A Critical Analysis of the Wage Stabilization Board, As Established by the Defense Production Act of 1950, Amended

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A CRITICAL ANALYSIS OF THE WAGE STABILIZATION
BOARD, AS ESTABLISHED BY THE DEFENSE
PRODUCTION ACT OF 1950, AMENDED

by

Neil Laurance Harmon

A Thesis Submitted to the Faculty of the Graduate School
of Loyola University in Partial Fulfillment of
the Requirements for the Degree of
Master of Social and Industrial
Relations

June
1954
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LIFE

Neil Laurance Harmon was born in Tacoma, Washington, August 13, 1926.

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# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Chapter</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>I. STATEMENT OF THE PROBLEM</td>
<td>1</td>
</tr>
<tr>
<td>II. HISTORY OF THE WAGE STABILIZATION BOARD</td>
<td>14</td>
</tr>
<tr>
<td>III. LEGISLATIVE BASIS AND GENERAL POLICIES OF THE BOARD</td>
<td>38</td>
</tr>
<tr>
<td>IV. WAGE INCREASES UNDER THE WAGE STABILIZATION BOARD</td>
<td>74</td>
</tr>
<tr>
<td>V. THE STEEL DISPUTE</td>
<td>103</td>
</tr>
<tr>
<td>VI. GENERAL CONCLUSIONS</td>
<td>125</td>
</tr>
<tr>
<td>BIBLIOGRAPHY</td>
<td>141</td>
</tr>
<tr>
<td>APPENDIX I</td>
<td>151</td>
</tr>
<tr>
<td>APPENDIX</td>
<td>155</td>
</tr>
<tr>
<td>Table</td>
<td>Description</td>
</tr>
<tr>
<td>-------</td>
<td>-----------------------------------------------------------------------------</td>
</tr>
<tr>
<td>I.</td>
<td>QUARTERLY PERCENTAGE INCREASE OF AVERAGE HOUeLY EARNINGS IN 1951 OVER JANUARY, 1950</td>
</tr>
<tr>
<td>II.</td>
<td>PREVELANCE OF SELECTED FRINGE BENEFITS, FIRST HALF, 1952</td>
</tr>
<tr>
<td>III.</td>
<td>CONSUMER'S PRICE INDEX FOR TOTAL AND SELECTED ITEMS, 1950 THROUGH 1952.</td>
</tr>
<tr>
<td>IV.</td>
<td>PERCENTAGE INCREASE OF AVERAGE HOURLY EARNINGS IN SELECTED INDUSTRIES AND COST OF LIVING, 1950-1953</td>
</tr>
<tr>
<td>V.</td>
<td>WAGE INCREASES SINCE JANUARY, 1950</td>
</tr>
<tr>
<td>VI.</td>
<td>TOTAL GENERAL INCREASES IN SELECTED INDUSTRIES SINCE V-J DAY</td>
</tr>
</tbody>
</table>
# List of Figures

<table>
<thead>
<tr>
<th>Figure</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Trend of Average Wage Increases in 1950</td>
<td>75</td>
</tr>
<tr>
<td>2.</td>
<td>Wage Patterns, 1951</td>
<td>78</td>
</tr>
<tr>
<td>3.</td>
<td>Fringe Benefits in Wage Settlements, 1951</td>
<td>80</td>
</tr>
<tr>
<td>4.</td>
<td>Percentage Increase of Average Hourly Earnings in Selected Industries, 1951</td>
<td>81</td>
</tr>
<tr>
<td>5.</td>
<td>Wage Pattern: First Half, 1952</td>
<td>82</td>
</tr>
</tbody>
</table>
CHAPTER I

STATEMENT OF THE PROBLEM

Wars in the twentieth century have had a profound effect on the political economy of the United States. In the two World Wars in which this nation has participated the country's resources have been mobilized to meet and dispose of open threats to the nation's welfare. This has necessitated the building up of military supplies and personnel as quickly as possible, resulting in tremendous expenditures for national defense. Such programs have had serious repercussions on the civilian economy, leading, among other things, to serious inflation and many trends which have necessitated the employment of countermeasures such as increased taxes, controls on credit, interest, use of critical materials, rents, and prices and wages to regulate this economic evil.

This thesis treats the control of wages during the period 1951 through 1953, during which time a "police action" was being carried on by the United Nations against the North Korean and Chinese People's Armies in Korea. A complete understanding of the effort to govern wages during this period requires a comprehension of the character of the Korean War, the inflationary
pressures arising from the resultant military preparedness program and the general and specific principles applicable to a wage controls program at that time.

The advent of the "police action" in Korea constituted a new step in the foreign relations policy of the United States. This action was the first positive effort to enforce the policy of "containment" given consent by the United Nations and spelled out by the North Atlantic Treaty Organization. Korea was the newest development in the political and military controversy existing between the Western Powers and Soviet Russia and her satellites. This event took its place in the long history of political maneuver beginning in 1945 when the Russian government obtained major concessions at Yalta. Their pattern of aggression continued: the overthrow of the Democratic Governments of Poland and Czechoslovakia, the isolation of Berlin in 1948, and the subversion of the National Government of China in 1949. To combat further aggression in Korea, the United States, as the leading nation in the United Nations, was destined to provide virtually all of the supplies and has contributed a substantial number of personnel to this operation.

The United States was woefully unprepared to embark on the operation in Korea, third in scale in which this nation has participated. It was mandatory to draft an immediate defense program to meet this assault. This attack also impelled the
United States to develop a globalwise foreign policy which was designed to meet Russia with military and political strength on any new front. These plans for military preparedness were gigantic; however, the urgency of mobilization induced Congress to certify them as public policy with the passage of Public Law 774, the Defense Production Act, on September 19, 1950.¹

Though loosely written, the Defense Production Act outlined a military preparedness policy of a long term defensive nature that was designed to build up our military defense without imposing serious privation on the civilian economy. The basic principle of this policy was to locate a happy medium in the production of "guns and butter" without (1) loosing sight of the serious need of defense supplies, or (2) creating antagonism among the civilian population and loosing its support by long term regulation.

Defense leaders believed that initial emphasis should be concentrated on building up military strength to a point of maximum security, after which defense spending would level off for long-range maintenance of military strength. Charles E. Wilson, Defense Mobilization Director, in his initial report of April 15, 1951, cited later 1952 or early 1953 as the earliest date at which the United States could realize sound military

Realization of such a program of military preparedness was not without serious consequences on the national economy. Primarily the expenditure of the billions necessary to accomplish this program placed serious inflationary pressures on the economy. Tremendous government expenditures were spent for goods that were never released to the civilian market. At the same time production of huge orders of military supplies added substantially to the national income in the way of wages and profits. This income, when converted to purchasing power, competed for goods on the civilian market, a dilemma seriously affecting the value of the dollar by creating an inflationary situation:

increases in the quantity of money will be associated with increases in the level of prices. The initial impact of an increase in the quantity of money is to lower the rate of interest by increasing the amount of money available to satisfy liquidity preference for the speculative motive. A lowering of the rate of interest tends to increase effective demand for investment, which in turn is associated with rising income, employment, and output. As income, employment, and output begin to rise, prices also begin to rise because of increasing labor costs resulting from the enhanced bargaining position of labor, diminishing returns in the short run, bottlenecks, and other reasons... Employment and prices both rise, with the emphasis at first almost exclusively on increases in employment but shifting more and more to prices as the point of full

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2 Charles E. Wilson, "America's Building Might", Report to the President, No. 1, April 1, 1951, 10.
employment is approached. Once full employment has been attained, no further increases in employment are possible, by definition, and further increases in effective demand become truly inflationary in the sense that they spend themselves entirely rising prices.3

Simply stated inflation may be defined as "too many dollars chasing too few goods". The inherent evil of inflation is the redistribution of wealth in an unjust manner, thereby reducing the mutual confidence that resides in our economy, in our society.4

The American Assembly on Inflation in its 1952 report, makes the following findings and recommendations on this problem:

(1) Inflation is a serious threat to the stability of the American economy ...

(2) The greatest single cause of inflation has been government spending, accompanied by unbalanced budgets generally caused by war conditions ...

(3) The large outstanding debt is a powerful inflationary force ...

(4) The Federal Reserve System should have primary responsibility for influencing the cost, supply, and availability of credit.

(5) All kinds of savings ... constitute a powerful defense against inflation.

(6) A significant contribution to the fight against inflation can be made by increases in industrial and agricultural productivity.


4 Albert Hart, Defense Without Inflation, New York, 1951, 68.
(7) Direct controls of prices and wages are at best a supplement to appropriate fiscal and credit policies. 5

Several economic authorities concur with the recommendations of the American Assembly on Inflation. Albert Hart makes the following recommendations on monetary controls: "(that) much can be done if bank credit is curtailed (in that it) will reduce temptations", and "qualitative controls (should have been instituted) on installment and real estate credit". 6 He felt that much could be contributed by "reduction of the liquidity of non-bank public bonds...reorganization of the Savings Bond program to encourage purchases and retention of bonds...tightening bank reserves to control credit"...and "shortening loan maturities, increasing debtor's needs for liquidity". 7

The Guaranty Survey, organ of the Guaranty Trust Bank of New York, supported the recommendations of the Joint Congressional Committee on Reduction of Non-Essential Federal Expenditures, in that "a means must be revised to reestablish congressional control


7 Ibid.
expenditures. The Survey favored suspension of all public expenditures, except for the Armed Forces and interest on the national debt to meet the economic demands placed on the economy by the defense program.

The foregoing analyses and recommendations premise the conclusion that the inflationary situation in 1950-1951 was the product of (1) increased government expenditures necessary to finance the Korean "police action", and (2) increased buying brought on by anticipated "good times" from the defense economy and anticipated shortages of critical items. Such inflationary irritants are salved by:

(1) Improved management of the public debt
(2) Monetary and fiscal controls
(3) Increased savings
(4) Restrictions on consumer credit
(5) Price and wage controls

Of the various measures available to combat inflation, wage and price controls are perhaps the least effective. At the same time price and wage controls are dearest to the civilian population since they affect directly the wages earned and prices charged. As such they must be employed only when the situation is

9 Ibid.
critical and in a reasonable and just manner, else their effectiveness is dissipated, and the effectiveness of the entire anti-inflation program is endangered.

Price and wage controls are imposed to combat inflation, and are therefore primarily economic in nature. The basic purpose of such controls is:

to combat price inflation by limiting increases in wage costs and in wage income.10

The question of adjustments in wage rate structure is very perplexing. Such adjustments can be postponed or eliminated if the wage earner is guaranteed that corporations' profits will remain fixed and if prices are adequately controlled. Strict price controls would tend to nullify any necessity of future structural adjustments in wages. Future adjustments for low paid workers would be unnecessary after the initial adjustment to eliminate inequities, except those adjustments as required by the Fair Labor Standards Act.

Cost of living adjustments in wages are the wage earners countermeasure to a loose price controls system. Carroll R. Daugherty maintained that "Congress should have provided for adequate control of all prices including rents and farm product

He argued that the weak price controls system established under the Defense Production Act justified the continuance of cost of living adjustments "on the human or political side".¹²

Daugherty believed that under a strict price controls system—even under the Defense Production Act—other types of adjustments to the existing wage structure would be unnecessary after the initial revisions because,

1. evidence from World War II would indicate the past administrative difficulties in such adjustments, and
2. of the success of unions in eliminating or minimizing such inequities before the present emergency.¹³

The second tenet of a sound price-wage controls program is:

to enforce some equality of sacrifice within the wage earning population as between wage-earners and other groups.¹⁴

This proposition is basic to the success of the economic end of a controls program. Without the support of the affected groups,

¹² Ibid
¹³ Ibid
wage controls will become a sham and extremely distasteful. The success of the economic principle is contingent upon its just application.

Carroll Daugherty believed that equitable distribution of the monetary sacrifice meant:

In the horizontal sense that labor would become exceedingly resistive if the controls on wage rates were more rigorous than those on product prices and products and firms would feel it unjust for the controls on product prices to be tougher than those of wage rates. Similarly with raw materials produced, vis-a-vis final product makers.

In a vertical sense, if the prices of the same products and their labor and raw materials components were controlled and those of others were not, all those subject to controls would proclaim inequitable.15

From the foregoing the importance of organizing a wage and price controls program in conformance with standards of equality becomes obvious.

essentially wage stabilization, if effective, means priority for the general interest, the enforcement of the national interest, and the subordination of sectional interests when they conflict with the general welfare.

The national wage policy must be formulated and applied resting presumably on some general considerations or principles which appeal to the public members as tolerable if not valid, under the circumstances. For reasons of

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15 Daugherty, "Wage Rate Control Standards", American Economic Review, XLI, 63-64.
equity, effectiveness and simplicity of administration, the policy needs to be applied rather uniformly, without too many exceptions.16

The third principle of a sound price-wage controls policy deals with settling of labor disputes in order to maintain production operations.17

Here is found one of the major challenges to the success of a controls program. The principle reflects in many respects the successful application of "equitable treatment". Richard A. Lester believes that a controls program inherently conflicts with sectional collective bargaining, since "their objectives will not be identical, especially in a period of economic mobilization and labor shortage". He advocates the protection of this important institution during a period of wage controls, yet believes its freedom of exercise cannot be diametrically opposed to the basic purpose of the controls program. Lester believes the conflict between these two extremes will be real and acute, and suggests the following remedy:

if to the problem of wage control is added the function of disputes settlement, it will be difficult to avoid some of the threats to collective bargaining inherent in compulsory arbitration.


17 Ibid, 163.
The threat to achieve gains through Board action rather than through bargaining will be enhanced by easy access to the Board and case by case decisions. To develop deterrents to protect it from such cases the Board must develop a means of making resort to the Board unprofitable. This is one of those instances where a real service can be performed if popularity is not courted. 18

Any question of a wage controls program strikes directly at the principles of unionism, and therefore must be attuned to the reality of the American Labor movement and labor-management relations. 19

Particular attention must be given to the maintenance of the status quo of labor organization and union leadership. Carroll H. Daugherty believed the Wage Stabilization Board was a more potentially successful agency because of the general acceptance of collective bargaining, and the greater sense of maturity in the character of labor-management relations.

The Wage Stabilization Board, established in January, 1951 under the provisions of the Defense Production Act, was assigned the responsibility of administering the wage controls program, geared to the principles stated above. In summary they are:

(1) to combat price inflation by limiting increases in wage costs and wage income.

18 Ibid, 178.
19 Ibid, 163.
(2) to enforce some equality of sacrifice within the wage earning population as between wage earners and other groups.

(3) to settle labor disputes in order to maintain production operations.

(4) to preserve collective bargaining insofar as possible and to maintain the status quo of labor organization and union leadership.
CHAPTER II

HISTORY OF THE WAGE STABILIZATION BOARD

On June 30, 1952 the Congress of the United States extended the Defense Production Act for eight months. In extending the Act however, the Congress imposed major restrictions on the Wage Stabilization Sections of the Act by (1) decreasing appropriations for the Board, and (2) withholding disputes settling powers from the Wage Stabilization Board. The Board was reduced to a mere wage controlling agency. By its action, Congress indicated its dissatisfaction with the Board's policies by severely limiting its scope of operations and humbling the Board's political status.

This action by Congress climaxed a year and one half of operations of a Wage Controls Board which, although hampered by legislation, began its operations with the intentions of formulating a positive and workable policy as quickly as possible. However, this same Board fell unwittingly to the political press of the election year, 1952, and in so doing, instigated its own

death knell. Let us take a look at the record.

Actually the history for the Wage Stabilization Board began with the attack on South Korea in June, 1950. Our reply of definite military action implied (1) either all out war, or (2) a prolonged and highly mobilized defense period for the people of the United States. Memories of shortages and rationing in World War II were still fresh in the mind of the public. The news from Korea was a signal to the purchaser to buy potentially scarce items as quickly as possible. Ironically, these items were almost all durable goods, and generally durables claim a higher price than do non-durables. Easy credit was readily available, and was used to the maximum by the apprehensive public. Sales-minded businessmen loaded their shelves for the hungry public, and manufacturers worked feverishly to produce marketable goods before the inevitable material controls were imposed.

Prices of most consumer goods rose at an alarming rate. In the area of wages, some employers, foreseeing a possible manpower shortage in this period of high prosperity, granted wage increases freely to retain their employees and attract needed personnel. Other employers, not desiring to share their high profits, made no wage increases.

The situation became so alarming that Congress passed
the Defense Production Act. Simply stated, this Act authorized "mobilization without inflation". Politically it was designed to return order to the economy and give priority to military demands on the economy. By January, 1951 prices and wages had become so maladjusted in their historic relationships, both vertically and latterly, that the President ordered an immediate freeze of prices and wages at current levels and the commencement of a controls program. Such controls were intended to return order to the price-wage relationship, and even more important, designed to curb the rapidly rising price and wage rates with their concomitant inflationary effects.

Generally this was the course of events from June 20, 1950 to January 25, 1951. The cost of living had risen 8.3 points from 176.2 to 184.5. The increase of liquid assets was accentuated by the reduction of Series E Defense Boards. The aggregate excess of redemptions over sales was $611 millions from July, 1950 to January, 1951. Total consumer credit increased from $17.7 billions in June, 1950 to $19.9 billions by January,

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2 Public Law 774, Statutes, 64, 798.


1951. Installment credit increased from $12.1 billion to $13.3 billion during the same period. Another sharp inflationary agent, demand deposits, increased to $91.6 billions in January, 1951 from $85.0 billions in June, 1950, a rise of $6.6 billions. Bank debits in the latter half of 1950 showed an increased turnover of approximately twenty per cent more than the preceding year. Corporate profits also indicated an increase in business activity. Profits before taxes rose from $37.4 billions for the second quarter of 1950 to $49.0 billions for the fourth quarter of the same year.


