

Prairie View A&M University

Digital Commons @PVAMU

All Theses

8-1968

A Historical Analysis Of Wartime Wage Control Boards

Leslie G. Ferguson

Prairie View Agricultural and Mechanical College

Follow this and additional works at: <https://digitalcommons.pvamu.edu/pvamu-theses>

Recommended Citation

Ferguson, L. G. (1968). A Historical Analysis Of Wartime Wage Control Boards. Retrieved from <https://digitalcommons.pvamu.edu/pvamu-theses/1250>

This Thesis is brought to you for free and open access by Digital Commons @PVAMU. It has been accepted for inclusion in All Theses by an authorized administrator of Digital Commons @PVAMU. For more information, please contact hvkoshy@pvamu.edu.

A HISTORICAL ANALYSIS OF WARTIME
WAGE CONTROL BOARDS



FERGUSON
1968

215
81h

A HISTORICAL ANALYSIS OF WARTIME
WAGE CONTROL BOARDS

by

Leslie G. Ferguson

HC
79
DAF37
1968

A Thesis Submitted in Partial Fulfillment
of the Requirements for the Degree of

Master of Arts

in the

Graduate Division

of

PRAIRIE VIEW AGRICULTURAL AND MECHANICAL COLLEGE
Prairie View, Texas

August, 1968

This Thesis for the Master of Arts Degree

by


Leslie G. Ferguson

has been approved for the

Department of Economics

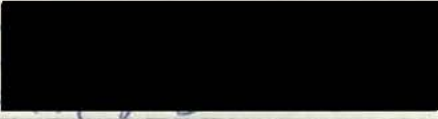
by

ADVISOR:



K. T. Thiagarajan, Professor
Department of Economics
Prairie View A. & M. College
Prairie View, Texas

CHAIRMAN:



Dr. J. L. Brown, Head
Department of Economics
Prairie View A. & M. Col-
lege
Prairie View, Texas

ACKNOWLEDGEMENTS

The author wishes to express his grateful appreciation for the valuable assistance rendered by the many persons cooperating in this study. He is particularly indebted to Dr. J. L. Brown, Chairman of the Department of Economics at Prairie View Agricultural and Mechanical College of Texas, for his helpful criticism and valuable advice in preparing this thesis; to Mr. K. R. Thiagarajan for his constant guidance and generous help, and to Dr. W. C. Ferguson, the author's father, for his helpful assistance in advising and directing the sources of information for this study.

L. G. F.

DEDICATION

The author wishes to dedicate this paper to his wife, Mrs. Etta Mae Ferguson, and to his children, Michael, Donna, and Karla, for their sacrifices, faithfulness, and their many encouragements. He wishes to dedicate this paper to his parents, Dr. and Mrs. W. C. Ferguson, who have been encouraging and faithful in their untiring efforts.

L. G. F.

TABLE OF CONTENTS

CHAPTER	Page
I INTRODUCTION.....	1
Nature of the Study.....	3
Need for the Study.....	4
Scope of the Study.....	5
Methodology.....	6
II WAR ECONOMY AND THE RATIONALE OF NATIONAL WAGE CONTROL BOARDS.....	7
Controlled Materials Plans.....	8
Price and Wage Controls.....	9
III HISTORICAL BACKGROUND.....	12
The War Labor Conference Board--World War I.....	12
The National Defense Mediation Board.....	12
The National War Labor Board--World War II.....	21
The Wage Stabilization Board--Korean War....	30
The Viet Nam Situation and Price Wage Guidepost.....	38

IV	THE THEORY OF WAGE CONTROLS UNDER MOBILIZATION.....	41
	Total Mobilization in World War II.....	44
	The Post War Period.....	46
	Partial Mobilization in the Korean War..	47
	Viet Nam Mobilization.....	51
V	SUMMARY AND CONCLUSIONS.....	52
	Summary.....	52
	Conclusions.....	56

BIBLIOGRAPHY

APPENDICES

CHAPTER I
INTRODUCTION

The increased industrial activity in the United States which is brought about through a re-armament program, due to war or threats of war, brings with it a number of critical questions. One of the most important of these questions concerns allocation of manpower resources with resulting impact upon wages.

