THE ECONOMICS OF ALL-OUT WAR

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COMRADES, I asked for the floor to speak to you today not on the most immediate questions before this convention and the country which have already been dealt with in the opening speech of Comrade Green in such a brilliant fashion. What I have to say about those questions, I am going to say very briefly tomorrow afternoon. But I thought that it would be of some value to us in this gathering if we should turn our thoughts in a somewhat concentrated fashion toward new economic problems, which are arising in our country as the result of the war needs. These problems are new for our country, and because they are new, the whole country is only feeling its way toward their solution. No one has yet given a clear and comprehensive lead for the answers to these problems, and it would be somewhat arrogant for me to pretend that I am going to give you their solution.

But I think it is especially necessary for the labor movement to be thinking deeply about the problems of a war economy, from the point of view of successful war, and to bring forward their contributions to the solution of this national problem. And, within the labor movement, it is especially incumbent upon the Communists to be among the clearest thinkers and to try to make a substantial contribution.

There is a very pressing and immediate motive for the trade unions to be taking up the economic problem along new lines. The functioning of trade unions as guardians of the economic interests of the workers is becoming more important with every passing day, not only for labor but for the whole country, for production and for victory. Yet the nature of this problem is changing so rapidly that if the trade union movement lags behind in the full understanding of the changes, there is grave danger that we will not only have rising economic strains within the country between labor and management which will result in dangerous economic strife, but we will have political strains unnecessarily arising between labor and the government. We must foresee these problems so that we will not find it necessary to muddle through to a solution. We must be able to see the solution in time to relieve these strains and to avoid the strife. The harmful conflicts that will

otherwise arise will hamper our country's war effort and delay if not endanger our victory.

The Wages Question in a War Economy

Just a few preliminary remarks about that side of the economic problems of the trade unions traditionally associated with the question of wages. In certain irresponsible quarters, the Communist Party is already being accused of proposing to sacrifice the interests of the workers to the capitalists, because of our firm and unshakable insistence on the necessity of uninterrupted war production. Only a week or so ago, that irresponsible journal, the *New Leader,* printed such a charge against us. And some writers who have access to the columns of the official news sheet of the American Federation of Labor have also printed such a charge against us. That charge is a malicious slander that could only be made by people who put narrow factional considerations above the true interests of labor, which are inseparable from the interests of our country as a whole in this war.

We must say, however, that our party, and with us the whole trade union movement, will have to begin to view the question of wages from a new standpoint. So long as the question of wages is not placed in a new setting, so long as it is conceived as a matter of "rewards" rather than of necessities of production, so long as it is dealt with merely under that over-simple and sometimes misleading slogan of equality of sacrifice, we will not find the road to the adjustment of the question of wages without conflicts. And it is not possible to permit the determination of wages to lapse back for settlement by conflict, the only conclusion of which is strike action.

What is wrong about finding a guide to the question of wages in the slogan of "equality of sacrifice"? What is wrong about that is that it assumes that wages are some sort of surplus which is taken out of the economy, just as profits are taken out of the economy, and that if the capitalists sacrifice their profits, the workers must sacrifice their wages. Now, I don't want to argue against that on any moral grounds. Tonight I am speaking entirely in the terms of what Carlyle called the "dismal" science—economics—and I want to speak against that "equality of sacrifice" slogan as an impediment and obstruction in the way of achieving the maximum production for the war.

There can be no doubt that sacrifices must be made to win the war, but there cannot be any real measuring of these sacrifices on the basis of "equity."

Wages must be dealt with upon the basis of providing the most efficient working class for the tasks of production consistent with the supply of consumers' goods and services that can be made available in the country in an all-out war economy. The moment we look beyond the money form of wages and think in terms of the actual needs of production essential for victory in the war, the question of wages takes on an entirely new significance. Wages expressed in money no longer express a standard of life;

wages must now, therefore, be expressed in a guaranteed supply of the worker's needs as a producer. This is the only way production can be maintained on the scale required for a successful prosecution of the war, and, in this war of survival, the requirements for victory constitute the supreme, overriding law in every sphere of our national life.

Wages and Inflation

In the current discussion, if it can be dignified by the name of discussion, which is going on in our newspapers about the dangers of inflation, the automatic answer is brought forward that inflation must be avoided by depressing the living standards of the working class—that is, by lowering the provision for maintaining the human factor in production. That is pointed out as the main, if not the only, economic measure for combating inflation. This is utter nonsense in the economic field; it is idiocy in the political field; and it is the greatest present threat to the war production program.

