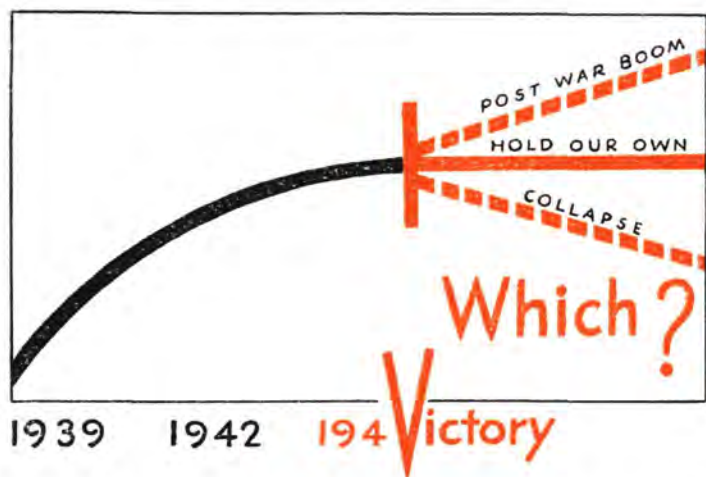


POST-WAR

Readjustments

Why Plan for the Post-War Period?

★ BULLETIN No. 1 ★



CHAMBER of COMMERCE of the UNITED
STATES of AMERICA • WASHINGTON • D C

Why Plan for the Post-War Period?

by

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**CHAMBER OF COMMERCE
OF THE UNITED STATES OF AMERICA**

Washington, D. C.

PREFACE

THIS BULLETIN, as well as others which may follow, has been prepared for the information and guidance of persons interested in the why and how of post-war readjustments.

Already an abundance of literature on this subject has appeared but much of it is confined to statements of the problem and does not attempt concrete suggestions.

An effort has been made to remedy this defect and it is hoped that this series of bulletins will take the thinking and action one step further along lines fundamental to industrial expansion.

The bulletins are the work of Dr. Emerson P. Schmidt, Economist and Secretary of the Committee on Economic Policy, to whom correspondence may be addressed. They do not necessarily represent the views of the committee members or the Chamber of Commerce of the United States. They are intended to be informational and suggestive.

EDGAR V. O'DANIEL, *Chairman*
Committee on Economic Policy

February, 1943

INTRODUCTION

HUMAN RELATIONS constitute a continuous process. There is no separation of era from era except in the arbitrary post-facto chapters of history books. Events in the life of man are unified, integrated and continuous—save as the continuity is lost in our limited understanding of cause and effect.

The present is concretely and explicitly the result of the past. By the same token, events of tomorrow and the next decade are today being determined. Society is a continuous flow—and every act of today has its significance for the future.

This series of bulletins is premised on the assumption that if we want a better post-war life we can have it—first by recognizing the continuum of human affairs, and second by making plans now to provide conditions essential to a better future.

Emerson once declared that the end pre-exists in the means. While nearly all planning groups are united in their objectives—free society, high levels of employment and output—whether the planning of any group will further or hinder the attainment of the ends sought will depend upon the means employed. If we employ the wrong means we will not enjoy the right ends.

Good intentions are not enough. We must examine carefully, thoughtfully, and soberly the factors and forces which are molding our post-war destinies; and after having assessed all the optional means, we must try to set

in motion those which will give us, with reasonable certainty, the things we really want.

These bulletins, which are neither announcements of policy nor statements of final conclusions, are intended to help point to the things that must be done if we are to have the largest degree of individual freedom and the best standards of living. These, which are implicit in the determination to protect the human body and mind against compulsion, are the highest aims of a cultured society.

We can help in our time by making a conscious and deliberate application of our thinking toward today's approach to the problems of tomorrow.

RALPH BRADFORD,
General Manager

Why Plan for the Post-War Period?

OUR PRIMARY JOB is to win the war; no consideration of, or preoccupation with, post-war planning should be allowed to interfere with this primary job.