In an economy already operating at peak levels of production and employment, how much "give" is there in a labor force to meet the demands of an emergency? Careful plans have to be made to conceive the resources of skilled manpower because the strength lies in the skill and productivity of its labor force, rather than in sheer numbers.¹

In this century, the United States has been faced with national emergencies such as war or near war at least four times. Beginning with World War I, World War

¹William C. Ferguson, "An Analysis of the Wage Stabilization Board's Criteria in Wage Determination," Bureau of Labor and Management, State University of Iowa, 1955, p. 5.

II, the Korean War, and now the Viet Nam Conflict, the American economy has had to adjust its ways of thinking and its actions to meet these emergencies.

In August, 1950, the labor force totaled over 65 million with $1\frac{1}{2}$ million in the armed forces and 65 million in the civilian labor force.² The consumer demand still reflected mainly production for the civilian economy of automobiles, houses, and a great variety of other civilian goods and services. The expanded defense program called for an increase in the size of the armed forces and, at the same time, for a sharp expansion in the production of aircraft, tanks, and other types of equipment and supplies. To fill this need for greater manpower there was room for reduction in the number of unemployed from the August level of $2\frac{1}{2}$ million, but the major manpower requirements had to be met by a shift of some of the 62 million already employed.

The most important sources of manpower for staffing defense plants consisted of workers then on the job. In some industries, they were automatically available

²"Labor Supply Aspect of Mobilization," Monthly Labor Review, November, 1950, pp. 564-567.

for the expanding war effort. Many workers employed in trade and service industries or engaged in small marginal businesses were attracted by the relatively higher wage structure in the expanding war industries.

At this time alone, there were 75,000 collective bargaining agreements in force, and more than 12,000 of these were re-negotiated each year. In nearly every instance when agreements between unions and employers were renewed, wages were an issue, and when the parties failed to agree, wages were the most frequent source of disagreement.

The Nature of the Study

Over the years, unions have become powerful institutions in the American economy.³ These organizations have grown rapidly in size and have extended their jurisdiction to include virtually all of the mass production industries in the nation. They are now extending into the area of white collar workers and even the teaching field. Unions have not only increased their membership

³Walter L. Daykin, "Financial Regulations of Unions Under the Taft Hartley Act," Bureau of Labor and Management, State University of Iowa, 1950, p. 21.

but, because of the forces of the social and economic environments, they have begun to assume the form of industry-wide organizations. Since this union growth is so great and continued and because labor unrest is most prevalent during national emergencies, there is a definite need to protect public welfare and safety.

There are very few activities affecting wages, hours, and conditions of employment, either directly or indirectly, that are not considered bargainable issues in the field of collective bargaining. This increased power of unions has permitted these organizations to mold to a degree, the attitudes of members and, consequently, to regulate the lives of millions.⁴

One of the most critical questions in recent years has been whether collective wage determination can be compatible with the national objective of maintaining full productivity with a stable general level of prices.

The Need for the Study

A clear understanding of the economic implications of the various wage arguments will often discourage extravagant and unwarranted claims. This will help to

⁴Ibid., p. 27.

produce a meeting of the minds and prevent disputes leading to work stoppages, strikes, and lockouts. A clear understanding of these wage implications and their operations will help to prevent inflation, and will aid in the effective prosecution of war. It will assist in the proper allocation of resources, or assist in any other emergency. It is the purpose of this thesis to discuss and analyze the policies of the Wage Control Boards, their composition, jurisdiction, sanctions, and the principles established in dealing with these emergency adjustments, particularly with respect to wages.

Scope of the Study

Because of the educational background and experiences of the writer, and for the interest of the readers, this report shall be limited to the emergency situations which are commonly referred to as World War I, World War II, and the Korean War. Since the Viet Nam "Situation" is not a declared war but resulted in a tremendous impact upon the American economy, a portion will be included.

Methodology

This thesis is a historical research project, in which the method of reflective thinking has been applied to the problem of wage controls, aided by the discovery of past trends of events, facts, and attitudes. It attempts to trace lines of development in human thought and action, under an emergency situation, in order to indicate some concrete form of social and economic activity.

The material in this thesis is found in large measure in published documents of the various government departments. Especially productive and valuable materials were found in the Monthly Labor Review of the Bureau of Labor Statistics, The National Income Supplement to the Survey of Current Business, and the many Congressional Records and pamphlets of related materials from the Government Printing Office. Some very fine textbooks on the subject and many newspapers and magazines were utilized.

