

Public clamor is daily stirred up against the strike. It is only reasonable to recall to mind, once in a while, the injustices, the hostilities of opponents, the acts bordering on treason, which drive organized labor to that last resort, the strike.

No other plan for the stimulation of labor efficiency equals fair treatment of the wage-worker. The American workman may be trusted to do his best when justly paid, when not "all in" two hours before quitting time, and when his employment is in a tolerable environment. Give him these desiderata and he needs no preaching on his duties. He will join heartily in studies of reasonable efficiency, he will on call jump into the trenches or tackle the worst job in any unavoidable heat, dirt, noise or danger. He will heartily join the lookers-on in the shouting not only for patriotism but for industrial peace.

PROBLEMS IN INDUSTRIAL MOBILIZATION

BY H. G. MOULTON,

Associate Professor of Political Economy, University of Chicago.

The war has developed no more interesting and no more perplexing problem than that of the non-essential industry. From the very beginning two schools of thought have vied with each other: the one has urged that if we are to prosecute the war successfully we must practice the most rigid economy, not so much for the purpose of enabling us to buy bonds and pay taxes as to release the labor power and the machine power ordinarily devoted to the production of non-essentials and to enable such productive energy to be diverted to the creation of the indispensable materials of war. The other school has contended that, while some readjustment of industry is doubtless inevitable, such readjustment should be reduced to a minimum in order that the wealth-producing capacity of the country may be adequate to the requirements of war finance. It appears like an axiom to people in this group that since taxes must be levied and liberty bonds purchased, the more *all* businesses prosper—pay good wages and yield large profits—the more effectively will the nation be able to pay the cost of the conflict. The membership of the first group consists of the United States Treasury Department and most

of the war organizations in Washington, practically all the economists of the country, many prominent men in all walks of life, and a few of the newspapers. The membership of the second group comprises, or has comprised until very recently, a large percentage of the business men and the influential press of the country.

The purpose of the present paper is to indicate the causes for the fundamental differences of opinion that prevail. In brief, it is believed that the causes lie (1) in the camouflé nature of the monetary organization of society; (2) in the distance from the scene of conflict; and (3) in the complexity of modern industrial society.

DOMINATION OF THE MONEY IDEA

Since April, 1917, the American people have faced a veritable barrage fire of argument—both verbal and written—designed to show that wars are won by money and credit. “Money, more money and still more money,” said Napoleon, “are the three prime necessities of war.” “Dollars will defeat the Kaiser,” has been the dictum of the hour. It was hardly to be expected that the rank and file of speakers among the Four Minute Men would be able to distinguish between money as a means to an end and money as an end in itself; for amateur economists have argued that a prolonged war requires the gradual conversion into liquid credit instruments of all the wealth of the nation both in its circulating and durable forms;¹ and even some professional economists have been much at sea in connection with the potency of credit as a means of war finance. It is the very general assumption of the American people that money will buy anything. As a metropolitan newspaper declared about a year ago, “No one need ever have any fear of a food shortage for money will always buy food.” Similarly it was assumed that if the government had money, no one need ever have any fear that it would not be able to obtain the requisite supplies somewhere. “Money will always buy supplies.”

Of course, the effective answer to this notion that money is the thing of predominant importance is to be found in the statement of the Treasury Department early in December that although the government had two billion dollars to spend for war supplies in the two months of October and November, it was able to spend less

¹ See A. D. Welton, *Saturday Evening Post*.

than one billion dollars for the reason that the supply of available materials was thus limited. The figures made public by the War Department on January 31, 1918, show that exclusive of loans to our Allies the government planned to spend during the fiscal year ending June 30, 1918, \$12,316,000,000, but that it had been able to spend in the seven months from June 30, 1917, to January 1, 1918, only about \$3,150,000,000.² In seven-twelfths of the year the Treasury had spent only three-twelfths of what it had planned to spend. With unlimited money and credit at its disposal the government could not buy the supplies needed for the simple reason that not enough energy had been devoted to their production. Money (the excess money) was a drug on the market, impotent as an instrument of warfare.