During World War I little or nothing was heard about the necessity of getting ready for war's end. During this war the major governmental agencies in Washington, trade associations, chambers of commerce, and many private corporations and research bodies, are devoting part of their time and resources to this problem.

How does one explain this enormous interest in post-war conditions? There are at least four easy explanations.

I Dislocations After Last World War

WE ARE STILL CONSCIOUS of the dislocations following the last World War and are aware that, in part, the second World War grew out of the consequences of the previous World War. With the benefit of hindsight, we now can see not only the mistakes in the peace settlements but also in the events which followed the peace. Unless the responsible citizens of the United States give more serious consideration to the conditions of sustained industrial activity for the coming post-war period than was the case the last time, we cannot be sure of a durable peace or a stable society, no matter how thoroughly we defeat the opponents' armies. Stable international relations rest upon

domestic or internal prosperity and stability to a far greater extent than is commonly realized. To carry adequate weight and prestige, at war's end, the United States must be united and prosperous.

II Magnitude of Post-War Reconversion Task

THE SECOND MAJOR REASON for the substantial concern with the post-war period is our realization of the enormous reconversion job which we face. It is anticipated that by the end of 1943 we will have perhaps 9.7 million men in the armed forces, of whom all but perhaps one or two million will look for work in private employment. We will have approximately 20 million men engaged in direct war industries, making a total of 29.7 million men and women, nearly all of whom will somehow or other have to be reabsorbed into private jobs. In 1942 we devoted 55% of our production to war; the figure will rise to about 66% for 1943. In spite of a war-created demand for goods and services, the ordeal of conversion to war production caused many dislocations; after the war not only will we have to reconvert some 60% of our resources back to civilian production, but uncertainty may prevail as to the size of the consumer demand and the direction it will take. Many businesses and, in fact, whole industries will face new kinds of competition. Thus while the conversion task was difficult, the reconversion task is likely to be more difficult.

We are still conscious of the prodigious amount of effort which was exerted in the 1930's to put a few million men back to work. The results of these efforts are not reassuring when we realize that in the post-war period

we will have twice as many men for whom to find jobs. This alone should constitute a justification for an examination of the issues and problems involved.

III Decision Not to Plan is a Plan

THERE IS NO SUCH THING as no-planning. A decision not to do anything about the post-war itself constitutes the adoption of a policy—a policy of drift and wait-and-see and, perhaps, a policy of allowing oneself to become a victim of outside forces.

Planning is the opposite of improvising. It assumes that what we have or will have results from actions previously taken. It assumes a certain cause-and-effect relationship in society which is subject to voluntary control. Economic forces are not blind, as is sometimes implied, but are expressions of the human will. By taking thought of things to come, it is possible to influence the result. This is the third good reason for taking an inventory now of our problems and devising tentative solutions.

To illustrate: For nearly two years after the last war we enjoyed feverish business expansion and inflation with no conscious over-all policy. In that post-war period the explosive forces of high money incomes from the war, spending war savings, and filling deferred demand, exhausted themselves quickly in an inflationary spiral which, if properly controlled, might have given us four to six years of prosperity, instead of two. The deflation of late 1920 and 1921 brought needless suffering. Millions of men lost their jobs; business mortalities rose to new peaks and the inventory losses of many other businesses were so staggering that to this day not all companies have recovered from those losses. Armour Packing Company

is said to have lost about \$1 million a day for 150 days; Goodyear Tire and Rubber Company and Procter & Gamble suffered enormous inventory losses. Had we understood more thoroughly the nature of the post-war period during the last war, we might have set in motion forces and controls which would have avoided these losses and prolonged prosperity.

Furthermore, while there are many diverse groups engaged in "planning", this word has lost all definite meaning, like the word "liberal." Each person, by virtue of his own background and immediate problems, gives the word "planning" his own meaning, as may be seen by the following:

1. To some it means having the central government assume major responsibility for production, employment, prices and income, perhaps a continuation of the war planning and control which have occurred since 1941.
2. To others, it means a basic reconstruction of society under which the government will not only assume responsibility for economic activity but also own and operate the system.
3. To still others, it means that the government, through public works, urban and river valley development, will graft upon the historic economic system a new kind of state-enterprise system.
4. Again, planning may mean the mere taking of an inventory of our problems so we will know what to look for.
5. Another group thinks of planning as an appraisal of the maladjustments which prevented active business in the pre-war period with a

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view to correcting the obstacles which then stood in the way and which in the post-war period may stand in the way of a sustained high level of output.

