

AMPHLET

Speeches - SEC Staff

NATIONAL DEFENSE
AND
THE AMERICAN INVESTOR

SECURITIES AND
EXCHANGE COMMISSION

ADDRESS

of

GANSON PURCELL
Commissioner, Securities and Exchange Commission

before a joint meeting of

THE ECONOMIC CLUB OF DETROIT
Detroit Stock Exchange
The Bond Club of Detroit

Detroit, Michigan

12 NOON
Monday, November 24, 1941.

52848

I am particularly glad to come to Detroit at such a time as this because probably in no other one city in America is it possible to see and feel the dynamic quality of our national defense program to the extent that it is here. Detroit is a city which, to a very large extent, epitomizes the inventive and productive genius which is not only typically American but is at present so vital to our national effort. The subject assigned to me is of such scope that it would be impossible to treat it comprehensively within a single luncheon hour. Frankly, therefore, I shall have to limit my observations to certain aspects of the problem which seem of particular interest today.

In turning over in my mind the subject assigned to me, it seemed that there was one fairly obvious conclusion that must be drawn. That is, that all attempts to separate out a group of persons who may properly be called American investors as distinguished from something else have always been and must always be futile. The American investor is identical with the American manufacturer, the American farmer, the American laborer, the American scholar and so on. All these Americans are investors as a class, either through the direct ownership of securities or indirectly through their deposits in banks or their ownership of life insurance. In short, when we line up American investors to see what they look like, we find out that they look just exactly like America itself -- they are America. And specifically, here in Detroit, they are Detroit. It therefore seems that the logical answer to the question of the future of American investors is that it is identical with the future of America. There can be no other answer.

Today, we are making the greatest investment we have ever made in the future of America. National defense is that investment. I am referring of course not alone to the billions of dollars which are being poured into this effort. We, in this country, have become much too accustomed to thinking of investment solely in terms of money. I am thinking also of the enormous investment of manpower, of human will, determination and sacrifice to the cause of protecting the standards of living which make our way of life possible. These are the all-important investments upon the success of which must depend the future of what we more commonly call American investment.

The crucial factor facing civilization today is the threatening onslaught of Hitlerism and the Fascist way of life. As government after government fell before the German military machine, it has become increasingly apparent that the secret of the German success is the total subservience of all individual and national energies to the economic goal of war-time production and the military utilization of that production. But the totalitarian countries think that they have brought about this condition only by suppressing all civil liberties and the right of individual protest. The democracies, on the other hand, know that a system based on individual social and economic freedom produces the type of morale that we want not only in war but in peacetime as well. Beleaguered as Britain is in her island fortress, she has not had to sacrifice the rights of free speech and assembly that comprise our joint democratic heritage. There criticism of government action continues without abatement both in the halls of Parliament and in the public press. The free play of discussion in Great Britain has helped,

rather than hindered, the unity of all classes behind its present military and economic leadership, and the internal disagreements that characterize normal British political and social life are all forged in a united front against the common enemy.

We in the democracies realize that our economic and social institutions must not be uncritically worshipped as magnificent and self-justifying totem poles, but must be regarded as worth preserving only to the extent that they minister to our national and individual well-being. Unlike the totalitarian states, we still place the concrete well-being of the individual above the abstract well-being of the state. However, we recognize that if either individual well-being or the national entity is to be preserved, there are occasions when some of the manifold privileges of the individual must give way. In this time of crisis, the fact that the public interest in national defense is paramount needs no urging to a free people.

Our own experience in the national defense effort to date has made us all keenly aware of the conscription of man power for our armed forces and the tremendous job that is being undertaken to supply their needs as well as those of the nations which have joined hands to stop the inroads of aggression. We know what this has meant to "business as usual" both at home and abroad. We have watched the rapid change-over of our peacetime economy for use in preparation for defense. We have also watched the upheavals in our world trade resulting from the changing and shifting of our foreign markets. We have seen certain European markets completely disappear, and at the same time some Latin American markets greatly increase; and we have

seen a steady procession of purchasing agents for foreign governments come to our shores for materials of war. All of this has left its mark on our economy. As it rises to its full effect and has had time to permeate our way of living there can be little doubt but that it will touch and vitally affect all of us.