If the working class is going to give maximum production for the war, this means that every possible worker and every possible machine must be employed, or, to put it in the terms of your excellent slogan, "Not an idle man, not an idle machine, not an idle acre." If every available man and woman is employed for the war production, it is clear that wages must be translated into the terms of the food and clothing and shelter that can be made available under an ordered war economy for these people who are doing the work to secure their fullest possible efficiency, and counting as an inescapable part of this the maintenance of families.

No matter what wages might be paid in money it cannot under an all-out war economy mean anything more in terms of immediate consumption of commodities than the best use of the available supply. The supply of consumers' goods is not a fixed quantity, although under the strain of war a heavy limitation is put upon it. But if the economy is properly administered with the aid of effective rationing and price fixing and is not allowed to get out of hand through the development of disproportions and breaks, there is not the slightest reason why the money wage that is paid, regardless of how it is expressed in dollars, cannot be made to use the supply that is available or why new sources of supply of consumers' goods cannot be developed for strengthening our working force in the most effective way possible.

It has become an absolute necessity for the trade unions to begin to think of wages in those terms, in terms of the national economy adjusted to all-out war, and in terms of the nation's need to feed and clothe and house its working force.

This new approach to the economic functions of trade unions has already begun to force itself upon them. This is not so much evident in New York, which has been neglected and discriminated against in the opportunities to produce directly for the war, but it is developing in the large centers of heavy war production in the sharpest form.

In Detroit, for example, the monetary wage provides no solution whatever to the problem of housing. Under our old economic rules, if a man had sufficient money, he had sufficient of everything. Money was immediately translatable into whatever kind of commodities one wanted. That is no longer true. And to attack the wages question purely from the money end is, in Detroit for example, and in many other communities of the United States, no solution to the housing problem at all. The housing problem has to be taken up by the trade unions and the Government as one of the most pressing questions of war industry; and the fact that it must be taken up by the trade unions is proven by the fact that it is not taken up effectively by anybody else. Because, in all the considerations of war production, the last thing that comes into consideration is the most essential factor in production, and that is the production worker himself.

Transition from Peace Economy to War Economy

This leading thought on the connection between the deeper problems of the nation's economy and the everyday life of our trade union movement does not answer any of your concrete questions. It merely indicates a new line along which our trade union leaders must begin to think very intensively. It leads us directly to the central problem presented by this period for the economy of our nation as a whole. This general problem is the sum total of all the problems that are involved in the transition from the peacetime economy, which we have, to the stronger economy which we must have for war. We no longer have a peacetime economy, and we have not yet got our war economy. We are in that transition period in which, because we do not see our way clear toward where we are going, we don't know what kind of economy a war economy is. Because of that, we are feeling our way, we are muddling along; and the country is in the greatest confusion on practically all economic questions. This confusion is so great that we even had voices in the press during the last week speaking of the "imminence of an economic breakdown in the country" and demanding that again we shall scrap all the beginnings we have made in the direction of a war economy and try to run this war with a peacetime economy.

Well, we have had already quite an experience of one economic administrative apparatus being set up and then having to give way to a new one which, in turn, doesn't fill the bill and has to walk off the stage and give way to another one. The resulting confusion in the public mind has reflected a confusion in the economy and a lack of directing policy which have been very harmful. But change made merely for the sake of change, or to try something new in the hope that this time God will favor us with success, is not getting us far along the path.

Some progress is being made toward a war economy, despite the outcries of the anti-Roosevelt critics. And we must sharply dissociate ourselves from those critics who see in every weakness and

difficulty a reason to retreat away from a war economy, to change our direction. We, on the contrary, criticize in order to speed up and make more complete the transition to a fully centralized war economy toward which the Administration is slowly beginning to move.

We can understand the bewilderment of the successful business man and economic specialist who has been called to Washington and finds himself faced with problems he never dreamed could exist. We understand that in this period of transition to a war economy, this successful business man and executive who comes into Washington feels very much like Alice when she stepped through the looking-glass. Certainly, everything seems to be the opposite of what it was in the natural world. Right becomes left, and all the rules work in reverse. It is no wonder that so many of these business men have retired with severe headaches. Nothing is quite so painful as a business man being forced to think along new channels, unless it is a confirmed bureaucrat in a similar fix. But new channels of thought are inexorably demanded for the handling of a war economy. The chaos in war production today is but the sign of that difficult change-over from one set of economic rules to another which is still imperfectly comprehended and which cannot be comprehended in terms of the old economy which is left behind.

Unlimited Demand and Limited Supply

Our economic leaders learned their practice and theory in an economy in which an abundance of money automatically commanded an abundance of goods, and the only visible limit of supply was the limit of effective demand, that is, a demand backed up by money.

