

ARGUMENT

The Coronavirus War Economy Will Change the World

When societies shift their economies to a war footing, it doesn't just help them survive a crisis—it alters them forever.

BY **NICHOLAS MULDER**

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Is the world at war with the coronavirus? Last month, **Xi Jinping** called the Chinese suppression effort a “people’s war”; in the past week, **Donald Trump** labeled himself a “wartime president,” while **Emmanuel Macron** declared that France is “at war” with COVID-19. As the global response to the pandemic gathers steam, the rhetoric of wartime mobilization is everywhere. In Italy, the worst-affected country in Europe, the government’s anti-virus czar has **called** for the country to “equip itself with a war economy” to confront the disease.

During the **2008 global financial crisis**, policymakers became fond of using warlike language to describe their stabilization efforts, invoking “big bazookas” and “shock and awe.” But the total nature of the global response to the coronavirus makes the metaphor of wartime economics even more relevant today. Governments currently have to manage a public health emergency at the same time as central banks act to calm financial markets, armed forces are deployed to build hospitals, and citizens’ movements are restricted by social distancing.

But in what ways is the war economy a useful way to understand the fight against the coronavirus? The idea has been invoked to mean a variety of things: productivity, sacrifice, reform, solidarity, and resourcefulness. In some of these areas, war isn’t an appropriate way to think about the global pandemic. In other respects, however, it’s time for Western governments to go beyond merely using wartime

rhetoric. The history of 20th-century war economies offers important lessons that policymakers should already be drawing on today.

A World War II poster urges women to find a job to aid in the war effort. MINNESOTA HISTORICAL SOCIETY/CORBIS VIA GETTY IMAGES

Our campaign against the disease most clearly recalls wartime emergencies in the urgent need to expand production and care. As COVID-19 cases overwhelm intensive care units around the world, we need more test kits, hospital beds, ventilator machines,

masks, and protective clothing—lots of them, fast. Expanded emergency care capacity is encountering supply bottlenecks, for instance of the chemical reagents used in testing, and the looming shortage of trained medical personnel. The U.S. government's **invocation** last week of the Defense Production Act (DPA), a Cold War law allowing it to **prioritize and allocate resources** to help expand private industries in strategic sectors, is a step on this road to constructing a larger medical mass-production base.

But as historian Tim Barker **points out**, the DPA is not the only model for such resource mobilization, or even the most effective one. There are models less reliant on the private sector than the DPA; one important peacetime predecessor is the New Deal-era Works Progress Administration. This sort of public scheme would be able to put to work the large numbers of workers who are facing unemployment in the coming weeks and months. Besides having positive economic side effects, such public employment expands state capacity and removes the need to rely on improvised exploitative labor practices, such as New York State's use of **prison labor** to mass-produce hand sanitizer.

War-economic production is often conceived of as a national enterprise. But most war economies in the 20th century were deeply international in their supply lines. The medical mobilization against COVID-19 will have to be similarly global. There are currently about **173,000**

ventilators in the United States. In the short term, the increase in American needs alone will probably exceed the entire **global annual production** of 40,000 to 50,000 machines. Given the **complex nature and high sanitary requirements** of ventilator assembly, even the DPA will only allow a small conversion of manufacturing plants for medical machine production. The shortage cannot be solved within national borders. East Asia, where the virus is under relative control, is where ventilators can be produced on a serious scale. Just as Lend-Lease and the Berlin airlift provided U.S.-produced war material for the rest of the world in the 1940s, so the realities of the global manufacturing base in 2020 suggest that mass airlifts of ventilators and machine parts from China will be needed to support adequate Western emergency care.

[Mapping the Coronavirus Outbreak: Get daily updates on the pandemic and learn how it's affecting countries around the world.]

Beyond the immediate treatment of those infected with coronavirus, however, Western governments have almost universally shut down rather than ramped up production. As one financial analyst **pointed out**, “lockdown economics” is in many ways the exact opposite of the wartime economics of total mobilization. During both world wars, economic mobilization enrolled unprecedentedly large groups of male and female workers in mass production. The coronavirus’s disruption of supply chains and the social distancing

measures of today, however, are currently putting millions of employees in the manufacturing and service sectors **out of work**.

Despite the atomized nature of life under quarantine, it's clear that the coronavirus resembles war in one crucial aspect: As a highly infectious virus with a significant mortality rate, it has the potential to cause mass death on a scale unseen in European societies since the 1940s. Facing up to this reality is politically difficult but unavoidable. Italian Prime Minister Giuseppe Conte has **asked** his compatriots for "60 million small great sacrifices" as they weather the pandemic. Even those who would rightly avoid the language of war, such as German Chancellor Angela Merkel, **acknowledge** that the coronavirus demands a level of collective action unseen since World War II.

Beyond the sick, wounded, and dead, war economies are based on other sacrifices, too. Under capitalist conditions, war economics raises the question of how many resources society is willing to set aside from profit-seeking ventures to protect itself. Both military power and health care fall into the category of expenditures that are essentially protective rather than productive in nature.