This series of Bulletins will be concerned primarily with the last-mentioned type of readjustment problems: The essential conditions for economic expansion. This sounds somewhat vague; but an attempt has been made to put substance and concrete suggestions into useful form. This emphasis does not mean that some other types of post-war planning may not be worth while and important.

Thus "planning" is going on; even if you or your organization do not participate in this movement, nevertheless, others are engaging in it. Not to engage in it, simply means that you are not helping to determine the shape of things to come.

IV The Future of Personal Liberty and Private Enterprise

THE AVERAGE PERSON is not interested in principles or methods, but in results, even though he should be, because "the end pre-exists in the means." However, appeals to preserve private enterprise are likely to fall on dead ears. For a decade or more private business has been on the spot. After the last World War, new economic systems came into existence in European countries and, unless American business is enabled to function effectively, once this war is over the people are likely to demand a system which they think will deliver the goods.

Under the modern industrial system, about four out of five people have no means of livelihood except through the sale of their labor power. If they make no sale, they

do not eat—except by sufferance. Therefore, jobs and job continuity must be provided by the enterprise system if this system is to survive.

Furthermore, the demand for economic security is enormous. Having 10,000,000 men unemployed is so wasteful of resources and so destructive of human values that ways and means must be found to sustain output and employment. Already, people are saying: if the government can spend billions of dollars for purposes of defense and war and thereby bring prosperity, the same can be done to create jobs and prosperity in peacetime. This is a viewpoint which must be recognized, and the conditions essential to meet the challenge must be discovered and put into effect. In short, we must be interested in ways and means. Anyone can state the problem—but this is not enough!

From the viewpoint of the general public, the function of the enterprise system has been to gather together the factors of production: land, labor, and capital, and to organize them into productive units. So long as the employer performed this function fully and consistently, he was not under serious attack. In the 1930's for the first time his social usefulness was widely questioned. In the post-war world the extent to which this attack will be abated will be governed by the degree to which full and steady employment is provided.

If employment cannot be provided by private employers, the government will attempt to take over this function. The American people do not want to see their government turn employer—they are not socialistic. But if they become convinced that private business cannot do the job, they will turn to government. And if they do—can we preserve liberty and freedom?

That the state can operate industry is not denied gen-

erally by economists, although one may doubt the ability of the state normally to operate as efficiently as a business unit or be as capable of making innovations, developing new products and techniques. Rather, question arises as to the degree of *force* which the state must adopt in order to carry out this function. There is substantial evidence that over-all planned societies must not only be regimented societies but must be constantly engaged in war or preparation for war as in the case of Italy and Germany. While no person or clique deliberately plans it that way, the struggles and issues both economic and political all focusing through the government, make orderly government and stable economic conditions impossible, unless, under the guise of national security or preparation for imminent foreign struggles, the government can use strong measures to keep the articulate groups in line.

When once the government is the chief or the only employer and owns most or all the instruments of production, the issues at stake will probably be too great to be manageable by the democratic process. If we place upon government the responsibility of assuring jobs, incomes, and a high standard of living, that government must have *power* and *authority* to command, to dictate and to implement a policy with certainty and continuity, once it is adopted. *Authority* must go with *responsibility*. Here we are confronted with the problems that perplexed Plato and many of his followers down to the present day: the *reconciliation of liberty and authority*.

When the government takes over, the area and scope of liberty tend to shrink. In Europe, the interventionist state has consistently driven roughshod over the freedom of the people—often in the name of the people. Huey Long is reported to have said that when Fascism comes

to America it will be done in the name of anti-Fascism.

That government enterprise and liberty may not be able to survive with each other is suggested by three recent experiences in the United States.