The war is already quickly changing all that. An absolute abundance of money for the present needs of the war has already been appropriated by Congress. It is announced as having passed $200,000,000,000. Thereby, Congress has satisfied its conscience, done its bit for the war, and can pass on to politics-as-usual. Actually, the Congressional appropriations mean only one thing, that Congress has handed over to the executive the complete responsibility and authority for war production. The fetishism of the dollar-sign, which sees in appropriations an act solving the economic problems of the war, has already demonstrated its emptiness, and is on the way out. The war budget is merely an expression of the unlimited demand of the war for more and more production.

According to the old rules of economy, such an unlimited demand must immediately result in unlimited supply, and the United States war plans were actually based upon such ideas. But the cold, gray dawn of the morning after such drunken thinking has already dawned. The old rules simply do not work, or they often seem to work in reverse.

As our foremost economic thinkers wake up to this fact, they at once let out a howl about the danger of inflation. They see unlimited demand set over against limited production, which means the sky-

rocketing of prices, the beginning of the inflation spiral. Whereas previously the greater the demand the cheaper the production—the great rule of American mass production that was made famous in heavy industry the world over by Henry Ford—now suddenly the rule is reversed, and the enormous expansion of demand is suddenly pushing up production costs and prices. The economic experts of the *New York Times,* the National Manufacturers Association, and others, see the imminent danger of inflation and see its remedy at the same moment, the remedy, of course, being to suspend the traditional rules in the handling of wages. They indignantly reject any tampering with the rules of profit, which to them is the mainspring of production without which everything else would come to a halt.

Replacing the Market by Plan

Nowhere in all of the current literature on the economic problem have I been able to find any serious effort to go behind this question of inflation and find its roots in the unsolved problems of the organization of the war economy; except I find some very serious thoughts leading in this direction in some memoranda prepared by Mr. Bernard M. Baruch for Congressional committees, and in the reports of the Tolan Committee on Migration of Labor, the work of that committee having been influenced by Mr. Baruch's writings, as well as by the nature of its own work.

In the Third Interim Report of the Tolan Committee I do find the heart of the whole problem stated very sharply, clearly, succinctly. I want to read a paragraph of the Tolan Report because it stands out in current literature on war economics like a veritable pearl. Here is the quotation:

"There is no phase of our economic life which can be unessential in total war. Every phase must be planned, must be guided, must be brought under central administrative control. Total war requires that our vast economic system be operated along the organizational lines of a single industrial plant. Under conditions of maximum war production, every-day market relationships virtually disappear."

The present confusions, lags, bottlenecks and breakdowns in the war production are in the largest part a result of failure to realize this central truth stated in the Tolan Report and to draw the necessary conclusions. There has been an attempt to arrive at some sort of a compromise between the old peace economy of limited demand and the necessary new war economy which is an economy of unlimited demand, and therefore relative scarcity, that can only be met by administrative control under plan. The inevitable result of such an attempt to compromise between the old and the new is that the country obtains all the defects of both and the virtues of neither. In the words of the Tolan Committee report, it is literally true that for maximum war production every phase of the national economy must be planned, must be guided, must be brought under administrative control; that every-day market relationships virtually disappear.

The system of priorities, by which it has been attempted to establish some initial central control of the nation's economy, has entirely failed to achieve the ends set forth in the Tolan Committee report. It accords priority to certain purchasers, but otherwise relies entirely upon market relationships, over which it merely attempts to establish a negative direction. It thereby creates confusion in the marketing process, but it introduces no new element of direction. Priority systems are not planning at all, and they are guidance only in a negative way. Maximum war production requires a central administration which will plan, direct, guide and control the entire economy of the nation. Until we begin to build such a central administration, the nation will be simply muddling along, setting up one makeshift after another.

It is an extremely interesting question why, among all the Government agencies concerned with one phase or another of the national economy, why was it the Tolan Committee which came most directly to the heart of the whole national economic problem? The answer undoubtedly is that just because the Tolan Committee was basically charged with the study of the limited problem of the migration of labor, it unerringly was directed, by the nature of its special job, to the heart of the general problem. For the problem of maximum war production is fundamentally and decisively a problem of the organization and distribution of labor. All the other Government agencies which wrestle with the nation's economy have missed the central problems just because labor has been a peripheral factor in their thoughts and not the central factor. The shadow of the dollar has overcast their minds, which are grooved to the mechanism of control through finance, while the substance of man-hours of labor has been dealt with only as a subordinate technical factor, like kilowatt hours of electrical energy.

