

Taking the Profit Out of War

By BERNARD M. BARUCH
Reprinted from *The Atlantic Monthly*.

[The February issue of the Atlantic for 1925 carried a paper by Mr. Sisley Huddleston dealing with the general subject of "taking the profit out of war," which Mr. Huddleston called "An American Plan for Peace." The first-quoted phrase was put into the language by the War Industries Board toward the close of the World War through its efforts to eliminate all war profits. Mr. Huddleston's article came to the attention of Mr. Bernard M. Baruch, chairman of the War Industries Board and administrator of the non-profit plan, and (as he writes us), since it seemed to indicate a growing interest in the idea, induced him to invoke practical means to bring about a full comprehension of taking the profit out of war in the various great countries of the world. To this end he responded to a suggestion of Mr. Owen D. Young, of the Page School of International Relations at Johns Hopkins University, that he establish a course of lectures there to expound the War Industries Board plan in detail. Later he will proceed to make similar arrangements at leading universities in Great Britain, France, Germany, Italy, and Japan. Agreeing with Mr. Baruch that the subject calls for public knowledge and discussion, it was natural for the Atlantic to turn to him for the following paper.—THE EDITORS OF THE ATLANTIC MONTHLY.]

1
War was once described as Prussia's most profitable industry.

It needs only a scant examination of history to learn that other countries were open to the same indictment. The methods of the Robber Baron did not pass with the end of feudalism. Annexation by conquest did no cease. But when America entered the World War President Wilson fathered a doctrine that shall always govern us—that never a foot of territory would be added to our boundaries by force.

So, as America has taken the lead toward making impossible national profit through war, it too may be America's privilege to point the way toward making impossible individual profit through war. To take the profit out of war is to take a long step toward creating an economic detestation of war. The experience of the United States in the World War affords a basis for the belief that the plan herein discussed is practical. In fact, it is more than a belief—it is a certainty, although not widely known.

The world is such a busy place, and the radius of human activity has been so greatly enlarged because of modern inventions, that it is not strange that there are but few people who are conversant with what was quietly but effectively taking place in this country in the mobilization and use of its material resources in the World War—a process that would have eventually eliminated all improper profits.

Strength is given to the public advocacy of industrial mobilization made by both President Harding and President Coolidge—Mr. Coolidge as recently as last October in his Omaha speech to the American Legion—by the fact that the plan they advocated as a part of the regular national war agencies had once been set up and successfully operated under the War Industries Board.

Preceding the President's recent clear exposition of this subject, some degree of public interest had been engendered by an exchange of letters between Owen D. Young (of Daves plan fame), in behalf of the Walter Hines Page School of International Relations, and the writer. The correspondence resulted in the establishment of lectures at the Page School (of Johns Hopkins University) on this theme. Previously the *Atlantic Monthly* printed an article by Sisley Huddleston, who pointed out that Europe saw great strides toward peace in the American idea of "taking the profit out of war" in a systematic way. His basic reference was to the plan of the War Industries Board.

The resources of a country might be referred to as the five M's: (1) man power; (2) money; (3) maintenance or food; (4) material resources (including raw materials, manufacturing facilities, transportation, fuel and power); and (5) morale. The intelligence with which the first four are directed and co-ordinated as a whole will determine the fifth, the morale of the community.

In the war emergency it early became evident to those who were charged with the responsibility of mobilizing the resources that there was a just sentiment among the people against profiteering. Profiteering might be willful and profit making might be involuntary; but, whatever its form, there was a just determination it should cease. So it became necessary to fix prices where the supply was limited.

Whenever the government created a shortage by its demands, prices were fixed, not only for the Army, Navy and the Allies, but for the civilian population as well. And in addition to price fixing on war essentials (such as steel, wool, copper, and so forth), the balance, after the war program had been filled, was rationed or distributed according to the priority needs of the various civilian demands. In other words, where the price of the product of an industry was fixed that industry had to deliver the part which the government did not need to the civilian population, not in the way the industry chose, but as the government directed.

