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A PLANNED ECONOMY
by
Professor Charles A. Beard

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A PLANNED ECONOMY
BY
PROFLSSOR CHARLES A BEARD

Colonel McCain, Gentlemen:

With Colonel McCain's permission I am going to tell you a story I heard down in Georgia recently. During maneuvers near Columbus a German army captain was in attendance as observer and after the maneuvers the Colonel in charge said "Captain, would you like to have something to drink? I am sorry to say that all I have is Georgia corn whiskey, but I shall be happy to give you some." The Captain said "Very good" and poured out a tumbler of that forked lightning and tossed it off. The Colonel asked him how he liked it. He said "Pretty good and very powerful. If we had had some of that for our Big Bertha we would have won the war."

It is a great privilege to have the opportunity to talk to you today. I am afraid that as a mere student of history I can say little that will be of practical value to you in your profession, yet I am happy to have the chance to expose my ignorance to you and give you an example of the way a greenhorn from Connecticut, a civilian, who knows nothing of the art of war, looks at the economic scene.

As a teacher of history I used to give a course at Columbia which I called "Universal history from the fall of man to the fall of Port Arthur" and I occasionally came across war as a great human phenomenon and had to give attention to it as one of the great history-making forces. I was led to inquire not into the technique of it but into the relation of war to the great movements of opinion and interest in society at large, and I came independently to the conclusion which a great German military writer reached many, many years ago - that war is the extension into the field of battle of competitions and forces at work in time of peace and that therefore, in order to understand the forces which set the task for the military man it is necessary to inquire into the objectives and purposes and conceptions of the civil government which puts the military machine into operation.

Now I confess that I can give you no science of planning for war or peace. Having devoted some forty years to the study of human history I find myself unable to reduce it to any science. There are many students of sociology and economics who dream of reducing the complex processes of history to a science but few of them inquire "what would this science look like if we had it"? In my own opinion there is only one true science, that is the

science of celestial mechanics - the movements of the heavenly bodies. And why? Because the human being cannot interfere with the movements of the heavenly bodies. All others are not sciences. Suppose we had a science which would enable the military man to calculate his problems precisely. What would it look like? Look at celestial mechanics. Astronomers so well know the law of the movement of the heavenly bodies that they can make a map of the heavens for you as they will appear in August 1975 or 3075 or 10875. Marvelous achievement of the human mind.

Suppose we had a science of human society which would enable us to know its laws. We could accurately forecast the movements of the coming years. If we could get a picture of the world as it is to be we should find ourselves encased in an iron framework we could not change. We want it if we could get it.

I do not think I shall be able to present any exact science of society or of planning. Nor do I think there is such a thing as a science of war save in a very limited sense. I have just read a work by a German army officer in which he deals with the science of geography as applied to warfare. He shows that there are certain aspects of geography with which the military man has to reckon but the determinism of these things for warfare has almost disappeared owing to the advance of mechanical ingenuity. So the science of geographical determinism collapsed with the use of invention. So I may not be able to present to you a science of planning which you can use with sure effect to gain an objective in war. That is a modest confession.

We in America are accustomed to having slogans. Frenzies, I call them. We have had pragmatism. Couéism, Freudism - one great frenzy after another. Is this planning just a passing intellectual fad which will engage us for a few months and then pass? If not, why not? At the outset I want to clear up some misconceptions about planning. We are a great "either or" people. We have either the saloon or prohibition - prohibition or repeal. We like to work with "either ors". In fact few such formulas are applicable to the human. The issue before us is not just "planning or no planning".

There has always been a certain amount of planning and the question is how much planning; what kind of planning; directed toward what ends; for the benefit of whom? The constitution of the United States is a plan - a magnificent plan. When the French were at work on their constitution in 1848 the idealists and reformers wanted to put everything in it, to forecast the future in detail. But Lamartine said "leave something to Providence". The framers of the constitution of the U. S. left something to Providence. They made a document covering fourteen or fifteen printed pages, but with what marvelous accuracy they gave direction to great political affairs of the country! It is one of the greatest landmarks in human planning. A city charter is a plan; the constitution of a state is a plan. We speak of city planning, regional planning, state planning and national planning.