And yet despite these lessons from the past few months the oversubscription of the third liberty loan is looked upon by the rank and file as one of the greatest achievements of the war to date; it is celebrated by the blowing of horns and the ringing of bells and by great parades throughout the country. What is in fact one of the easiest of the problems associated with mobilization for war is thus regarded as the paramount task of the nation. And it is of course now generally assumed that all that is necessary for us to do in the coming months is to spend our time in making more money to the end that the next liberty loan may likewise be fully subscribed. The almost universal confusion of money with wealth, together with the incessant emphasis on the government's need for money, has served to draw a veil over the real requirements of effective warfare.

Now if instead of living in a highly complicated industrial world dominated by money and profits, we were still leading the simple life of the primitive community which supplies its wants by direct processes, I think we would have realized immediately upon the outbreak of the war that we could not fight a powerful enemy effect-

² The evidence is reasonably clear that the Treasury Department did not fully appreciate the difficulties of spending the money raised. During the first nine months of the war the Treasury Department proceeded on the assumption that all of the money that could possibly be raised should be promptly drawn to the Treasury. In many instances the sweeping of the market clean of investment funds hampered essential lines of industry. This was unnecessary in view of the fact that the government raised more revenue than it could immediately use. In other words, there was not a proper coordination of income and outgo.

ively and at the same time devote nearly all our activity to ordinary business and pleasurable pursuits. We would have recognized that our main energies must be absorbed in the actual fighting and in furnishing the materials and supplies necessary for effective warfare. It is only under a regime of money that the real essentials are concealed.

If a campaign of education had been inaugurated early in the war similar to that carried on for propaganda purposes, we might by this time have had a real appreciation of the fundamental industrial requirements for war and of the precise role which money does play in connection with the mobilization of our resources. The experiences through which England passed were on record and available for our use. The war savings campaign in England during the third year of the war had been conducted quite as much to teach the masses some simple principles of war economics as to raise revenue through the sale of savings stamps. True, within recent months we have had our own war savings campaign, and with succeeding bond issues emphasis has been shifted more and more to the importance of economizing. But during the first six months of the war veritably nothing was done along these lines and during the second six months there was accomplished only a tithe of what might have been achieved by a really thoroughgoing campaign of education.³

³ It is interesting to note in this connection that it was not until May, 1918, that the Council of National Defense would indorse a thrift campaign. It is significant also that for more than a year after the outbreak of the war, the Commercial Economy Board stood for business substantially as usual, holding tenaciously to the idea that the business fabric of the country could be maintained and that the excess production could be obtained through the introduction of economies in commercial lines. The impossibility of rapidly introducing improved methods during a period of general disruption, coupled with the dearth of scientifically trained men capable of introducing the economies, is sufficient to render this method of obtaining the additional supplies required, an almost negligible factor,—negligible, that is, when one thinks in terms of billions of dollars of supplies. The impotence of the measures of such organizations as the Commercial Economy Board to accomplish large results, may be seen from the recommendation to shoe manufacturers in April, 1918, that in order to save capital and materials for war uses, women's shoes should be confined to five colors and in no case exceed nine inches in height measured from the breast of the heel,—and this at a time when many women's organizations were demanding simplification of styles.

MISJUDGMENT BECAUSE OF DISTANCE

The second cause of misunderstanding of the situation is the great distance from the battlefield. If we had been in France in August, 1914, when almost over night three-fourths of the laboring population of France between the ages of eighteen and forty-five were called to the trenches, we would have readily understood that it would be impossible to resist the Germans successfully while carrying on normal occupations as usual. With the enemy at the gates it was easy to understand that business must be adjusted with the single end in view of repelling the invader.⁴

England, across the channel and hence safe from immediate invasion, long held to the notion that she could have business and pleasure much as usual and at the same time crush the military power of a nation that had organized all its resources for the purpose of war. There was the excuse for England that she was mistress of the seas and could hence export in great quantities non-essential products of her own manufacture and import in exchange munitions and other materials of warfare from the neutral world. She could also purchase on credit enormous quantities of supplies. It was eventually revealed, however, when the drain on England's labor power became severe, that she must borrow all she could from the neutral world and devote her domestic energy as largely as possible to the creation of war supplies. The war demand for steel, copper, lead, wool, leather, khaki, and certain kinds of foods has proved so insatiable that the productive energy of both belligerent and neutral countries was required in their production.