But beyond this, the analogy falters. Emergencies often present economies with real resource constraints. In early-20th-century war economics, the key dilemma was usually a choice between prioritizing defense or civilian

production—guns or butter. The coronavirus forces us to think hard about how public health measures can be reconciled with economic production. But this is not a problem of prioritizing expenditures or limited resources. The issue is sustaining circulation. In the short run, the demands of disease prevention (quarantine measures) and care (hospitalization) will put the livelihood of those dependent on other forms of capitalist production at risk. Only massive government intervention to protect the channels of economic circulation can resolve this tension in a way that does not sacrifice the former for the latter. We might call this the “ventilation or butter” dilemma.

The inescapable need for state involvement helps explain why the war economy is a favorite metaphor of the technocratic imagination. Crises have always granted reformist policymakers powers to bypass legislative gridlock and entrenched interests. The coronavirus crisis is already allowing the implementation of ideas that would have been considered very radical just months ago. The speed with which U.S. legislators have embraced **interventionist ideas** such as direct cash transfers, freezes on mortgage foreclosures, and government nationalization of distressed firms is a major intellectual vindication of the left. For a long time, the progressive left has highlighted the very problems that the virus has now exposed so starkly: precarious employment; galloping income and wealth inequality; the unaffordable cost of health care, housing and

education for many; and the peril of personal indebtedness.

A POSTER PRODUCED BY BRITISH RAILWAYS DURING WORLD WAR II TO REMIND PASSENGERS OF THE COMPANY'S SERVICES TO THE WAR EFFORT. (FRANK HENRY MASON/SSPL/GETTY IMAGES)

But successful crisis management is no guarantee of durable reform. War economies can be powerful incubators of political change. But technocracy cannot make its offspring survive through its own power alone. What renders these innovations durable is the emergence of political and electoral alliances.

In the case of the European welfare state, the real fruits of wartime crisis management were only reaped after the end of conflict. Policies meant to deal with the damage of the Great Depression and the world wars created new constituencies. Despite being framed as exceptional wartime or postwar measures, many provisions rapidly became entrenched. In interwar Britain, France, and Germany, it was financial support for “war victims”—veterans and those left widowed, orphaned, and disabled by the war—that created the foundations for later universal pensions and child care. If the emergency response measures to COVID-19 grow to encompass a large enough group—for example, the millions of service workers being laid off—this, too, may coagulate into a new semi-organized group with a future political role.

Precisely because of their reliance on state action, war economies are deeply political systems. War economies do not suspend politics; they raise the stakes. As opportunities for empowerment and enrichment abound, novel distributions of benefits and burdens arise in which some groups acquire power and resources not just in excess but at the expense of others. Short-lived emergencies can temporarily bracket distributional questions from political debate, for instance over wages. But the longer warlike exceptions last, the greater the opportunities for subordinate groups to leverage their power. In the early 20th century, war production made labor unions more powerful in Britain, France, Germany, Italy, Japan, the United States, and elsewhere. Even

when organized labor negotiated pacts of national unity with government and business interests, it put its power on display in the immediate postwar periods of 1918-1921 and 1945-1948, which witnessed the largest strike waves of the 20th century.

In this respect, the coronavirus lockdowns present a deeply lopsided situation. After decades of falling unionization, Western economies are confining much of their workforce to their homes while enormously increasing their reliance on a vital set of workers in the care, logistics, and retail sectors. Doctors, nurses, delivery people, postal and transport workers, grocery store employees, shelf stockers, sanitation workers and janitors, mechanics and tech employees, and farm hands are now, very clearly, the indispensable foundation of a functioning society. There is no precedent for the asymmetric mix of mobilization and demobilization of labor that we are witnessing right now. And as anyone currently working from home with children knows, the realms of office work, child care, and other forms of domestic labor are colliding as never before.

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Invoking warlike sacrifice heightens the need for governments to balance rewards across boundaries of class, race, region, and age. The history of war economies offers lessons in the management of solidarity under such circumstances. Beyond pioneering forms of economic planning, resource mobilization, and industrial policy, war economies spearheaded many initiatives that directly promoted solidarity in the face of sacrifice. As millions volunteered to fight while civilians on “the homefront” manned factories, schools, and hospitals, states were able to create a new moral economy. Its central object of contempt was the figure of the war profiteer. Every society at war between 1914 and 1945 reserved a special hatred for individuals who reaped massive profits while others risked their lives and offered their labor.

The first tool against war-induced rent-seeking was excess profits taxation. Between 1915 and 1918, every major belligerent in World War I taxed the profits of private individuals and corporations. Wisconsin Sen. Robert La Follette denounced war profiteers as “the enemies of democracy in the homeland.” Excess profits

taxation was even higher in the next war; by 1943, U.S. firms were taxed at a rate of 95 percent for every dollar they earned above an 8 percent rate of return on capital. President Franklin D. Roosevelt put it simply: “I don’t want to see a single war millionaire created in the United States as a result of this world disaster.”