Wages, likewise, increased in this period of wild economic activity, although they lagged behind price increases. The Bureau of National Affairs\textsuperscript{10} reported an average increase of seven cents per settlement in the 5102 settlements it surveyed during the year 1950, while, "The pattern changed from five cents to ten cents increase with the Chrysler voluntary increase of ten cents in August (1950)".\textsuperscript{11} At the same time George W. Taylor\textsuperscript{12} pointed to the disproportion of the wage increases with "perhaps as many as forty per cent (of the wage earners) received no wage increases at all in 1950 even though the cost of living was then moving steadily higher. Wage relationships previously established between plants and between industries were badly distorted."\textsuperscript{13}

These were the economic conditions that prompted President Truman to direct the Economic Stabilization Director to


\textsuperscript{11} Ibid

\textsuperscript{12} Dr. George W. Taylor—Chairman, Wage Stabilization Board, 1951; Chairman, Advisory Board, Office of War Mobilization and Reconversion, 1946-1947; Secretary, President's Labor-Management Conference, 1945; Chairman, National War Labor Board, 1945; Vice-Chairman, 1942-1945; Professor, Wharton School of Finance and Commerce, University of Pennsylvania; Impartial Chairman for various industry-labor agreements.

institute controls on prices and wages.\textsuperscript{14} Prices and wages were frozen as of January 25, 1951.\textsuperscript{15} In preparation for this eventuality, questionnaires had been distributed to labor, management and the public in the fall of 1950\textsuperscript{16} to determine what policy should be followed in a controls economy. The Board also conducted conferences in which the representatives of industry and labor presented their views regarding wage stabilization policies. The information gleaned from these sources was utilized along with "public opinion" and general economic conditions to develop policy immediately after the wage freeze.

Cyrus Ching—the Director of the Federal Mediation and Conciliation Service—was appointed Chairman of the Wage Stabilization Board. He sat with three other public members and four members each representing the interests of labor and management. The Board operated actively during the Chairmanship of Mr. Ching.


\textsuperscript{16} The Wage Stabilization Board began an opinion survey soon after its organization in November, 1950.
for thirty-four days. During this period, five regulations were issued. Regulation 117 defined "compensation as including all fringe benefits, such as overtime, bonuses, paid vacations, and employer contributions to benefit funds". Regulation 218 allowed negotiations in session at the time the wage freeze was to be concluded. Regulation 319 allowed revision of wage rates to conform with the Fair Labor Standards Act. Regulation 420 exempted state, county and municipal employees from wage controls, and Regulation 521 amended and revised, allowed merit and length of service increases to continue within limits roughly commensurate with pre-freeze practices.

The Board also tried its hand at developing a policy that was intended to erase wage inequities. The principle of this


policy was to establish a base date—the last period of normal wage relationships—and to allow a specific percentage increase over and above that base date wage. This meant companies that had granted increases would only be allowed additional increases that conformed to the prescribed percentage allowance. Those companies that had not adjusted wage rates would be allowed to increase wages the full percentage allowance.

This policy appeared in Regulation 622 which established January 15, 1950 as the base date, and allowed a ten per cent increase in wage rates over and above that date. Wage increases were defined within the scope of Regulation 1. Although Regulation 6 was approved by a majority of the Board, it was shortlived in popularity. Three of the Labor members of the Board had cast a strong dissenting vote, while one of the group voted with the majority.

Labor protested vehemently against the limitation of increases to ten per cent. This bloc wanted a twelve per cent wage rate increase. In addition Labor demanded that Regulation 1 be amended to exclude fringe benefits from the definition of "wage increase".

The third area of dissension was the exclusion of

"disputes settling powers" from the jurisdiction of a wage controls agency. These powers had been a powerful tool in the National War Labor Board of World War II. Lastly, labor was generally resentful of its inferior position in the policy making posts of the Defense Mobilization Department. When it became evident that their protests would be ignored, the labor members "walked out", and the Board was temporarily unable to operate.

In lieu of the ruptured Board's ability to issue further regulations, Wage Regulations 8, 9, and 10 were executed by the Economic Stabilization Administrator directly. Regulation 5

23 Labor's indignation was directed mainly at Charles E. Wilson, Defense Mobilization Director. Wilson and the labor faction had had serious differences during World War II when he held various defense posts. This estrangement had never been resolved. In an interview with the Editor of U. S. News and World Reports—May 2, 1952--, published in that magazine, Wilson comments—in retrospect—on the "walkout" of the labor members of the Wage Stabilization Board. He stated "...labor showed just about a year ago where they stood with respect to do Wilson. They wanted him out of their way when they made their drive for higher wages". ("Charles E. Wilson's Own Story of Break with Truman", U. S. News and World Reports, Washington XXXII, 18, May 2, 1952.)

24 February 18, 1951.

exempted "cost of living adjustments" existing in agreements that preceded the January 15, 1951 wage freeze. This Regulation was later amended to include all cost of living increases. Regulation 9 declared that comparable rates for comparable jobs in enterprises in the same locality were to be maintained. Regulation 10 pertained to tandem relationships. It provided for the continuance of historical practices whereby adjustments of wages and other compensation for one group of employees had been directly related to those of another group.

On March 15, 1951 President Truman had created the National Advisory Board for Mobilization Policy. Composed of four members each from industry, labor, agriculture, and the public, the Board's first task was to consider the reorganization of the Wage Stabilization Board. The Board considered the divergent views of labor and industry.

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Labor demanded:

(1) Reconstitution of the Wage Stabilization Board as an eighteen man tripartite body, composed of six representatives each from the public, industry and labor.

(2) Give the Wage Stabilization Board authority to act not just on wage issues as industry wants, but in any dispute submitted jointly or by the disputing parties or certified by the President and 'substantially threatening' national defense.

(3) Have the Wage Stabilization Board report to the President its recommendations for 'fair and equitable' settlement. 29

At the same time industry proposed that:

(1) The Wage Stabilization Board be enlarged to an eighteen man tripartite Board.

(2) The Board handle general revisions of stabilization policy as economic conditions and case-issues warrant.

(3) The establishment of a disputes settlement agency be deferred.

(4) Labor disputes that do arise should be processed in accordance with existing laws and procedures. 30


The Advisory Board recommended wholly and completely the proposals of labor. In turn, these final recommendations of the Board were placed into effect by an executive order\textsuperscript{31} on April 21, 1953. These recommendations were:

1. Creation of an eighteen man tripartite Board.
2. Having jurisdiction over any labor dispute, economic or non-economic, which threatened the interruption of work affecting the national defense.
3. Final and binding decisions on disputes only when they were jointly submitted by the disputing parties.

The reconstituted Wage Stabilization Board renewed operations on April 21, 1951, under the Chairmanship of Dr. George W. Taylor, who had previously served as a public member of the Board. The Board was primarily interested in defining the "catch up" policy as spelled out in Regulation 6 and viewed this policy as a device to rectify the wage distortions existing in industrial and regional relationships.

At the time of his resignation in August, 1951, Dr. Taylor stated in his final report that the ten per cent policy\textsuperscript{32}

\textsuperscript{31} U. S. President Truman, Executive Order 10233, April 21, 1951, Federal Reporter, Washington, Tuesday, April 24, 1951, Vol. 16, No. 79, 1951, 3505.

was not intended to be a ceiling on wages, but merely a device to rectify the wage distortions. The "abnormal base date and rate" and "unusual clauses" of the Regulation were intended to accomplish this purpose. Dr. Taylor complained that the popular conception of the Regulation as a wage ceiling was a serious barrier to the introduction of a wage stabilization program that commanded public respect.

The controversy involving Charles Wilson, the reorganization of the Board, in March, 1951, and the dissatisfaction expressed by industrial and banking groups impelled Congress to investigate the utility of rent, price and wage controls in June, 1951.

Congress extended the Defense Production Act for thirty days beyond June 30, 1951, its expiration date; during which period several proposals were made regarding alteration of the controls program. Representative Lucas, Texas Democrat, proposed to (1) have the public members constitute a majority of the Board, (2) make provision for representation of the independent unions, (3) compel full time services of the public members, and allow per diem allowance for the industry and labor representatives, (4) require Senate confirmation of the public members to insure that their philosophy was not foreign to that of Congress, and (5) place a restriction on the jurisdiction of the Board to "formulating and
recommending to the Administration general policies and regulations and advising interested parties with respect to interpretation and application of regulations.33

Chairman Taylor criticized this proposal as abolishing the existing Board and substituting one that (1) had a majority of public members, (2) would not have the power to issue regulations, and (3) would have little, if any, jurisdiction over labor disputes. He attacked the upsetting of the tripartite arrangement as a serious threat to the cooperation of the Board members, especially that of the labor members, whose presence, in a limited sense, constituted a no-strike pledge.34 The Amendment failed to pass the House.35

Although this amendment failed to pass the House, it demonstrated that Congress held a wary eye toward the wage stabilization program. Congress extended the Defense Production Act on July 31, 195236 without any changes in the wage controls section of the Act. However, it implied that it would evoke the

34 Congressional Record, Vol. 97, Pt. 6, 8413
35 "Ayes--113, Noes--217", Congressional Record, Vol. 97, Pt. 6, 8415.
powers of the Board if there were any serious deviation from the wishes of Congress.

The Board continued to issue Regulations through the summer of 1951. Regulation 8 was revised in August to allow cost-of-living increases in all areas of business, organized or unorganized. In October, 1951, it approved inter-plant adjustments in wages to reduce the inequities that had resulted from the mad scramble for wage increases in the latter half of 1950. In December, 1951, the Board issued a regulation covering health and welfare benefits. It permitted these benefits to be included in wage agreements as long as they complied with the "review criterion" outlined by the Board. Such benefits were also exempt from the limitations of Regulation 6--ten per cent catchup. In February, 1952, general regulation on pension plans was promulgated. This regulation prescribed specific conditions for the exemption of these plans from Regulation 6.

37 Federal Register, 16, 12823.


The Board encompassed every major fringe benefit in its regulations. It permitted incorporation of these benefits into wage agreements as long as they did not transcend the policy established by the Board. The Board had treated these practices as prevailing throughout industry. In so doing it brought these issues onto the bargaining table in many cases, issues that had never been previously proposed by either faction. The regulations of the Board were a stimulus to unions to increase their scope of demands.

The Board was given the opportunity to exercise its disputes settling powers during the summer and fall of 1951. Disputes had been voluntarily submitted to the Board by the sheetmetal, shipyards, and textile industries. Several disputes had been certified by the President for recommendations. In making its recommendations on these cases the Board specified wage patterns in the shipbuilding, maritime, meatpacking, aircraft, trucking, oil, electrical products and rubber industries. The Board was also requested to approve several cases that exceeded the policy established for economic and non-economic issues. Its action on these cases extended to the meatpacking, shipbuilding and maritime licensed personnel.

The Wage Stabilization Board's major test of its disputes settling powers came with the steel dispute in 1952.41 The Board

41 This issue is covered in its entirety in Chapter 6.
was given the dispute by the President, who was seeking a solution without strike action. After hearing the arguments of both the steel workers and the industry spokesmen, the Board recommended an eighteen months contract to include a $17\frac{1}{2}$ cents wage increase and fringe benefits amounting to 9 cents. These recommendations exceeded the Board's own regulations on the wage issues, and the fringe recommendations were only slightly less than the union demands. Mr. Nathan Feinsinger, who had followed Mr. George W. Taylor as Chairman of the Wage Stabilization Board, rationalized the recommendations as coming within the perogative of the Board to make recommendations that were not unstabilizing, although they may transcend a stabilization policy. He referred to similar action in the textile, meatpacking, rubber, copper and electrical products industries as a justification for the Board's action.

The President had expressed himself as opposed to a steel strike at all costs. After the recommendations of the Wage Stabilization Board had been released, the Defense Mobilizer, Charles E. Wilson, consulted with the President as to the feasibility of applying the proposals to present stabilization policy. Shortly after this conference, Wilson openly criticized the recommendations, and stated that he would attempt to settle the controversy at a lesser wage increase.

A political controversy then ensued within the various
offices of the stabilization agencies. Wilson maintained that he had proposed to the President that "regardless of the Wage Stabilization Board's recommendation we (Office of Defense Mobilization) will give the steel unions nothing more than the cost-of-living figure (nine cents) which it was alleged by the Wage Stabilization Board that they were definitely entitled to". Wilson alleged that Philip Murray had contacted the President after Wilson's press statement, and was very perturbed over the government's change of attitude. The Economic Stabilization Administrator, Roger Putnam, reportedly reversed his position and came out in favor of the Board recommendations and limitation of the companies to a three dollar per ton increase to cover the wage boost. Wilson then challenged the President to confirm his agreement that the Government would not accept the Wage Stabilization Board proposal, but would try to work out a compromise at an amount less than the twenty-six cents. Wilson maintained President Truman would neither confirm nor deny the agreement, so he resigned March 27, 1952.

A strike by the 500,000 members of the steel union was scheduled for 12:01 a.m. on April 9, 1952. On April 11,

President Truman seized the steel companies and placed them under the jurisdiction of the Secretary of Commerce. He cited "the authority vested in me by the Constitution and laws of the United States and as President of the United States and Commander-in-Chief of the Armed Forces of the United States" for his actions.

The Secretary of Commerce was ordered to keep the steel mills operating and producing. In a radio address explaining his action, the President stated the executive position on the Wage Stabilization Board recommendations:

There has been a lot of propaganda to the effect that the recommendations of the Wage Board were too high, that they would touch off a new round of wage increases, that a new wage-price spiral would set in.

The facts are to the contrary. When you look at the matter, you find that the Wage Board's recommendations were fair and reasonable. They were entirely consistent with what had been allowed in other industries over the past eighteen months. They are in accord with sound stabilization policies.

Under these recommendations, the steel workers would simply be catching up with what workers in other industries are already receiving.

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44 Ibid.

On April 9, Clarence Randall, President of Inland Steel Company, in a radio and television address, criticized President Truman's action as having "abused the power which is temporarily his", and "his shocking distortion of the facts." 46

On April 29, 1952, Judge D. J. Pine of the United States District Court, District of Columbia, held that the Presidential seizure of steel properties was unlawful under the Constitution. 47 The Court granted the steel companies injunctive relief from continued possession of their properties. On May 2, 1952, the Court of Appeals for the District of Columbia stayed the injunctive degree of the District Court, pending a decision on a writ of certiori by the U. S. Supreme Court. 48 The Supreme Court, in granting certiori, cautioned the government against changing any of the existing conditions of employment during the hearing of the case by the Court. On June 2, 1952, the U. S. Supreme Court upheld the judgment of the District Court in that "the seizure order cannot stand." 49 The Court held that the President

46 Clarence B. Randall, "These are the FACTS, Mr. President", Radio Address, April 9, 1952, (Panphlet, Steel Companies in the Wage Case) 1.

47 Youngstown Steel and Tube v. Sawyer, 103 F Supp 978.

48 Sawyer v. United States Steel Company et al, 197 F. (2d) 582.

49 Youngstown Steel and Tube Company v. Sawyer, 72 S.Ct. 863.
illegally invaded the sacred principle of separation of government powers in that "The Constitution did not subject this lawmaking of Congress to Presidential or military supervision or control". 50

The final judgment of the Court returned the properties to the steel companies, and the strike, at last, became a reality. The companies and the union again debated the economic issues of the strike; after having reached a decision it was necessary to get governmental approval for comparable price increases. At the same time the companies continued discussion on the union shop issue. The strike was finally settled on July 24, 1952. It included a sixteen cent general wage increase, fringe benefits, and complicated maintenance of membership union security clause.

In the interim pending final judicial decision on the seizure order, both branches of Congress had investigated the Wage Stabilization Board. The officials of the various stabilization agencies involved in the disputes as well as the representatives of the steel industry and union and various authorities

on stabilization were called upon to present their views.51 The steel dispute also provoked intense Congressional investigation in the handling of "emergency disputes".52

Public Law 42953 June, 1952 abolished the Wage Stabilization Board with its dispute settling powers, and ordered the President to reestablish a Board empowered only to advise the President on wage stabilization. The Board was reestablished on August 1, 195254 with Archibald Cox, a Harvard Law professor, as Chairman.

The new Board began operation with the hope it could salvage the principles of its predecessor and conduct a reasonable program of wage stabilization. Several difficult barriers opposed its probable realization of success. The Board was not a popular agency with Congress, labor, management or the public. Secondly, the old Board had developed an extensive policy that made

51 Ibid.


attainment of stabilization very difficult. Thirdly, there were over ten thousand cases for consideration and disposition pending before the Board. Lastly, the coal miners, headed by a staunch opponent of wage stabilization, were due for contract negotiations in the Fall of 1952.

Operations proceeded without incident until October, 1952. At that time the Board was requested to rule on the coal union's demands for $1.90 per day wage increase. The Board decided that "approval of an increase in excess of $1.50 a day would damage the stabilization program irreparably". The $1.50 figure included $1.05 to offset a rise in the cost of living since January 25, 1951, and the remaining 45¢ was "approvable under the Board's power to maintain proper relationship and prevent hardships and inequities". This decision was filed with the Economic Stabilization Administrator, who in turn reported to the President (Truman). The President did not disclose his decision until December 4, 1952.

In the interim, John L. Lewis, President of the United Mine Workers, went on record as favoring the Democratic candidate.


56 Ibid.
--Adlai Stevenson--for President of the United States in elections of November 4, 1952. On December 4, 1952 President Truman directed approval of the full $1.90 requested by the union as justified by factors which "go far beyond stabilization considerations". Chairman Cox, the remainder of the public members, and the industry representatives resigned from the Board in protest over the President's action.