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We should not say that we are for planning or against it. That does not mean anything. I am for a certain type of planning, for certain places, with certain limitations, leaving a great deal to Providence. If we don't allow for leeway, Providence will take of it for us by breaking our hard and fast designs. However, there are a number of forces working rapidly in the direction of planning that lead me to believe that talk about planning is not merely a passing fad but an inevitable outcome of the nature of our civilization.

At the center of our civilization is technology. Our whole economic structure is founded upon it; our production, exchange, and distribution. In order to understand the forces that are driving us in the direction of planning it is necessary to inquire into the nature of this technology. What is its driving nature? First of all it is rational. The engineer does not say "I suspect" or "I think" or "I imagine". He says "I know". If he does not know, he is not an engineer. If he does not know the stresses and strains a piece of steel will bear he is not a construction engineer. If your automobile breaks down you do not summon someone to exercise the evil spirits of carburetors. You get someone who knows how to make it work.

Not long ago I was in another part of the world and I saw a procession marching around a field bearing images and banners. I asked what it was. My friend told me that it was the Spring Sowing procession. The villagers marched around to exorcise the evil spirits of frost, blight, etc., and to invoke the aid of beneficent spirits such as sunshine, rain, etc. We do not do that because we either know the forces that are working against production or we do not know them. If we do not know them we try to find out by rational method and apply them rationally.

Technology is playful. The engineer cannot move an inch in any construction project until he has a blueprint. That is fundamental to our western thought as distinguished from the thought of the Orient or where they do not live under a regime of technology. An engineer must have a blueprint general and specific to the last thing.

Technology is exact as distinguished from vague ideas and hopes. My son is a graduate of the Massachusetts Institute of Technology. In his sophomore year he had an examination containing a problem covering four or five pages of mathematical calculations. He solved it all right but way off on the right side of the decimal point he had a six instead of a seven. And he flunked. He went to see the instructor and asked whether he had not solved the problem all right except for the sixth or seventh figure on the other side of the decimal point. The instructor said "Yes, but build a bridge on that principle and it will fall down".

Technology is rational; it is centripetal. It tends to draw productive enterprises together. The great railroad technologist, when he thinks of transportation, brings into the picture aviation, waterways, buses, and all the elements involved in transportation. So technology tends to draw great productive enterprises together. That is one reason why 45 to 50% of the industrial wealth of the country has been concentrated in the hands of some two hundred corporations. It could not be done under a system of agrarian economy. It is made possible by the centripetal forces of technology.

Technology is efficient. A professor at Columbia, who was something of a poet, once defined efficiency as "the art of doing with meticulous care and correctness that which should not be done at all". That is a poetic way of looking at it. But he wanted his trains to be run on time and when he wanted a tooth pulled he expected the dentist to keep office hours. Efficiency is central conception of technology. It is based on the theory of getting the most work out of the least possible expenditure of energy. Apply that to governments, armies, industries. The utmost possible work at the least possible expenditure of energy. It is one of the fundamental ideas of technology and these ideas are running all through thought about our industrial structure. Technology, then, is one of the forces which, by its inherent nature and its practical application and continuous expansion into new areas of life, is making planning inescapable.

We also see in our age a great multiplication of the functions of government. Government, historically speaking, has been more or less one damn thing after another, added under the pressure of special interests. Farmers want regulation of freight rates with reference to shipments of their grain; so they bring pressure to regulate the movements. Manufacturers want protection against foreign competition; so they want a protective tariff. Labor wants certain things; so they bring pressure to bear. Hence we have had a multiplication of government functions until the simple machine which the fathers set up in 1789 has become a vast and complicated technological apparatus, regulating railway rates, operating barges on waterways, etc. In agriculture we see it increasing production on the one hand and with the other trying to hold it down. We have multiplied conflicting functions until the Government is at war with itself in many fields. When it takes stock with itself it must bring these conflicting interests into harmonious relation. Thus the multiplication of government functions makes planning necessary.

The growth of great industrial corporations occupying ever larger areas of production also makes planning necessary. We think of planning now primarily in terms of government but we should not forget that while the Government is planning certain

things on one side, great things are being planned by industrial corporations. The great corporations like U. S. Steel Corporation and the Pennsylvania Railroad Company cannot live without planning. Such corporations are occupying ever larger areas of economic life. Private planning is going on.