CHAPTER II

WAR ECONOMY AND THE RATIONALE OF NATIONAL WAGE CONTROL BOARDS

During the years that followed the end of World War II in August, 1945, the people of the United States, as well as other free peoples of the world, became increasingly aware of the menace of communist aggression. The diplomatic conflicts that occurred chiefly in the United Nations Organization and that came to be known as the "Cold War" were suddenly supplemented by open conflict through the invasion of South Korea in June, 1950, by North Korean communists. This apparently minor conflict in a small country of distant Asia, nevertheless, made clear, if the danger had not been apparent before, that adjustments for adequate military defense by all free people were necessary if they were to survive communist aggression.

Any period in which all industry is highly geared for defense production puts a considerable strain on the economy. In such an emergency, the economy may be unable

to produce a sufficient amount for defense and at the same time satisfy the demand for both consumer goods and services. This is true because the demand for both investment spending and consumer goods will increase as a result of increased income brought about through defense spending. Once the economy has reached a full-employment position, continued defense spending will cause inflation which, if permitted to continue, will hamper the war effort.

Controlled Materials Plan

As price and profits rise in the private sector of the economy, capital goods producers will bid against defense goods producers for the necessary factors of production. This will increase the cost of defense production, and the cost of war. In such an event, it becomes essential for the government to set up some type of controlled materials plan, such as that installed during both World War II and the Korean Conflict, which allocated the necessary resources for defense production.

In effect, the controlled materials plan gives the defense producers a high priority in the purchase of defense materials so that the war effort will not be hampered.

Price and Wage Controls

Even a controlled materials plan does not prevent inflation. Although it may assure the defense producers a first priority, it does not prevent the suppliers from charging everyone higher prices, including defense producers. There is nothing to prevent non-defense producers from bidding against each other for the factors of production, thereby driving prices upward. If the resulting inflationary gap is large and exerts strong pressures on the price level, it may be necessary to adopt price and wage controls in addition to other economic controls, in order to check inflation and facilitate war production.

In industry, wages are an important cost of production item. To the working forces, wages are the most source of income. Everyone in the entire economy is affected one way or another by wages. During normal times, wages may be determined through the channels of collective bargaining, with the ever present threat of strikes. During emergencies, such as wars, it is imperative that there should be uninterrupted production. In order to aid the collective bargaining procedures and facilitate continued war production, it may become necessary for

the government to institute wage controls. Both price and wage controls were used in World War II and the Korean War.

Although the Wage Stabilization Board represents somewhat of a setback for wage and price controls, such guideposts are still a very important part of our overall economic mobilization plans under the Office of Civil and Defense Mobilization. This office has drafted and published a national plan for civil and defense mobilization in the event of future emergencies. The plan contains measures for both a limited or general war. Among other things, the plan includes the essential "direct" controls to stabilize prices, wages, salaries, and rents as well as rationing of basic consumer goods. In the event of a military attack on the United States, the plan calls for an immediate "freeze" of prices, wages, salaries, and rents.

Although most of the anti-inflationary wage controls are included in the Office of Civil and Defense Mobilization plans, a special board or committee may well be necessary, in a war situation, to look out for the specific interest of labor, management, and the public. The tri-partite principle established in the National

Labor Conference Board and upheld in the succeeding boards may become a primary prerequisite for smooth and continued war-time production without "strikes, stoppages and lockouts."

CHAPTER III

HISTORICAL BACKGROUND

The War Labor Conference Board World War I¹

Many labor difficulties, which impede war production marked the early period of the United States' participation in World War I. This was accompanied by a lack of centralized policy and responsibility in dealing with labor problems. There were inconsistencies in the labor policies of different bureaus of the same department.

Labor allocation in accordance with predetermined requirements was not possible. The great demand for labor in war industries and the diversity of wage rates for skilled labor stimulated "pirating" and constant shifting of workers. Population shifting resulted in congestion and inadequate housing; living costs in

¹"The National War Labor Board," Bulletin No. 287, U. S. Department of Labor, Bureau of Statistics, December, 1921, Chapters 1-4.

many instances rose faster than wages. This situation brought general labor unrest, an increase in strikes and a threat to vital war production.

The need for industrial stability was widely recognized since successful prosecution of the war effort required harmonious industrial relations. On April 8, 1918, President Woodrow Wilson, by formal proclamation, approved the appointments made by the War Labor Conference Board and made public its authority. With this step, a code of industrial relations law, which became the basis for disputes settlement, was born.