It must be remembered that when the war came there was no adequate preparation. Indeed, it is doubted by the best authorities whether any effective form of preparation then known would have been of much avail in view of the widespread and engulfing results of the war and the lack of knowledge of the various instruments of destruction which were being devised and which it became necessary to combat.

Our own Army had several divisions competing one with another for mate-

rials, transportation, housing, and so forth. On top of that there prevailed the demands of the Shipping Board with the slogan that ships would win the war, and of the Food Administration, with the slogan that food would win the war. Further, there was the Railroad Administration with its need for material and labor, and finally there was the feverish quest for labor and supplies on the part of the munition makers—all competing for labor, money, materials, transportation, fuel, power, and each insisting on the greater importance of its activity. All this while the labor supply was being lessened by the flow of men into the Army.

While an endeavor was being made to bring order out of chaos, the great undertaking had to go on. Men, ships, munitions, food, material, had to be provided. Old organizations, bureaus and traditions had to be met and changed, but not destroyed until the new was set up. The wonder of it all is, not that there were so many mistakes, but that so much was accomplished.

At the time we entered the war prices were at their peak, and tending higher because of the war's insatiable demands. The problem was not alone to secure the materials and labor and to stop the confusion, but to do it in such a way that the morale of the people would be maintained. The prices of some things, like steel and copper, were fixed far below prevailing rates, and the wages of labor in those industries were standardized. The more highly organized an industry, the easier it was to arrange. Order did not commence to appear until the Army funneled its needs through one man sitting with a section of the War Industries Board and—until the Navy, Shipping Board, Allies and Railroad Administration did likewise. Each department satisfied its requirements through a central authoritative body. This was called the War Industries Board, controlling and directing all materials and co-ordinating through its chairman the whole system of governmental and civilian supply and demand. It was created by executive order in March of the year 1918.

Briefly, this board endeavored to mobilize the industries of America so that the fighting forces of the Allied and associated nations could draw from the United States—the last reservoir of men, materials and money—the things needed for the winning of the war at the time the things were needed and with the least disturbance of the civilian population.

II
The War Industries Board was organized like any other supervisory committee, with a chairman, vice chairman, members in charge of various activities, bureau chiefs and subordinate workers. It surveyed and sought to arrange the whole industrial war field under the plenary powers conferred by the President and the Congress. How well it did this is a story for others to tell. What it did is the basis of the plan I am here drawing.

It was comparatively easy to fix prices and to distribute materials, and indeed to stabilize the wages of labor in those industries in which prices were fixed. The labor situation, however, became increasingly difficult, particularly when General Crowder found it necessary to withdraw men for the proposed campaign of 1918 after 4,000,000 soldiers had already been taken.

Much has been said about the profiteering of labor. It is an unjust accusation. It is only fair to say that this condition was primarily brought about through the inexperience of the organization within our own governmental departments and by the furious bidding of munition makers and ship builders for services. That situation, together with the increased prices of the things that labor had to buy with the results of its work, made it inevitable that labor must get higher wages.

So it became evident that the price fixing program had to go even further, and the War Industries Board, when the Armistice came, was proceeding with a campaign to fix the prices of all the basic things that labor had to buy. Some had previously been fixed. I speak of labor in a much broader sense than manual labor, for the unorganized so-called "white collar" part of our community—clerks, teachers, government employees, professional men—were less able to meet the situation than labor in the narrower sense. For the protection and relief of such groups certain plans were devised. To illustrate—

One of them provided that manufacturers, jobbers and retailers of shoes could make and sell shoes only of a specified quality at a fixed price, effective July, 1919. No one who did not have a card of the War Industries Board in his window could sell shoes, and only the standardized shoes could be sold. No jobber or manufacturer would sell shoes to anybody who did not have this card. The shoes were to be stamped Class A, B or C and had to be of the quality prescribed and sold at the price fixed. The country was so organized in every district that there could be immediately reported to Washington the name of any shoe retailer who did not carry out the regulations of the War Industries Board as to price and quality. Through restrictions on his labor, money, raw materials and transportation no manufacturer would have been permitted to sell to any dealer violating the regulations. The Armistice stopped the execution of this plan.