Another force working for planning - one which cannot be ignored - is the contradiction apparent between the potentialities of our great technological machine and the social conditions accompanying its operation. We cannot overlook this. Engineers tell us that with the application of power and science to production there is almost unlimited capacity for creating the things that all men and women need for a good life. There is no doubt about it.

On the other hand we have twelve or fifteen million men and women unemployed; poverty, sickness unattended, and misery. Now I say the existence of this tremendous antithesis is producing in the mind of the Western world an insistent demand for a solution of that contradiction. The quest for a solution drives us in the direction of planning. That idea is not to be ignored.

After the war in Germany, as you know, the Reichstag made an investigation into the cause of the breakdown. As I was telling Colonel McCain, its report can be found now in several huge volumes. The commission of inquiry had before it the leading Army officers of Germany - Ludendorf, Hindenburg, etc., and sought to discover the causes of their calamity. Why did they fail? The most interesting thing to me is this: They failed, not from lack of great plans nor lack of technological efficiency in operation, (I think most soldiers will agree the German army was an efficient organization) they failed not because they lacked knowledge of warfare but because they turned the whole government over to the army men who ignored the climate of the world's opinion, who ignored the imponderable forces, who let loose the submarine warfare which brought the U. S. into the war against them. Ideas are forces in the world. And we cannot ignore this contrast between our power to produce wealth and this misery, poverty, and unemployment. That is a contradiction that will dog us until we have made some planful effort to solve it.

I have lived through many panics. I was born in the panic of 1873 - one of the great contributory causes, at least in our household. I remember well the great panic of 1893 which ran to '97. I have studied the history of these panics. The interesting thing about the present depression to me is that for the first time, in the present crisis, great leaders of business and of finance and of government have taken a new position with reference to these recurring crises. When I was a youngster we regarded a panic very much as the people of the middle ages regarded the black plague - as a visitation from God. We just took a notch in our belts and starved through it, leaving the

forces of nature to work their way out through bankruptcies, liquidation, unemployment, riots and hunger until at last it passed, for a time. Then we rejoiced and forgot it.

President McKinley said in reference to the panic of 1893: "We have just passed through a great industrial crisis and are now riding out of it. We shall never forget the lessons which it has taught us". And we did forget them the next day. In the previous panics our great leaders of government, finance and business looked upon them largely as visitations of Providence with respect to which human intelligence could do nothing. The interesting thing about this crisis is that our leaders are beginning to wonder whether they must endure it and the next one and the next, and if so, what will happen should we refuse to apply intelligence to it.

Two outstanding facts in this depression are, to my mind, a statement by Mr. Gerard Swope, President of General Electric and a report by a committee of the U. S. Chamber of Commerce on stabilization in industry. In 1931 Mr. Swope called attention to the wrongness of a situation in which we have an enormous surplus of food piled ^{up} on one side and unemployment and misery on the other side. "If industry can do nothing about it," he declared, "then the Government will." Nothing like that was said in the panic of the seventies nor in the panic of the nineties by any great industrial leader. The U. S. Chamber of Commerce in its report reached the same conclusion in effect and proposed action by industry and the Government to avoid these violent peaks and valleys of industrial operations. Then in addition, such economists as Stuart Chase, George Soule, Athelbert Ames of Dartmouth, and members of President Hoover's commission, have indicated to us the necessity of planning to meet the contradiction to which I have drawn your attention, and also to save the wastage in our natural resources and make the most efficient use of our great material endowment.

There are a great many people who would like to have the plan sketched down to the last detail. I think you men of war will agree with me that when you sketch any plan of campaign you are not likely to win the victory if you try to plan it down to the last non-commissioned officer, to the last private. It is the large plan that leaves a little leeway to subordinate officers and to privates that is most effective in warfare. So it is in industry.