That is one of the reasons why today, in the ninth month of our country's total war commitment, there is an alarming number of workers and machines unemployed. More, many more, are producing for the war, but this has been achieved only at the cost of enormous and unnecessary dislocations of the total economy, which already threaten dire political repercussions in the populations affected.

The disappearance of every-day market relationships is already taking place, but in a chaotic and disorganized manner, while the central administration of economy by plan is not yet even in process of taking its place. That is the reality of danger behind the panic cries about inflation that arise from our traditionally-minded economists. Inflation can be avoided under a well-organized central administration of the nation's economy as a whole, but there can be no avoidance of inflation without such an administration, for inflation is merely the registration of the breakdown of an economy in which the market has disappeared as a regulating medium while administration has not yet been set up to take its place.

The key mechanism for the central administrative control of econo-

my is rationing. But this is not the rationing system already known to you, which is only the first step in the direction of a rationed consumption. What I am speaking about is a ration system in the field of production as well, the rationing of materials and labor according to plan and designed to allocate a production task to every available man and machine without regard to market relationships.

Results of Present Planlessness

There is nothing impossible about this setting up of a centralized administrative control of economy. It is necessary to produce an adequate supply of war materials in time to meet military requirements, especially weapons for the immediate opening of the second front, for the offensive now. The technique of such a centralized administrative control of economy is well known, and the technicians are available. As a technical problem it is merely the extension of the system by which the great trusts were built, an extension to cover the entire economy of the country. The difficulties in the way are not technical ones, they are the difficulties of obtaining the effective decisions to do the job! Unwillingness to boldly tackle this job is what prevents it from being done. This unwillingness is so strong that it may possibly require a major economic disaster to push the nation into it. Most of the things that we as a nation have learned through the past three years have been forced into our minds by disaster. We simply couldn't see them until disaster forced us to see them. But exactly that central administration of economy is required to solve the problem of our war economy, because it is the only path which will bring anything approaching maximum war production. In fact, it is the only way to have a continuously functioning economy at all for the whole war period.

Let us glance at the main outlines of the course of war production under the existing system. Unfortunately we do not have the latest results of the Tolan Committee investigation, which are not yet printed; they would be most valuable because they cover the first months of the official war period, whereas the figures I am going to recite are for the latter part of 1941; but we already know that there has been no change in the general outline of facts as revealed in the Third Interim Report of the Tolan Committee. That showed that at the end of 1941 the distribution of war contracts among the existing manufacturing establishments was as follows:

174,000 establishments have no contracts whatever.

10,000 have prime or sub-contracts, out of which

100 hold 83 per cent of all contracts: and out of that 100

10 hold almost one-half of all the war production contracts!

Just think over those figures. I will repeat them again, as I am afraid they may not have sunk in: 184,000 manufacturing establishments in the United States, according to the manufacturing census of 1939—184,000! Out of these 174,000 are not in any way being used for the war! Ten thousand have been

more or less involved, but among them, 100 hold 83 per cent of all contracts, and 10 of them almost half.

The Tolan Committee report says:

"The evidence shows that as a result of inadequate production planning and procurement, many communities throughout the nation are faced with economic deterioration and disintegration. Tens of thousands of small business firms are being forced to shut down. Pools of unemployed are gathering throughout the country. Haphazard migration of these unemployed has already begun."

The great majority of manufacturers and workers employed by them are denied the opportunity to engage in war production. They are denied the possibility to produce for civilian purposes. Meanwhile the great corporations which hold the bulk of all contracts are spending much time and materials setting up new plants to fill those contracts while existing plants stand idle.

Some emergency steps are already being forced upon the various institutions in Washington by political pressure to give some relief to this unendurable situation. Such emergency measures are necessary, but for our argument they are unimportant because they in no way change the system which has produced this intolerable situation.

It is sometimes argued that while this may be unfortunate, it is the inevitable result of placing production contracts with the largest and most efficient production units, and that this is necessary no matter what harmful by-products it may bring. We make no concessions to objections that are raised against the allocation of contracts on the basis of efficiency; and on this basis the gigantic plans of heavy industry necessarily play the predominant role in production of the great machines of modern war. No doubt the largest and most efficient units of production must first of all be set to work before production can be spread to the smaller units and the whole economy organized for war.

But what we see going on now is that after more than a year of supposedly maximum transition to war production the spreading of production for war to involve the economy as a whole is not taking place in any considerable degree. Instead there is actually a dismantling and destruction of productive capacity going on throughout this country from one end to the other.