The National War Labor Conference Board's chief executive officer was its secretary. The organization consisted of six departments, each having subordinate divisions. The Board was conceived originally as both a mediation and an arbitration agency. In practice, however, it functioned largely in the latter capacity.

Cases came to the Board by these methods: (1) by appeal from the decisions of other boards, (2) by reference from other agencies, and (3) by direct complaint.² Of the direct complaint cases under the Board's

²Ibid., p. 22.

jurisdiction there were joint submission cases, where both parties agreed that the issue be arbitrated by the Board. The Board was bound to render a decision and the award was binding. There were also ex-parte cases in which one of the parties refused to submit to arbitration. The Board's decisions here were only recommendatory and not binding.

Wages constituted the major issue coming before the Board, being involved in more than half the cases.³ With respect to wages, two criteria were outstanding: (1) comparative wages, and (2) the living wage, which included the cost of living and the minimum budget. The Board never established a principle of what should constitute a living wage but, in specific cases, it did establish minimum wage rates. It is not possible to make a complete test of the criteria used because the Board often failed to state the reasons for its decisions. However, it is possible, by studying some of the decisions, to establish certain principles. In the Moulders' Case relative to comparative wages, involving employers in Ridgeway, Pennsylvania, the Board stated:

³Ibid., p. 23.

The situation in the locality as regards living conditions, industry, etc., is practically on a par with Waynesboro, and we have therefore fixed the same rate for moulders in this case as was fixed in the Wanesboro award, namely 65 cents per hour.⁴

The board remarked concerning industry practice, in the Boston Case, where rates were raised from 37½ cents to 48 cents per hour:

The increase is substantial but fair. It is required by the increase in the cost of living and brings the wage in Boston only up to a parity with wages of motormen and conductors in other cities of similar importance, where the cost of living is at most, not higher than it is in Boston.⁵

In the Corn Products Refining Company Case, the impetus was given the job evaluation.⁶ The board stressed the necessity for the grading of positions on the basis of duties and responsibilities in order to lay a foundation for equitable awards. In the Worthington Pump and Machinery Corporation Case, the Board

⁴Ibid., p. 275.

⁵Ibid., p. 92.

⁶Ibid., p. 184.

encouraged shift differentials because of the undesirability and greater strain of night work.⁷

The board consistently rejected "ability to pay" as a criticism. William H. Taft, in one opinion, stated:

The National War Labor Board ... has held that the financial condition of the company is not a factor in determining what a fair rate of wages is on a joint submission like this.⁸

These criteria, (1) comparative wage and (2) the living wage, including cost of living and minimum rate, served as a basis for work of the National War Conference Board of World War I and as a precedent for all future boards.

The National Defense Mediation Board

The National Defense Mediation Board was created in the office of Emergency Management by executive order on March 19, 1941. The function of this board was contained in the last statement of the President's executive order creating it. It was "to avoid strikes, stoppages and lockouts." This objective was pursued

⁷Ibid., p. 220.

⁸Ibid., p. 91.

directly by the preventive technique of furthering sound collective bargaining, assuming that an agreement willingly reached is more enduring than one prompted by influence of any kind. This was a tripartite board composed of eleven members of which three were from the public, four from the employees and four from the employers.

Situations arose in four cases that necessitated the President's intervention. The first case was that dealing with North American Aviation, Incorporated, where the union called a strike during mediation in violation of an agreement with the board.⁹

The next case was that of Air Associates, Incorporated.¹⁰ This company refused to accept the Board's recommendations, and the plants of both companies were taken over by the Army. The Federal Shipbuilding and Drydock Company also rejected the Board's recommendation and was the third and final company to be seized, this time by the Navy.¹¹ The fourth case was the short but critical

⁹National Defense Mediation Board, Report, Volume 1, Section 23, U. S. Bureau of Labor Statistics, U. S. Department of Labor, 1955, p. 714.

¹⁰Ibid.

¹¹Ibid.

strike in the Captive Coal Mines.¹² The President supported the board in refusing a union shop clause. The eventuality of compulsion, taking over the plants by the Army and the Navy, necessarily formed a background for all of the board's work. However, many efforts were tried to promote a workable agreement between the parties because only then could the full productive capacity of industry be released.