What are these large plans which our industrial leaders and the Chamber of Commerce are presenting to us? I propose to analyze them as a student of history. I am not trying to make an Utopia. What are the leading ideas? What do these leaders say about the source of the trouble? They say that the cause of these recurring panics and depressions lies in the diversion of too much wealth to plant expansion and too little to buying power. This means that too much goes into capital

account and too little into wages and salaries (buying power). Owing to the disproportion of wealth which goes into capital, which is put into plant expansion, while the buying power fails to keep pace with it, our economic machine gets out of balance and there is a crash. That is the crux of the matter according to the statements by our industrial leaders, including the Chamber of Commerce of the United States, and by the various economists who have thought about planning.

How do they propose to attack the problem? Mr. Swope and the Chamber of Commerce propose to attack it by putting the main responsibility upon industry itself; i.e., giving the great industrial corporations a free hand to stabilize production and to control plant expansion with reference to the requirements of the market. They propose also to impose upon these industrial corporations social responsibility for taking care of their wage earners, either through some system of insurance or other process that will keep their buying power up to the high level of capacity.

Obviously, any great control of trade would run counter to the Sherman Anti-trust law which is based upon conceptions of American life which prevailed when I was a boy - corner groceries and small industries. So these industrial leaders propose to modify the Sherman law to permit them to set up highly centralized structures. Evidently, to give 200 great corporations such enormous power over the economic life of the country is out of the question. So the Government is inevitably drawn into the picture. If corporations are to have power to stabilize industries, if they are to assume responsibility for keeping industry going, then they must proceed according to some principles of public control exercised by authorities of the Government; so inevitably, even planning by private industry leads to government control. It means also transparency for industrial accounting; a system of accounting for wages, profits and output which would be exact and which would mirror the situation and be applicable to income tax returns as well as other purposes. That would put private industry on the basis of a public utility concern, subject to regulation as to accounting and accounting control. That is the picture of the way out which our industrial leaders put before us.

The economists who have attacked the problem have a started from the other end - with the Government - a National Economic Council, with large powers of organization, regulation, and control they have usually supplemented their plans with a system of taxation which will make impossible such great capital accumulations as we have had in the past - which, in turn, will make impossible unbalanced plant expansion. Such, in general, are the conceptions of national planning now up for discussion in the country. I shall not go into further details but close by making some general reflections pertinent to the question of warfare and planning in foreign policy.

I am now devoting two years to the study of a problem which bears directly upon the economic measures of our Government and upon the services which our army and navy may be called upon to render in support of them. The subject is: "What is the national interest which, we are told by diplomats, must be upheld at all costs?" Is it the interest of our nation on this continent - its industrial and economic and social structure or does the term include all the economic operations of private parties engaged in acquisitive enterprise all over the world? If national defense means defending our own land itself, it is one thing. If national defense means, as a modern statesman has said, the defense of every dollar invested in every place on the earth, then it is something else. If national defense covers every dollar, every trade operation, every steamship line in every part of the world then the Army and Navy have a task. If it means the defense of the continental U. S., then the task of the Army and Navy takes a different form. We have not decided this issue in our own minds. We are between two fires. On the one side we are told that it is necessary to defend every dollar, every steamship line, but those who say so never inquire just how it is to be done, what burdens it would impose on our soldiers and sailors. If on the other hand we say we will not do anything for Americans abroad, we are in another kind of difficulty.

When we have worked out the planning idea in economy it will include not only control of domestic industry but control over foreign trade. Then national interest in foreign affairs will be an exact mirror of public interest in domestic affairs. If we continue to take the traditional view we shall be in the position of the gentleman in Arkansas who came home one night with both eyes blackened. His wife asked what had happened. He replied, "I was down in Hank's saloon, had a drink of old rye, and said I could lick any man in the place. A fellow from across the railroad tracks came up and I knocked him through the window. I had another drink, challenged two of them and knocked them both through the back window. I had another drink and said I could lick every man in the place -- all of them at once. That, my dear, was a mistake. I took in too much territory."

It seems to me that this story is relevant to economic planning and its relation to foreign policy and national defense. We must come to think of our nation as a great economic unity, making a humane and efficient use of our rich natural resources. Our policy in foreign commerce must be directed merely to securing the commodities requisite to our national welfare rather than to supporting all economic enterprises which our citizens may engage in abroad, no matter how deeply they involve us in world-wide competitions and controversies. If this is done we shall not take in too much territory. We shall have a limited field of operations-- one not beyond our powers of defense. If this is done the Army and

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Navy will have a clearer picture of the obligations likely to be imposed upon them in the future.

