Three key reasons for the low manufacturing productivity growth in this period are fully and memorably discussed in this book. First, there was a huge shift from production of consumer goods/services to war goods, and then back. Second, there were sharp shocks to goods supply chains, notably the loss of access to natural rubber supplies. Third, inexperienced people worked many of the additional hours.

An underlying fourth cause is left implied. It has to do with the scorekeeping for productivity. The measures of output for productivity incorporate prices and volumes of goods consumers buy. Thus they reflect consumer preferences. They are constructed to match a social welfare function in which consumer preferences matter. If society decides to pursue another objective – mobilization for all-out war – that is a different social objective. When we use GDP as an output measure to cover the mobilization period, productivity concepts are measured in the same way as before; it's the same "measuring stick." However, this output measure is not aligned with objectives of the social planners; for better or worse, the planners have decided to value products based on their relevance to mobilization.

In the context of society massively building tanks, ships, airplanes, and an atomic bomb, it can be expected that productivity estimates using the earlier consumer-focused measuring stick would be reduced, even if there were no transition costs. Other changes in social choice might be analogous, such as shutdowns in response to a pandemic. These involve changes in what society has decided to do, away from maximizing the standard measures of output, and could call for different output and productivity concepts and measures.

Understating the economic consequences of wartime mobilization

Vincent Geloso

George Mason University, Fairfax, VA, USA
Email: vgeloso@gmu.edu

In the preface to *The Economic Consequences of U.S. Mobilization for the Second World War,* Alexander Field argues that novel arguments are generally met by "one of two objections: either it is wrong, or we already knew this" (p. vii). I believe that while this may generally be true, there is a third possibility that exists. A novel argument can suffer from the innovator's prudence in stating it. Simply put, he could fail to be as forceful as he could be. This is the objection I raise toward Field's work. In fact, it is not so much an objection as it is a "qualified endorsement."

To see how this could be the case, it is first necessary to summarize the claims. Field departs from discussions that were initiated by Robert Higgs (1992) who argued that living standards probably fell during the war (i.e., there was no "wartime prosperity") despite the boom in military output that overwhelmed the Japanese and German armies. Rather, Field argues that bottlenecks, input shortages, and shifting

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to outputs that US manufacturers were not familiar with caused a decline in total factor productivity for the manufacturing industry. In other words, the United States produced so much because it used so much more input to produce military goods. Moreover, little of the gains of the much-heralded cases of the Liberty Ships and B-29s bombers had any lasting impact.

And that is as far as Field is willing to go. It is easy to justify this position as he seems to want to deal with *only* one myth in American economic history – namely, that the United States won the war by "directing a firehose of men and women and material at the targets" (p. 5). The evidence he produces is entirely convincing. The book's second chapter alone is sufficient. The other ones – focusing on industry cases – are merely cherries on top. The myth slaying is pretty pleasant to read.

However, when one produces a weapon to destroy one myth, the marginal cost of slaying a related myth is low if not insignificant. This is where my criticisms come in.

First, there was another economy that shared many elements of the wartime experience of the United States. It, too, was spared massive physical destruction. It, too, was an economy with a large primary sector. It, too, had its production processes disrupted by shortages, shifting to new and unfamiliar outputs, and repeated bottlenecks. This economy was Canada.

The main difference of relevance between Canada and the United States was that Canada entered the war in September 1939 rather than December 1941. As such, we should expect the Canadian experience to mimic the American one (given the similarities). And we have evidence – going back as early as Sutton's 1953 work in the ancestor of the *Canadian Journal of Economics* – that Field's case is probably understated.

Indeed, Sutton computed measures of labor productivity (per man-hour) for the period 1939 to 1945 and found that there was a measly 4.7 percent increase. Pentland published a follow-up article to Sutton's in the *Economic Journal* (1954) that essentially confirmed this. Their results probably overstate things by large proportions (Geloso and Pender 2023). First, Sutton's output is deflated by a price index rife with price control and shortage problems. In an article with Geloso and Pender (2023), I corrected the price deflator for Canada and found that it showed a price level 20 percent higher than the reported one. This is sufficient to overturn the increase in productivity into a decline in productivity. Second, the output measure holds the depreciation rate of capital by industry constant before and during the war. However, we know that Canadian manufacturers increased production by increasing machine use. This should further depress the rate of productivity growth.

In other words, Field's argument is even stronger than it seems! Canada is so similar to the United States that we *should* expect it to mirror it. The fact that it does – even with data from the 1950s – suggests that Field is underplaying his hand.

Second, Field avoids a direct attack on the myth of wartime prosperity (which he leaves for Robert Higgs) to focus on the myth of massive wartime efficiency gains (relative to prewar). However, both myths are subtly interrelated. By focusing only on one, Field underscores the potency of his argument by not highlighting the true cost of the disappointing manufacturing productivity performance for civilians on the home front.

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To see the importance of this point, imagine a peacetime economy with a minimal government. Prices allow us to convert produced outputs into GDP as a proxy well-being with minimal loss of synonymity between GDP and well-being. That includes prices that we cannot observe. For example, if the maximum willingness to pay for a tank is one million dollars and that this maximum is less than the minimum price a manufacturer would accept, no tanks are produced and that is a meaningful statement about well-being. However, when the war starts, the government can seize resources to build the tank and pay the minimum price the producer will accept. This price is now observed and included in the computation of output values. However, forcible reallocation of property rights reduces the synonymity between output value and well-being. In national accounts, the tank's production reflects the marginal cost – which conveys *less* information than when the tank was not produced.[1] With the wartime coercion, we must now estimate the cost of taxation to consumers, the deadweight loss of taxation, the effect of changing the output mix in terms of consumer well-being, etc. (see Geloso 2024).

Knowing those with precision is problematic but, by definition, any estimate of output value is going to be *overestimating* the value of output relative to well-being. This was Robert Higgs's (1992) point. By using data that rely on the prices at which industries produced to measure output value, Field is divorcing his point from Higgs'. However, in doing so, he is jettisoning a tool that could slay *two* myths at once.

Overall, I reiterate my belief that there is a third category of criticism against novel arguments – namely, that they are too modestly deployed. Field's argument is immensely potent. Alone it does a great deal of damage to annoying mythologies. If expanded to the points raised above, it could do far more damage to a larger set of myths.

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[1]This is similar in logic to the point made by Robin Winkler (2015) who studied price controls in Nazi Germany to 1937. He found that the involuntary substitution induced by price controls (i.e., a coercive effort) represented a loss of well-being equivalent to 7 percent of disposable income.

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