

I. The Efficient Use of Resources

The economic resources of our nation, broadly defined, constitute its ability to produce and distribute the goods and services which the population needs and wants, including those necessary for national security. This ability includes certain measurable assets—natural wealth, plant and equipment, manpower, a monetary and financial system, and technology and skills. There are also intangible assets—the purposefulness and drive of the people, their spirit of cooperation, and all the things which are embodied in our way of life.

The most efficient use of our resources, for the purposes we value most highly, is our major economic objective. In a period of peace, this was defined well by the Employment Act of 1946 as “maximum employment, production, and purchasing power.” Maximum employment means opportunity for useful service for as large a part of the labor force as is willing and able to work. Maximum production means utilizing this labor force effectively to turn out the largest practicable quantity of needed goods and services. Maximum purchasing power, properly defined, means the kind of income flow to various parts of the economy which will promote stability and growth without inflation or deflation.

A major task of the economist in the public service is to evaluate what policy tools—both private and public—will help to achieve these objectives. This task is imposed clearly by the Employment Act itself. On the public side, these policy tools include almost every program which importantly affects the economy, from taxation to industrial regulation. On the private side, these policy tools include every significant course of action by groups of workingmen, businessmen, farmers and consumers. These tools are used most wisely when they result in the most efficient use of all of our resources for the purposes we hold in common as a nation.

In peacetime, economic policy takes account of the fact that there is no one pattern for the most efficient use of resources. This is because resources are used to serve human wants, and the priority of these wants cannot be measured exactly insofar as they involve subjective values. Some people may feel that the government should spend relatively more for roads and less for schools; others may prefer more schools and less roads. Among goods privately produced, some people may prefer buying a good automobile and living in a shabby house, while others may prefer the reverse. More generally, the population as a whole may choose to translate increasing productivity into more goods or into more leisure. And there are subjective choices involved in means as well as ends. Some may prefer more rigidity and uniformity where it

results in more output; others may prefer more freedom and flexibility even at the sacrifice of some output.

The economist has not much to contribute in his professional capacity to the choice among ultimately competing values. He necessarily accepts the standards of the culture in which he lives. But there are times when he can point out that the excessive pursuit of one value may destroy it in the long run, or destroy other values which the country clearly wishes to preserve. It is not his job to tell the people for what purposes they should use their resources, but rather to advise what kind of management of resources will help most to effectuate these purposes. Rapidly mounting national defense activity reflects a change in the purposes of the people; the specific aspects but not the general character of the economist's responsibilities are also modified.

II. How Much of Our Resources Can We Afford for Defense?

The basic economic changes of a rapid defense build-up are simple: We suddenly decide to devote a much larger proportion of our resources, both of manpower and of materials, to defense purposes than in normal peacetime. Consequently, we have a smaller proportion of our resources left for other purposes. But we still have the problem of making the most efficient use of our total resources to accomplish our objectives, however much the character and priority of these objectives may change with the advent of a national emergency.

This rapid shift in our objectives raises the problem of allocation of productive resources among primary defense needs, industrial needs, and general civilian needs. All of these needs must be met in proportions which do most to maintain national strength and safety. This raises a question frequently stated: What proportion of our resources can we afford to convert to national defense without doing ourselves more harm than good? More popularly phrased: How much can we afford for national defense?

These questions may first be considered in terms of the primary build-up of the defense effort—the amount of our resources devoted to the maintenance, training, and supply of our armed forces.

The economist must approach this issue in a different spirit from that applied to most problems of resource allocation in normal peacetime. In such times, since roads and power developments both contribute to the strength of our economy, the economist can help to measure which contributes more, and thus help to establish a priority when we have not enough resources to build all the roads and power de-