

Opinion

My Turn: Richard McIntyre: Trump should act like wartime president

By Richard McIntyre

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President Trump has said he does not want to fully utilize the Defense Production Act. “The fact that I signed it, it’s in effect,” he said. “But we’re a country not based on nationalizing our business. Call a person over in Venezuela, ask them how did nationalization of their businesses work out? Not too well.”

Mr. Trump is wrong on the facts, since the Act does not involve nationalizing businesses. It does require companies to accept government contracts and prioritizes production of scarce and critical materials. It also provides for loans to priority producers and exemption from antitrust laws. But rather than Venezuela the president might look to a particularly American example, the United States during World War II, when we had a centrally planned economy.

In the 1940s, and to a lesser extent during World War I, goods were produced and distributed by order of the war production

board. While criticized by some on the left and right, wartime planning was remarkably successful. In his "Destructive Creation: American Business and the Winning of World War II," historian Mark Wilson writes: "If American policymakers had applied the lessons of World War II mobilization to the toughest challenges of the later twentieth century, people around the world would be better off today."

Is the crisis really bad enough for such measures? No one really knows. Some Federal Reserve officials are speculating about 30% unemployment. Because of high leverage in the corporate sector there is a possibility of a solvency crisis and a liquidity crisis at the same time. Many companies clearly will be unable to pay bills and there are few if any places they can get credit. Cash is being pulled from anywhere it can be found. Bond prices, stock prices, and the price of gold have been falling together, an unheard-of combination.

The Federal Reserve is acting quickly and intelligently. But the dysfunction of our legislative and executive branches could not be more obvious. Other countries have taken quick and serious measures. Denmark's government will pay the full salaries of all workers who shelter in place, so long as their companies do not engage in layoffs. Where

there are layoffs the government will still guarantee 75% of salaries. This kind of direct aid to working people that allows them to isolate is what is needed.

According to Flemming Larsen, a professor at the Center for Labor Market Research at Denmark's Aalborg University, "The philosophy here is that the government wants companies to preserve their relationship with their workers. It's going to be harder to have a strong recovery if companies have to spend time hiring back workers that have been fired. The plan will last for three months, after which point they hope things come back to normal."

Nothing so coherent will come out of our elected officials. Even with such a plan, the main public health need right now in the United States is massively increased

production of masks, test kits, and other medical equipment. Writing in The New York Times, economist Paul Romer and physician/economist Alan Garber say: “A conventional fiscal response on the scale we need to avoid a depression will require trillions of dollars of government spending. Investment in protective equipment and tests would be a far less expensive, better way to stimulate the economy than giveaways and transfers.”

Perhaps we don't need nationalizations to do this. But the only entity capable of demanding and allocating such massive production is the federal government, and that involves full use of the Defense Production Act. If Mr. Trump wants to be seen as a wartime president, he should act like one.

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