At the present date it is estimated that about one-third of our national productive capacity has been turned to uses pertaining to national defense. We know that this percentage will increase further to whatever point is necessary to accomplish the purpose to which we have dedicated ourselves. Your Government had hoped to superimpose the defense effort to a large extent on our ordinary economy so as to get the job done with the least possible interference with our usual business and community life. Experience has taught, however, that this is not entirely possible and that it is necessary to revise all of our previous estimates of our defense needs. This means that more and more of our ordinary pursuits must be curtailed and that our ordinary production and business life must be changed over to supply the needs of our national defense program. We must realize that the trend is and will continue to be more and more in the direction of a total defense economy.

No fear need be felt that the current necessity for wartime production will at the end of the emergency result in the permanent reduction of the flow of investment into peacetime production or in the retention of emergency controls over American enterprise. There is not the slightest doubt

in my mind that when the needs which brought forth these emergency controls disappear, the controls will disappear with them. In fact, the danger is that the controls will be relinquished before we are ready to resume normal economic life. We have a robust internal economy and an abundance of natural resources that will, if we do not go in for economic orgies, enable us in the long run to take care of both normal consumer needs and wartime needs. We must recognize that we have been laggards in the production for defense military needs, and that we have a heavy responsibility toward providing the fiscal and fighting necessities of the nations that are battling Hitlerism on the military front. The government has already started on the task of mobilizing the raw material, transportation, and labor resources of this country towards the goal of maximum production of defense materials. Those who control the capital resources of this country must also take account of the prior lien that national defense has on the manpower and the resources of the nation. The federal government will in this, as in other fields, exert every effort to bring about the necessary readjustments with a minimum of friction and a minimum modification of already existing capital mechanisms -- but those readjustments must be made.

As we move forward in our defense program, it becomes increasingly clear that, whether we realize it or not, each separate function interlocks with and impinges on the others. For example, price control interlocks with production management and with the cost of defense, which is a Treasury problem, for price control keeps down the price of materials which the government must buy and also makes it unprofitable for business management to capitalize on planned scarcities of products. The Treasury's

program of selling defense bonds to the public not only helps finance our defense needs and build a post-war cushion of spending power when people may need it most, but aids price control by reducing the amount of money capable of competing in the market for non-defense consumers' goods. Similarly, allocations of materials to our wartime production management presuppose a corresponding program for the reduction of consumption of non-defense goods, thereby releasing still further materials, labor and capital necessary for defense. Increased social security taxes may be reflected not only in Federal revenues but they may reduce the problems of price-fixing. Our machinery for implementing our defense program has, in short, been extended deeply into the fields of production and consumption, of materials and labor, of price and quantity.

Virtually, then, all phases of our economy save one have been marshaled and organized for this great effort. That one is capital. The common answer on this point has been that there is no immediate danger of a shortage of capital. But those who have sometimes raised their voices in criticism because they felt the defense effort was moving too slowly should remember that we would undoubtedly have been far ahead of where we are right now if we had had the foresight to build the machinery to meet some of these problems before the problems themselves were upon us. That there is no shortage of capital ahead of us is indeed in itself a very debatable point, when one considers the enormous cost of our defense effort. Although we may never need a levy on capital in this country, it seems most unwise not to initiate now some temporary measures of conservation and direction of capital usage beyond that which can be attained solely by allocation and priorities of materials. And, of course such a program should be closely interlocked with the general emergency program of national defense.