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Q. Will you contrast a planned peace economy with a planned war economy?

A. In war-time you have a different objective. Who was the Army officer who wrote many years ago a book on our war policy? General Upton. It is a book every civilian and soldier ought to read. He says that the civilian branch of the government carries its policies and makes manipulations that lead into military difficulties without taking into account the actual problems which the Army and Navy will have to face in time of war. The war of 1812 is a good illustration. We ought not to think of planning for war alone; we ought to think of planning as planning for the efficient use of our national resources. I do not think that there is any difference in planning for peace and planning for war except that in war-time you have higher tension of the same machine. If you have a planned economy then war planning will consist in speeding up the machine. What is the ideal plan? It is most efficient use of the national resources.

Q. What would be the maximum effort?

A. 100% efficiency. I do not see how you could determine the exact maximum effort. Perhaps the engineer's could figure it out. They could get somewhere near it, but I do not believe with all the powers of the human mind we could tell what the maximum effort could be.

Q. What do you think of technocracy?

A. When I spoke of our various frenzies I omitted referring to that. I think there is something in every one of these frenzies. There is something in pragmatism and all of them but we should not take each one of them as an all-inclusive philosophy. The inventors of technocracy seem to have discovered that labor-saving machinery saves labor. Then they figure how much labor; ^{then} they figure that we have an enormous endowment of natural resources that are not being used to maximum efficiency. They say it is because the price system, which is another way of describing the wage and salary system, fails to give to wage and salary earners enough buying power to take care of our output.

Q. What do you think of the short working day?

A. The technocrats seem to have it worked out that we could produce enough for everyone to live comfortably on in about two days a week. As a farmer from Connecticut I do not see how you are going to make a short working day on the land. We have got to have some

radical changes in mortal sinners if we have a five days week with nothing to do. The Army would have a job. We have had the idea that work is a kind of curse, whereas work is one thing that makes possible a good life. We should so arrange our work and the conditions of work that people would not want to work two days and loaf five. We should have working conditions that will enable them to express themselves and live well. That is a problem in education, art and science.

Q. In a system of national planning how is it possible to coordinate this with state governments?

A. I do not see how anyone can make a blueprint of it. Inevitably, it will require enormous powers in the hands of the Federal Government. Energy, ability, and power to control. You cannot have an efficient Army and let every non-commissioned officer and private do as he pleases. If we are going to have the benefit of an efficient economy then we have to have a great amount of control. The problem is one of reconciling individual initiative and freedom of movement with the necessary control. That is the problem our fathers took up in the Constitution. We would have to give enormous power to the Federal Government.

Q. In view of the fact that so few of our employed persons are employed by large corporations or groups of corporations how can any planned economy be made effective which will control the smaller units?

A. Suppose, as Soule and Chase have proposed, you organize the great industries of the country; the great corporations will come immediately in control and the smaller ones would have to come in also. Any such planning would control perhaps 2/3's of our industrial economic life. A great many people think of planning as consisting in issuing orders in advance prescribing every detail for everyone. I think planning will consist largely in forecasting for our industries and that there will be a large element of what you call proscription based upon a forecasting of requirements.

Q. In war it would be confiscation and rationing?

A. I think confiscation is going on all the time. A certain large corporation confiscated a great part of my life savings by failing to manage its affairs well. What you would have in war would be more drastic control over industry and wealth than you have in peace. The degree of efficiency in peace time would depend upon emphasis on leisure or wealth production. The aim in war time is maximum efficiency.

Q. What are the merits of the policy adopted by industry and government of using pay and wage cuts as a means of stimulation?

A. That goes to the heart of the matter. In previous panics we took wage cuts and bankruptcies. About fifteen great trunk lines went into bankruptcy in the panic of 1873. We all took it - great industrialists took it. What are we doing in the present panic? The great railroads and banks are not taking their cuts. The Reconstruction Finance Corporation is trying to keep that structure up while we are taking cuts. You can have wage cuts if you have corresponding bankruptcies. By pay cuts without capital reductions you increase the trouble and decrease buying power. The crisis has not yet come.