In the cases certified to the Board in the first six months, approximately three-fourths of them involved a demand with respect to wages.¹³ The board was reluctant to recommend rates of pay. It had little occasion to consider the relevancy of a living wage as a criterion for fixing wage rates. The number of cases settled by an agreement seems to indicate that the poor financial condition of the employer might lessen the pressure for a solution which would otherwise seem appropriate. In the North American Aviation case, the Board was instrumental in raising the general wage

¹²Ibid.

¹³Abraham L. Gitlow, Wage Determination Under National Boards (New York: Prentice-Hall, Inc., 1953), p. 119.

level.¹⁴ It argued about the large profits of the industry and pointed out that the present minimum was much lower than in the body and the motor plants of the automobile industry. The panel admitted that the wages at North American were not substantially out of line with those of other west coast aviation plants, but it believed that in view of the enormous importance of airplanes in National Defense, the wage level in this comparatively new industry should be brought to the level of wages in the more highly paid industries with which airplanes were comparable, such as steel and motors. The panel felt that the wage should be such as to attract and hold the best workers in the area.

The government authorities brought pressure upon employers and employees for uniform wage standards and abolition of strikes. The completion of plans for stabilization of labor relations in the shipbuilding industry through the adoption of the Master Agreements by regions, according to Chairman Dykstra of the National Defense Mediation Board, marked one of the most important steps in the history of labor relations in the United States.

¹⁴Ibid., p. 120.

This agreement was accepted and put into effect throughout the entire industry with the exception of the Bethlehem Steel Company's plants. The Board considered its recommendations that Bethlehem Steel become a party to the Masters Agreement as an appropriate measure to further the interest of the Federal Government in securing uniformity and stability.

The work of the National Defense Mediation Board clearly shows that the Board did not operate under formulated principles and that its disposition of one case did not serve as a precedent in another. There was even a resolution by the board to that effect. The principles of tripartite representation used by the Board failed to function satisfactorily. The Board members representing the Congress of Industrial Organizations (CIO) resigned as a result of the decision in the Captive Coal Mine Case and, although the President refused to accept their resignation, this was the end of the work of this Board. The failure of this Board was due to several major defects. First, it was given a dispute-settling function with insufficient original power. Second, the board did not establish a policy as a guide in settling disputes. Third, the board's personnel

seemed well suited to carry out investigative and recommendatory, but not mediatory functions. Fourth, board members tried to carry on their regular duties in addition to serving on the Board.¹⁵

The National War Labor Board--World War II

On January 12, 1942, the President of the United States, as a result of war and failure of the Mediation Board created, by executive order, the National War Labor Board.* This new Board took over not only all of the unfinished work of the Mediation Board, but accepted as a basis for its work these same principles of tripartite representation.

This Board was composed of twelve members appointed by the President. Twenty-four associate members (panel) were appointed and authorized to act as mediators in any labor dispute pursuant to the direction of the Board. The chairman might refer any case to one or more associate members (panel) who should then proceed to mediate it in accordance with the rules of procedure prescribed

¹⁵Ibid., p. 118.

*See Appendix - Executive Orders Relating to the National War Labor Board.

by the Board. Each member was allowed one vote and the majority rule prevailed always, but all decisions of the panel were subject to appeal to the Board.

In succeeding to the duties of the eleven-member National Defense Mediation Board, the twelve-member National War Labor Board occupied a stronger position than its predecessor in these chief respects:

- 1) The new Board had behind it an employer-union pledge against work stoppages, whereas, the old Board had found it necessary to request continuation or resumption of work pursuant to a statement in an executive order that it was the duty of all parties to refrain from interruption of production.
- 2) The new Board was directed to settle disputes by prescribing arbitration; the old Board was empowered merely to use arbitration with consent of the parties.
- 3) The new Board was directed to make final determination of disputes; the old Board had been authorized to make every reasonable effort to settle disputes and, if successful, to make findings and recommendations.

- 4) The new Board could take jurisdiction of disputes on its own initiative; under the previous procedure, certification by the Secretary of Labor was a prerequisite.