We must bear in mind the fact that the methods of financing the defense effort will be an important factor in partially determining the pattern of income distribution for some years to come. If, for example, the program is financed by the government largely through the sale of bonds, the American people for a number of generations will be required to pay taxes in order to provide interest payments to the investors who purchased those bonds. The larger the percentage of our defense expenditures financed by current tax receipts, the smaller, of course, the flow of national income to such bond holders; the smaller, also our future tax burdens. If the war is financed partially out of higher social security taxes, then our pattern of income distribution after the war will, to a larger extent, take the form of payments to low income groups, who usually spend all their income, thus swelling the stream of purchasing power. Similarly, the method of financing of defense efforts by private corporations--whether bonds or common stocks -- will determine the pattern of income distributions of these corporations for many years to come. It is highly important that these patterns of income distribution for the coming generations, which are determined by our decisions today, take a form which will not accentuate existing inequities or create new social problems, but which serve as a constructive force in our economy.

There has been a growing realization, as the magnitude of our defense effort developed, that the problem of the supply of capital and its use is of tremendous importance to the success of such a program. This was recognized by the Secretary of the Treasury in his testimony before the House Banking and Currency Committee regarding proposals to control prices when he pointed out, among other things, that for the emergency we may have to extend the general controls over bank credits.

We know that our democratic financial system is capable of meeting the new responsibilities which confront it. Industry, I know, recognizes that the gears that keep our profit system functioning are of the synchronizing type - that the same conditions we have had to face which have led to price control and priorities in raw material, labor, and transportation will have certain corollaries in the field of financing. After all, the function and the limitations of investment in this time of impending crisis and temporary derangements will obviously depend on the objectives and limitations of our economy as a whole. But, as I have said on a previous occasion, finance operates to its own best satisfaction and to the public's real benefit when it realizes that it is a servant of the general economy, and not a self-sufficing be-all and end-all to which economic developments must be made to conform.

It behooves the investment industry to keep constantly before it the fact that it is a service industry -- an instrumentality of social progress -- and this must be no mere shibboleth; it must be seen as a reality. The irony of the totalitarian view of finance has been neatly expressed by Adolph A. Berle, Assistant Secretary of State, as follows:

"In the so-called totalitarian governments, * * * the theory is that you ought always to grade your finance to the necessary amount of production that you want, never to limit the production by your financial machinery. That is not peculiarly either a Communist or Fascist idea. It is, in fact, the idea that every country has, or has had, when, for instance, it was at war or in any kind of stress; and I rather think in so doing those governments have merely fallen into an idea which, oddly enough, happens to be, strictly speaking, an American idea."

Clearly, the joint guidance of the various government agencies will be needed in order to let industry know whether the specific financing programs which it contemplates during the emergency are proper in view of inescapably pertinent economic realities. I say that the government will be needed to supply this necessary cooperative function because the government is the institution best able to appraise the various components of the problem -- (1) what the specific production needs of the defense program will be, (2) what the fiscal demands of the federal treasury will be, (3) what governmental and private mechanisms are necessary in order to see that those needs and demands are met, (4) what factors relating to normal consumer needs must be considered and (5) what are the factors which will assure a healthy post-war economy.

In a very small way, we have seen this develop at the Securities and Exchange Commission. In the registration statements filed under the Securities Act of 1933, the Commission now regards as "material" for registration purposes any information concerning priorities for the materials and availability of the labor needed for the project. Wherever it appears that the proceeds of a proposed registered securities issue will involve new construction, the Commission ascertains at the various defense agencies whether the materials or labor are likely to be available for the purposes specified by the registrant. If we are informed that they are likely not to be available or that there may be considerable delays in securing them, we require that this information be revealed to prospective investors in the registration statement and the prospectus. Unless the investor is given this protection of disclosure of these important facts, his savings are apt to be diverted from national defense into an enterprise which is unable to put his cash to work. The over-all function of economic planning for the defense program (and for the aftermath as well) having been committed to the federal government, it would seem that,

in the obvious interest of coordination alone, the particular fields of economics which pertain to financing and the capital markets cannot be left completely in private hands, although of course in its execution heavy reliance must be placed on private finance.

