Under such conditions the most efficient and most patriotic manager in the world would probably end up in a mental sanitarium. I haven't the heart to scold any of them—not yet.

CHAPTER XX

LABOR IN A WAR ECONOMY

THE economic problems which are arising in our country as the result of the war needs are new for the United States, 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. That is why 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 these national problems.

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, resulting 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 these solutions 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.

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 little while 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 in this war.

We must say, however, that the question of wages has to be handled from a new standpoint. 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. It is not possible to permit the determination of wages to revert to 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 is that it assumes that wages are some sort of sur-

plus, 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. Here I am talking 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 consumption 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, on which victory in the war so greatly depends, the question of wages takes on an entirely new significance. Wages expressed in money no longer represent 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 represent the supreme, overriding law in every sphere of our national life.

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. 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 must 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.

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, in so far 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 setup. 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 War Production Board 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. As a result, in all the considerations of war production, the last thing that comes into consideration is the most essential factor in production, that is, the production worker himself. Under the old economic rules, 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 States 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 Washington 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 peace-time formulae of capital, costs, profits, prices, market relationships, supply and demand, etc., etc.

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, with labor's active participation, 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 understanding 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.

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 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 the 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, strains, 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 the 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 whatsoever why 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.

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 industrial production, 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 cost 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 irrevelant; 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 co-operation 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 peoples' 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.

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 building 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, with labor adequately represented and exercising an influential role, 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 a 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 had 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.