The executive order by which the National War Labor Board was created made it clear that the effect of the dispute upon the war effort and not the subject matter of the dispute was to be the criterion which determined the Board's jurisdiction. The executive order stated that there should be no interruption of any work which contributed to the effective prosecution of the war. At first, this was interpreted as giving the Board jurisdiction only over those cases affecting the production of war material, but the Board gradually extended its powers to include all large industries. A threatened strike by all unions against a large employing firm which did not produce war material nor have any government contracts was held to be a labor dispute within the jurisdiction of the Board because of the possible repercussions in war industries.¹⁶

¹⁶ War Labor Reports, Volume 1, p. 280 (The Montgomery Ward Company Case).

Whatever doubt may have existed on the question of whether the War Labor Board was a species of "Supreme Court of Labor Relations" was largely destroyed by three developments. The Toledo, Peoria, and Western Railroad Company defied the Board's order to arbitrate and the President immediately seized the company. Also, some employers were forced to sign suggested agreements, to which they had objected, on the grounds that it might render them liable to prosecution under antitrust laws. Again, the Board recommended the discharge of a union leader who had participated in a slowdown and a strike.

The National Labor Relations Board often came into conflict with the National War Labor Board. The decisions of the latter were always final in cases relating to the successful prosecution of the war, whether said cases concerned labor, transportation or production. On October 3, 1942, by an executive order, the President gave jurisdiction to the Board over wages and salaries.*

In the Postal Telegraph Company Case, the Board unanimously refused to take jurisdiction because of a binding contract that could be altered only with the

* See Appendix B - Providing for the Stabilization of the National Economy.

mutual consent of the parties.¹⁷ The Board consistently followed this principle in dealing with contracts in force. After the Board took jurisdiction, it could use mediation, voluntary arbitration, or compulsory arbitration and was empowered to settle the dispute.

The Board had two vital powers: (1) it could withhold contracts or it could enforce its priority rulings and (2) it could seize plants or make final disposition of disputes. These were negative sanctions and placed the Board in a very difficult position; the duty of the Board was to see that there was no interruption of work on war products.

The summary character of sanctions which might be applied was described in general terms in the Board's first decision.¹⁸ A number of fishing boat owners had at first refused to comply with the Board's order to resume operations pending a decision on the merits of the case. The Board said:

¹⁷Ibid., p. 83. (Postal Telegraph Company Case)

¹⁸Labor Relations Reporter (Federated Fishing Boats), Volume 9, pp. 688-689.

Unless the employers involved comply with the decisions of the National War Labor Board, their defiance of said board must be repudiated by all patriotic Americans and challenged by whatever forces of government may be necessary to obtain compliance.¹⁹

The Board also stated in the Federal Shipbuilding and Dry Dock Case:

This challenge is directed not so much to this board as to the powers of the Chief Executive of a democracy and the Commander-in-Chief of the Army and Navy in the midst of total war. Our Congress, our courts, and our history make the answer that our democracy can lawfully make war to save our democracy.²⁰

With these negative sanctions, namely, withholding contracts, taking over plants, and enforcing priority rulings, the Board met its problems with varying degrees of success.

It was inevitable that wages would furnish the most serious problem over which the Board would be called upon to establish principles. Much of the success of management depends upon the accuracy with which wages are adjusted to the performance and duties of workers, and it

¹⁹ Ibid.

²⁰ Ibid., (Federal Shipbuilding and Drydock Company Case) Volume 10, p. 339.

is the greatest single factor in the purchasing power which represents consumer demand. This Board, unlike its predecessor, formulated definite principles on the question of wages. In one particular case, that of Little Steel, the cost of living was the Board's determining factor in granting a wage increase.²¹ The panel favored the proposed dollar-a-day increase, on the grounds of the company's ability to pay, but the Board granted only forty-four cents a day increase to keep pace with the rising cost of living.

In other cases, the profits of the companies involved, or their ability to pay, was the deciding factor favoring a wage increase. A few cases determined by the Board on the basis of profits follow:²² In the Morse Twist Drill and Machine Company Case an increase of nine cents an hour was granted; in the International Harvester Company Case, the 25,000 workers were granted a four and one-half cents an hour increase; for the same reason, a twenty-five cents a day increase was allowed the employees of the St. Louis Smelting Division and Refining Company, and the Ranger Aircraft

²¹Labor Relations Reporter, pp. 324-325.

²²Ibid.

Engineers Division was ordered to make an upward adjustment of ten cents an hour.

