavy trucks, heavy artillery, etc. for, unless this situation is speedily remedied, particularly with reference to rubber tires, the shortage will soon curtail essential types of transportation, the movement of supplies to and from war plants and of food to cities.

Meanwhile, strikes continue in various war plants. In Detroit, 7,000 workers at the Chevrolet gear and axle division of General Motors Corporation refused to return to the production of aircraft engine parts in protest against new speed-up programs. In San Francisco, the Federal Mogul Bearing Corporation plant was on strike. The whole transit system in Philadelphia has been on strike, completely tying up transportation in that city where countless number of war industries are located. On Thursday night, the Secretary of War was ordered to take over the transit system there, and the strike is ended now.

These strikes are further indication that there is a lagging of our war effort and that the people are overconfident of immediate victory. There must be no let-up in our war program. To do so will delay victory and will cost lives of hundreds of our boys in foreign service.

On all war fronts, the picture is encouraging, particularly so during the past two weeks. Our advances in the Pacific have been slow but important gains. The Russians have made spectacular gains, with the Red Army advancing within a short distance of Germany's homeland. Allied troops are sweeping rapidly across the plains of Brittany. The psychological consequences of the present Allied drive in Normandy and Brittany are proving of the very greatest importance. As long as the Germans were able to hold a reasonably firm line in France, Hitler was constantly assuring his people that sooner or later all the fronts would be stabilized. But with the Allies advancing on the Reich from all directions, rumors of revolt of substantial proportions within Germany are being heard.

Of unusual significance also is the announcement on Wednesday that Turkey broke all diplomatic and economic relations with Germany. It is expected that Turkey will make a formal declaration of war against the Axis. The immediate advantage of the Allies from such action by Turkey is that the British aviation will have the airfields in Asia Minor at its disposal, providing bases from which to attack the German-held garrisons in the Aegean. Their capture will open up communications between the Mediterranean and the Black Sea. When this is accomplished, the Allied forces will be in a position to advance toward the heart of the Reich from the South, closing in on Germany from all sides as the Germans are now fighting with their backs to the wall on other fronts - the Russians to the East, the Allies in Italy and France.