Charles Kilingsworth, Assistant Chairman to Cox, was appointed new Chairman and the Board was reestablished on December 10, 1952. He remained as its chairman until President Eisenhower dissolved the Board in February, 1953.59


CHAPTER III

LEGISLATIVE BASIS AND GENERAL POLICIES OF THE BOARD

The legal basis for the Wage Stabilization Board resided in the Defense Production Act, as amended. The declared policy of the Act was:

that the President shall use the powers conferred by this act to promote the national defense by meeting promptly and effectively the requirements of military programs in support of our national security and foreign policy objectives, and by preventing undue strain and dislocations upon wages, prices, and production or distribution of materials for civilian use, within the framework, as far as practicable, of the American system of competitive enterprise. ¹

The general policy reduces to this: allocation of more productive resources for military purposes without inflation. The Act dealt with every phase of economic enterprise in the accomplishment of this purpose.

With regards to control of inflationary forces, the Act dealt generally with credit controls and price and wage controls. Generally the legislation enacted by Congress placed the burden of the controls on the Executive Branch. Congress did not take a dogmatic stand on the upper limits of any of the controls it

¹ Public Law 774, Statutes, 64, 799.
permitted. It did neither provide for any emergency action in the event that the Defense Production Act proved to be inadequate. However, congressional interests did not ignore the lower limits of several of the divisions of economic enterprise. The farmer was guaranteed ninety per cent parity as of May 19, 1951 of his product by virtue of the July 31, 1951 amendment. This favoritism to the farmer prompted the Guaranty Survey to remark:

If the prices in a large sector of the economy, which composes the largest single element of the average cost of living, are again to move upward on an automatic escalator not subject to control by the authorities charged with maintaining stability, respect for overall price stabilization can only be viewed with serious misgivings.

Landlords also received statutory maintenance of their rents as they prevailed during the period May 24, 1950 to June 24, 1950. This legislation applied to areas of controlled housing accommodations or to areas certified by the Secretary of Defense and the Director of Defense Mobilization as "critical defense housing areas".

In addition, this act allowed rentiers "to

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2 Public Law 96, Statutes, 65, 135.

3 "Prospects in Agriculture", The Guaranty Survey, New York, XXX, 9, January, 1951, 8. (This comment was directed to the original Defense Production Act, which guaranteed farm prices at ninety per cent parity for the month May 24, 1950, to June 24, 1950. This comment was equally apropos when applied to the July 31, 1951 amendment.)

4 Public Law 96, Statutes, 65, 145.
compensate for increases which have occurred in costs and prices"\textsuperscript{5} by applying for an increase up to 120 per cent of the "maximum rent for the housing accommodation in effect on June 30, 1947"\textsuperscript{6} plus amounts for capital improvements and increases in living spaces, services or furnishings. In effect this amendment guaranteed renters in controlled areas their rents prevailing at the outbreak of the Korean War. The provisions relating to agricultural prices and rent are cited specifically because food and rent constitute forty-five\textsuperscript{7} per cent of the average budget. This guaranteed base would have a profound effect on the ultimate effect of the controls program.

Lastly, Congress wrote into the Defense Production Act an amendment that protected sellers from State or local gross receipts tax or gross income tax by providing that "in addition to the ceiling price (1) an amount equal to the amount of all such state and local taxes for which the transaction makes him liable, or (2) one cent, which ever is greater" would be allowed.\textsuperscript{8} Provision was also made for increased costs of commodities and

\begin{itemize}
\item[5] Public Law 96, Statutes, 65, 146.
\item[6] Public Law 96, Statutes, 65, 147.
\item[8] Public Law 96, Statutes, 65, 135.
\end{itemize}
services subject to price control. The amended law\(^9\) provided that

nothing...shall prohibit the establishment or maintenance of a ceiling price with respect to any material (other than agricultural commodity) or service which (1) is based upon highest price January 1, 1950 and June 24, 1950 inclusive, if such ceiling price reflects adjustments for increases or decreases in costs occurring subsequent to the date on which such highest price was received and prior to July 26, 1951, and (2) is established under a regulation issued prior to the enactment of this paragraph.

Upon application and a proper showing of his price and costs by any person subject to a ceiling price, the President shall adjust the ceiling price in the manner prescribed in clause (1) of the preceding sentence.

the term 'costs' includes material, indirect and direct labor, factory, selling, advertising, office and all other production, distribution, transportation and administration costs, except such as the President may determine to be unreasonable and excessive.\(^9\)

The Defense Production Act gave no special statutory assurances to the general public that prices would be stabilized, that wages would not be reduced in purchasing power, or that there would be an ample supply of goods available for purchasing. These assurances rather were shifted to the Executive Branch. The Act provided for the President to impose controls on prices and wages, in either selected areas or generally throughout the economy, if the inflationary pressures became of such a nature as to threaten the military program. The basic limitation imposed on the President was that "no wage, salary, or other compensation shall be

\(^9\) Ibid.
stabilized at less than that paid during the period from May 24, 1950 to June 24, 1950, inclusive." 10 In issuing regulations the president was instructed to be "generally fair and equitable" 11 but also to "effectuate the policies of this title". 12

Congress also made provision for labor disputes arising during the life of the Act, that would be either economic or non-economic in nature. Public policy deemed it most advisable to "place primary reliance upon the parties to any labor dispute to make every effort through negotiation and collective bargaining and the full use of mediation and conciliation facilities to effect a settlement in the national interest". 13

To this end the President was instructed to initiate conferences between representatives of labor, management, and public representatives. "Subject to the provisions of Section 503 14 the President should take such action as may be agreed

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10 Public Law 774, Statutes, 64, 803.
11 Public Law 774, Statutes, 64, 804.
12 Ibid.
13 Ibid.
14 Section 503 of the Defense Production Act compels the President"...to give due consideration to the prevailing practices of collective bargaining, fairness to management and labor and to be consistent with stabilization policies". The President is also directed to apply the existing statutes on wages and labor disputes; the Fair Labor Standards Act, the Labor-Management Relations Act of 1947, the Railway Labor Act Statutes, 64, 812.
upon in any conference and appropriate to carry out the provisions of the title".\textsuperscript{15}

To carry out the directives of Congress the President appointed the Wage Stabilization Board,\textsuperscript{16} which was given control over the stabilization of wages in the defense economy. The E S A took the first official action on wages by freezing wages as of January 25, 1951.\textsuperscript{17} The Wage Stabilization Board, which came under the supervision of the E S A, was then given the task of formulating policies of wage controls that would conform to the wishes of Congress.

The initial problem facing the new Board was to "un-scramble the mess which the country's wage structure had gotten into during the turbulent year of 1950"\textsuperscript{18} and "to draft policies which would insure long range stability in the wage field and\textsuperscript{19} contribute to the nation's anti-inflation and mobilization effort".
General Wage Regulation 6, issued February 27, 1951, was intended to "unscramble the mess" which the country's wage structure had gotten into. The regulation was issued over the dissent of three of the Labor members of the Board. In the statement of considerations embodied in the Regulation, it is stated that this Regulation is intended to "deal with and attempt to solve this time inequity or 'catch up' problem". The Board also recognized "that there may be further changes in the cost of living". To cope with this eventuality "the present policy is adopted for the period until July 1, 1951" before which time it will be "fully reviewed and re-examined".

The general policy of the Regulation was:

If general increases in wage and salary levels in an appropriate employee unit have been less than (10) ten per cent since the base pay period, [January 15, 1950], future increases in wages, salaries, and other compensation may be permitted in amounts up to but not in excess of the difference between such past increases if any, and the permissible ten per cent".

The Board permitted this ten per cent policy to be utilized without obtaining specific prior authorization from the Board.

20 Federal Register, 16, 12, 823.
21 Ibid.
22 Ibid.
23 Ibid.
24 Ibid, Section 1.
Two provisions were incorporated into the Regulation to make provisions for abnormal pay bases and unusual cases. The base pay abnormalities clause provided the companies "...having no pay roll period ending on or about January 15, 1951..., or having plainly abnormal pay levels during the period... may apply to the Wage Stabilization Board for appropriate and supportable adjustments of base period pay level figures against which employee compensation changes are to be measured". 25

The rare and unusual cases clause provided that "when the critical needs of essential civilian or defense production require it, the Wage Stabilization Board will consider the approval or authorization of increases in wages, salaries and other compensation greater in amount than those specified in Section 1 hereof". 26

The Regulation was ultimately approved and promulgated by Eric Johnston, the then Economic Stabilization Administrator. The Labor members of the Board had "walked out" of the Board in protest over the approval of the Regulation by the Industry and public members.

The Board was also forced into making some provision in

25 Ibid, Section 4.
26 Ibid, Section 5.
its controls program for the continuance of real purchasing power in workers wages. Such a consideration was contingent upon three important developments: (1) the statutory assurances in the Defense Production Act given to farmers and rentiers that they would not be penalized by changes in the cost of living, (2) the indignation expressed by labor leaders over the inclusion of cost of living increases into Regulation 6, and (3) the inclusion of a cost of living clause in the bargaining agreement between the United Auto Workers (C.I.O.) and General Motors Corporation.27

In the latter case, General Motors had petitioned the Board for permission28 to adjust wages as of April 1, 1951, according to the terms of the bargaining agreement.

There were vigorous protests by advisory groups and industry spokesmen when the Board announced it would consider the problem of "cost of living adjustments". The council of Economic Advisors, a cross section group of American business men who served as an advisory board on National policy without compensation made an emphatic statement in its Fifth Annual Report on escalator and annual improvement clauses.


28 The GM petition was answered in the form of General Wage Regulation 8.
It is apparent under present and immediately foreseeable conditions that the total amount of wages available for spending after taxes and any other forced restraints cannot, in real terms, rise in accordance with the formulae which we regarded sympathetically in early 1950 under peacetime conditions. For if total wages available for spending rise as fast as productivity increases and are also adjusted upward for changes in the cost of living, while an increasing proportion of the enlarging production is bought by the government for national defense, then excess of wages over available goods aggravates inflation. If some wage earners benefit by using the early 1950 formulae while others do not, they do so at the expense of other consumers who constitute a majority of the population and most of whom are relatively less fortunately situated. 29

The Guaranty Survey commented:

If wage rates are to move upward automatically, thereby adding to both operation costs and total purchasing power and thus extending pressure from two directions on price levels, there would seem to be a serious possibility that any efforts at stabilization might be undermined. 30

No better source of favorable thinking of the escalator question could be sought than that of the chairman of the Wage Stabilization Board at the time the Regulation was issued. Dr. George Taylor echoed the position of the public and labor members of the Board. He stated:


regulations must be promulgated to deal with the general level of wage rates. Central to the determination of such regulations is a consideration of tying in changes of wage rates with changes of the cost of living...

Some increases resulting from cost of living increases will add to the price increases. However, it is not valid assumption that the upward movement of prices would be stopped merely by a more rigid wage policy in the absence of much more rigid restrictions on the prices of farm products and manufactured goods.

There would be moreover little survival possibility of a wage stabilization program conceived with virtual certainty that, under it, the employee's standards of living would steadily depreciate.

A critical test of the stabilization program will be over the willingness of employees substantially to restrict general wage rate increases to such an amount as will maintain real wage rates. 31

Before explaining the general provisions of Regulation 8, which pertained to cost of living adjustments, a short history of cost of living increases in collective bargaining agreements will be beneficial. A Bureau of Labor Statistics bulletin on cost of living wage adjustments disclosed that slightly over 32 800,000 workers were covered by such provisions in September, 1950. In September, 1951 approximately three million 33 workers were

31 Taylor, "Wage Stabilization in a Defense Economy", 100, 4, 505, (For a complete statement of Dr. Taylor's position, see Appendix II).


33 Ibid.
covered by cost of living provisions. This number did not include an estimated 250,000\textsuperscript{54} "white collar workers". Forty-four percent of the workers covered were in the transportation industry. Thirty-eight percent in metalworking (primarily the automobile and agricultural machinery industries)\textsuperscript{55} "Textiles and construction each accounts for about five percent, and the remaining eight percent are scattered among various industries".\textsuperscript{56} With regards to formulae in these various contracts, forty-five percent called for adjustments of one cent per hour for each one point change in the Consumers Price Index.\textsuperscript{57} Forty per cent of the agreements called for an adjustment of one cent for each 1.14 point change in the Index.\textsuperscript{58}

There were 46,400,000 non-agricultural workers employed in March, 1951. Therefore, it is evident that cost of living adjustments were the exception rather than the rule in bargaining contracts at that time. At the same time there was pressure from

\begin{itemize}
\item 54 Ibid.
\item 55 Ibid, ii.
\item 56 Ibid, ii.
\item 57 Ibid, ii.
\item 58 Ibid, ii.
\end{itemize}
the ranks of labor to incorporate this provision into Wage Stabilization Board policy. General Motors was also pressing the Board for a decision in the early months of 1951, since this Corporation's contract with the United Auto Workers called for an adjustment as of April 1, 1951.

The Economic Stabilization Administrator\(^ {40} \) issued General Wage Regulation \(^ {41} \) covering "cost of living increases". This Regulation provided that cost of living provisions in contracts negotiated prior to January 25, 1951 could be placed in effect without prior Board approval. It provided further that cost of living adjustments made prior to January 15, 1951 must be offset against the allowable ten per cent increase.\(^ {42} \) Cost of living provisions placed in effect after January 25, 1951, although not requiring prior Board approval, must be offset against the allowable increase under Regulation 6. This policy was amended in August, 1951 and exempted costs of living increases from the limitations of Regulation 6, even if the escalator provision negotiated after January 25, 1951.\(^ {43} \)

\(^ {40} \) The Wage Stabilization Board was inoperative at this time due to the walkout of the labor members of the Board.

\(^ {41} \) Federal Register, 16, 2033.

\(^ {42} \) Ibid.

\(^ {43} \) Wage Stabilization Board, General Wage Regulation 8, Amended, July 7, 1951, Federal Register, Vol. 16, 7, 137.
These adjustments upward and downward in cost of living "shall not exceed the corresponding subsequent increase in an acceptable index dated on or after January 15, 1951". An acceptable index "means any Consumers Price Index published by the Bureau of Labor Statistics or such other index as the Board has determined or may determine to be acceptable for the purposes of the Regulation".

In the absence of escalator clauses in agreements, "wage increases to compensate for rises in the cost of living are permitted at intervals of not less than six months". However, unlike Section 3, which covered cost of living adjustments in collective bargaining contracts, Section 4 did not require downward adjustment. Section 5 of Regulation 9 pertained to exceptional cases. It provided that "an employer or a union, who believes that hardships or inequities exist because of a decline in the real value of wages due to a rise in an acceptable index from a base period of January 15, 1950, may petition for approval of a subsequent base date". In considering the application the

44 Ibid.
46 Wage Stabilization Board, General Wage Regulation 9, Federal Register, Vol. 16, 1951, 7, 137.
47 Ibid.
claim must show that "the January 15, 1950... is an appropriate date", and that "the correction of demonstrable hardships will not be unstabilizing". 48

In effect every worker in American industry was guaranteed the opportunity to increase his wages in accordance with increases in the cost of living. In approving this policy the Economic Stabilization Administrator, Eric Johnston, made the following statement:

It will have a definitely stabilization effect by setting the pattern of permitting wage adjustments geared to changes, up or down, in the cost of living. This is an appropriate yardstick. This policy allows wage adjustments for the wage earners of America--organized and unorganized--that are fair and equitable in relation to what Congress by law has accorded to farmers through parity pricing provisions and to business through costs adjustments under the Defense Production Act. 49

Wage Stabilization Regulation 10 permitted the continuation of tandem wage relationships to the extent that they were consistent with stabilization requirements. The Regulation defined a tandem relationship as "an historical practice whereby adjustments of wages, salaries and other compensation for one group of employees have been directly related to those of another

48 Ibid.
49 U. S. Department of Labor, "Cost of Living", iii.
The criteria for approval were (a) proof of a tandem relationship, (b) an explanation of the circumstances which disrupted the relationship, and (c) supporting pertinent data. The initial Regulation required proof that the relationship had existed for five years. It also refused to approve petitions for periods subsequent to February 22, 1951, and would not permit retroactive increases. The Regulation was amended in May, 1951 and eliminated the five year requirement as well as the February 22, 1951 base date. The amended Regulation also permitted the Board to approve petitions for retroactive increases.51

A regulation pertaining to fringe benefits was adopted on July 19, 195152 over the dissent of three of the industry members. This regulation applied to the common benefits of industrial compensation practices: paid vacations, paid holidays, premium pay relative to days and hours of work, shift differentials, and call-in-pay. The Board would approve petitions of introduction or extensions of "fringe benefits which do not exceed prevailing industry or area practices either as to amount or type".53

51 Ibid.


53 Ibid.
The Regulation provided that fringe benefits approved by the Board would not be offset against the increases permissible under Regulation 6.

The revised Regulation 13 dealt with all fringe benefits, with the exception of health and welfare plans (Regulation 19) and pension and deferred profit-sharing plans (Regulation 21). It provided that approval would be granted to all fringe issues under the standards of area and industry practice when appropriate, without special permission of the Board. When fringes are not appropriate, special handling will be granted to such petitions by the Board.

The Board also undertook the task of restoring the historical relationship of wages that had existed between regions and within companies. This relationship had also been disrupted by the scramble for wage increases following the outbreak of the Korean War. In the final report to the Economic Stabilization Administrator, George W. Taylor, noted that cases involving inter-plant adjustments constituted the largest number of cases then pending before the Board. Dr. Taylor analyzes the argument for easing inter-plant inequities as follows:

Pressure for these changes arises out of the observed economic tendency for the wage levels of the different companies in the same labor market area to narrow as manpower becomes tighter.

