

# Taking the Profit Out of War

By BERNARD M. BARUCH

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[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 of 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 series of lectures there to expound the War Industries Board plan in detail. Later he will proceed to make similar arrangements of leading countries in Europe, Russia, France, Germany, Italy, and Japan. Agreeing to this, Mr. Baruch has the subject calls for public knowledge and discussion, and he has the pleasure to turn to him for the following paper.—THE ATLANTIC MONTHLY.]

It is not a simple matter to take the profit out of war. It is a complex problem that involves the interests of many different groups of people. The War Industries Board was created to deal with this problem during the World War. Its main purpose was to control the production of war materials and to prevent profiteering. This was done by setting prices and controlling the distribution of goods. The Board also had the authority to ration materials and to control the labor market. This was a significant step towards taking the profit out of war.

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 Dawes 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.

Wherever 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 ensuing 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 materials, 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.

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 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 war 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 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.

There are many men who are afraid that the adoption of this plan by Congress would give an impetus to socialism or communism or sovietism or whatever they may call it, because, they say, "if you show it can be done in war time there will be a demand that it be done in peace time." It cannot be done in peace time. There can be no great undertaking without a strong moving cause. In peace time the moving cause is personal initiative and payment for services performed. The substitute for that in war time is the common danger.

The War Industries Board was the foremost advocate of price fixing and distribution, and it had great power in this field, but when the Armistice came it recognized that peace conditions were being restored, and it was the first to change the war time order of things and to leave to the people themselves the readjustment of their affairs. I am satisfied that it is impossible for the government to do in peace time what I am advocating, although it becomes absolutely necessary in order to conduct a modern war successfully and to conduct it on a non-profiteering basis.

The application of this plan, besides making the nation a coherent unit in time of war, would impress upon every class in society a sense of its own responsibility in such event. If it were known that this universal responsibility would be enforced, no class—social, financial or industrial—could fail to understand that in case of war it would have to bear its share of the burdens involved and would have to make sacrifices of profit, convenience and personal liberty correlatively with those made by the soldiers in the field. To this extent the plan would act as a positive deterrent to any hasty recourse to force in an international controversy.

One thing that has definitely come from the war is the necessity of arranging affairs so that a portion of the population shall not be sent to the front to bear all the physical hardships and their consequences while others are left behind to profit by their absence. If applied at the outbreak, the War Industries Board (as it was functioning at the close of the World War) would prevent this and lessen, if not remove, the social and economic evils that come as the aftermath of war.

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