In short, the process of transition to a war economy which is being followed is the most wasteful, the slowest and the most destructive of civilian morale that could well be imagined.

Some False Explanations

Many of our liberal friends explain all this in part as the result of undue influence of the "dollar-a-year" men, the representatives of the industrialists who are working in the first place for their own concerns and incidentally for the Government. I cannot go along with our liberal friends in their war cry against the "dollar-a-year" men in general. I do not doubt that many of the crimes that they charge are true, and such matters require stern

handling. But to see nothing else means to miss the main problem. If every businessman and every executive who goes to Washington has a patriotism as pure as the driven snow and if he has left behind him every consideration of personal interest, he wouldn't be able to do a job much better than is now being done, unless a system of direction, planning and control were instituted; it is not possible to separate the sheep from the goats as long as the sheep produce the same harmful effect as the goats. And as long as there is no plan and no planned economy and no establishment of an administrative system which really takes control of the economy as a whole, then whether you have good men or bad men isn't going to make very much difference in the long run. They are all going to produce much the same kind of chaos that we have today. And, therefore, in considering economic questions, I refuse to worry too much about the bad "dollar-a-year" men because, with the exception of certain fifth columnist and defeatist elements who are opposing and obstructing the nation's war effort, I can't tell who is good and who is bad until we have a system with a direction to test them by. As long as they are left there with nothing except their own past experience to go on, they will inevitably go wrong because their past experience was no preparation for the solving of the problems of a war economy.

It is not a question of good managers or bad managers, of "dollar-a-year" men against career men or of patriots against profiteers. Those questions can become real only after we have a direction clearly set, an over-all plan laid down, and the men can be judged by the quality of their service to that plan. As long as they are left planless, the search for the bad men or the good men is going to be as aimless as the hunt for a needle in a haystack.

The difficulties are not the result of the bickering and quarreling and jealousies and rivalries against which the President has just issued an instruction. I don't question the wisdom of the President putting a damper on a lot of this noise that comes out of high places, but what I want to make clear is that the difficulties in the economy do not arise out of this bickering and quarreling. These ugly manifestations of Washington life are the result of the economic confusion and not the cause. As long as we have this chaos we are going to have the bickering whether it reaches the ears of the public or not, because when men have no clear direction they inevitably fall to quarreling among themselves, passing the buck and finding the goat. The well-functioning central administration of the economic system could clear that out, but nothing else can.

It is not the incipient inflation already showing itself that is choking our war production. The inflation is the result of economic dislocations and disproportions, rather than the cause. Of course, if inflation should develop very far it begins to have an effect to intensify the chaos. And this causes some people to think that it is the original cause, but that is not at all true. We must keep firmly in our mind that inflation is the result of economic disorganization and not the prime cause. If

it gets out of hand it becomes a contributing cause, but the root of the cause is the lack of organization.

The truth must be faced that much of the governmental apparatus set up in Washington and over the country to handle economic problems is not only useless from the point of view of an organized economy, but a considerable part of it is positively harmful. It has no organic connection with production but is merely imposed upon production from the outside; it disclaims all responsibility for production, tends to become more and more a parasite, neither plans nor guides nor controls but only imposes certain demands upon the course of production. This kind of apparatus cannot develop into anything better because there is no working conception of management and administration behind it. It can only collapse in a chaos of recrimination and clouds of bitterness and misunderstanding.

Shall the Army Take Over?

As a result of this drifting some new tendencies of development are showing themselves which threaten new complications of the central problem without any solution. One of these is the tendency for the Army more and more to move in and take charge of the whole production problem. This tendency comes not only from the Army. It also comes from the civilian administration itself. When a representative of the Army comes around and raises hell about the lack of the fulfillment of a particular production program, the first tendency of the civilian is to throw up his hands and say, "Well, damn it, if you can do any better, take it over." And one thing I'll say for the Army—they do take it over.

This tendency was already foreseen and warned against in 1931 by Mr. Bernard M. Baruch in the memorandum that I have mentioned before. Mr. Baruch warned eleven years ago: "We must neither militarize industry nor industrialize the army. The job of the War Department is our armed forces. That is a big job. To pile on top of it the task of economic mobilization would insure the failure of both." With this judgment of Mr. Baruch I most emphatically agree, not from any prejudice against the Army nor any lack of appreciation of how production problems press upon the Army. The central administration of economy for which I am arguing has nothing in common with the militarization of industry. Nothing could be more certain to make it difficult to establish this planned economy than for the Army to move into the center of the production problem. The military mind is incapable of solving this problem, foreign to its training and experience, and can only make confusion worse confounded because the military mind will be obsessed with the single problem of war material in the narrower sense. But the problem of administrative control of the national economy is precisely *to bring a working relation* between the necessary phases of civilian economy, even in wartime, and the necessities of war production. The one feature of the military mind which gives it an advantage over the industrialist is that it is sometimes contemptu-

ous of the old economic theories. But, as a European statesman once said, "War is too serious a business to be left to military men."