Now that maximum production is so obviously the all-important national goal, it would be foolish indeed for either government officials or private industry to restrict that goal by adhering to doctrinaire and academic notions of what constitutes opportune or proper financing. Furthermore, all of us must face the responsibility, not only of evolving types of financing that will fit current production needs, but also of adopting a form of financing which will enable us to survive post-war adjustments. It would be an illusory victory indeed if the democracies, in the course of repulsing the totalitarian governments, acquired a chaotic financial and economic structure leading to domestic misery and unsettlement. In helping to overthrow these foreign despots, we cannot tolerate a demoralized financial order that will give succor to latent forces of Fascism within our own borders. We cannot afford a debacle similar to the crash of 1929, for such a catastrophe would find the host of the unemployed more susceptible than ever to demagoguery, agitation, and riot.

Our experience since the last war may well serve as a clue to the type of program that must be formulated now. The investment industry must be more than ever alert to its responsibility to encourage a type of corporate structure that will fit the needs of our productive economy, as that economy expands in some directions and contracts in others. We must have the type of financial structure that can weather the inevitable oscillations of the trade and business cycle. In those fields where the Securities and Exchange

Commission has jurisdiction, we have endeavored to promote this healthy development. In the public utility industry, when financing plans or projected securities issues have come up for our approval we have attempted wherever consonant with the public interest to avoid a recurrence or continuance of that bonded indebtedness that makes for insolvency in times of depression. This has also been the tenor of our advisory opinions in the field of corporate reorganization. There also, we have attempted to bring about corporate structures that would withstand sharp variations in annual earnings.

Considerable peacetime progress has already been made in other fields in fitting the character of financing to the real needs of productive industry and of the investor. The Farm Credit Administration, the Federal Housing Administration and other federal lending agencies have successfully inaugurated programs of long-term financing at reasonable interest rates providing for the amortization of the principal as the loan matures. This sprang from a recognition of the tremendous national interest in farm and home ownership. Progressive private financial institutions and the federal government alike realize that the national interest is not served by a program of financing that results in wide-spread farm foreclosures and in unsettled conditions of land tenure and that we cannot tolerate a recurrence of the farm and rent strikes of 1933.

Other examples may be cited of the way in which financial ingenuity has sought to meet the demands of a progressing economy. For instance, the now almost universal employment by railroads of equipment trusts as a means of financing the purchase of equipment, the notes given for the debt being arranged to mature in semi-annual or annual instalments over a period of from one to fifteen years. Then there is the almost universal practice, compulsory by law in many states, of issuing county and municipal obligations to mature serially in annual instalments. The tendency of public utility and railroad financing to take the form of bond issues running twenty to forty

years, as against the former practice of railroads to issue bonds for one hundred or more years, is another example.

The issuance of securities that will meet the needs of individual investor, individual entrepreneur, and national defense cannot be made an occasion for the reappearance of the many hybrid and misleading types of securities that featured the financing of the frenzied twenties. We now have a governmental mechanism whereby we can prevent such practices; and there is no reason why we cannot develop the type of security issues that will suit the needs of the public investor, the man who needs capital, and the national welfare.

We must in all fields learn from our past experience as we plan our wartime finance, since many of our wartime plants will have to undergo a period of transitional readjustment before they become adapted to peacetime uses. The merits of debt reduction will have to be canvassed by the investment industry and by manufacturers alike, not in terms of old-fashioned conceptions of what are the ideal ratios to preserve between bonds and common stock, but in concrete terms of cushions that will absorb the dips and upsurges in the business cycle.

The capital markets must force the question whether they can voluntarily, even with improved methods of procedure, supply the larger share of the capital needed for defense purposes. There is also the question of the limit, as time goes on, to which those markets will be able to absorb more and more Government financing. Today, there would appear to be little immediate shortage of capital for Government financing or for the more attractive propositions of business. However, our experience in the last war and the experience of Great Britain and Canada in the war cautions us that in the course of time a hitherto unperceived deficiency may well become more and more acute.