The ability to pay was not the determining factor however, when wages needed to be equalized. The Board granted a wage increase in two cases in which the employers maintained that they were unable to meet such increased costs. The equalizing wage was granted, nevertheless, in both instances to prevent excessive labor turnover. One of the employers who had been operating at a low for twelve years was also directed to grant a wage increase. This increase was granted to prevent loss of skilled workmen in a field that had been deemed an essential activity by the Office of Defense Transportation. This office was then asked to do what it could to provide more business for the employers.

The National War Labor Board consistently granted rate increases in order to unify wage standards within definite economic areas. Where a union sought a wage increase based on the policy of unifying standards within the industry and the employer based his opposition to the wage increase on a desire to prevent the unsettling of an equilibrium as among the different unions with which

he dealt, the Board chose to support the company's position. The reason was that the unsettling of the equilibrium would be apt to interfere with production.

The Board narrowed the North-South differential in the plants of the Aluminum Company of America and ordered night shift bonuses for its Kensington, Pennsylvania plant.²³ It was the policy of the Board to grant wage increases whenever and wherever possible, based on the company's ability to pay and to keep pace with the rising cost of living. The Board believed that the increased purchasing power, with its inflationary tendencies, should be drained off or controlled through other agencies.

To provide for the stabilization of the national economy, an executive order was issued October 3, 1942, establishing the Office of Economic Stabilization. The War Labor Board could not approve any increase in wage rates prevailing on September 15, 1942, unless such increases were necessary to correct maladjustments or inequalities, to eliminate sub-standards of living, to correct gross inequalities, or to aid in the effective prosecution of the war.

²³Ibid., p. 7.

The Board made two important decisions, one settling the dispute between the Breeze Corporation, Incorporated, and the United Automobile Workers, CIO, and the other dispute was between the Chase Brass and Copper Company and the International Association of Machinists, AFL.²⁴ Orders providing for standardizing wage rates in each of these two plants were designed to make sure that workers sitting side-by-side and doing the same work with the same skill received the same pay. The Board was left a wide range in which to work when the President issued the order of October 3, 1942, stabilizing the national economy.

Perhaps the greatest advantage that the War Labor Board had was that the National Defense Mediation Board had explored many of the problems and this served as a basis for the War Labor Board's work and for the work of future boards.

The Wage Stabilization Board--Korean War

The invasion of South Korea by the North Korean Communists on June 24, 1950, brought war, war brought inflation, and inflation eventually brought wage and

²⁴ Ibid., p. 179.

price controls. Like the war, which nobody wanted, the stabilization program was unsatisfactory to everyone concerned, including those who did the stabilizing.²⁵

The machinery for the economic stabilization of the country was set in motion as soon as President Truman signed the Defense Production Act. W. Stuart Synnington was named as defense coordinator to administer all controls, defense production, expansion and economic mobilization.

On September 9, 1950, President Truman issued executive order 10161 establishing the Wage Stabilization Board. A section of Part IV of the order reads:

There shall be in the agency a Wage Stabilization Board composed of nine members who shall be appointed by the President. Three of the members so appointed shall be representative of Labor, and three shall be representative of Business and Industry. One of the three members representing the public to be designated by the President, shall be chairman of the Board. The Wage Stabilization Board shall make recommendations to the Administration

²⁵Orme W. Phelps, Introduction to Labor Economics (New York: McGraw-Hill Book Company, Incorporated, 1961), p. 195.

regarding the planning and development of Wage Stabilization policies and shall perform such further functions with respect to Wage Stabilization as may be determined by the Administration after consultation with the Board.²⁶

The tripartite Board met and, during the following weeks, worked to develop a wage stabilization policy. The Board held public hearings at which labor and management representatives expressed their view points. By the terms of the executive order, 10161, the Board was only advisory. The Board members, however, felt very strongly that they should make and administer policy, subject only to the final approval of the President. Difficulties such as this culminated in the resignation of Economic Stabilizer, Alan Valentine, who was succeeded by Eric Johnston. During this period, the Board was limited to a stabilization function. In this respect, its functions were just the opposite of the War Labor Board during World War II, which had begun with a dispute-settling function.

²⁶Dispute Functions of Wage Stabilization Board, Hearings Before A Sub-Committee on the Committee of Education and Labor, House of Representatives, 82 Congress, 1st Session Pursuant to H. Res. 73, May 28 to June 15, 1951, pp. 73-74.