Q. Under a national planned peace economy how is it proposed to regulate exports and imports?

A. I do not see how you can have unlimited private enterprise in export trade and a planned economy. True foreign trade is trade that brings commodities we do not possess and foreign trade under a planned economy will be mutual exchange of reciprocally useful commodities, and there will be control of foreign trade.

Q. In any planned economy is it proposed to control municipalities and stage governments as well as industrial corporations?

A. I think, inevitably, as we did during the war.

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Colonel McCain:

This institution is nine years old and we have never been honored by having a woman on this rostrum. We who have read history, when we think of Charles Beard naturally think of Charles and Mary Beard. We are honored today by the presence of Mrs. Beard herself. I am going to ask her to address us.

Mrs. Beard:

I rarely accompany my husband when he lectures. He lectures me so much in private that it is not necessary for me to be lectured by him in public, you see. But sometimes I go along of course and in doing that today I am reminded of the last time I attended a Beard lecture. It was given in Pasadena, where it is the custom for the chairman to introduce to the audience the ladies who may be accompanying a speaker. I did not know the custom in advance and when I saw innumerable wives, daughters and friends being introduced to the audience, it seemed to me that we ladies were very extraneous to the subjects that were being discussed. When I was presented therefore, instead of rising and bowing, I

kept my seat quietly. For what appeared to be indifference, I was taken to task afterwards by a woman in the audience. She asked me why I had not bowed. Not wishing to discuss the idea of separating the family and friends of the speaker from the topic under discussion, I said laughingly: "Oh, I thought I would let my handsomer husband do the bowing." She looked at me for an instant and then replied: "Yes, that was right. That was right."

But this time, honored by an invitation to bow to the audience, I do respond, accepting the honor with keen appreciation. While I have been listening to the address of the hour, my mind has been seething with thoughts about the close connection between women and war and I couldn't help wondering whether certain aspects of that relation are not very germane to the subject now being discussed. For instance it has been the custom to think of the long military age as primarily an age of masculine leadership and war as a masculine phenomenon, a masculine expression of activism, with women merely on the side lines, watching, weeping, and wailing, the unhappy victims of men's strife. But as a student of history I have discovered that men have not fought wars alone in every case. Women warriors in Montenegro have helped in the continuous defense of that mountainous country. Russia had battalions of Death made up of women soldiers. In the Tai-ping Rebellion in China, hundreds of thousand of women fought as did the men and Chinese women still serve as soldiers. In ancient times women were often war lords of ferocious temper. In Rome women were frequently heads of the ruling families and as such they ruled by controlling the army. The history of the late Russian Revolution reveals the fact that the crucial turn in taking Russia out of the World War was made by women--that the lowest-paid workers in Petrograd by the thousands finally faced the bayonets and pleaded with the soldiers to lay down their arms, a plea which was eminently successful. Thus history reveals that women have been at the center of warfare and not just on the sidelines inactive. They have always been at the center of all life, of which war is but one expression.

There are many aspects of their historical relation to war. In ancient Sparta for instance wealth was transferred to women in time to such an extent that they became the major property holders. And with their wealth, they lost interest in imperialism and warfare. An effort was made by late Spartan kings to reawaken their desire for aggression but without success. This story the Roman Censor, Cato the Elder, knew and he was greatly worried as he saw Roman wealth passing to women, least they too refuse to participate in Roman military designs.

I am not the speaker of the day and so must not go deeper into the subject of women and war. I can only conclude by saying that as we enter this new age of nation-planning, of which defense must be a phase, that the attitude of women toward the age and the planning will be a factor too important to ignore.

You have paid me a great tribute in asking me to share in the discussion today. And may I pay a tribute to the Army in return? I am glad to do it by commending one of your representatives, Colonel Burnett, whose conduct in Japan at the time of the earthquake illustrated the finest qualities of human nature. It was my first observation of a military man in action and it gave me great inspiration to see how, by the simplest gesture and friendliest manner, he preserved order among surging, excited throngs. Colonel Burnett gave me a new conception of what an Army man can be.

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