

WASTE AND ECONOMY.

For three years we have been reading of the wastage of war and the necessity for economy. The daily papers and magazines recount the destruction of property, the shortage of various kinds of food and supplies and the necessity for enlarging the production of things that are required to destroy human life abroad, or to support human life at home. It has, in fact, become imperative the world over that people should practice rigid economy in order to meet the various demands occasioned by the war.

We have not as yet felt in this prosperous country the real pinch of self denial; prices have somewhat advanced, but the average man is still going about his affairs much as usual, buying and consuming what he needs, or thinks he needs, (and possibly with some lack of forethought) thereby adding to the burdens of a situation which may well become intolerable if the people of this nation disregard the experiences of our allies and fail to appreciate the perils with which the world is confronted.

At the same time we are being asked to make large loans to the Government, and it is important that we should consider just what relation these loans bear to the problems of waste and economy, and why success in placing them is of supreme importance, both for military reasons as well as for the nation's material prosperity and financial security. These and allied questions comprise the great economic problem of warfare, and, as this is the greatest war in the world's history, so the economic problem is the greatest and most serious that the world has ever faced.

The wastage of war, aside from the actual destruction of property in the war zone, may be exhibited by a few simple examples for which, without authoritative information, I am arbitrarily supplying figures for purposes of illustration only.

When a man is called upon to increase his physical exertion, an increased wastage of the tissues of the body results and they must be restored by an increased consumption of food. The human engine generates more heat, and, consequently, must receive more fuel. If there are 30,000,000 men under arms, either on the fighting line, or undergoing intensive training, or engaged in the multifarious activities of war, all requiring unusual physical exertion, the increased consumption of food by these men corresponds roughly to the increased exertion expended over what is usual in time of peace. If each man normally consumes 4 ounces of bread when at home and when engaged in the army consumes 9 ounces, the activities of these 30,000,000 men will increase the demand upon the bread supplies of the world by no less than 150,000,000 ounces per day. If, in time of peace he wears out 2 pairs of shoes a year and when in the army 8, the world must produce 180,000,000 pairs of shoes per annum in excess of its former production. If 4 additional suits of clothes are required over normal, 120,000,000 additional suits of clothes must be produced every year.

The consumption of fuel illustrates wastage with equal force. In time of peace the world's great navies are, in part, held in reserve and in part pursue a leisurely course from one port to another, at such speed and under such conditions as

result in the greatest possible economy of fuel. Today these great fleets are mobilized and are patrolling the seas at high speed. Thousands of new motor trucks are conveying ammunition and supplies in vast quantities at high speed; thousands of new aeroplanes are also consuming gasoline. The increase in the demand for fuel, both coal and oil, growing out of these enlarged activities, has placed an immense strain upon the capacity of the world to produce coal and oil.

In the same fashion the metals required for war purposes are being consumed at a rate hitherto unknown. Until the war broke out very little copper was permanently wasted or lost; old copper roofs and gutters, copper fixtures and all the various appliances in which copper was used when no longer serviceable, were scrapped and the copper melted and re-used. Today thousands of tons of copper are being shot away and otherwise destroyed so that they are not recoverable for re-use; all the implements of war which necessitate the use of this and other metals are being consumed in such quantities that the production is hardly equal to supplying the demand. These are but few of many possible illustrations of the vast increase in the demand upon the world's productive capacity over the demands of normal times, and summed up in one great total would produce a figure that would be appalling, were it possible to state it. It must be borne in mind that this increased consumption and wastage of goods of many kinds consists in general of those things which are now being purchased by the governments of the belligerent nations for use by their armies and navies and, consequently, the world faces

two problems: First to increase production and to reduce peaceful consumption of foods and materials required for war purposes; and, Second, to furnish the governments at war with the necessary credits, that is banking funds, to enable them to pay for these goods which are being in a sense wasted, because their consumption does not result in the production of other goods required for sustaining human life or for affording customary pleasures.

The situation is, of course, the more serious because at the same time that the war tremendously increases demands for the production of goods, these 30,000,000 men have been taken out of agricultural, industrial and commercial occupations and, consequently, the number of human beings available for producing goods has been correspondingly reduced.