Wartime economics didn’t only recast what counted as legitimately earned income. As historian Mark Wilson has **emphasized**, one legal innovation created by wartime arms spending was the U.S. government’s development of the power of “**statutory renegotiation.**” This allowed the government to revisit fulfilled private contracts, demanding lower prices in cases where it had been overcharged by private suppliers. Although these “clawbacks” were widely despised by industrialists, they allowed the government to avoid wasting public money because of price-gouging by contractors. In urban planning and city politics, landlords came under scrutiny as possible residential war profiteers. World War I did more than anything in the 20th century to make rent control a widespread practice in capitalist democracies. As growing numbers of people worked and lived in cities, the cost of living had to be kept within reach of the average worker’s income. Minimum-wage laws served the same function, ensuring workers got their fair share of the gains of the wartime boon.

These war-economic mechanisms of solidarity offer valuable ideas about how to address the current

pandemic “world disaster.” Pharmaceutical corporations and health care middlemen can have their excess profits taxed to ensure they do not reap the exclusive benefit of the common fight against the virus. *The Economist* estimates that U.S. health care providers make **excess profits** of \$65 billion a year. This is enough to produce 1.3 million ICU **ventilators** at \$50,000 a piece or to fund the **hospital stays** of millions of people who will require urgent treatment for COVID-19. Congress should also investigate **reinstating** the Renegotiation Act of 1951 to revisit medical supply contracts resulting in excessive profits for the private sector. Rent caps and minimum-wage floors should be instituted to ease pressures on the balance sheets of households.

Economic and financial measures alone are not enough, and major interventions in housing and utilities are also needed. The **initiatives** of states like California and New York and such cities as Los Angeles, Miami, Orlando, and Seattle to freeze evictions and postpone utility shut-offs should be expanded nationwide. (Detroit has even **restored water access** to those previously cut off.) The U.S. government can use eminent domain law to take over empty private residences, hotels, parks, and other spaces needed to expand the capacity of emergency health care. As James Galbraith has **suggested**, large logistical corporations such as Amazon, Walmart, and FedEx can be employed as public utilities, with underemployed Uber drivers filling in as additional delivery staff.

A propaganda poster from World War II shows Americans of different national origins assembling a Sherman tank with a quotation against discrimination by President Franklin D. Roosevelt. WAR MANPOWER COMMISSION/U.S. GOVERNMENT PRINTING OFFICE./GALERIE BILDERWELT/GETTY IMAGES

War economics emerged around the turn of the 20th century as a field that mixed careful analysis with fearful speculation. Could mass societies based on industrial production and globalized supply routes survive modern wars?

The question was pressing, since wars are by their very nature open-ended clashes whose duration cannot be predicted. Early war economists such as Polish

businessman Ivan Bloch and Austrian scientist Otto Neurath examined how large and small states—Germany and Russia as well as Japan and Serbia—would fare if they had to wage war for extended periods of time. Bloch predicted that the overburdening of markets would result in major “convulsions in the social order.” Neurath argued that the proper organization of material supply would be a stronger foundation of national survival than financial wealth.

What both of them agreed on was that the most resilient war economies were those that did the most with limited resources. Rationing was one way of doing this, but so was technological invention. Being isolated from the rest of the world economy—either by economic crisis or by enemy armies or blockades—was a powerful stimulus to such invention, which brought about the development of synthetic forms of polymer, fabrics, fuel, and fertilizer during the world wars.

Such resourcefulness holds an important lesson for the present. It is certainly within the material and financial means of the United States and the European Union to overcome the virus and the social and economic dislocation caused by it. Moreover, although the death toll will likely be high, we know that the pandemic will eventually end. But beyond the resolution of the COVID-19 crisis looms another problem: climate change. Will an emergency response to the disease send us out of the frying pan of the virus, into the fire of climate

breakdown? The challenge we currently face is to mobilize unused labor and resources in certain sectors while protecting lives in the rest of the economy—including future lives that depend on winding down the fossil fuel industry. Here the global effects of the virus, which has lowered carbon emissions, saved lives by **reducing air pollution**, and paused much of our ordinary carbon-intensive lifestyles, create opportunities for a turn to **green policy** across the board.

The resourcefulness of wartime economies offers a useful template for thinking about the broader context of the coronavirus crisis. Mounting a serious campaign to mitigate climate change demands a response so large that many of the virus response measures are just a start. Despite calls for a return to normality, it is difficult to imagine the post-pandemic world economy, whatever it looks like, as a restoration of any sort. Even if the virus subsides in several months or years from now, the larger state of exception in policymaking and collective action to which it already belongs is unlikely to end.

Twentieth-century war economies played an important role in allowing the peacetime economies that followed them to flourish. The key now will be to draw on their lessons of solidarity and inventiveness as the coronavirus confronts the 21st-century world economy with a new kind of warlike hazard.

Nicholas Mulder is a political and economic historian and a postdoctoral associate at Cornell University. He is finishing a book about the interwar origins of economic sanctions. Twitter: [@njtmulder](https://twitter.com/njtmulder)