A company impelled to pay low wages during a period of relatively stiff competition, seeks to improve its relative wage position in the labor market area when it is able to do so and when employees are more difficult to acquire or to retain.

Provision has to be made to permit some upward movement to the schedules of the lowest wage companies not only to avoid 'discrimination', but to permit the production facilities of all companies to be fully utilized.55

Dr. Taylor also cites the difficulty in formulating a policy to adequately deal with these inequities.

There are some historical differences in the wages paid by various concerns in the same labor market which cannot be disturbed without unstabilizing consequences.

It is necessary to distinguish between them and the interplant differences which are affected by the changed economic conditions brought about by the defense program.56

Regulation 17, was issued in October, 195157 setting forth the Board's interplant-inequity policy, and the procedures which the Board would use to carry it out. The Board's statement

56 Ibid, 508.
57 Federal Register, 16, 11237.
of considerations on this topic declares:

customarily the wage structure of this country contains a vast number of wage differentials among different plants and different occupations. Such differentials are normal, and grow out of sound economic and collective bargaining factors.

Some of these differences in occupation wage or salary rates may constitute inter-plant inequities. Any program of wage stabilization which prevents this process of correcting interplant inequities would in itself create hardships and inequities.

Moreover, the narrowing of wage or salary differences may be necessary if small firms, and other firms engaged in defense production are to recruit and maintain adequate labor forces.

It is emphasized that this policy establishes standards between normal wage differentials, which are to remain unaltered, and those differentials which may be narrowed or eliminated by a sound wage stabilization program.58

The Wage Stabilization Board processed petitions for correction of interplant-inequities according to the following procedure:

1) Determination of an appropriate group of establishments in an appropriate industry or area with whose wage and salary rates the petitioners rates are to be compared... This...group...shall be the one which is best adapted to preserve normal patterns of wage setting.59

58 Ibid, Statement of Considerations.

59 Ibid, Section 1 (b).
2) The rates for job classifications involved in the petition are then to be compared with the rates for comparable job classifications.60

3) Where a uniform rate prevails in the comparison group...the Wage Stabilization Board will approve petitions to increase wage and salary rates up to and including this stabilization level.61

4) Where a spread of rates...prevails...the stabilized level of wage and salary rates will be determined at an appropriate level within such spread.62

5) In considering interplant-inequities, the Board will give due regard to the necessity of maintaining balanced and stabilized intra-plant wage relationships.63

The Board revised its regulation on petitions for relief from inequities in April, 1952. Firstly, a manual was issued describing the standards to be used in applying the new policy. The definition of "appropriate comparison group" was extended to include any or all of the following: (1) the company the petitioner had historically followed, (2) companies in the area, regardless of industry, and (3) companies in the area, region, or country in the same industry.64 This new policy prescribe the

60 Ibid, Section 1 (c).
61 Ibid, Section 1 (d) (1).
62 Ibid, Section 1 (d) (2).
63 Ibid, Section 1 (e).
following classifications to be used to define the term "appropriate comparison":

1) Use of key classifications.

2) Standards are to be the top and the bottom of the wage rates as well as a few of the middle of the comparable companies.

3) Industry collective bargaining practices, the Labor Department's list of critical occupations, and the Bureau of Labor Statistics wage surveys are to be used as supplementary sources of determination.65

The second major revision of the regulation was to delegate to the Regional Boards authority66 to make decisions on petitions:

1) Comparison of the petitioner's wage structure to what the Regional Board determines to be the "stabilized level" in the area or industry.

2) Stabilized level is defined as "uniform rate between firms in the comparison groups".

3) No single statistical device is to be used. A number of tests are suggested.

4) If adjustments are to be cut back, they should be an across-the-board reduction.67

In answer to many employer and union demands, the Wage Stabilization Board issued a regulation governing health and

65 Ibid.

66 Previously the Regional Boards had no decision making powers.

67 "General Wage Regulations of the Wage Stabilization Board", Emergency Labor Law, 16, 703.
welfare benefits. The unions particularly had demanded consider-
ation for these benefits as a condition of the labor members
returning to the Wage Stabilization Board in March, 1951. In his
appearance before the Joint Banking and Currency Committee in
May, 1951, the Economic Stabilization Administrator voiced his
approval of incorporating health and welfare plans into stabiliza-
tion policy:

There must be a clear-cut determination on the
place of health and welfare and pension plans because
these plans have been assuming greater and greater im-
portance each year in bargaining negotiations.68

There had been very few employer voluntary health and
welfare plans during the 1930's. Generally, these benefits were
a post-World War II development, although they began to gain
popularity at the conclusion of the National War Labor Board's
jurisdiction over wages. At that time the unions were accepting
fringe benefits and union security clauses in lieu of general
wage increases. In January, 1952 unions representing approximately
thirteen million members had negotiated health and welfare benefits
covering about 7.2 million employees.69

68 "Administration Witnesses Before the Joint Banking
and Currency Committee", Wages and Hours, Bureau of National Aff-
airs, Inc., 28, 6, May 21, 1951, 1202.

69 "Health and Welfare Plans", Labor Relations Reporter,
Washington, Bureau of National Affairs, Inc., 29, 7, December 31,
1951, 101-2.
General Wage Regulation 1970 applied to Health and Welfare Plans. The hub of the policy lay in the specified benefit levels designated by the Board as "review criteria". These criteria covered (1) cash outlays for temporary disability and/or partial payment for hospital, surgical, and in-hospital expenses; (2) group life insurance and accidental death and dismemberment benefits; and (3) hospital, surgical and in-hospital expenses for dependents of employees. Accompanying Regulation 19, the Board issued Resolution No. 7872 which defined these criteria and identified the upper and lower limits of the various benefits. The plans designated by this Regulation could be inaugurated by either the employer acting alone, or through collective bargaining agreements.

With regard to Board administration of the plan, the general rule was: if the proposed plan conformed to the limits of the "review criteria", it must be filed with the Board; if no communication was received from the Board within thirty days the

70 Federal Register, 17, 5461.

71 Federal Register, 17, 824.

plan could be placed into effect. This procedure applied to the establishment of new plans or to the modification of existing plans. Plans not conforming to the definitions of the "review criteria" must receive the approval of the Board before they could be placed into effect. A special Tripartite Health and Welfare Committee was established by the Board to review and advise the Board on plans not conforming to the Review Criteria. This Committee was also intended to advise the Board on health and welfare plans.

Existing plans could be extended to smaller employment units or groups of employees into one geographical unit plan. Such action required the approval of the Board; however, the plans need not conform to all of the features of the review criterion.

The Regulation permitted health and welfare plans to be placed into effect without regard for the reporting and review provisions, if such a new or amended plan was required by Federal or state law. There was a provision in Resolution 78 which exempted plans from Board review and approval, if the employee bore none of the cost of the plan. The Resolution held that "approval

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73 Federal Register, 17, 824.
74 Ibid, Section 8.
75 Federal Register, 17, 824.
of benefits of such cases will be granted where the plan is found not unstabilizing. 76 Nothing in the Regulation prevented the continuance or renewal of plans in operation before January 25, 1951. Lastly, the Regulation exempted health and welfare plans from the limitations of Regulation 6. Those employers who had charged such a plan against Regulation 6 could petition the Board to recover their credits. 77

There was a divergence of opinion among the various groups of the Wage Stabilization Board. The industry members of the Board failed to support the Regulation. They protested that:

1) By encouraging a national pattern approach to health and welfare programs, the...new policy will interfere unduly with the process of collective bargaining.

2) There exists the policy of inflationary shifts, resulting from the possibility of the anticipated shift from contributory to non-contributory plans. 78

The Labor faction was also dissatisfied with the Regulation. Their protests were contrary to those of the Industry members. Labor maintained:

76 Ibid.

77 Federal Register, 17, 824.

1) The rules were too restrictive.
2) Health and welfare plans are not inflationary.
3) These programs should be left to normal free collective bargaining.\(^79\)

For those plans requiring approval of the Board, the labor members vowed to "press for approval of each and every sound program coming before the Board which will serve to advance the health and welfare of the American worker and his family.\(^80\)

The public members opinion was that the Regulation was: based on "sound industrial practice and in line with the benefits prevailing generally in collective bargaining contracts, these standards may set the pattern for health and welfare bargaining during the emergency period".\(^81\)

In the last analysis, there was certainly every indication that the governmental sanction given to health and welfare plans, as expressed in Regulation 19, opened the door for a new area of bargaining. The extent of bargaining in this area would be contingent on how benefits already in effect compared to those allowable under the review criteria of Regulation 19.

\(^{79}\) Ibid.

\(^{80}\) Ibid.

\(^{81}\) Ibid.
The Wage Stabilization Board granted liberal standards for pensions and deferred compensation in its Regulation 21.82 The policy was a compromise between no controls and strict controls. It contained no dollars and cents nor percentage limitations on amounts which could be paid under employer contributory plans. Basically, the Regulation established certain standards and provided for automatic approval of new plans meeting such standards after a thirty-day review period. The Regulation established the following standards:

A. Pensions:

1. Normal retirement age of sixty-five years. Benefits were reduced proportionately if retirement was at an earlier age.

2. Benefits must be paid over the lifetime of the employee.

3. Deferred vesting for terminated employees until the normal age. Plans could not contain cash surrender value, at termination of employment.

B. Deferred compensation:

1. Payments made for retirement after the age of sixty-five or from permanent and total disability must be spread over at least a ten year period.

2. Payments to an unemployed severing may not be made unless the employee has had ten years participation in the plan. Such payments must be spread over a ten year period. 83

82 Federal Register, 17, 1895.
83 Ibid.
Finally the Regulation provided that employer contributions to these plans were not chargeable against the ten per cent allowance of Regulation 6.

The general operating policies of the Wage Stabilization Board were centered around the following Regulations:

Regulation 6--ten per cent Catch-up Formula
Regulation 8--Cost of living increases
Regulation 10--Tandem wage adjustments
Regulation 13--Fringe Benefits
Regulation 17--Interplant Inequities
Regulation 19--Health and Welfare Plans
Regulation 21--Pensions

The remainder of the Regulations referred to exemptions to satisfy statutory standards, exemptions for minority groups from the General Regulations, and policy for generally accepted practices which constituted a minor problem area for the Board.

Development of a regulation in the wage stabilization program pertaining to productivity increases was a point of controversy from the very outset. The question first arose in the attempted issuance of Regulation 6 in February, 1951, the terms of which were so disagreeable to the labor members that they resigned from the Board. One of their criticisms of the Regulation was the inclusion of productivity increases in the ten per cent catch-up policy. To clear approval for the General Motors type of productivity increase, the Wage Stabilization Board passed a resolution permitting productivity increases if the wage raise
was not to be used to obtain price relief.84

The Board continued discussion on productivity increases following the issuance of the resolution. The labor group maintained that wage increases correlated to productivity were justified by the annual increase of productivity in industry. They claimed that such increases were not inflationary because they did not add to the cost of production. On this premise labor believed (1) the worker was entitled to share in such savings because they resulted in part from his efforts, and (2) he had a strong desire to increase his standard of living by sharing in a saving he helped to create. The labor members maintained that the productivity allowance must be applied universally so that all workers would justly share in the savings created. They also maintained that friction would result if preferential approval was granted to contracts containing productivity clauses.

The labor group was bolstered in its position by the

84 The following warranty was prepared for employers requesting to pay wage increases based on productivity clauses; "The undersigned employer warrants that he will not use any increase in wages, salaries and other compensation, approved by the Wage Stabilization Board in Case No. pursuant to the Board Resolution of June 6, 1951 as a basis for requesting an adjustment or resisting a reduction in any price ceilings". ("W S B Policy on 'Productivity Increases?', Wages and Hours, Bureau of National Affairs, Washington, 28, 12, June 11, 1951, 1237).
Economic Stabilization Administrator, Eric Johnston, and two of the auto industry's biggest producers. Mr. Johnston recognized annual productivity increases as "being desirable at a time when the country is straining to set up production for defense". He advocated the continuance of these increases until June 30, 1951, when legislative approval of the Board was due to expire. Mr. H. W. Anderson, Vice President of General Motors Corporation advocated the approval of productivity increases due on May 29, 1951 under terms of the GM-UAW contract. He believed this to be "in the interest of national defense, and specifically in the interest of realistic wage stabilization". The Ford Motor Company officials urged approval of it "in the interest of industrial peace".

The industry members of the Board argued that productivity increases would endanger the stabilization program by:

1) Establishing productivity escalation which would create a permanent inflation.

2) Create chaos in the collective bargaining institution that would exert strong pressures on the program.

3) Compounding wage increases, since increased productivity was given consideration in the current bargaining climate.

4) Create an inequity by permitting benefits to hourly workers that would be difficult to evaluate for those living

85 Ibid.
86 Ibid.
87 Ibid.
on fixed incomes.

The industry members also argued that these increases would infringe on the investor's return, thereby reducing his incentive for investment.

Industry restricted its approval of any productivity plan to the following principles:

1) Permitting only those plans to operate that antedated the January 25, 1951 freeze.

2) Labor costs incurred subsequent to January 25, 1951, and not reflected in wage rates must be deducted from the amount that would otherwise be applicable.

3) Such increases should not be permitted to be made retroactive beyond the date of application or request for approval.

Prior to the dissolution of the Board, the public members were never able to compromise the disagreement between the labor and industry members. Thus, no general policy regarding productivity increases was ever established, and the issue remained unsolved.

One more major power was delegated to the Wage Stabilization Board. This power resided in its authority to make its own decisions on disputes arising over both economic and non-economic issues arising between employers and unions, as these

issues were related to stabilization regulations. This authority gave the Board not only ultimate control over the policies of wage stabilization, but in addition, under certain circumstances, it designated the Board as the arbitrator of the disputes arising between employers and employees. An institution operating with such supreme authority must exist in the most fertile conditions possible if such an institution is to be a political, social, and moral success.

The National War Labor Board of World War II had operated as a disputes settling agency. A review of its operative principles will be helpful in developing some conception of the makeup of such a board. The National War Labor Board's recipe for the proper handling of disputes resided in (1) a tripartite type of board, (2) voluntary submission of the ranks of labor and industry to the authority of the Board, and (3) the Board also insisted that its authority over disputes must reside in the same board that develops stabilization policy. It believed the success of the entire program of stabilization was contingent on the fullest use of each of those principles.

With regard to tripartitism, the Board believed that:

1) The voluntary approach depended for its effectiveness on the participation of labor and management representatives.

2) The public members...cast the deciding vote in practically all instances of policy formulation and in most decision cases.
3) The greatest benefit of tripartitism was its contribution to compliance. 89

The National War Labor Board's second basic ingredient for a successful disputes settling panel was voluntarism—"The self imposition of acceptance by labor and management of restrictions on their freedom of action in industrial relations". 90 President Franklin D. Roosevelt had exacted a no-strike, no-lockout pledge from labor and management following Pearl Harbor, and the entrance to the United States into World War II. Maintenance of this pledge was an exemplary contribution to peaceful wartime labor relations.

Lastly, the National Labor Board believed that "...it is sounder to combine wage stabilization with disputes settlement".

The Wage Stabilization program was an integral part of machinery to decide wartime labor disputes. The wage stabilization program was significantly shaped by its being administered by the same agency charged with primary responsibility by maintaining industrial peace.

An administrative separation of these two responsibilities would not have been practicable. Wage issues


90 Ibid, 5.
constitute one of the most important subjects of industrial disputes. Constant confusion and friction would undoubtedly have resulted if the settlements of one Government agency, charged with the responsibility to maintain industrial peace, were disapproved by another agency, charged with wage stabilization responsibilities... The combination of disputes settlement and wage stabilization authority placed in one organization the delicate problems of balance between these objectives.91

By Executive Order 1023392 disputes settling power was delegated to the National Wage Stabilization Board in April, 1951. This order outlined the agency's additional authority as follows:

1) To the maximum extent... to preserve collective bargaining between management and labor.93

2) The Board may assume jurisdiction of any labor dispute which is not resolved by collective bargaining or the prior full use of conciliation and mediation facilities which threatens an interruption of work affecting the national defense where:94

   a) The parties to any such dispute jointly agree to submit such dispute to the Board for recommendation or decision if the Board agrees to accept such dispute, or95

   b) The President is of the opinion that the dispute of character is one which substantially threatens the progress of national defense and

92 Federal Register, 16, 3503.
93 Ibid, Section 404.
94 Ibid, Section 405.
95 Ibid, Section 405 (a)
refers such dispute to the Board.96

In any case the Board was instructed to "investigate and inquire into the issues in dispute and promptly report to the President therewith its recommendations".97 If the dispute had been voluntarily submitted to the Board by the disagreeing parties, the findings and recommendations of the Board were binding.98 Disputes submitted to the Board by the President were not binding on either party.99 The final instructions of the Executive Order declared that the wage action by the Board "shall be consistent with stabilization policies".100

The disputes settling powers delegated to the Wage Stabilization Board contained many of the principles inherent in the old National War Labor Board. However, prominent by its absence, was the joint agreement of labor and industry to refrain from strike and lockout activities. The absence of voluntarism indicated that both factions were desirous of retaining the right of negotiation, with possible work stoppage, rather than have their differences resolved by a governmental agency.