No War Against Management

One of the favored arguments against a central economic administration is: Where would the Government find better managers than those now running our plants? The answer to that question that I would give is that we don't need to find any other managers than those now running our plants. If we simply give the present managers a full assignment of work and see that they do it, with the help of the labor and management production committees, they will be happier and war production will gain by it. There is no necessary connection between this plan and the removal of a single plant manager in the whole U.S. economy. Of course, we could dispense with 100,000 or so functionaries in Washington now milling around the economic problem, once we have a few hundred men with a plan and with the authority to put it through, to set up a strong leadership for the administration of the economy of the country for its production tasks, with the power of allocating men and materials to every existing production manager who shows a willingness to carry out the tasks; that's all we need.

The nation hoped not long ago that Mr. Nelson was going to do it, but Mr. Nelson was not given such a directive and we cannot blame him if, having changed one man for another but not having changed the system of work, we come to disappointment.

It is useless to indulge in hectic recriminations against industrialists and managers of production because our problem is unsolved, and I for one am not going to be involved in the heckling of capitalists and their managers on the production problem until we have a sensible, simple plan of overall administration of the American economy, when we can judge these men as to whether they really work to put it into effect or whether they are sabotaging it.

Today no one can have any standard of judgment on such questions because the plan is not there. And the big task for the organization of the American economy for the war and for victory is the establishment of that central administration of economy under planned control and armed with the full power of government to carry that plan through.

Labor in a War Economy

The disappearance of the pre-war market relationships, the obsolescence of "business as usual" in a war economy, and the urgency of the need for uninterrupted production, require also the development of new methods of regulating the conditions of labor. The Nazi-fascist method of meeting this need is the enslavement of labor, the destruction of all independent organizations of labor and the people, the imposition of a terroristic dictatorship. The democratic method is one of drawing labor into the government and all war agencies; it is one of taking labor into joint responsibility for production, the settlement of disputed questions through conciliation and arbitration, the maintenance and extension of labor's right

to organize and bargain collectively, and the voluntary suspension by labor of the exercise of its right to strike.

The development of the democratic method of fitting labor into the war economy has been surprisingly successful and complete from the side of labor's voluntary cooperation in carrying through the government's war policy, insofar as that policy has been developed. It has not been so successful in substituting new institutions for regulating labor conditions, nor in utilizing labor's representatives in formulating and administering policy. The consequence is that labor's contribution has been only partly fruitful, labor being, by and large, denied the opportunity for developing a constructive role in hammering out the forms of the new economic set-up. This is a great weakness, considering the question entirely from the viewpoint of maximum production. Here again we are falling between two stools, adopting neither the Nazi nor the democratic way in full, but trying to muddle along with something in between.

Philip Murray, President of the Congress of Industrial Organizations, unquestionably put his finger on the key question of war economy when he proposed more adequate representation for labor in the W.P.B. and government, and the establishment of a system of production councils in which labor, management and the government would jointly work out the complicated problems of building a new structure of war economy. His proposal has been accepted "in principle," which is a polite way of saying that it is being neglected in practice.

An economic system is essentially a system of *labor* relationships in the process of production. Most of our economic difficulties arise from inability to grasp this truth and the consequences which flow from it. The working class was looked upon as "receiving jobs" in serving the economy, being outside the economic system except and until it was called in by capital or "management." Dollars, money, capital were the decisive factors, and the increment of money in profits, interest and rent was the energizing principle, while labor was a sort of unfortunate inconvenience, a sort of parasite, tending to intrude its "unjust" claims more and more upon the vital heart of the system which had always to be "protected" against labor. This whole system of thought has been second nature for American industrialists and a foundation of their economic education, something taken for granted like the air they breathed, a "natural law" which was never questioned. It is these forms of thought, not incompatible with the successful daily operation of industry in an earlier stage of capitalist development, which collapse so pitifully when they are used as the instrument for reconstructing our economy for the tasks of war.