If England was misled, it is little wonder that the United States, from three to four thousand miles from the scene of battle, should fail to understand at the start that industrial reorganization must go to the very foundations of our national life. We have hoped that the war would soon be over; we have been told that our Allies need credit and we have assumed that this involves on our part lending them money rather than goods. We had great prosperity in the United States during 1915-16 as a result of European demand

⁴ So long as France could import heavily from other nations, some of the productive energy could be devoted to the creation of non-essentials which could be traded to neutral countries for munitions and supplies. However, with the whole world at war, and with the shipping facilities tremendously overtaxed, even this ceased to be good economy.

for supplies from this country. With both feet in the war, would not this demand obviously be intensified, and would there not, therefore, be greater prosperity than ever in all lines of business? With notions such as these firmly fixed in the national psychology, it is difficult indeed for us to realize what a modern war really means from an industrial point of view.

THE COMPLEXITY OF INDUSTRIAL SOCIETY

The third source of misunderstanding in the situation is the complex nature of modern industrial society. The difficulty here may be illustrated by reference to the establishment of the selective draft. Strongly attacked in many quarters as an act of autocracy, when it was first suggested, sober second thought has convinced most of us that the selective draft is the very essence of a democratic as opposed to an anarchistic society. Our difficulty in discerning the true nature of conscription in the beginning was largely due, I believe, to the individualistic organization of a complex industrial society. Under the present form of industrial organization, each appears to be working for himself in competition with his fellows, whereas, in fact, through specialized production and the exchange of products and services, we are coöperating with each other. If, instead of a highly specialized industrial organization based on a system of monetary exchanges, our society were a simple (directly) coöperative frontier community, would anyone have doubted the fundamentally democratic nature of the selective draft? Would anyone have seriously questioned the principle that in fighting for a common cause all must take pot-luck together, that each must stand ready to give his all, as the national requirements should dictate?

In such a simply organized community is it not probable also that as a mere matter of course those not required for the fighting units would have been assigned to their places in the industrial organization back of the lines? Is it likely that civilians would have been permitted to follow their normal pursuits when such normal occupations were at direct cross-purposes with the necessities of the community as a whole? With the industrial needs clear to every one is it not altogether likely that those persisting in non-essential pursuits would have been pilloried in the same fashion as the cowards and slackers?

It is only in a complex industrial society that one could hope to

find the anomaly of liberty loan speakers urging the most rigid economy on the part of all classes with the double purpose in view of obtaining heavy subscriptions to the loan and of reducing the demand for, and hence the production of, non-essentials, and the priorities committees and the War Industries Board in Washington making plans for the curtailment of non-essential production, while manufacturers and merchants everywhere are working directly against the government by elaborate and skillful advertising of non-essential commodities. Liberty loan booths are surrounded by tempting displays of luxuries designed to lure unsophisticated women to purchase commodities with which they could perfectly well dispense.⁵

ESSENTIAL AND NON-ESSENTIAL INDUSTRIES

There is a disposition in many quarters to look upon those who stand for business as usual as deliberate enemies of the cause or at least as persons who put their own private interests above those of the government. Much study of current arguments on this subject and much discussion with individuals directly involved in the non-essential industries have convinced me that there is relatively little of this deliberate selfishness in the situation; it is mainly misunderstanding. Of course it is human nature to hope against hope that one's own particular occupation may not have to be foregone; and the wish is usually father to the thought that such occupation is really essential. This leads at times to most amusing discussions of what is and what is not essential.⁶ For instance, a manufacturer

⁵ Examples of deceptive advertisements might be cited by the hundreds. Some of them almost overtax human credulity.