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96 Ibid, Section 405 (b)
97 Ibid, Section 406.
98 Ibid, Section 407.
99 Ibid, Section 408.
100 Ibid, Section 409.
The public members also reflected a determination to delegate wage decisions insofar as possible to the operations of collective bargaining. George W. Taylor commented very extensively on the continuance of collective bargaining and the retention of the strike perogative. Taylor's position can be summarized as follows:101

There can be no doubt at all about the unusual difficulty of developing and of effectuation a national wage stabilization program at the same time that the right to strike is retained by employees...elimination of the strike method would require the substitution of another method, which would in all likelihood have to be some form of compulsory arbitration...It would be incongruous to jettison an important one--collective bargaining--at the very outset of the defense endeavor and to substitute a method for determining wages more compatible to the ideology that we find obnoxious... At any event, building up a wage stabilization program while the right to strike is retained should be looked upon as a significant challenge to democratic processes ...The degree of success of the economic control program upon which we have embarked depends in no small measure upon how the challenge is met.

In the last analysis the Board utilized its delegated powers as (1) an arbitrator for voluntarily submitted disputes, and (2) as an agency of last resort prior to strike action for disputes certified by the President. It's primary assignment was to preserve the stabilization program and secondarily to render decisions equitable and agreeable to the disputing parties.

CHAPTER IV

WAGE INCREASES UNDER THE WAGE STABILIZATION BOARD

The effectiveness of any program is contingent upon the accomplishment of the general objectives outlined at the outset of that program. The Wage Stabilization Board's basic objectives were the harnessing of wages and keeping them from rising excessively, and the peaceful solution of wage disputes without a major transgression of stabilization policy. A review of the accomplishments of the Board will reveal whether or not those objectives were achieved.

The WSB had established January 15, 1950 as the base date for computing the ten per cent "catch-up formula". This was no arbitrary selection of a date. It was based on the proposition that this particular month reflected a normal month--economic wise--in the overall period covering the minor recession in 1949 to the skyrocketing economy of the third and fourth quarters of 1950. The wage structure--though keeping to its historic lag behind prices--resembled closely the national pattern of economic increases. The year 1950 was unique in that it experienced both a generally normal wage structure as well as a period of rapid wage increases prompted by the increased activity following entry into the Korean affair.
During 1949 very minimum—if any at all—wage adjustments constituted the prevailing practice. Unions were content to take their gains in non-economic fringe benefits. In the first half of 1950 economic activity began to flourish anew and unions were granted moderate wage rate increases. Five cents an hour was the average increase in the first half of the year according to the 5,102 wage contracts surveyed by the Bureau of National Affairs.\(^1\) In August, 1950 Chrysler Corporation voluntarily increased wages ten cents per hour, and established a new national pattern.\(^2\) The survey discloses that the average yearly increase was seven cents per hour.\(^3\)

FIGURE 1

<table>
<thead>
<tr>
<th>Cents</th>
<th>Trend of Average Wage Increases in 1950(^4)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td></td>
</tr>
<tr>
<td>12(^4)</td>
<td></td>
</tr>
</tbody>
</table>


\(^2\) Ibid.

\(^3\) Ibid.

\(^4\) Ibid.
The average hourly earnings of employees throughout the economy indicated the same general pattern.

**TABLE I**

QUARTERLY PERCENTAGE INCREASE OF AVERAGE HOURLY EARNINGS IN 1950 OVER JANUARY 1, 1950

<table>
<thead>
<tr>
<th>Industry</th>
<th>Number of Employees</th>
<th>Percentage Increase (By Quarters)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>16,277,000</td>
<td>1.13</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>8,173,000</td>
<td>-0.43</td>
</tr>
<tr>
<td>Construction</td>
<td>2,444,000</td>
<td>1.14</td>
</tr>
<tr>
<td>Railroads</td>
<td>1,239,000</td>
<td>-1.16</td>
</tr>
<tr>
<td>Metals</td>
<td>689,000</td>
<td>0.86</td>
</tr>
</tbody>
</table>

These statistics also indicate a sharp increase in wages in the

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5 "Hours and Gross Earnings of Production Workers or Non-supervisory Employees", *Monthly Labor Review*, Washington, 74, 4, April 1, 1951, 494.

6 These statistics on average hourly earnings include overtime, incentive allowance, premium pay and the like. For this reason they will be slightly higher than the BNA statistics, although the average will be very similar.
fourth quarter of 1950.

In January, 1951 controls were imposed in an effort to restrain the rapidly rising prices and wages. The Wage Stabilization Board—charged with the task of stabilizing wages—devoted the first year of its operation to development of policy. The first two quarters of its operation was obstructed by disagreements in the trial and error development of this policy. In the third quarter the Board's policy began to develop rapidly, and by the end of the fourth quarter almost every area of wages and fringe benefits had been related to the controls policy.

The Bureau of National Affairs studies describe the wage trend for 1951 as follows:

Wage stabilization affected the volume, size, and type of pay adjustments. Fewer than one-quarter of the settlements failed to use up or exceed the margins set by stabilization. The main emphasis shifted from cost of living and productivity adjustments to general increases. By the year's end as these categories were exhausted there was a rapid trend toward fringe issues.  

During 1951 only one per cent of the contracts negotiated contained no wage increase. The largest number of increases was concentrated in the ten to twelve cents area, while the seven to nine cents category claimed the second largest number of

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increases. Approximately forty eight per cent of the increases consisted of ten cents or less, and almost fifty two per cent were for increases of ten cents or more.\textsuperscript{8}

\textbf{FIGURE 2}

\textbf{WAGE PATTERNS, 1951}\textsuperscript{9}
(Based on 2,908 Settlements)

\begin{tabular}{|c|c|c|c|c|c|}
\hline
\textbf{Percentage of Settlements} & \\ 
\hline
40 & Full Year, 1951 & \\ 
\hline
30 & Fourth Quarter, 1951 & \\ 
\hline
20 & & & & & \\ 
\hline
10 & & & & & \\ 
\hline
0 & & & & & \\ 
\hline
\end{tabular}

\begin{tabular}{|c|c|c|c|c|c|c|}
\hline
\textbf{Amount of Increase} & \\ 
\hline
No Wage Increase & 1-3 Cents & 4-6 Cents & 7-9 Cents & 10-12 Cents & 13-15 Cents & Over 15 Cents \\ 
\hline
1\% & 4\% & 5\% & 9\% & 21\% & 21\% & 22\% \\ 
\hline
25\% & 23\% & 11\% & 8\% & 8\% & 2\% \\ 
\hline
\end{tabular}

\textsuperscript{8} Ibid.

\textsuperscript{9} Wage Settlements, 1951, Facts for Bargaining, 186, 18:5
A survey of the character of the wage adjustments discloses that the emphasis for 1951 was on cash gains. The volume of insurance benefits and pensions declined conspicuously from 1949. Insurance benefits of all types constituted wage improvements in twenty four per cent of the contracts surveyed in 1949, but only fifteen per cent in the years 1950 and 1951.\textsuperscript{10} Pension benefits also experienced a decline; eight per cent in 1949 to six per cent in 1950 and 1951.\textsuperscript{11} However, as wage increase credits became exhausted in the fourth quarter of 1951, the trend shifted again to fringe benefits.

\textsuperscript{10} Ibid.

\textsuperscript{11} Ibid.
FIGURE 3
FRINGE BENEFITS IN WAGE SETTLEMENTS, 1951
(Based on 2,908 Settlements)

Percentage of Benefits

20
15
10
5
0

Pensions Insurance Benefits Escalator Clauses Annual Increase

Types of Benefits

Full Year, 1951
Fourth Quarter, 1951

12 Ibid, 18:58.
The general level of wages increased noticeably throughout the economy in 1951. The increase was approximately the same in the industries surveyed. The Railroad industry\textsuperscript{13} experienced

**FIGURE 4**

**PERCENTAGE INCREASE OF AVERAGE HOURLY EARNINGS**

**IN SELECTED INDUSTRIES, 1951**

<table>
<thead>
<tr>
<th>Percentage Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>15</td>
</tr>
<tr>
<td>10</td>
</tr>
<tr>
<td>5</td>
</tr>
<tr>
<td>0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Industry</th>
<th>Manufacturing</th>
<th>Retail Trade</th>
<th>Construction</th>
<th>Railroads</th>
<th>Metals</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>6.91</td>
<td>5.90</td>
<td>8.06</td>
<td>14.19</td>
<td>7.65</td>
</tr>
</tbody>
</table>

\textsuperscript{13} The Railroad and Airline Wage Board was established under General Order No. 7, Wage Stabilization Board, dated October 1, 1951. It was assigned the administration of wage controls to all employees coming under the jurisdiction of the Railway Labor Act. This Board subsequently adopted the regulations promulgated by the WSB as operating policy. The decisions of this special Board were released through the parent WSB, yet its operating policy was not entirely governed by the parent Board.
FIGURE 5
WAGE PATTERN: FIRST HALF, 1952
(Based on 1,856 Settlements)

<table>
<thead>
<tr>
<th>Amount of Increase</th>
<th>13-15 Cents</th>
<th>10-12 Cents</th>
<th>7-9 Cents</th>
<th>4-6 Cents</th>
<th>1-3 Cents</th>
<th>Over 15 Cents</th>
<th>No Wage Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage</td>
<td>33%</td>
<td>21%</td>
<td>23%</td>
<td>18%</td>
<td>8%</td>
<td>12%</td>
<td>10%</td>
</tr>
<tr>
<td>1951</td>
<td>35</td>
<td>28</td>
<td>21</td>
<td>14</td>
<td>7</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>1952</td>
<td>21%</td>
<td>23%</td>
<td>21%</td>
<td>18%</td>
<td>8%</td>
<td>12%</td>
<td>10%</td>
</tr>
</tbody>
</table>

a gain much larger than the others due to the abnormal increase approved by the W S B June, 1951.14

At the passing of Public Law 429 in June, 1952 the national wage pattern had assumed new characteristics. At that15 time the B N A survey disclosed that (1) the small increment increases supplementing the 1951 increases were bringing wages up to the maximum amount allowed under stabilization regulations, and (2) the larger increases gained during the period represented the first adjustments since wage controls were imposed.17

During the first quarters of 1952 fringe benefits began to appear in greater abundance. There was a noticeable increase in pensions and health and welfare plans following the release of W S B regulations--19 and 21--on these benefits.18 With this new emphasis, escalator clauses decreased in volume.19 At the


16 Pg. 82

17 Ibid.

18 Ibid.

19 Ibid.
same time annual increases clauses became more abundant.\textsuperscript{20} Many of the agreements concluded during this period were renewals of contracts that had exhausted credits under Regulation 6 and contracts that had previously agreed to cost of living clauses.

### TABLE II

**PREVALENCE OF SELECTED FRINGE BENEFITS**

**FIRST HALF 1952\textsuperscript{21}**

(Based on 1856 Settlements)

<table>
<thead>
<tr>
<th>Fringe Benefit</th>
<th>Second Quarter (%)</th>
<th>First Quarter (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pensions</td>
<td>7.4</td>
<td>6.0</td>
</tr>
<tr>
<td>Insurance</td>
<td>21.0</td>
<td>20.0</td>
</tr>
<tr>
<td>Escalator</td>
<td>6.6</td>
<td>5.0</td>
</tr>
<tr>
<td>Annual Increase</td>
<td>4.2</td>
<td>3.0</td>
</tr>
</tbody>
</table>

The national wage structure resembled the B.N.A survey for the year 1952. The increases granted in steel and copper significantly increased the wage levels in the metals industry.

\textsuperscript{20} Ibid.

\textsuperscript{21} Ibid.
Board approval of wages in excess of stabilization regulations increased the average hourly earnings of the rubber, textiles, electrical, meatpacking, and paper industries. Retail trade, though keeping to the national economic pattern, did not keep pace with other industries, where strong union organization was able to spearhead gains for the larger companies, who in turn served as guideposts for smaller, unorganized units. With the exception of retail trade, all industries showed a significant increase over the cost of living for the years 1950 through 1952.

It is pertinent at this juncture to investigate the increase in the cost of living that so directly affected the character of wage regulations and the extent of wage increase. The labor members of the W S B demanded from the very outset that the wage regulations be geared to increased prices. They pointed to the sizeable increases in the cost of living from June, 1950 to January, 1951 as partial justification of their demanded re-adjustment of wage regulations. However, labor's principle argument was directed against the price controls program authorized by Congress in the Defense Production Act. Labor maintained that this system failed to control prices and demanded the enactment of a wage controls program that would assure the worker protection against loss of buying power.

This argument aroused considerable sympathy among the
public members and a minority of the industry members of the Board. Their attitude encouraged labor to become very resistive to anything less than substantial wage increases, cost of living allowances, and improved fringe benefits. The resultant pressure had a profound effect on the Board's philosophy of the regulation of wage increases.

Labor's argument that the pre-control increase in the cost of living and the loose price controls system justified a lenient wage regulation program was not completely without merit. Carroll R. Daugherty believed that a cost of living adjustment should be included in the wage controls program to afford the worker equitable treatment under the controls program. However, beyond this he would not encourage any other general area of wage increases. It is questionable whether the increases granted by the Board did not, in many cases, exceed the principle of equality that labor was striving to foster.

Following is an analysis of the increases in the cost of living from January, 1950 through December, 1952. The ensuing table presents a comparison of increases of average hourly earnings and prices for the same period.

# TABLE III

**CONSUMER'S PRICE INDEX FOR UNITED STATES FOR ALL SELECTED ITEMS, 1950 THROUGH 1952**

$1947-49 = 100$

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Items</th>
<th>Food</th>
<th>Housing&lt;sup&gt;a&lt;/sup&gt;</th>
<th>Apparel</th>
<th>Transportation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1950</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>January</td>
<td>100.6</td>
<td>97.0</td>
<td>104.4</td>
<td>96.7</td>
<td>110.2</td>
</tr>
<tr>
<td>June</td>
<td>101.8</td>
<td>100.5</td>
<td>104.9</td>
<td>96.5</td>
<td>109.9</td>
</tr>
<tr>
<td>December</td>
<td>106.9</td>
<td>107.1</td>
<td>109.1</td>
<td>102.2</td>
<td>114.1</td>
</tr>
<tr>
<td>1951</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>January</td>
<td>108.6</td>
<td>109.9</td>
<td>110.4</td>
<td>103.8</td>
<td>114.7</td>
</tr>
<tr>
<td>June</td>
<td>110.8</td>
<td>112.3</td>
<td>106.8</td>
<td>112.3</td>
<td>117.5</td>
</tr>
<tr>
<td>December</td>
<td>113.6</td>
<td>115.0</td>
<td>113.9</td>
<td>108.1</td>
<td>122.2</td>
</tr>
<tr>
<td>1952</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>January</td>
<td>113.1</td>
<td>115.0</td>
<td>113.9</td>
<td>107.0</td>
<td>122.8</td>
</tr>
<tr>
<td>June</td>
<td>113.4</td>
<td>114.6</td>
<td>114.0</td>
<td>105.6</td>
<td>126.3</td>
</tr>
<tr>
<td>December</td>
<td>114.1</td>
<td>113.8</td>
<td>116.4</td>
<td>105.1</td>
<td>128.9</td>
</tr>
</tbody>
</table>

<sup>a</sup> Includes rent, gas and electricity, solid fuels, furnishings and operation.

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### TABLE IV

PERCENTAGE INCREASE OF AVERAGE HOURLY EARNINGS
IN SELECTED INDUSTRIES AND COST OF LIVING
1950-1953

<table>
<thead>
<tr>
<th>Industry and Cost of living</th>
<th>1950 (%)</th>
<th>1951 (%)</th>
<th>1952 (%)</th>
<th>Total Increase (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>8.67</td>
<td>6.91</td>
<td>6.64</td>
<td>22.15</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>2.08</td>
<td>5.90</td>
<td>7.38</td>
<td>15.36</td>
</tr>
<tr>
<td>Construction</td>
<td>7.14</td>
<td>8.08</td>
<td>7.23</td>
<td>22.45</td>
</tr>
<tr>
<td>Railroads</td>
<td>7.71</td>
<td>16.98</td>
<td>6.03</td>
<td>22.71</td>
</tr>
<tr>
<td>Metals</td>
<td>10.02</td>
<td>7.65</td>
<td>10.74</td>
<td>28.41</td>
</tr>
<tr>
<td>Cost of living</td>
<td>6.90</td>
<td>6.70</td>
<td>.50</td>
<td>14.10</td>
</tr>
</tbody>
</table>

The above statistics disclose that during the year 1950 only two of the industries surveyed failed to keep pace with the cost of living, Retail Trade and Railroad. In 1951 only Retail Trade lagged behind increases in the cost of living. In 1952, when the cost of living experienced very little increase, the

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industries made large gains. By the year end of 1952 all industries had exceeded the cost of living for the three year period, 1950 to 1953. The metals industry had made gains of more than two times the increase in the price index. Manufacturing, construction, and railroads exceeded the increase in the cost of living about fifty per cent.

These conclusions indicate that wage increases exceeded the principles of equity and justice inherent in Regulations 6 and 8, which allowed inequities to be relieved and real wages to keep pace with the cost of living. The most unfortunate conclusion is that, apparently effective stabilization was never accomplished.

The Wage Stabilization Board was delegated the responsibility of considering contracts negotiated for amounts in excess of established regulations. The disputes settling powers of the Board permitted it to make recommendations on cases in which the negotiating parties could come to no agreement. The Board was confronted with either scaling down these contracts to the agreement of both parties so as to conform with prescribed regulations or it could have allowed these negotiated contracts or recommended settlements to become effective despite the fact that they transgressed specific regulations. If the Board's policy had been strict conformance with stabilization regulations, many of the requested increases could not have been permitted. At the same
time, a policy of stabilization that allowed exception for unusual cases, would have permitted increases in excess of established regulations if the contract-parties could demonstrate a reasonable claim for such treatment.