1. The national government passed the Hatch Act, restricting substantially the liberties of public employees. One may ask legitimately, Suppose we were all government employees, would we all be deprived of our political liberties?
2. When New York City, in 1940, took over the operation of the subways, Mayor F. H. La Guardia, with a long record of labor sympathy, announced that the right to strike and the closed shop will not be tolerated.
3. When the WPA workers went on strike, President Roosevelt said, "You cannot strike against the government."

These are straws in the wind. But there are enough of them to justify us in raising the question whether liberty and freedom can survive if we shoulder upon the government the responsibility for our welfare, our jobs and our incomes. In Europe, where the state has reached deeply into the lives of the people, their liberties and rights, and the protection of minorities, *have* largely disappeared.

For the United States the new thing that came into the regulation of business after 1929 was the attempt to deal with the central problem of capitalism: depression and unemployment. Previously, regulation had been dealing with "incidental abuses," monopolies, fair trade practices, evasions of law, etc., and had always presupposed that private enterprise was sufficient to bring about relatively full employment and adequate production, in spite of regrettable occasional and temporary lapses. After the war, we must determine whether private business is to

resume its historic role of providing employment and output, or whether we will impose upon government these responsibilities and risk the loss of the great human values for which this country was founded—freedom from governmental compulsion of body and mind.

Thus it should be clear that, entirely apart from any personal interest which the businessman may have in preserving his business, the issues are much deeper; our American way of life with its freedom of mobility, the press, and expression, are going to be threatened unless the conditions essential for industrial expansion are created.

If government is made responsible for employment it must have the necessary freedom and authority to operate; likewise, if business is to resume its historic role, it must be provided with reasonable freedom to act; above all, those political and economic conditions—stability and effective cost controls—must be provided if it is to produce results. Someone has defined the free enterprise system as “a system under which free men show enterprise.” This places a compelling responsibility upon businessmen, but the government or the people have a concurrent and equal responsibility to create those conditions which are indispensable for industrial expansion. This does not mean complete license for business; that would be anarchy. But it does mean that the economic climate favorable to expanded employment and output must be created simultaneously with the forward step of business.

One of the weaknesses of democracies is that they do not act until a crisis overtakes them; the preservation of the American way of life is one issue which we cannot afford to postpone until it reaches the crisis stage. If we do, it will probably be too late; the Italians in 1922

when Mussolini took over, and the Germans in 1933 when Hitler took over, did not know what was in store for them. The stakes at issue are high but we cannot afford to gamble on the future; if enough people understand what is involved for the post-war period, we will get the kind of society which most people really desire.

When we entered the war in 1941 we had not solved the basic maladjustments which plagued us in the 1930's. Unless we take sound steps now, during the war, to set our house in order, these maladjustments may drive us to take desperate steps in the post-war period, once the boom from banked-up "savings" and "deferred demand" subsides.

Summary

THUS, there are at least four good reasons why we ought to devote any spare manpower and other resources to post-war planning.

- I. We are fully aware of the dislocations following the last war.
- II. The magnitude of the post-war reconversion task.
- III. Even a decision not to plan—is a plan.
- IV. Private enterprise is not an end in itself but is essential to preserve the greatest of all human values—freedom from compulsion of body and mind.

We have heard much about our rights and liberties, but little about our responsibilities to do those things which are indispensable to be done if we are to preserve our rights and freedoms. The actions we take today, tomorrow and next year pre-determine the quality of our lives tomorrow and next year. "The end pre-exists in the means."

In so far as this will not interfere with the war, every

man, every corporation and every other organization, whether governmental or private, should undertake an immediate program of study and action designed to bring about a high level of production and employment. Study is necessary, but is not enough; in the final analysis, *results* alone count.

There are factors favorable to post-war prosperity and others which will be a hindrance; the former should be supported and stimulated; the latter should be checked and redirected. Bulletin No. 2 will analyze these assets and liabilities and outline the prospects for the immediate post-war period.

If interested in receiving copies of subsequent BULLETINS, write to *Committee on Economic Policy*, Chamber of Commerce of the United States, Washington, D. C.

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