The current job of directing the flow of capital into defense enterprise either directly or through Government financing is but one phase of the problem. There is the further very important task of bringing about a number of financial conservation practices that will insure a greater ability on the part of industry to survive the shock of the post-emergency readjustments that lie ahead of us. This is a matter that requires immediate attention and continuing surveillance both from government and business. In the last analysis, of course, each corporation or business will present a separate problem. I shall not undertake to discuss here the various types of opportunities that will be presented in individual businesses to build up protections against the economic repercussions of a cessation of hostilities. There are, however, a number of general objectives that I will mention as illustrations of steps that should be taken to see that a reserve of strength is built up by individual companies and businesses to prepare them to withstand the rigors of such a storm.

It must be borne in mind that from the standpoint either of the individual investor or of the economy as a whole, investments can be no better than the business they represent. If we are to have a sound securities market after the emergency it will be sound only because industry itself is sound. Of course our general economic condition and that of the world as a whole will have tremendous bearing, but we must not lose sight of the fact that ability of the individual industrial units of our economy to ride the waves of economic storm is of the greatest importance. Soundly financed industrial units, with reserves which can be called upon in times of recession, will greatly enhance our chances of successfully weathering the period of readjustment and reconstruction that is certain to follow this war.

Today, we are urging American citizens to build up personal reserves of savings out of their increased aggregate income so that they will be sure to have something to fall back upon when the need arises. We are doing this through the sale of Defense bonds, in which the participation of every agency having distributive facilities is being sought. And we are swiftly moving towards a sharply upward revision of Social Security savings. True, these savings will aid in the financing of our defense effort, and they will tend to curb the trends towards inflation in prices. But an equal if not paramount importance of these programs is that if a period of depression should follow this war--as it did the last one,--there should be a reserve of buying power in individual hands capable of easing the shock to the economy.

The obligations of industry to our future economy are just as great as those of our individual citizens. They must take every step to put their houses in order. Unweildy corporate structures must be simplified. Top-heavy corporate debt must be replaced with more resilient forms of capitalization. There is a temptation today, because of low interest rates, to refund outstanding debt issues. As far as it goes, this is a wise step, because it lowers the irreducible minimum below which a corporation's earnings cannot fall without danger of bankruptcy. But too frequently this move does not go far enough. Many corporations today could not only reduce their interest rates on outstanding issues, but could actually reduce, if not completely eliminate debt from their corporate structures. This they should do, and if it is not done voluntarily, the Government -- preferably through the medium of an inter-departmental group -- should be in a position to require that it be done wherever refinancing plans are in process. This function is already performed in connection with the vastly important public utility industry and the net result has already been a marked improvement in the financial health of that industry.

Two very recent cases may be cited. They relate to two companies serving vital defense areas including the National Aviation Centre at Pensacola, Florida and numerous army cantonments -- the Golf Power Company and the Mississippi Power Company. Both urgently needed money for national defense. They had arranged to get this money at 4 per cent, and brought their plan to the Securities and Exchange Commission for approval. A glance revealed that if either of these companies took this move, their capital structures would be so exceedingly unbalanced that they would be virtually foreclosed from all future expansion in financing short of outright government contribution. At this stage of the defense program, such a contingency could not be permitted to occur. As an alternative, our staff of experts suggested a program to them which not only enabled them to get the money they needed at a yield of 3 per cent, but completely rehabilitated their capital structures so that today they could go out and raise more money and at excellent rates. One of these companies wrung more than \$10,000,000 of inflated values out of its property account, increased its depreciation reserves by more than \$500,000, paid off with common stock about \$2,000,000 of debt held by its holding company parent, and refunded the remainder of its outstanding debt at substantial annual savings in interest -- in addition to saving one per cent on the money it needed for defense expansion. The story in the case of the other company was virtually the same. In short, these two vital but shaky operating companies were transformed into sound companies with clean corporate structures capable of financing any further expansion which the defense program may require. Without the technical understanding which the government was capable of bringing into the problem, the story would certainly have been quite different and much less satisfactory from the standpoint of defense.