Another plan of this nature: The manufacturers of men's and women's wearing apparel had in 1918 been called to Washington, together with the retailers of various goods, and notified that regulations would have to be made in regard to retail prices and standardization of clothing.

The rulings by the board were made known through the issuance of official bulletins at irregular intervals and were widely distributed by the press, which co-operated in this most necessary work with a whole-hearted purpose that gave to the orders of the War Industries Board the instant and broad circulation they required.

Mr. Hoover already was doing much to perfect his control of food products and prices. There was also talk of fixing rents, and in some cities this was done.

If we were to start, in the event of another war, at the place where we were industrially when the World War ended, the President, acting through an agency similar to the War Industries Board, would have the right to fix prices of all things as of a date previous to the declaration of war when there was a fair peace time relationship among the various activities of the nation. It would be illegal to buy, sell, serve or rent at any other than these prices. Brakes would be applied to every agency of inflation before the hurtful process started. An intelligent control of the flow of men, money and materials would be imposed, instead of having the blind panic heretofore ensuing on the first appearance of the frantic demands of war. The Draft Board would have before it the rulings of the priority committee, together with the estimated needs of every business and profession in its relationship to the conduct of the war, and men would be selected accordingly. The Draft Board could more intelligently decide, with the advice of the priority committee, many of the problems with which it would be faced. There would be no sending of men to the trenches who were needed for expert industrial work and then bringing them back again. Businesses not necessary to the winning of the war would be curtailed. The Draft Board would have that information before it.

The prices of all things being fixed, the price fixing committee would make any necessary adjustments, as was done during the war. Under the system used in 1918 these prices were made public and adjusted every three months, so that any consumer or producer had his day in court when he considered prices unfair. Those who complained that during the war prices were too high had this ready recourse to hand.

In the meantime all the industries of the country would have been mobilized by the formation of committees representative of each industry as was done in the World War. Over them would be placed a government director or commodity chief. The various government departments would appoint committees representing their requirements, so that on one committee the resources of the nation would be represented and on the other the demands of the government. The government director would stand between to decide, in conjunction with the priority committee, to what department supplies should go.

Money would be controlled and directed like any other resource. "Taking the profit out of war" is not synonymous with "conscription of wealth," as it is sometimes regarded. The latter is a theoretical project, prohibited by our Constitution, contrary to the spirit of our social and political institutions, and impossible in practice. Taking the profit out of war is an orderly and scientific development of the economics and conduct of modern war, necessary to the effective mobilization of national resources and indispensable to equalizing the burdens of war among the armed and civilian population. Born of experience and proved by practice, it removes some of the most destructive concomitants of modern war—the confusion and waste incident to war time inflation.

This term "conscription of wealth," used by so many, has created a hope among those of socialist tendencies, and a fear among those who, like me, believe in our system based upon personal initiative and reward, of a taking of money, without payment, for the use of State. Neither the hope nor the fear is justified by the recommendation herein contained or by our experience in the war. The use of money should be controlled and directed in a national emergency. A man should no more be permitted to use his money as he wishes than he should be permitted to use the production of his mine, mill or factory except through the general supervising agency. This was being done toward the end of the war.

During the final phase of the World War no man or corporation or institution could raise money without the approval of the Capital Issues Committee of the Treasury Department, which committee in turn would not permit the borrowing of money unless the War Industries Board approved the use to which it was to be put. Thus the City of New York was not permitted to spend \$8,000,000 for the building of schools. The City of Philadelphia was prevented from making improvements that in peace time would have been necessary, but in war time were not. Various states, counties and cities, and a vast number of private concerns, were denied the use of money and materials for purposes not necessary for the winning of the war. Each part of the community had to adjust its wants to the whole great undertaking.