The Board issued rulings on thirty-six cases submitted for approval of contracts negotiated for amounts in excess of prescribed regulations. Thirteen disputes were either certified by the President or voluntarily submitted for recommendations on wage and fringe benefits. Two of the cases submitted for approval were reduced to amounts conforming with regulations. One of the disputes cases was returned to the disputing parties because the Board felt that sufficient effort had not been made to solve their differences. Increases in excess of prescribed regulations were allowed in the remaining cases:

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Abnormal base date</td>
<td>.9</td>
</tr>
<tr>
<td>Rare and unusual cases</td>
<td>.9</td>
</tr>
<tr>
<td>Tandem relationships</td>
<td>.6</td>
</tr>
<tr>
<td>Standard practice</td>
<td>.3</td>
</tr>
<tr>
<td>Correction of interplant inequities</td>
<td>.5</td>
</tr>
<tr>
<td>Fair and equitable</td>
<td>.5</td>
</tr>
<tr>
<td>Compliance with Federal Legislation</td>
<td>.1</td>
</tr>
</tbody>
</table>

These approvals and recommendations were distributed throughout major industries in the American economy. The settlements in selected industries are as follows:

**Aircraft**

Four cents to cover changes in the cost of living and
Six cents under base pay abnormality. Twenty-five cents to eliminate wage inequities with other major industries.

**Copper Mining**

Eight cents general wage increase under Regulations 6 and 8 to cover interplant inequities. The company had offered three cents and the union had demanded 28½ cents.

**Electrical Industry**

Four cents per hour to cover hardship and inequities. The union had demanded this amount for productivity reasons, however, in the absence of a productivity clause in the contract, the Board granted the increase on the basis of hardships and inequities. The union had claimed relationship with the General Motors contract, and was making its demands at the same time the G M contract was due for adjustment. The Board also recommended three weeks vacation after fifteen years employment. This decision was withheld until the recommendations in the steel case.

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had been issued. 28

**Maritime Industry**

East, Gulf, and West Coast companies and several C.I.O. union and Fireman and oilers were permitted general increases of 6.2 per cent on the basis of abnormal base periods. The Board also approved the terms of a contract to reduce the work week from forty-eight to forty-four hours in June, 1951, and forty-four to forty hours in December, 1951. 29 Several fringe benefits were also approved. The Board approved a $39.00 per month wage increase for maritime radio operators as an attempt to solve the critical manpower problem. 30

**Meat Packing**

Eleven cents general wage increase and a clause calling for reopening of the contract was negotiated in August, 1950. The negotiations were not reopened by the time of the wage freeze in January, 1951. In May, 1951 the Board approved a nine cent general wage increase because the negotiations were begun before the


wage freeze. 31 In July, 1951 a two cent bracket adjustment was approved. 32 In January, 1952 a six cent increase was allowed to catch up with the cost of living changes and a resolution was passed allowing a six cent general increase for the industry so that tandem relationships would be maintained. 33

Paper

The Board approved a 12 ½ cent general wage increase, two weeks vacation after three years, and increased shift differentials from four to six cents for second shift and six to nine cents for third shift. The Board adjusted the industry’s base date for computing wage increases under stabilization regulations to July 1, 1951, since no adjustment had been made in industry wage rates since 1949. In addition several fringe benefits were


approved because they were standard practice.34

Petroleum

A fifteen cent wage increase was permitted. Five cents of this amount was permitted under Regulation 8. The Board offered no explanation for approving the remaining ten cents. Increased shift differentials comparable to those allowed in the paper industry were also permitted.35

Pressed and Blown Glassware

The Board permitted the glass industry wage increases equal to what had been allowed to the glass moulders; six per cent (8.5 cents) across the board minimum. This approval was granted on the basis of the tandem relationship of the industries. In addition three additional paid holidays, reduction of the number of hours of employment necessary to qualify for vacation, and three weeks vacation after ten years employment were also approved by the Board.36


Railroad

Non-operating railroad employees were permitted a 12½ cent general wage increase and six cents increase under Regulation 8. Strictly speaking only three cents of the cost of living adjustment was justified. The contract was approved on the premise that "bargaining in the railroad industry is unique,"37

The railroad trainmen were allowed general increases exceeding the ten per cent formula by 5.3 per cent because a base pay abnormality had developed from the lengthy negotiations carried on by the parties.38 The Operating Railroad employees were permitted a 22½ cent wage increase for engineers, firemen and conductors. A thirty-seven cent increase was allowed for yard men. These adjustments were defended as being similar in pattern to other adjustments. Other railroad employees were granted the same benefits on the basis that it was practice within the industry and such increases were to be offset against the amount permitted.39

Rubber

The union demanded, and the Board approved an increase retroactive to July 1, 1951. The increase called for six cents

38 Ibid.
39 Ibid.
under Regulation 6, eight cents under Regulation 8, and one cent increased shift differential to conform with established practice in other major industries. A 1½ cent increase negotiated in 1950 was disregarded because it was less than one per cent of the average hourly earnings. In October, 1952 the Board approved a fifteen cent wage increase, five cents of which exceeded regulations, so as to keep the industry in tandem relationship with the automobile industry.

**Shipbuilding**

The Board granted a fifteen per cent wage increase in May, 1951 to eliminate tandem inequities that had resulted from the limited activity in the industry since 1947. This increase was intended to assist in alleviation of the manpower problem.

**Steel**

The Board recommended a 12½ cent general wage increase, nine cents of which was due under Regulation 8. The remaining three cents was explained as being fair and equitable and in


keeping with the Board's perogative of making whatever recommenda-
tions it deems fair in disputes issues. Additional 2½ cent wage
increases each six months were also recommended. Other recommend-
dations included shift differentials of six cents for second shift
and nine cents for third shift, six paid holidays, three weeks
vacation after fifteen years of employment, premium pay for split
shift and sporadic schedules, reduction of geographical differ-
ences from ten to five cents, one and one-quarter pay for Sunday
work, and the full union shop.43

**Telephone**

Four to seven dollars wage increases per week was
approved as coming with regulations. A 1½ cents increase in
reclassified areas was judged as not within the jurisdiction of
the Board.44

**Textiles**

The Northern cotton mills were permitted a 6½ per cent
general wage increase and an escalator clause calling for a one
cent adjustment for each 1.32 change in the Consumer's Price

43 United Steelworkers of America, G.I.O. and Various
Steel and Iron Ore Companies, Recommendations of the W S B, March

44 Resolution No. 97 of the Wage Stabilization Board,
Adopted June 4, 1952, Released June 16, 1952, "Regulations and
Resolutions", Commerce Clearing House, Chicago, 20,141; *Emergency
Labor Law*. 
Northern woolen mills were granted a 9½ cent general increase and an escalator clause permitting one cent increase and an escalator clause permitting a one cent increase for each 1.32 point change in the cost of living. The southern textile mills were granted an eight cent (6½ per cent) general wage increase as well as the escalator clause permitted in the northern agreements. This contract was approved on the basis of tandem relationship with the northern textile mills, although only 3.5 cents of the general increase was within regulations.

Coal

The Board recommended a $1.50 increase, $1.05 to offset the cost of living since January 25, 1951 and 45¢ to "maintain proper relationships and prevent hardships and inequities".


Employees in nine different industries received wage increases in excess of Regulations between January, 1950 and January, 1953.

**TABLE V**

**WAGE INCREASES SINCE JANUARY, 1950**

<table>
<thead>
<tr>
<th>Industry</th>
<th>Increase</th>
<th>Excess Over Regulations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coal</td>
<td>$0.60</td>
<td>$0.19</td>
</tr>
<tr>
<td>Airframe—North American</td>
<td>.34</td>
<td>.05</td>
</tr>
<tr>
<td>Aluminum—Alcoa</td>
<td>.335</td>
<td>.11</td>
</tr>
<tr>
<td>Copper—Anaconda</td>
<td>.38</td>
<td>none</td>
</tr>
<tr>
<td>Petroleum—Sinclair</td>
<td>.36</td>
<td>.05</td>
</tr>
<tr>
<td>Rubber</td>
<td>.345</td>
<td>.05</td>
</tr>
<tr>
<td>Shipbuilding</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sun Shipbuilding</td>
<td>.39</td>
<td>.06</td>
</tr>
<tr>
<td>West Coast</td>
<td>.38</td>
<td>.06</td>
</tr>
<tr>
<td>Steel</td>
<td>.32</td>
<td>.07</td>
</tr>
<tr>
<td>Automobile—General Motors</td>
<td>.33</td>
<td>.06</td>
</tr>
</tbody>
</table>

49 Ibid.
In order to preserve tandem relationships with other industries, the Board granted increases in excess of regulations in five cases: airframe, aluminum, coal, rubber, and steel. In one case—petroleum—no explanation was given for the increase. In the remaining cases increases were approved for various reasons; copper, interplant-inequities; shipbuilding, abnormal base date; automobile, in accordance with the terms of the contract.

Most of these same industries have maintained a tandem relationship since 1945. With the exception of petroleum and non-operating railroads, increases in these industries have been practically identical.

**Table VI**

TOTAL GENERAL WAGE INCREASES IN SELECTED INDUSTRIES
From V-J Day (1945) to January 1, 1953

<table>
<thead>
<tr>
<th>Industry</th>
<th>Wage Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shipbuilding</td>
<td>$0.775</td>
</tr>
<tr>
<td>Electrical Equipment</td>
<td>.760</td>
</tr>
<tr>
<td>Rubber</td>
<td>.760</td>
</tr>
<tr>
<td>Aluminum</td>
<td>.775</td>
</tr>
<tr>
<td>Automobile</td>
<td>.770</td>
</tr>
<tr>
<td>Basic Steel</td>
<td>.785</td>
</tr>
<tr>
<td>Meatpacking</td>
<td>.771</td>
</tr>
</tbody>
</table>
The Wage Stabilization Board was confronted with a practical, as well as a policy making position in the stabilization program. In ruling on these cases the Board could have controlled the situation by adhering to its regulations. Rather, the Board chose to permit the historical practice of preserving these tandem relationships, even to the point of sacrificing wage stabilization as a defense against inflation.

The Wage Stabilization Board was a Government Board, and as such, its primary responsibility should have been to its source of authority, the public. In carrying out its assignment the Board inevitably was exposed to strong pressures from various

50 Bethlehem Steel Company (Shipbuilding Division) and Industrial Union of Marine and Shipbuilding Workers of America (CIO), Wage Stabilization Committee Release No. 15, January 19, 1953, Emergency Labor Law, 40,129.
interest groups, who desired special treatment. Despite these lobbyists, the Board should have operated as a "public minded" agency. The favorable treatment afforded to the interests of labor as expressed in the transcendence of stabilization indicates that the Board failed to fulfill its primary responsibility.
CHAPTER V

THE STEEL DISPUTE

The most important and notable action centering around the Wage Stabilization Board was the controversy between the United Steel Workers and the Steel Industry, in the first half of 1952. The action was important because it was a critical test of the Board's policy, powers and authority in the face of an economic and political controversy. It was notable because of its far reaching effects on the industry-wide work stoppage, national publicity, and lastly, because of the judicial reversal of the seizure of a private industry based on "the inherent powers" of the Executive Branch of the Government.

The "Steel Dispute" was the key case in the life of the Wage Stabilization Board. A major reason for its importance resides in the primary position of the industry in the affairs of the nation. Steel is the basic ingredient of our industrial enterprise. The steel industry is the largest manufacturing industry in the United States. It has far reaching effects both in the processing and the ultimate use of the product.

The disagreement was "key" to the Wage Stabilization Board because it involved a contract negotiated only one month
previous to the "wage freeze" in January, 1951. The reopening of negotiations in December, 1951 raised the question as to whether or not the wage increase under the contract of December, 1950 would exhaust all of the credits allowed under Regulation 6, which allowed a general ten per cent wage increase above the rate paid on January 15, 1950.

The case was important in a different sense in that it would have far reaching effects through the price increase allowed by the "Capehart Amendment". The extent of the allowable price increase was contingent on the ultimate wage increase granted to the steel workers.

The year 1952 was a presidential election year. The Wage Stabilization Board was in a position to manipulate its powers in such a manner that the union representing a substantial segment of organized labor would receive special favoritism. Such a reputation for friendliness could be a very important selling point in a political campaign.

The disputed issues between the United Steel Workers and the Steel Companies was not a unique controversy. The contract demands of the union and the counter proposals of the steel companies represented another chapter of the historical strife that had existed between the two factions. The steel companies had been the main citadel of anti-unionism since the Homestead
Strike of 1892. Their effort to crush the organizational drives of the workers had been particularly prominent in the early 1930's. After the passage of the National Labor Relations Act in 1935, the steel companies accepted limited unionism basically on strength of the numbers of workers who had joined the union, and not in conformance with the public policy as stated in the law.

Government intervention in labor-management affairs in World War II, with the quasi-compulsory arbitration of disputes, replaced the mutual education derived in conscientious collective bargaining and industrial relations. After the war the amicable relations between labor and management was greatly hampered by the inflationary conditions of 1945 to 1949. The Korean War brought a return of government intervention in industrial relations to an industry and union, which had failed to learn the habit of collective bargaining. As in World War II labor and industry preferred to thrust their squabbles on a third party and to rationalize their gains or losses on the friendliness or hostility of that scapegoat, the Wage Stabilization Board.

In the last analysis, because of the weighty arguments both for and against piercing of the wage formula, the ultimate decision of the Board was a crucial test of its utility in the defense mobilization effort. The stabilization policies, the importance of continued production, the temptations of political greed and the handling of a dispute in an industry characterized
historically by conflicting industrial relations presented the Board with a complex of problems that could be resolved with no single formula.

Pre-bargaining statements by the representatives of labor and government representatives of stabilization agencies indicate specific pre-dispositions to the ensuing controversy.

Benjamin Fairless, President of United States Steel Corporation, and spokesman for the steel industry, made known his position in an address before the Society of Industrial Realtors at Cincinnati, Ohio, November 15, 1951. He stated:

I believe that any further increase in steel wages at this time will only result in an increase in the cost of living...that, in the long run, it will be of no benefit to the workers themselves, and that it will contribute definitely to the inflationary spiral which is a matter of mounting concern to all the people of our nation.¹

The Congress of Industrial Organization at its convention in November, 1951, advocated "equality of sacrifice and equality of progress"² toward the stabilization effort and production. Four resolutions aimed at the Wage Stabilization Board

¹ Benjamin F. Fairless, "Whose Sacrifice?", Address before the Society of Industrial Realtors, Cincinnati, Ohio, November 15, 1951, 10-11. (Pamphlet)

were intended to accomplish this purpose:

1. To permit wages and salaries to keep pace with rising living costs.

2. To sanction wage adjustments based on advancing industrial progress and increased productivity.

3. To free pensions and welfare plans—which are non-inflationary—from the straightjacket of other controls.

4. To provide flexibility of other fringe issues—paid holidays, vacations, shift differentials, etc.  

Philip Murray, then President of the C.I.O., defined even more clearly his union's position with respect to the contemporary controls program. Speaking on Regulation 6, he said:

This is the Board's yardstick and its reasoning for the moment evidently does not permit it to go beyond the amount provided in the formula contrived by the public and industrial members of the Wage Stabilization Board.

You can't stabilize prices and you cannot stabilize wages unless the government of the United States of America attempts a system of all-out-control. And that evidently is not in the offing.

The working population of the United States of America is in no mood to accept a one-sided discriminatory system of regulation that operates only against those who work and work hard for a living.  

3 Ibid.

4 "Unfair Wage Controls Could Force Strikes", "Murray Warns", Steel Labor, XVI, 12, December, 1951, 2.
Emil Rieve, a labor member of the Wage Stabilization Board, and a C.I.O. Union President, believed that wage adjustments should be tempered by price controls; and since there is not price control, the unions should proceed from that basis. 5 Joseph Beirne, advised the convention "to act as though there were no agency to stabilize wages" and "to get whatever is possible by collective bargaining". 6

At a later date, Emil Rieve criticized the Wage Stabilization Board's policy of issuing regulations to cover categories of cases. He proposed that:

1. The Board decide cases as they are brought up on their individual merits.

2. The most effective technique would be to bring in cases involving large numbers.

3. If the demands in such a case are not approvable under existing rules, the Board may find it difficult or inexpedient to reject them because of the large number of employees affected and may therefore create a new policy under which all or many of the demands are approvable. 7

The C.I.O. was definitely predisposed to a change in


6 Ibid.

stabilization policy. Their aims were far beyond the existing ceilings of the Wage Stabilization Board. At the same time, they had a certain amount of encouragement from the E.S.A. Director, Eric Johnston, who told the Convention:

The wage line is not a frozen line, but neither is it a sieve for wage inflation. This (stabilization) does not mean that labor is not entitled to continue to share in increased out-put in actual productivity. 8

The Chairman of the Wage Stabilization Board, Nathan Feinsinger, commented that:

If it can be shown that the American worker had contributed to more or better production, the simple equity requires that the Board arbitrarily not rule out an attempt by the employer or share with the worker savings which result. 9

Both Johnston and Feinsinger felt that productive increases would be justifiably due the worker and that such increases would not be destabilizing. They also believed that the contemporary stabilization program should not be altered. At the time of the convention, Feinsinger's remarks in themselves did not infer any other than a neutral position, based on equity, toward employees sharing in increased profits. However, his rationalization of the Board's liberal recommendation in March, 1952,

8 New York Times, November 7, 1951, pt. 1, p. 32
9 "Wage Board will not Pre-Judge USA-CIO Demands, Chairman Says", Steel Labor, XVI, 12, December, 1951, 4.
based on increased profits in the steel industry would indicate that Feinsinger's address to the convention was far more friendly to "profit sharing" than was evident in November.