These are but two by no means isolated examples of the kind of corporate rehabilitation which is being accomplished regularly in the public utilities field. These companies will definitely be able to ride out any economic storm which follows this world conflict. There seems to me no reason why, for the duration of this period of national emergency, these efforts should be restricted to a single field. The repercussions upon our economy of a flood of bankruptcies after the war would, as I have indicated, do much to rob us of the objectives for which we are so earnestly seeking victory. It will be a time when we shall not want to be faced with the heavy rolls of unemployment that inevitably accompany industrial collapse, if for no other reason than because of the possible political consequences of such a condition. We must therefore begin now to do everything we can, however small it may seem, to guard against that eventuality. I recognize that the sound financing of a single unit may seem to be but a drop in the bucket, but in the aggregate it is very important indeed. Industry must be so financed that it will be able to stand on its own feet throughout the period of the emergency, however long it may last. It must recognize that it may well be able to rely less and less on government to make its financial arrangements for it, for government must spend its funds in the purchase of the raw materials and finished products of war. Government has the machinery and the responsibility to see that the financial self-reliance of industry during this period is increased, just as it was increased in the case of the two public utility operating companies which I have just mentioned. As I have indicated, this machinery should not, in my opinion, consist of any single Federal agency. On the contrary, the various agencies of government whose activities relate to this important field of corporate finance should be drawn together as an inter-departmental committee to

administer such emergency powers as may be necessary to this program. In this way, we could be sure of proper coordination as to objective and action during the emergency. In short, therefore, I am not suggesting that this emergency function be assigned to the Securities and Exchange Commission or to any other agency alone. Nor am I suggesting permanent additions to our existing mechanisms for the regulation of finance. This is solely an emergency program. The financing plans of industry must be scrutinized by such a committee to make sure that they will result in stronger and not weaker industrial units. The building of substantial corporate reserves must be temporarily encouraged so that industry will have sufficient fat on its bones to carry it through lean periods of the future and we should not delude ourselves -- such periods will occur at some time in the future. The importance of building corporate reserves now out of defense profits has long been recognized in England. As long ago as April 27, 1940, the London Economist, in discussing reasons for building up such reserves, stated, "The post-war period may well bring demands for replacement of capital which can only be met with the help of accumulated wartime profits. In such circumstances, reserves built up from wartime profits would protect the ordinary shareholder against capital losses, but they would not necessarily be available to augment his post-war income." If such reserves built up in this country from defense profits prove unnecessary in the post-defense period, they can be distributed as dividends to stockholders, thus furnishing a welcome source of income and purchasing power when most needed.

There are many ways in which this process of strengthening the individual units of American industry can be accomplished -- almost as many as there are financial practices in industry. I have mentioned already the possibility that

many corporations might pay off part or all of their corporate debt through the issuance of other types of securities. Other plans for the gradual reduction of debt might also be encouraged, such as requirements for sinking funds for periodic redemption of debt securities, and the issuance of serial debentures which would be paid off according to a fixed schedule. The importance of reducing debt and fixed annual interest charges cannot be overestimated at this time. We are all well aware of the temptation for corporations, in periods of declining purchasing power, to issue debt as a so-called hedge against inflation and to increase the leverage on the common stock. I believe this has been one of the most dangerous practices of our economy, for we must always face the time when creditor and debtor must meet, and that is too frequently the time when the debtor can least afford to pay up. Far wiser, it seems to me, for the debtor (wherever he can) to pick his own time, and there is no time better than a period when corporate activity is stabilized at a high level as it is today. I know, of course, the inducements to building a business with other people's money. But these are short-sighted considerations much of the value of which disappears when we look back over our shoulders to the period of the early thirties. Liquidation of corporate debt may indeed well be an important factor from the standpoint of the government's fiscal problems as the defense program progresses. It will certainly be an important factor in determining the degree of industrial stability which we are to have after the war.

