

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-

velopments desired. But our armed forces, to the extent that they are necessary for the defense of the country, are an absolute first priority and leave no room for this kind of evaluation by economists. The economist claims no skilled judgment as to how large these forces should be to make us reasonably secure. Such judgment must rest with experts in military and international affairs, and in the final analysis with the President and the Congress responsible to the people as a whole.

Hence the economist cannot properly interpose objections to the size or speed of build-up of the military establishment on the ground that such outlays are "uneconomical" in the traditional sense; all such outlays are "uneconomical" in the sense that they do not add directly to the productive power of our economy nor increase the satisfaction of consumer wants. Nor can the economist object on the ground that these outlays impose a strain and burden upon the economy and the people; by definition, they do just that. Nor can he object on the ground that the primary defense build-up increases inflationary pressures, although that is a certain consequence under conditions now prevailing. When the primary military build-up is found to be necessary for national security, the economist cannot object because it causes hard problems; he can do so only if the speed and magnitude of the build-up is clearly beyond the range of our industrial power or threatens to destroy it.

Clearly, no military build-up now in contemplation is of a size or speed to justify objection by the economist on this ground. During World War II at its peak, we allocated more than 40 percent of our total output to primary military purposes; and yet we emerged from that terribly costly struggle with a more powerful and productive economy than we had ever known before. In contrast, at the present time we are devoting only about 7 percent of total output to primary military purposes. If other outlays related to the international situation are included, the percentage rises to only about 8½ percent. The concentration of our productive efforts upon defense objectives could rise far above this point, and we could still maintain a vigorous national economy capable of meeting additional demands upon it.

The economist, however, of course has the duty of showing what the economic costs and effects of the primary military build-up will be. He may also point out that our defense strength depends upon much more besides the size of the military establishment. It depends also upon all the supporting forces, economic, psychological, political and moral, which make up both the resisting power and the striking power of a nation. In the strictly economic sense, it depends upon our productive capacity and how well we use it, not only to supply military needs, but also to supply those industrial and general civilian pursuits without which the military build-up cannot be carried forward or endure. Our strength depends also upon how well we combat inflationary forces.

The Council stresses that we need now, even more than in normal peacetime, to maintain maximum total production, although we must make far more rigorous efforts to produce the most vital kinds of goods and to cut back on others. We need now, even more than in peacetime, to maintain maximum employment and to enlarge the size of the labor force in view of our greater total requirements for goods and services. We need now, even more than in peacetime, to influence the flow of purchasing power so that it does not generate inflation.

From this broader viewpoint, the real question is not what portion of our resources we harness or can afford to harness to the purposes of national defense. The truth is that, in a defense effort of the size now being contemplated in the face of great peril, the whole nation and all suitable resources should be dedicated to increase our power to resist aggression and to fight for freedom if we must.

This means that we should make an all-out effort on the economic front and on other fronts. But talk about an all-out effort does not determine just what we should do, any more than an all-out effort to win a football game determines whether the player should kick or pass or run. There must still be judgment as to what division of our resources among various purposes—military, industrial and civilian—will give us our greatest strength for the kind of struggle we think we face. We must get the most efficient use of our total resources, and to this extent the problem is the same as in normal peacetime. But just as that most efficient use in peacetime depends upon evaluation of *which* things we want and need most when we cannot have them all, so in a national emergency the most efficient use depends—and depends far more urgently—upon an entirely new set of priorities concerning what we need most and must do first.

III. What Constitutes an All-out Effort?

According to those most competent to judge, our peril is great and time is short. Because the problems before us are now so grave, because the need for speed in their solution is so acute, and because the policies needed are so vigorous and comprehensive, it is frequently stated that we must make an “all-out effort.”

This statement is correct in a vital sense. We must let nothing interfere with, and we can exempt no sector of the population from participation in, a maximum national effort to achieve lasting security founded upon justice. But emphasis upon an “all-out effort” does not define what should be done, especially because the specific content of such