Herbert Hoover, in his recent proposal of Nazi economics for the United Sates, was giving expression to this traditional school of economic thought in the present stage when, recognizing its inadequacy for the war tasks, he took up as an "emergency measure" the Nazi

system of war economy based upon enslavement of labor. That was what Mr. Hoover meant when he proposed that Mr. Roosevelt should be given greater powers to institute "Nazi economics" for this country for the duration of the war. The Administration in Washingon has rejected Mr. Hoover's tendency, which, however, dominates the thinking of the majority in Congress. But the Administration has by no means developed a consistent and rounded concept of the war economy which it is trying to build; it continues to try to operate with the old traditional concepts; and it is consequently at a disadvantage in countering the attacks of the Herbert Hoovers and Howard Smiths who demand "new methods" tending in the Nazi direction. And it will be at a disadvantage in this struggle until it hammers out a coherent idea of new methods of its own. This can only be done by approaching the whole economy as a problem of the distribution and organization of labor, bringing trade union men, labor's own selected representatives, effectively into its administration, completely subordinating the usual peacetime formulae of capital, costs, profits, prices, market relationships, supply-and-demand, etc., etc.

Is Such a War Economy "Socialism"?

At this point I can almost hear the voices of our traditional economists as they exclaim: "Aha, just as I expected, Browder is trying to slip over a program of socialism disguised as a war economy!"

The fact is, however, that I have not the slightest expectation of being able to "slip over" anything at any time. My understanding of history and its material basis leads me to the profound belief that changes in economic structures can never be "slipped over" by "clever" men, that they are always the product of stern necessity which imposes the change; but in great emergencies they usually are changes accomplished by conscious will in meeting necessity. Ideology plays quite a subordinate role, the changes spring not from preconceived ideas, but rather have to impose themselves against the resistance of preconceived ideas.

These changes which my argument poses as a need of our war economy are not socialist, and do not result in a socialist system of economy. The war economy under central administration, the outlines of which I am trying to bring forth, would be a capitalist economy, in fact the highest development of capitalism. To those who protest that it is state capitalism, the answer is that state capitalism is but a synonym for *capitalism adjusted to the requirements of all-out war.*

Furthermore, the present argument does not even consider the question whether such centralized national economy (or whatever one prefers to call it) is desirable or undesirable in itself aside from the needs of war. My sole argument is that victory calls for certain preconditions, which we must discover with our undersanding and create with our joint action, as a nation. Every proposition relies for its validity on its being necessary for

victory, or most conducive to victory, and if that is established, my argument stands on its own feet regardless of what labels may be put on it; if I fail in establishing the war necessity, the argument falls, equally regardless of labels.

My argument for a fully centralized national administration of economy has the same validity, in this light, whether it is called state capitalism or whether shallow opponents of all-out war call it socialism. I object to calling it socialism because it is not socialism. But whatever it is, it is a necessity of the war.

Waste as the Result of Unplanned Thrift

Now let us take a concrete example of a simple production problem as it is being handled today, and compare this with how the problem would be handled under a centralized administration which was thinking in terms of the most advantageous use of available labor and machinery.

The Army is in need of some millions of uniforms. Contracts are being let to the lowest bidder, of whom the only requirement is that he be "financially responsible," that is, he is the possessor of money. We find, as a matter of fact, that these contracts have not put to work the already available and organized men and machines, now standing idle, ready and willing to do this work. The contracts have gone to men who, on the basis of receiving contracts, are building an entirely new garment industry from the bottom up, creating plants, installing machinery, training workers—all of which could have been more usefully turned to other purposes. The result is a financial "saving" of ten cents per uniform, which is offset by the economic loss of a whole industry left idle, the diversion of men, material and machines quite unnecessarily, the holding up of production while new plants are being built, and severe social and economic dislocations, strain and shocks. Clearly, all this is stupid and uneconomical; but it is the inevitable product of the present lack of system.

If we were operating with a centralized national administration of economy, the requirements of the Army for clothing (as of everything else) would be automatically allocated to the already existing and organized plants and labor supply which could, with the least disturbance to the rest of the national economy, perform that task. New labor would not be withdrawn from other fields and trained for any task unless the supply of already-trained labor was in a way of being exhausted; new machines would not be allocated to any industry, until the machines already there had been fully engaged.

There is no lack of information about these factors, there is no technical difficulty in the way, there is no reason whatever that this could not be done—except that our minds are fixed in a different direction, and our actions automatically follow that old fixed pattern, even when the results are obviously irrational and stupid. We obtain these irrational results because we are thinking and acting still in terms of market relationships that have

been blown sky high by the war and which do not and cannot exist while the war is on. We fail to obtain the obviously possible rational results, because we are unable to think of economics as the most economical distribution and organization of labor, and the deliberate agreement of management, the labor unions and government to that end, but instead think of it in terms of prices, money, capital, profits, costs, and a thousand other subsidiary factors which hide the all-decisive factor of labor and the full use of existing plants.