⁶ There has moreover been a strange hesitancy on the part of the governmental agencies to face squarely the defining of non-essential commodities. Merely because there are difficulties involved does not mean that there is not a large list of commodities which may be set down as non-essential for war purposes. The problem that the government has to decide is, however, after all, not as between essential and non-essential, but as between more essential and less essential; and when full priority is given to the more essential commodities, the less essential ones are eliminated, thus proving that they are in fact non-essential. It is interesting that at the very time when governmental agencies refuse to decide what is non-essential they expect the rank and file of uninformed consumers to exercise discrimination in purchasing, to the end that capital may be diverted from non-essential lines. Fortunately, every time a priority decision is made the government does have to distinguish between more and less essential commodities.

of cosmetics stoutly insists that the proof that his industry is a necessity is found in the fact that women will forego food in order to buy face powder. It is also widely believed that there is sufficient productive power in the country to take care of the normal production and war production in addition. Even so recently as April, 1918, at a big salesmen's conference in Detroit, only three people could be found who would admit that there was not enough productive energy in the country to supply both the needs of business and war.

The newspapers have been the subject of no little discussion in this connection. It is urged that at the very time that they are preaching sacrifice and the loftiest ideals of patriotism in the editorial columns, they run advertisements which urge the purchase of all sorts of non-essential commodities, advertisements which are in many cases so palpably in opposition to national policy—such as long woolen socks for men in civilian occupation,—that no one could plead as an excuse, ignorance of the results of such advertising; and they refuse to print articles or advertisements which preach the doctrine of economy.⁷ We should not belabor the newspapers too strongly for these practices. The newspapers after all belong to the class of essential industries; they merely are unfortunate in being financially dependent upon the advertisements of those engaged in non-essential industries. Refusal of non-essential advertisements means for them financial bankruptcy and hence inability to render service which is of paramount importance to the government.

METHODS OF EFFECTING INDUSTRIAL REORGANIZATION

Although the need for industrial reorganization has now been clearly established in the minds of the governmental agencies, the question of methods of securing such diversion of energy is still a debatable one. There are three methods, not mutually exclusive, of securing diversion from non-essential industry to war production. The first may be called the saving method, the second, the priorities method and the third, industrial conscription, or selective recruiting of manufacturing establishments.

⁷ I know of one metropolitan newspaper company that recently paid five hundred dollars in damages for failing to insert, after a contract had been drawn for such insertion, an advertisement containing only official statements on the need of economizing.

Those who urge saving as the method by which the diversion should be accomplished usually fail to realize that such a method is both slow and unscientific. It is slow because it is indirect; it will gradually succeed in forcing business establishments in non-essential lines into bankruptcy, but it does nothing toward pointing the way for such establishments into war industry. It is unscientific in that it does not involve any exercise of selection in the particular types of non-essentials which can best be dispensed with and of the particular establishments in any given line of industry which can be dispensed with most easily and which at the same time can be most readily adapted to war production. The saving method forces out first the marginal business man and it is probable that this business man will not be the one who could most quickly adapt his establishment to the manufacture of war supplies; in fact, it would more likely be the case that the very lack of enterprise, organizing ability, vision, what not, which caused him to be a marginal producer will result in his floundering about for an indefinite period; and this is of course accompanied by much unemployment and social unrest. Under such circumstances the process of saving, that was merely begun when this manufacturer was forced out, finds fruition only indirectly, in the creation of new industrial establishments by other business men—new industrial establishments which require much time in the building and which involve heavy initial cost in the way of labor and materials;—establishments; moreover, which can be of little, if any, use after the war is over. The priorities method is superior to the savings method in that it may select for discontinuance first those lines of industry which are least essential and those particular establishments in any given line which may most quickly be converted to war production.