Various means must therefore be employed to enable our government to furnish our own armies and those of our allies with the supplies which they require, and to provide which necessitates our placing at the disposal of the government vast sums of money or credit as they are needed. The principal means possible may be briefly summed up as follows:

1. The deficiency in labor caused by the withdrawal of men from normal occupations must be made up by supplying other labor, - that is men who have not worked in the past, also women and even children.

2. Increased production must be stimulated by the employment of labor saving devices and by cooperation among producers, so as to bring about greater efficiency and economy in the application of labor, and thereby increase the output even

though at higher costs.

3. Economy must be practiced by people at home in the consumption of those things, particularly food, which are needed abroad for war purposes.

4. The purchase of articles of luxury - that is things which simply afford pleasure - must be curtailed or discontinued in order that labor now engaged in producing such articles may be released for employment in producing those things which are essential both for war purposes and for sustaining human life.

5. General economy of expenditure must be practiced by everyone, in order that a large surplus of earnings over expenses may be turned over to the government, thus enabling it to pay and sustain a great army and navy.

The problem of war finance is, after all, a rather simple one. A government engaged in war can employ three possible means for furnishing itself with necessary supplies: It might confiscate the goods required for war purposes and pay nothing to the owners or producers; this was the means employed centuries ago in feudal Europe and was the equivalent of a tax collection. Or it might levy taxes, payable in money or credit, and use the funds so produced to pay war bills. Or it might even require its citizens to lend it their funds, giving to the lenders its obligations payable at future dates.

To a certain extent, all three means are now being employed by all the governments at war. To use certain arbitrary figures, illustrating this process:- If our Government must have twelve billion dollars for one year's conduct of the war, it might produce or save two billion dollars thereof by arbitrarily

fixing the prices of the goods which it buys somewhat below the actual market value of those goods. This is a partial confiscation of goods produced by the farmer and manufacturer and is in the nature of a tax upon the country's production. The government then might say to its citizens - "We will now require you to furnish us ten billion dollars; two billions payable as taxes, that is to say by confiscation of your funds, for which we will give nothing in return", - and for the remaining eight billions it might say to its citizens - "We will not require you to furnish this fund without giving you anything in return, but we simply ask you, voluntarily and to the extent of your means, to turn over eight billion dollars to your Government, for which in return we will give you our promise to pay at some future date, with interest." The Government would then proceed to collect taxes enough during the period that these bonds are outstanding to enable it to pay the interest and to amortize the principal; that is to say to set aside a sufficient amount every year for the retirement of the principal of the bonds, so that the total would have been retired at maturity.

Viewing the problem of war wastage ~~and economy~~ in its broadest sense, it will be seen that the Government requires certain goods for war purposes, the goods required must largely result from a production in excess of the amount normally produced and to produce these goods not only must output be increased, but consumption at home must be decreased. Although these goods will be wasted by the armies and navies, they must nevertheless be paid for by the government. Payment by the government will be

possible only if the people of the country economize so generally that they will be able to provide the government with sufficient credit so that it may purchase this vast store of goods, which is to be promptly destroyed.

It will be observed that in the present, as in past wars, the greater part of the credit required by the Government is that which it asks its citizens to contribute voluntarily by purchasing government bonds, which is simply another way of saying that the government asks its citizens to set aside a proportion of their earnings and invest what they save in government bonds. Should the people of our country fail to voluntarily furnish the government with funds, the consequences would naturally be fatal to the successful prosecution of the war, unless the government thought best to employ the other two means; that is arbitrary confiscation and taxation, exclusively for financing its war operations. Such a policy would disorganize the business of the country by rendering much of its agricultural, industrial and commercial activities unprofitable. This would simply be restraining rather than stimulating the country's productive capacity at a time when production must be tremendously increased.

If democratic institutions, such as the people of this country value and enjoy, are to endure, in other words if this war is to be promptly and decisively won, our people must either freely furnish the government with the funds that it requires or they must submit to a surrender of that democratic freedom for which their fathers fought, and permit the government to commandeer goods and credit as it may be needed; there is no middle ground.