III
There have been a great many bills introduced into Congress on the subject of industrial mobilization, some sponsored by great organizations like the American Legion, and others by newspapers and publicists. But it is surprising how little knowledge there was on the part of those who drew up the bills of the practicability and feasibility of so mobilizing our resources that it would be impossible to make as much profit in war as in time of peace. Take into consideration the fact that the following things were being done in 1918:—

General Crowder, who was in charge of the draft, had asked the chairman of the War Industries Board where he could obtain additional men needed for the Army in France with the least possible dislocation of the war making industrial civilian machinery, and we were in the process of replacing male labor with women. By a system of priorities the Board was allocating to our own Army and Navy, to the Allies and to the essential war industries the things they required. It was making priority rulings as to transportation, and they were being followed out by the Railroad Administrator. The Fuel Administrator distributed fuel only on the rulings of the War Industries Board. The Board was engaged in disentangling and removing the many conflicts and competitive efforts involved in labor and buildings that had previously occurred because of lack of any co-ordinating agency. It was allocating power and making regulations for the hitching up of scattered units of power. It was changing munitions orders from congested to less congested districts. It had actually carried into effect an order that no building involving \$2,500 or more could be undertaken without the approval of the War Industries Board. No steel, no cement, no material of any kind could be used for any purpose whatsoever unless the War Industries Board permitted it. No steel company could sell over five tons of steel unless approved by the Director of Steel. The Treasury would not permit the raising of money for any industrial or financial operation unless it was approved by the War Industries Board. The President issued an order that no commandeering should be done by the Army, Navy, Shipping Board or Food Administration without the approval of the chairman of the War Industries Board. Every raw material industry, and indeed practically every industry in the country, was organized through appointment of committees, and none of these industries would do any business except under the rulings promulgated by the Board. Standardization in every industry was rapidly proceeding. These rulings were made known through the issuance of official bulletins at irregular intervals and were distributed by the press. We were endeavoring to arrange it so that the fighting forces were to receive those things which they needed and no more, so that whatever was not actually required at the front was left to civilian purposes. Industries were curtailed, but never destroyed; skeletons, but never killed. Indeed, the use of men, money and materials was rapidly being brought into exactly that condition which I have previously stated to be necessary in case of another war.

If, in addition to this, the President in the future has the authority to fix prices and distribution of materials and labor, rent, and the use of man power, transportation, fuel and all the things necessary for the conduct of the war, any rise in prices will be pre-

(Continued on page 3, Col. 4.)



For all the World to See

When you walk forth in one of the new Griffron productions, you'll walk with the pride of a man who knows his attire is beyond reproach. Have you been in to see the new Griffron Clothes yet?

\$25.00 to \$35.00

A. Fauble

Lyon & Company

April Reductions Will Make Easy Buying



Coats and Suits Charming Styles in wide variety, radiant in their newness; stunning new Coats; Tailored Straight-Line Coats, Sport Coats and Dress Coats in Tweeds, Fine Twill and Portiethen. Colors brilliant live shades, much navy and black. Tweed Suits in all colorings.

Beautiful Dresses All the brighter, lighter colors—Tan, Nude, Sandal, Palmetto, Powder Blue, Cocoa, also Navy and Black—displayed in the new flares and straight lines.

SILK HOSIERY—The famous Silver Star Brand Hosiery in all the new Spring shades.

GLOVES—Silk Gloves in the new Grays and Tans, with the new Cuffs and pretty colored stitching.

NEW SILK SCARFS—In plain colors, two-toned, and Figured Georgettes and Crepe de Chenes.

Rugs and Floor Coverings Our Rugs are all new designs in a combination of beautiful colorings, 9x12 Axminster and Brussels. Hall Runners and smaller Rugs to match. Fibre and Wool Rugs, 9x12, specially priced \$15.00. Linoleum and Oil Cloths at greatly reduced prices.

Lyon & Company

Caldwell & Son

Bellefonte, Pa.

Plumbing and Heating

Vapor...Steam
By Hot Water
Pipeless Furnaces

Full Line of Pipe and Fittings and Mill Supplies

All Sizes of Terra Cotta Pipe and Fittings

ESTIMATES
Cheerfully and Promptly Furnished