The third method, that of conscription, or selective recruiting, merely involves carrying the second method a step further and having the government take the initiative in determining what establishments in any given line should be devoted to the production of particular war supplies. It not only quickly reduces the production of non-essentials, but it adapts those establishments with a minimum of loss to the owners or of unemployment for the workers to the creation of war supplies for which they are best suited. At the same time it enables the war supplies to be produced with a minimum of additional capital goods, thus saving the enormous costs involved in

new construction itself, as well as the waste entailed when the conclusion of peace destroys the demand for war products. This method of converting selected plants has thus the combined advantage of speed, economy of labor and materials during the war, and the minimizing of difficulties during reconstruction. Selective industrial recruiting and the application of priority rulings are now being rapidly perfected and it is probable that the major portion of the industrial readjusting in the coming year will be accomplished in these ways rather than by the indirect method of individual retrenchment of consumption.

It is interesting that we should have been so timid in this country, particularly in view of the success of the introduction of the selective draft, in adopting a policy of industrial conscription or recruiting. The suggestion of industrial conscription appears to have been strongly opposed owing to the fact that the term early applied to both labor and capital. Indeed, many who use the term apply it to labor alone. Now "conscription of labor" meets with overwhelming opposition on the part of the labor organizations of the country. But although labor objects to being conscripted into private industries that are earning war profits, it would not seriously oppose conscription into government industries. It is possible, moreover, that if conscription had been applied months ago to capital, that is to factories and workshops of every description, the labor organizations would not now so seriously object to compulsory change of employment. And it should be recognized, also, that if factories are first conscripted, conscription of labor would hardly be necessary. Labor will not long hesitate, with erstwhile employment in non-essential industry gone because of closed factory doors, in accepting remunerative jobs in beckoning war industries. With effective labor exchanges and adequate housing facilities in the seats of war industry, voluntary enlistment of labor in the industrial army may be considered as a foregone conclusion.

We have spoken of closed factory doors; but it must be borne in mind that a selective recruiting of factories for war occupations does not mean the closing of factory doors in most instances. It means an adaptation of that factory to war manufacture, thus giving continued employment to its laborers; only a minimum of labor shifting is thus required. Selective recruiting of the factories for war service meets with virtually no opposition. The evidence is

overwhelming that business concerns are eager to respond; they need merely be shown in what ways they may be of service and guaranteed minimum returns for their efforts. A selective recruiting of this sort does not imply commandeering of private wealth; it is not un-American. It means merely that the government gives to certain business men the opportunity and the honor of rendering service in the common cause of humanity. American business men are every day demonstrating their willingness to sacrifice present lines of business provided they are given prompt opportunity to render service to the country. It is time that we generally recognize that this country does not shirk responsibility. It is time that we cease hesitating to disturb normal pursuits by governmental action; for they will shortly be more seriously disturbed by the unorganized and undirected economizing of the consuming public. Fortunately in the reorganized War Industries Board, machinery is now being rapidly developed for accomplishing by intelligent social direction what would in any case eventually be accomplished by unintelligent, undirected and time-consuming individual retrenchment.

STIMULATING LABOR EFFICIENCY IN WAR TIMES

BY RICHARD A. FEISS,

Chief of the Manufacturing Branch, Quartermaster Department.

To face the situation involved in the problem under discussion we must have hope, but unfortunately, I fear we have a tremendous lot of unpreparedness. Seriously speaking and quoting one of my friends, who I believe is as close to the heart of the industrial situation in America as anyone, "We are facing within the next three to six months what is likely to be a crisis that means win or lose—not at the front, but here at home in the industrial world." That situation is arising from the lack of appreciation of what has gone before and from the want of any appreciation of the fact that every element, including above all that element known as the labor question or the industrial question, is the very essence of the mobilization of those forces necessary to win the war.

To solve these problems it seems to me they must be approached from two specific directions, and I will try to touch upon some of the