Revising Some Economic Traditions

In a centralized war economy, prices lose their former significance as a registration of market relationships and become a convenience of bookkeeping and accounting; prices must be fixed, because in the absence of a free market their fluctuations would create unnecessary frictions, the changes would be arbitrary, and any general administrative control would become impossible.

In a centralized war economy, profits lose their former significance as a source of unlimited personal consumption and as the basis for the unrestricted accumulation of private capital, because in one form or another the government controls all goods currently produced and rations them both in the realm of personal consumption and in industrial production to where they are most needed, regardless of the claims of money. The logic of war economy is that the government appropriates the use of all profits for the duration of the war, except only such a residue as may be decided upon as a government "ration" to the idle classes; that is the economic significance of President Roosevelt's famous proposal to limit personal incomes to $25,000 per year. From the point of view of the war economy alone, it matters not at all whether the government takes control of these profits through taxation or takes them in exchange for government bonds.

In a centralized war economy, although private ownership remains intact, private capital loses its significance as the precondition to production. Already, before we have a centralized war economy, we witness the almost complete cessation of private investment of capital to meet current production needs. Capital accumulation and its distribution to productive needs, while not yet being planned by the government, are already being carried out by the government. It will be absolutely necessary to subordinate this process to a government plan.

In a centralized war economy, the costs of production will play a role only in controlling the efficiency of operation of each producing unit, and will not be allowed in any but extreme cases to determine whether production should be carried on or not—because the needs of war must be supplied at any cost. The rule will be that all productive units must be used to the full, that an idle productive unit is the supreme economic crime, the only "cost" that is prohibitive.

In a centralized war economy, wages tend to lose their significance

as a market relationship. Wages must be understood in their economic sense as the allocation and guarantee of the fullest needs of food, clothing and shelter (with such social services as may be available) to the prime mover of production, the human working force in the economy, to ensure its capacity for continuous maximum production and reproduction. Thus, the relative "justice" of the claims of capital and labor in the division of the proceeds of the economy is entirely irrelevant; the capitalist is allowed his $25,000 per year, not because there is any "justice" in it, and even less because he has any economic "use" in the war economy, but purely as a matter of public policy to keep him from becoming so discontented that he loses his patriotism and sabotages the war. The worker, on the other hand, receives wages entirely upon the basis of his usefulness in production. The socially-agreed necessities for continuous performance and replacement can and will obviously be determined only with the full and free cooperation of the organizations of the largest numbers of human beings interested most directly—the trade unions. This wage will further be subject to and protected as *real* wages by the *rationing of consumption*. The tendency is for wage income above the nationally established ration scale to have little significance except that of savings, and either automatically or voluntarily to go into government bonds, and thereby back into the war effort. The trend in the trade unions, where the understanding of the nature of this war as a people's war has crystallized the firmest rock foundation of patriotism, is not in the least out of accord with this development.

In such a centralized war economy, the problem of inflation can be completely conquered. Instead of inflation, the problem would become that of eliminating all "black-market" operations and other criminal violations of the law-enforced necessities of the war.

Complete Administration Requires Fewer Administrators

It will be objected that a central administration of economy such as here outlined would require an enormous governmental apparatus to control it. That objection is entirely unfounded. It would require fewer governmental agencies and smaller personnel than we now have spreading from Washington over the country and imposing themselves upon the productive establishments without guiding or administering them. Much of the present governmental apparatus for dealing with these questions would quickly be shown up as entirely useless, and could be disbanded and distributed to useful war work. A central administration which knew what its tasks were, and had the full war power of the government behind it, modeled on the most efficient trusts and cartels, could quickly bring into existence a system of control that would require but a fraction of the number of men and women today engaged in the hopeless task of trying to improvise war economy without a plan, without a national centralized administration.

In a centralized war economy

there is no necessity for the government to "take over" the plants except to the degree that Congress has already provided for in the Federal statute authorizing plant seizures when such steps are made necessary by resistance to public policy by the present individual owners, and by their possible sabotage of the economic regulations. Otherwise, all existing relationships of ownership and management can very well be left exactly as they are today. They may be "frozen" for the duration. The rule may be laid down that every change made in these relationships must be shown in each separate case to be a necessity of the maximum war production.

Nothing less than such a rounded-out program as we have outlined here is an all-out war economy. Nothing less than this will give maximum war production, which is so essential for victory. Nothing less than this will bring any certainty of victory.