The chronology of events in the steel dispute was characterized by extreme demands by the unions, violations of the National Labor Relations Act by the industry, and union friendliness by the Government. The steel workers submitted their demands to the Industry on November 7, 1951. They demanded:

1. 18½ cents per hour general wage increase.

2. Increased shift premiums of five and ten cents.

3. Additional overtime premium payments of 1½ times for Sunday work.

4. Eight paid holidays and increased premium pay for holiday workers.

5. Increased vacation benefits.

6. Increased reporting allowances.

7. Premium pay for Saturday work.

8. Reduced geographical differences.


10. The union shop for all workers.10

The steel companies would not make any counter-proposals to these demands. The industry only criticized the union for its excessive demands and said that they would be impossible points of negotiation. In so doing the industry violated Section 8 (a) (5) of the National Labor Relations Act. The Steel workers threatened to strike for their demands on December 31, 1951. The President interceded, requesting the union to postpone strike action in favor of study of the dispute by the Wage Stabilization Board, under its dispute settling powers. The Union voted to postpone the strike forty-five days. The Board appointed a special panel composed of two representatives each of the industry, the union and the public. This panel began hearing the testimony of industry, labor, public and governmental spokesmen on January 10, 1952. On March 12, 1952 it forwarded its report to the Board.

The steel union argued that the exorbitant industry profits justified the demand that the workers share in the


increased profits and productivity. The union claimed a 9½ cent increase from these profits to bring them back into conformity with increases granted in allied industries; the remainder of the 18½ cent demands—nine cents—was due under the cost of living Regulation.

The steel companies presented lengthy graphs and charts relating to employment costs, total income, profits, and taxes. As major spokesman, Benjamin Fairless, President of the United States Steel Company, summarized the industry's position before the Wage Stabilization Board panel:

1. Today our steel workers are among the highest paid wage earners in the world, and their wages are far above the average pay of American Industrial workers generally.13

2. In the opinion of American investors, we (the steel companies) are NOT paying a fair return on the book value of our stock.14

3. ...the Federal Government took four times as much in taxes as our stockholders collected in dividends.15

4. ...the management of the United States Steel concluded that it was not justified in subtracting further from the inadequate and diminished earnings of the company in order


14 Ibid, 8.

15 Ibid.
to add further to the relatively high earnings of the employees at this time.16

Actually, under stabilization regulations, the workers were due a nine cent wage increase to cover the change in the cost of living index. All credits under Regulation 6 had been exhausted by the January, 1950 increase. Several of the fringe benefits requested by the union were not within established practices of collective bargaining. Other fringe demands were radical changes from the established practices peculiar to the steel industry. Generally the union could legitimately demand changes from the established practices in only a few of the established fringe practices if some semblance of stabilization were to be retained.

On March 20, 1952 the Board made public its findings and recommendations in the steel disputes. They were:

1. 12½ cent per hour wage beginning January 1, 1952 with an additional 2½ cent increase each six months from the beginning date. The proposed contract was to apply for eighteen months.

2. Nine cents per hour to cover the fringe benefits approved by the Board; overtime, holiday pay, vacation, shift differentials, geographical differences, and Saturday and Sunday premium pay.

3. Some form of the union shop for all workers.

16 Ibid, 10.
4. Joint consideration of the issues involving reporting severance pay and the guaranteed annual wage. 17

The Board's general wage increase closely approximated the union's demands of 18 1/2 cents. Although the Board's increases covered a period of eighteen months, fifteen cents of this increase applied to the first year. Chairman Feinsinger justified this increase as coming within the exclusive perogative of the Board to transcend policy in disputes issues:

...in either a voluntary or disputes case, the Board is free to take whatever action it deems fair and equitable and not unstimulating whether that increase involves merely an interpretation of its regulations or requires an exception to or general modification of such regulation. In all its recommendations the Board has sought to arrive at a conclusion conforming to its best estimate of what the parties would have arrived at in a free collective bargaining, subject to the principles of wage stabilization. 18

Immediately following the disclosure of the Board recommendations the Price Stabilization Board announced the companies would be allowed a $2.83 per ton price increase, as permitted by Section 402 (d) of the Defense Production Act. 19

Following the disclosure of its recommendations by the


18 Ibid.

the Board, President Truman requested the Defense Mobilization Director, Charles E. Wilson, to attempt to settle the steel controversy at a figure lower than the Board recommendations.

Subsequently, Wilson and the President engaged in a dispute as to exactly what Wilson's instructions were in settling this dispute. This ended in Wilson's resignation.20 The President seized the steel industry in an effort to prevent interruption of steel production. Judge Pine21 overruled the seizure as a perogative not within the powers of the Executive Office, and this decision was upheld by the United States Supreme Court.22

The strike was finally settled on July 26, 1952,23 following a fifty-three day loss of production amounting to an estimated twenty millions tons of steel.23 The agreed terms called for:

1. a 12½ cent wage increase for class 1 workers with a one-half cent spread between this and lower job classifications.

2. six paid holidays and double time for holidays worked.

3. a six cents premium paid to workers on second shift and


22 Youngstown Steel and Tube Company v. Sawyer, 72 S Ct 863.

eight cents for third shift.

4. three weeks vacation with pay after fifteen years of service.

5. decrease of the southern differential from ten to five cents.

6. the wage increases were made effective as of March 1, 1952.

7. change of the existing union security provision to provide a fifteen day withdrawal period at the end rather than the beginning of the contract; and, a requirement that all new employees file formal application for union membership, which would become effective after the thirtieth day if the employee failed to make a formal request of withdrawal between the fifteenth and thirtieth day of employment.

The Wage Stabilization Board's intervention into the "Steel dispute" had manifold and profound effects on its utility as a fundamental stabilization agency. The ultimate test of the Board's recommendations are the very objectives of the Board's operation, namely, (1) the protection of the purchasing power of the dollar against inflationary increases of wages, and (2) the settlement of industrial disputes, and so prevent strikes which might imperil the national economy. A third objective of the Board must be the maintenance of the respect of the public for its honest approach to its basic objectives.

The recommendations of the Board on money issues -- 174

24 Ibid.

sent wage increase—exceeded the permissible amount of nine cents allowed under Regulation. Chairman Feinsinger explained "The board's recommendation on the so-called wage increase and fringe adjustments, are will within the Board's regulations and policies supported in previous cases and moderate as to amount. They are in all respects, 'fair and equitable'." 26

The Wage Stabilization Board bases its case on wage rates as required by law. The Steel companies argued from the position of cost of wage increases to the steel companies. The selection of different bases of wage determination tended to confuse the issue to the public. The industry argued that it could not absorb these recommended increases from its profits, since its profits statement was not a true picture of its profits situation, in that total profits were overstated and net worth was understated. This claim of the industry was in definite contradiction 27 to the arguments by the president and Ellis Arnall, Price Stabilization Administrator, to the effect that the industry could absorb the Board's recommended increases out of its "high profits". 28


The 12½ cents recommended by the Board exceeded the allowable under Regulation 8 by three cents. Further, it aggravated the forces of inflation by driving up the price of this basic commodity. In attempting to afford the steel workers fair and equitable treatment, the Board recommended wage increases that would have closely allied the gains of meat packing and textiles where abnormal base dates were used. The Board at no time explained "fair and equitable" in terms of equal increases in those industries where the "unusual" or "abnormal" clauses were utilized. Since the special treatment available under the "abnormal base date" or "unusual case" clauses were never formally petitioned by the steel unions, increases based on these clauses could not have been interpreted as the basis of the Board recommendations.

The Board's recommended increases of two and one-half cents each six months was not rationalized as part of any regulation. The Board action smacked definitely of productivity increases. The Board's own resolution allowed productivity increases only when the employer issued a warranty that these increases would not be the basis of a price increase. In the steel case, the industry demanded that a price increase be allowed to cover the accumulated five cent increase that would have resulted had these recommendations been placed into practice.

The Board recommendations included several radical and
daring changes in the fringe benefits existing in the steel industry. Although general practice in bargaining contracts was to permit three weeks vacation after fifteen years of employment, the steel industry was the foremost exception to this practice. The industry has historically required twenty-five years of employment as a condition of three weeks vacation. Despite the Board's desire to bring the industry into conformance with common practice, it exceeded its public position by recommending these changes in a dispute that was critically allied with the welfare of the nation. The Board's position would better have been to let well enough alone, and to allow the bargaining parties to determine alteration of these policies in free collective bargaining. This same principle is applicable to the Board's suggested one and one-quarter compensation for Sunday employment. This recommendation also attempted to change the historical practice within the industry of straight time pay for Sunday work.

Lastly, the Board's position on the union shop provision though of outstanding contribution to the rights of labor, demonstrated very poor judgment in the steel dispute. The Wage Stabilization Board Chairman explained that the "threat of a strike believed dangerous to defense production was persuasive in pushing

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public members to their decision on the union shop. Here also, the Board was invading a very basic issue of collective bargaining. This issue should have been referred back to the disputants along with the severance pay and guaranteed wage issues. The Wage Stabilization Board was never intended to be an agency endowed with power to make sweeping changes in collective bargaining practices between industries and unions, and especially to make recommendations for alteration of such basic issues as union security.


31 Benjamin Fairless bitterly denounced the W S B union shop recommendations in a radio speech entitled "Your Stake in the Steel Crisis", on April 6, 1952. He defined the union shop as one "under which the companies would be compelled to discharge any worker who refused to join the CIO, Steelworkers Union...". He continued, "... if the day ever comes when a man—in order to earn his living—must join... one favored union, then we may as well join forces with Russia. (Benjamin F. Fairless, "Your Stake in the Steel Crisis", Vital Speeches, XVIII, 4, New York, May 1, 1952, 410).

The Rev. Jerome Toner O.S.B. points out that the Taft-Hartley law "does not compel, force, or legally require any employee to join a union". (Union Starch and Refining v. N.L.R.B. 186 F. 2d 1009) Father Toner maintains further that the collective bargaining monopoly charge of the company was invalid, since the U. S. Supreme Court in effect, makes the collective bargaining monopoly a duty of a certified union, for it says that the "union has the duty to protect equally the interests of all members as the Constitution imposes upon the Legislature the responsibility to give equal protection to the interests of those for whom it legislates". Tones declares that the union shop is the permitted public policy of the U. S. as declared by the Taft-Hartley Law, approved by the N.L.R.B. and Circuit Courts, and silently protected by the Supreme Court. (Rev. J. Toner O.S.B., "Union Shop in the Steel Crisis", Labor Law Journal, Chicago, 3, 9, September, 1952, 589).
Chairman Feinsinger's belief that "...the possible impact of a steel wage settlement on wage movements today has been overstated" is fallacious. Steel, along with textiles, meatpacking and the auto industry has historically been the trail blazer for wage increases. The very fact that the steel negotiations in December, 1950 immediately preceded the wage freeze in January, 1951 would indicate that steel set the pre-freeze pattern for national wage rates during the stabilization period. The WSB was merely trying to minimize and couch its recommendations in order to discourage other unions from making demands of similar proportions.

Sumner H. Slichter summarized the dilatarious effects of the Board's recommendations:

The essential difficulty of the recommendations of the Board is not the decisions on the particular points. Rather the trouble is with the sum of the decisions.

No matter how much the individual concessions granted fell within the area of industry patterns, the total package was of record breaking size, and it was granted to men who stand in the forefront of American industrial workers in wages and working conditions. If such a package does not violate the letter of the Board's rules, that is an indication of the inadequacy of these rules. Certainly it violates

both the reality and spirit of wage stabilization.  

Finally, the Board was acting as a bargaining body in the steel dispute, "attempting to find the lowest terms that would induce the union to forego a strike".  

The London "Economist" remarked that "apparently the public members...made concessions to the labor point of view because they found themselves quite unable to compromise with the industry representatives".  

The public thought of the Board as a quasi-judicial body; in fact, Nathan Feinsinger referred specifically to the Board as a "judicial or quasi-judicial agency".  

In effect then the Board was imposing its bargaining recommendations on the union, industry, and public with its quasi-judicial powers. This was a fundamental violation of the principle of public trust bestowed on a government agency which is intended to act impartially and justly for its constituents.


34 Ibid.


Generally the steel episode had two effects:

1. it established a new stabilization policy for wages, and
2. it lead to the ultimate loss of the WSB as an effective stabilization agency, and reduced it to a mere stabilization advisory agency.

The new policy of the Board was reflected in its recommendations in the steel case:

1. Catch up margins in future cases would be expressed in narrow to broad limits, depending on the industry.

2. The situation seemed to follow from the Board's previous decision allowing the GM type of contract to operate; either reconsideration of this type of contract was necessary or the situation was bound to recur.

3. Acceptance or imposition of the recommendations would have resulted in new pressures on the Board to match increases elsewhere.

4. The union shop provisions became legitimate demand of other unions. Unions in defense industries were in the best position to press for this provision, but it also could have spread to non-defense industries.

Secondly, the Board lost the trust and respect of Congress and the general public. The Senate Banking Committee recommended relieving the Board of its policy and decision making powers.37 Subsequently the Congress revoked these powers. The

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Board had seemingly used its power for political expediency. The President had attempted to enforce the recommendation of the Board by seizure of a private industry. The glaring injustice of the recommendations, plus the judicial reproach of the President by encroaching upon Congressional powers, wrote not only the final chapter of "practical" wage stabilization but also the conclusion of economic controls in general.

CHAPTER VI

GENERAL CONCLUSIONS

It is always difficult and dangerous to attempt to locate the responsibility for the failure of a public program. This assignment is especially intricate when it is attempted in an entity governed by the political principles existing in a nation such as the United States of America. The Congress is the primary source of public policy, expressing its wishes in legislation. The Executive Branch inherits the task of incorporating this assignment into a practical program. Both of these branches of the government are ruled by the restrictions imposed by the Constitution through its official guardian, the Judiciary. The influence of these branches of government, and their subalterns, committees, agencies, and courts, on one specific policy, obscures any one specific agency or individual's predominant control of the formulation of that policy. For this reason, it would be practically impossible to point an accusing finger at any one person, agency, or branch and blame it for the misgivings of the wage stabilization program.

It is much wiser to study the consequences of a national program in the light of its effect than to attempt to locate the specific responsibility for its development and operation. Those
persons who draft and direct such programs serve only a temporal
duty in the political history of the nation. The success or fail-
ure of the programs developed reveal a framework of reference that
will be valuable in determining future operating policy.

The glaring conclusion flowing from a survey of the
wage controls program disclosed that wage stabilization was not
attained at that time. This conclusion follows from the disclo-
sure that (1) a jerry built system of controls was erected to
combat a very serious and complex problem—infation—and (2)
this system was applied in an irresolute and irresponsible manner.

Restating the purposes of the Wage Stabilization Board,
they were the control of wages so as to prevent their rising
excessively, (3) the attainment of peaceful solutions of labor
disputes without serious transgression of stabilization policy,
and (4) the operation of this stabilization program with the
fullest respect and confidence from the public, labor and
industry.

A survey of the two years operation of the Wage Stabili-
zation Board discloses that these objectives were only partially
fulfilled. The first basic purpose of the Board was, as stated
above, the prevention of an excessive increase of wages. Be-
tween June, 1950, the outbreak of the Korean affair, and January,
1953, the cessation of controls, average hourly earnings increased
19.87 per cent. This represents an average monthly increase of .66 per cent.

During World War II, December, 1941 to August, 1945, wage rates increased 25.6 per cent, representing an average monthly increase of .57 per cent. Following the war there was a wild round of wage increases. Between August, 1945 and January, 1948 wage rates increased 36.25 per cent, an average monthly increase of 1.29 per cent. As industrial relations returned to a more normal pattern in the latter half of 1947, wage increases reverted to normalcy. From January, 1948 to June, 1950 wage rates increased an average of .33 per cent per month, or a total of 9.90 per cent.

This reveals that percentage wage rates increases

1 U. S. Department of Labor, Bureau of Labor Statistics, "Average Hourly Earnings, Gross and Exclusive of Overtime, of Production Workers in Manufacturing Industries", Monthly Labor Review, Washington, 76, 5, May, 1953, 575. (Since Production workers represent approximately twenty-five per cent of the total working force, statistics on the wage rates of this category may be treated as representative of the working force.)


4 Ibid.
per month during the W S B era were:

1. .9 per cent greater than during the World War II period.
2. .63 per cent less than the two and one-half year period of turbulent activity following World War II.
3. .33 per cent greater than the two and one-half year period of industrial normalcy preceding the Korean affair.

What does this spell in terms of the Wage Stabilization Board's stabilization program? Wage rate increased more sharply during this period than throughout the course of a similar wage controls program during World War II. The W S B failed to meet the accomplishments of its counterpart. Wage rate increases during the W S B era were twice as great during the period of comparative economic normalcy immediately preceding the Korean affair. The only exception was the period following the second World War when wage rates increased far greater than any of the other periods listed. These statistics would indicate that the Wage stabilization Board's assignment of preventing excessive increases in wage rates was not accomplished. The Korean era was a period of wage stimulation rather than wage stabilization.

The Board's second fundamental purpose was the prevention of labor disputes without serious transgression of stabilization policy. Nationally, man-hours lost through work stoppages during 1950 and 1951 were substantially less than three years
preceeding the installation of wage controls.5

However, during 1952 the increased number of major
strikes added significantly to the loss of manhours through work
stoppages. The comparative statistics for 1952 are as follows:

1. There were more strikes during 1952 than any year since
1939.

2. More workers were involved in work stoppages in 1952
than in 1949, 1950, and 1951.

3. Percentagewise, the number of workers involved repre-

sented 8.8 per cent of the total employed, which was greater
than the same percentage in 1947, 1948, 1950, and 1951, but
less than 1949.