In this task of streamlining corporate structures and financial conditions for defense as well as post-war needs, we cannot overlook the possibility that it may prove wise to require that corporations retain a substantial portion of their earnings as a further means of building up their reserves. True, the fiscal needs of the government will tend to keep

profits down and therefore to limit the amounts of earnings which are available for dividend disbursements. But heavy taxes have by no means wholly eliminated dividend increases and extra dividends, the funds for which might in some cases be much more wisely accumulated for corporate reserves. Furthermore it seems clear that we have the problem of diverting a larger portion of the national income from normal civilian requirements of consumer and semi-durable goods into investment in defense goods. That portion of dividends received by individual investors which is not in turn taken as taxes by the government will, however, continue to be largely spent on non-defense goods, since the individual investor cannot participate in defense purchases except indirectly through voluntary and, unfortunately, sporadic investment in Defense Savings Bonds. Therefore, it may be more practicable as a matter of national policy to seek investment in the defense effort directly from the corporations themselves rather than from the individual security holder in the corporation. England has apparently found it advisable to bring about effective limitations on dividend payments. Corporate reserves created out of undistributed profits could be invested either in the senior securities of the corporation for current or subsequent retirement, or in government bonds as a direct investment in the defense effort, except of course where it is necessary to plow back such reserves into defense production. Thus corporations would have a very important cushion of protection in the inevitable period of trial when they will have to redirect their activities to peacetime production. By the same token, it may well prove to be wise to insist that corporate salaries be reasonably restricted. This would be a not insignificant conservation measure, and it might also overcome the temptation of management to compensate itself for the higher schedules of personal taxes.

At first blush these may sound like drastic suggestions. On closer examination, however, I doubt that to the open-minded person they will be found to represent any more than the exercise of sound business judgment in matters relating to corporate financial practices during such a period as this. Their objective is nothing else but the creation of really sea-worthy corporate craft, and it is certainly difficult to conceive of a corporate executive who does not want to have his company's affairs in such shape that it can weather whatever the future may bring. Our principal hazard in this field is very much the same as that which we are now trying to overcome in the nation as a whole -- the "that can't happen to me" attitude. That is a dangerous assumption in which to indulge in times like these, particularly for those who are the stewards either of the public welfare or of public investment. But we must recognize that this attitude does exist, and for that reason we must also realize that on this score alone the effectuation of a national program for the preservation of our corporate economy cannot be wholly voluntary. It will require the closest kind of cooperation between government and corporate management, but it is clear that its general direction must be charted by government to assure that it is in accord with the whole program of national defense and post-war plans.

The task which this nation will face after this war may be more gigantic than the task which it now faces, externally as well as internally. The great productive machinery of Detroit and the rest of the nation, now being rapidly converted to the production of the materials of war, will just as rapidly have to be reconverted to supply the staggering accumulations of peacetime needs - not only the needs we are right now building up in this country, but the absolute necessities which the rest of the world will be at

first unable to produce for itself. After the victory, we shall not be able to dust off our hands, put on our coats and hats and go home as we did the last time. "Back to normalcy" cannot be achieved merely by invoking a campaign slogan. It was, as we have learned bitterly, folly then and it will be greater folly now. Upon the welfare of the world we depend to a large extent for our standard of living. We would be worse than foolish - we would be utterly cruel to leave this market in a shambles. No -- we shall have the moral obligation to do our very large part in the job of human reconstruction which will face us at that time, and we shall, I am sure, recognize the economic compulsion of doing it as well as we know how. We shall recognize, I am sure, that hundreds of millions of dispirited, poverty-stricken people throughout the world will make very poor buyers of our automobiles, or of our wheat and cotton and other raw materials and manufactured products. We shall also recognize that our capital -- wisely and humanely invested in those nations will not only serve to create a world less tempted to fight a bloody war every twenty years but will yield a healthy return to our American investors over a long period of years. In approaching the future, therefore, we must bear all these things in mind. We must be much better prepared for peace than we have been for war, and we must not forget the lesson of the past twenty years - that the pursuit of peace is a full-time job.