4. The percentage of idle man-days compared to the estimated
total working time of all workers was greater in 1952 than

5. Wage increases constituted the major issue in which
work stoppages in 1952 was 47.7 per cent, which was consider-
ably greater than the same per cent for 1951, 1950 and 1949.

Apparently the determination to avoid work stoppages and
their noncomitant loss of valuable man-hours was not as success-
ful in 1952 as in the preceeding years.

Twelve cases involving labor disputes were certified to

5 Ann J. Herlihy, Bernard Yabroff, Daniel P. Willis Jr.
"Analysis of Work Stoppages During 1952", Monthly Labor Review,
Washington, 76, 5, May, 1953, 505.

6 Ibid.

7 U. S. Department of Commerce, Bureau of the Census,
Statistical Abstract of the United States; Washington, No. 75,
1952, 951.
the Wage Stabilization Board for its recommendations. In two of these cases work stoppages preceded the certification of the disputes, to the Wage Stabilization Board, oil and aluminum. In two other disputes strikes followed the issuance of the Board recommendations; in the Anaconda Copper case because the union was dissatisfied with the recommendations; and, in the steel industry because the employers refused to accept the recommendations of the Board. In all but the copper and steel cases the recommendations of the Board accepted without incident. One case was referred back to the disputing parties because the Board felt that the disputants had not made a genuine effort to solve their differences. 8 It would appear that the Board was successful in preventing strikes by its intercession into labor disputes. The glaring exception to this conclusion is the steel dispute with the far reaching repercussions and significant loss of steel production.

Although peacefully resolved, were these solutions in conformance with sound rules of stabilization? One case, Borg Warner, was returned to the disputing parties. Recommendations in three cases were within Board Regulations 6 and 8, and one case involved fringe benefits only. In the seven remaining cases, the

8 United Automobile Workers, CIO and the Borg-Warner Corporation.
Board made recommendations in excess of established policy. These recommendations were applied to companies in the aeronautical, metal trades, steel, coal and oil industries. In the steel case the Board recommendations exceeded its own regulations by nine cents. This was rationalized to the public as fair and equitable. Included in the recommendations were several new fringe benefits. The Board recommended a $1.50 wage increase in the coal dispute, which if accepted would have amounted to a 26.7 per cent increase for coal minors since January, 1950. President Truman's allowance of $1.90 increase clearly exceeded even the Board's proposal.

The Board also approved several bargaining agreements calling for increases exceeding the Board's regulations. An increase of eleven cents in excess of regulations was permitted in the Alcoa Aluminum contract, six cents in the Sun Shipbuilding and West Coast Shipbuilders cases, and General Motors, and six cent increases in the North American Aviation and U. S. Rubber cases. These increases were explained as tandem increases in rubber, coal, airframe, steel and aluminum industries.

These recommendations and approvals were made in cases involving large companies or large unions. These judgments were rendered on contracts that have historically served as national wage patterns. The question arises as to whether or not these cases were the Board's vehicle for determining new operating pol-
icy, or if special treatment being accorded to these powerful companies and/or unions. The Board attempted to explain its actions as conforming with established policy. However, such favorable treatment was not accorded to smaller companies or unions requesting similar treatment. It would seem that special favoritism rather than new policy was the Board's fundamental purpose in granting approval of these selected cases. Since these cases were in excess of established policy they weakened public control of wages and subsequently weakened control of the inflation bound national economy.

Lastly, the Board was charged with the responsibility of executing the stabilization program in a manner commanding the fullest respect and confidence from industry, labor and the public. The qualities of confidence and respect are, unfortunately, difficult to elicit in political programs. Even though national programs remain in effect for months, years, decades or centuries, these programs are continually under criticism to be modified or abandoned completely. This process seems to be the inevitable result of political systems.

However, confidence and respect are qualities that can be elicited from various groups throughout the economy. The War Labor Board of World War II operated for three and one-half years with a great deal of public trust. Certainly there were some
disagreements arising during its tenure as well as some major strikes. However, both industry and labor sufficiently respected the Board’s controls policy to voluntarily agree to, and maintained a no-strike, no-lockout agreement for the duration of the Board’s operation.

Universal confidence in the Wage Stabilization Board began to show signs of disintegration early in its career. The labor members of the Board resigned in protest in February 1951. In June 1951, the Chamber of Commerce\(^9\) was clamoring for the cessation of controls. Likewise, in June 1951, legislation was introduced in Congress that would have reduced the Board to an advisory agency on wage controls. Following the Board’s recommendations in the steel disputes in March 1952, the Congress investigated the Board and the effect of its recommendations on stabilization policy.\(^10\)

The cumbersome treatment accorded to the steel issue led to a Congressional investigation of the entire problem of national emergency strikes. The Board’s treatment of the steel case resulted in several proposals to completely overhaul the

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the current system of dealing with such strikes in the future.11

In June 1952, the Congress amended the Defense Production Act. At that time it withheld the disputes settling powers of the Board and decreased expenditures for Board operation, which in effect generally reduced the Board to a mere controls advisory agency. In recommending the proposed changes on the Board's operation the Senate Banking Committee professed a general dis-pleasure of the Board's handling of the steel case:

The existence of the present board in your committee's judgment has tended to nullify free collective bargaining...

The recommendations of the Board take on the vestment of unchangeable decision as the party which emerges with the decision in its favor will accept the recommendations of the Board and then refuse any further bargaining. The existence of a board with such powers could conceivably result in what amounts to compulsory arbitration which would be the death knell of collective bargaining.12

The Executive Council of the C.I.O. made the following


statement in its reports to the President:13

The present situation in regards to wage controls has worked to the detriment of the nation's workers whose wages are held down while prices continue to rise. We have felt for some time that stronger price controls would solve this. However, in view of the present line-up in Congress, there is scarcely any hope that stronger controls could have been enacted. The President therefore took the course outlined.

Walter Reuther, President of the C.I.O., implored the President to abandon controls:14

I urge you most emphatically, therefore, to take affirmative action to end this unfortunate situation by promptly issuing an executive order terminating all controls. Time is of essence and I am sure you share our desire to avoid further injustices to American workers and their families.

Archibald Cox resigned as Chairman of the Wage Stabilization Board following President Truman's enunciation that the $1.90 per day wage increase demanded by the union would be granted, despite the Board's recommendation of only a $1.50 per day increase. In his letter of resignation Cox criticized the special treatment afforded favored unions and industries. He stated:


Either most employers and employees will be held to established wage stabilization policies while a powerful few receive large increases, or the wage stabilization policies will be realized to the extent necessary to allow increases as large as those approved for the coal miners. The former alternative violates the democratic ideal of equality and puts a premium on the use of economic power to compel a change of government policies. The latter alternative would preserve the forms of stabilization without the substance.15

Influenced by the requests of labor, industry and public leaders, the President ordered the cessation of wage controls.16

This cross-section survey of the Wage Stabilization Board does not lend to the belief that the Board had accomplished its third basic objective, the winning of national respect and confidence in its program. Criticism was directed against the wage controls program following World War II because the cause for such a program, the war, was no longer present. However, in the case of the Wage Stabilization Board, the economic situation was sufficiently dangerous to warrant the continuance of the program. Throughout the entire program there were signs of displeasure, antagonism, and lack of confidence. Of all of the basic purposes of the Board, this objective was the least satisfied.

The basic difficulty with the Board's policy was its philosophy of favoring the specific area of wage negotiations and

16 Federal Register, 18, 909.
increases over the national policy of holding down inflation. The Board included within its policy practically every phase of collective bargaining practices, ignoring the repercussions of these practices and their result on national economy. The inculcation of these practices into practical operation had a very minute effect when they were taken individually. However, the sum of the Board's operating policy reveals a philosophy that was completely contrary to the fundamental concept of stabilization.

The responsibility for the failure of the wage stabilization program can be distributed through many sources. There is serious question as to whether the American public was willing to accept the sacrifices imposed upon them by a strict stabilization program. Certainly there is an expression of this laxity of public will in the Congressionally designed controls legislation. Certainly too, the disgruntled public registered its protests in regard to restrictions through various labor and industrial organizations.

The Congress was not willing to accept the responsibility of a strict but effective controls program. It preferred to satisfy the demands of powerful lobbying groups by developing a loose price controls program. At the same time it shifted the responsibility of effecting a strong wage controls program to the Executive Branch. Congress cannot escape its culpability for the stabilization failure.
At the outset of the stabilization program, the Executive Branch was faced with an overwhelming task of holding down wages and at the same time preserving the rights of the laboring man as expressed in collective bargaining. Adding to the confusion of the moment was the tremendous task of straightening out the jumbled wage situation that developed in 1950. In attempting to fulfill its assignment the Executive Branch and the Wage Stabilization Board emphasized some of its objectives over others. It went overboard in trying to preserve collective bargaining, the innumerable economic and fringe benefits existing in labor negotiations, and the political good favor of the labor movement. The favoritism granted in the steel, coal, auto and meatpacking cases demonstrated the Board’s tendency to follow the line of least resistance.

Commenting on the Board’s attempt to extend its regulations to the broad area of wage negotiations Carroll R. Daugherty states:

"an adequate program of control as far as wage rates are concerned would be a tough one. The whole question is whether or not the citizens are educated enough and social minded enough to accept it. At will, at any one time when you impose controls, so unions will receive wage rate increases and some not, and you have got to let the ones who were not lucky enough to come in under the wire before wage rate controls were imposed, catch up with those who were fortunate enough to get their increases, I would be completely in favor of a catch up formula."
If the controls are not too rigid on farm prices, I am also for escalator clauses in contracts or frequent reopening of contracts which permit labor to keep up with the increases included in the cost of living.

Beyond this, I wouldn't go with anybody...would not permit wage increases in excess of that. Given the idea of controlling farm prices to some extent, at least, and given the idea we have of excess profits taxes, the sacrifice must be equitably distributed among all groups.17

It certainly seems that the wisdom in Dr. Daugherty's statement could have been more appropriately applied to the wage controls program than was the recipe of total coverage agreed to by the Board. Wage controls and public sacrifices are complimentary principles. Wage controls cannot be expected to be effective if the ideal of public sacrifice is ignored.

In the last analysis, it appears that the wage controls program did not experience the success that its founders and administrators had anticipated. The whole experience exhibited a sad episode of attempted controls. The program left the public with a bitter taste, so much so, that any future wage controls program will be cautiously considered. The Guaranty Survey commented very appropriately in July 1951:

Controls that fail to control can do harm.
They can hamper output and hold back industrial development and progress by leading labor and

management alike to concentrate on the best means of obtaining concessions from Government agencies, instead of attending to the main business of getting on with the production job. By virtually forcing evasion, they can engender a disrespect for regulations that make enforcement much more difficult in the event of a future emergency in which effective controls are essential.18

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APPENDIX I

CONCLUSIONS OF THE SECOND AMERICAN ASSEMBLY ON
INFLATION--ITS CAUSES, CONSEQUENCES,
AND CURES
MAY 18-22, 1952

Threat of Inflation:

(1) The American Assembly holds that inflation is a
continuous and serious threat to the stability of the American
economy and to the success of the entire Western World. Inflation
results in an unjust distribution of income and wealth, stimulates
class conflict, encourages a wasteful use of resources, and saps
social and economic strength.

(2) Despite the current lull in consumer spending, un-
derlying inflation pressures remain. They result primarily from
the demands on our economy, arising from the conflict between the
totalitarian world and the freedom loving nations of the West.
The threat of inflation requires continuous reappraisal of our
national policies and our means of carrying them out.

(3) The longer inflation goes on, the harder it is to
achieve stability. The present period of relative ease is a good
time to take stock. The Assembly agreed that there was no single,
simple answer to the problem of inflation. Like many crucial
problems of our time, it must be dealt with day by day through
sound public policies courageously carried out. It is the re-
sponsibility of every individual citizen to acquaint himself with
this situation, for only through personal understanding can the
fight against inflation be successful.

Influence of Government Spending:

(1) Throughout history the greatest single cause of
inflation has been huge Government spending, accompanied by un-
balanced budgets generally caused by war conditions. There was
common agreement that a serious inflationary threat at the present
time is the prospective deficit in the Federal budget.
There was also agreement that the utmost effort should be made to bring the Federal budget into balance. The minimum goal should be to balance cash income and disbursements in the coming fiscal year. This would constitute an effective and powerful measure for combating inflation. It was the prevailing view that it would be most desirable if the budget could be balanced through expenditure reductions. It was generally believed that such reductions could be effected without sacrifice or impairment of the defense effort. There was support in the Assembly for the view that if expenditures reductions were insufficient to balance the budget, steps would be taken to increase tax revenues.

The Assembly supported the defense and mutual security program, but believed that substantial savings could be made in the cost of the program by eliminating waste and increasing the efficiency of each dollar spent.

Control of Government expenditures can be improved by better machinery for Congressional review of requests for funds. This is particularly necessary with respect to the present huge and complicated defense budget. Thorough review cannot be achieved without adequate staff assistance. Accordingly, we recommend that the Committees of Congress charged with responsibility for the defense budget set up a permanent joint staff, along the lines of the joint staff on Internal Revenue Rate Taxation, to work the budgetary process as well as in its presentation to the Congress.

Support was also expressed in the Assembly for the use, where appropriate, of citizen commissions such as the Commission on the Executive Branch of the Government, to review Federal budgetary policies.

One of the three round tables of the American Assembly favored the principle that the Congress should give close supervision to, and place limits upon, actual expenditures, as distinguished from appropriations, in a given fiscal year.

Public Debt Management:

The round tables concluded that the large outstanding public debt is a powerful inflationary force, and held that the inflationary effect of the public debt can be minimized if the Treasury redirects a large part of the debt into the hands of savers and saving institutions. In its borrowing operations the
Treasury should strive to attract the savings of individuals, pensions funds and savings institutions, by offering individuals securities and interest rates designed to accomplish that purpose.

Monetary and Fiscal Policy:

(1) The Federal Reserve System should have primary responsibility for influencing the cost, supply and availability of credit. The responsibility should be exercised so as to contribute to general economic stability. Principal reliance should at all times be placed on indirect credit controls, such as the rediscount rate and open market operations. Selective credit controls on installment financing and mortgage lending should be used only when essential to supplement indirect controls and should be suspended promptly when the emergency conditions could subside.

(2) Two round tables stay resolved that a primary objective of Federal Reserve policy should be to preserve the purchasing power of the dollar.

(3) In order to avoid any potential conflict the American Assembly recommended that the policies of Government lending, loan insurance and loan guarantee agencies should conform with the credit policies of the Federal Reserve System.

Savings:

(1) The Assembly held that savings are essential in any type of economic system. All kinds of savings, including the repayment of debt, constitute a powerful defense against inflation. The record-breaking savings achieved by the American people since early in 1951 is a demonstration of the fact that individual thrift can help check inflation. The treasury's recent action in raising the interest on savings bonds is a step in the right direction. It is desired that interest rates and other terms of such bonds be made sufficiently attractive to the individual saver, to avoid further monetization of the debt through the sale of Government securities to the commercial banks.

Wage and Price Controls:

(1) Direct controls of prices and wages are at best supplement to appropriate fiscal and credit policies, not an alternative. Direct controls should be resorted to only at a time of sudden and extreme emergency. The prevailing view of the American Assembly was that suspension of the majority of direct controls
is both feasible and desirable at this time.

Productivity:

(1) A significant contribution to the fight against inflation can be made by increases in industrial and agricultural productivity. To this end public policies should give every encouragement, especially in the field of taxation and in the development of agricultural resources in food-deficit countries, to the improvement of production techniques.

An International Monetary System:

(1) There was rather general agreement that, as a conscious object of policy, an international monetary system should be re-created so that currencies will be freely exchangeable and made a more effective tool in international commerce. It was felt that the objective among the nations should be to get control of internal inflation as a first step toward progress. Once the objective of internal stability is achieved, international cooperation and revival of foreign investments could support a world-wide expansion in production and improvement in human well-being.

General Conclusions:

Inflation is a problem common to all nations of the Western World. It arises primarily out of the destruction and sacrifices of the war fought to preserve human liberties, and continues as the result of the burdens of the cold war now being ruthlessly waged against the freedom-loving nations of the world. Failure to deal with the problem successfully could mean the defeat of civilization and the inevitable victory of totalitarianism.

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Monthly Labor Review, 75, 1, 52-53.
APPENDIX II

FORMULATION OF WAGE STABILIZATION POLICY

COST OF LIVING ADJUSTMENTS

First of all, regulations must be promulgated to deal with the general level for wage rates. Central to the determination of such regulations is a consideration of tying in changes of wage rates with changes in the cost of living as reflected by indices of consumer goods prices. Increases in living costs depreciate the value of the wages received for an hour of labor. Such a factor is of general influence. Rapid increases in living costs can but result in a reduced standard of living for all employees unless overtime, upgrading, etc., provide compensating earnings to keep the weekly wage on a par with increasing living costs. Traveling that route means requesting harder work and more responsibility of wage earners to maintain their attained standards of living.

Some increases resulting from cost of living increases will add to the price increases. However, it is not a valid assumption that the upward movement of prices would be stopped merely by a more rigid wage policy in the absence of much more rigid restrictions on the prices of farm products and manufactured goods. In all probability under a wage stabilization program of this type, the employees standards of living would depreciate. There would be moreover little survival possibility. Such an "austerity program" for labor would, moreover, not be equitable in relation to the existing policies governing prices of farm products and products of manufactured goods. The "equality of sacrifice" principle is difficult to effectuate but nonetheless important.