The early days of the Board were marked by a high degree of concurrence among its nine members. The Board's official statement was an unanimous expression of the Board's opinion. It recognized that wage controls have a partial role to play in curbing inflation in the tendency for consumer purchasing power to increase more rapidly than the supply of consumer goods and services.

This unanimity was short-lived. Organized labor soon voiced its disapproval of Regulation No. 6 (General Wage Regulation No. 6 of the Wage Stabilization Board). It stated:

These policies are designed to correct inequities as have arisen because of disparities between increases in wages and salaries and the increases in the cost of living since January 15, 1950, or which may subsequently arise during the period covered by this policy.²⁷

At the very start, labor was allowed to even up wages at 10 per cent above the January, 1950, level, supplementary benefits, pay for holidays and vacations negotiated after February 27, were offset against the permissible 10 per cent.

²⁷Gitlow, op. cit., pp. 183-184.

The basis for this new policy seems to have been: "Let Prices Spur Production." There was a general feeling that short of war, neither labor, business nor the farmer would live with a rigid ceiling on their wages. The administration's plan was to concentrate on maximum production rather than to hold the line. Eric Johnston said: "Regulation of prices and wages must be flexible to stimulate production." Cyrus Ching stated: "Regulated wage increases are better than strikes." Certain White House Advisors said: "Manipulate prices in such a way as to discourage non-essential output, give incentive to essentials."²⁸

To settle the dispute following Regulation 6, the President established a seventeen-member Advisory Board with Chief Mobilizer Charles E. Wilson as Chairman. On April 21, 1951, the Wage Stabilization Board became an eighteen-member tripartite Board with limited dispute-settlement functions.

The Board could hear disputes in only two situations. First, in a given case, when parties agree

²⁸"Let Prices Spur Production," Business Week, February 3, 1951, p. 21.

jointly to submit their disputes to the Board for recommendations or decisions, the Board could accept or reject the case. It had no authority to intervene in any case upon its own motion. Second, the President could refer to the Board a dispute that substantially threatened the progress of national defense. The Board could then make investigations and recommend equitable terms of settlement.

On May 8, 1951, the Board resumed its functioning with George W. Taylor succeeding Cyrus Ching as Chairman. In September, 1951, George W. Taylor was succeeded by Nathan Feinsinger. When the Board was reconstituted by the Defense Production Act in 1952, the Chairman was Archibald Cox. President Truman over-ruled the Board in the Bituminous Coal Case and Cox resigned to be succeeded by Charles C. Killingsworth.²⁹

The reconstituted Board, shorn of jurisdiction over labor disputes, made a strong attempt to maintain the wage stabilization program in the coal case. The President's over-ruling the Board's decision cast

²⁹New York Times, December 5, 1952, Editorial.

considerable doubt upon the Board's future life and authority. The end came in early February, 1953, when President Eisenhower ended the Board's life by executive order.³⁰

The National Wage Stabilization Board faced many problems not faced by previous boards. First of all, there was the imminent wage and price increase in steel. Big steel had said that an increase of fifteen cents an hour for steel workers would necessitate \$10.00 a ton increase in prices. The steel union's increased wages had established a new wage level for mass production employees with other unions then wanting as much or more. Within a matter of months, the rise in steel prices had been reflected in higher prices for consumer goods. Unions were pushed to make up that loss in real wages resulting from a rising cost-of-living. Cost-of-living contracts were the answer.³¹ The General Motors Automatic Wage adjustment formula was copied widely and covered more than a million workers.³²

³⁰Gitlow., op. cit., p. 188.

³¹General Wage Regulation, No. 8, p. 42.

³²Business Week, December 2, 1950, p. 106.

The peculiarity of the Korean "incident" created a most complicated situation. There was no all out war and the apparent sight of victory in 1951 took the urgency out of mobilization and made the Federal Government hesitate to press labor, the farmer, the businessman, or the taxpayer too hard. Prices, however, continued to rise; the built-in cost-of-living clauses in many contracts kept wages increasing. The stabilization program had been designed to close the gap between supply and demand, and to keep prices and wages steady. There were two ways that this could have been accomplished: (1) people could have spent less, either because the money was kept or was taken out of their hands, or (2) because willingly or unwillingly they saved more. It was the job of the anti-inflation program to see that the gap was closed by the first method rather than the second.³³

Finally, to further complicate the program, the power of seizure by the President, which had been the force underlying the work of previous Boards, was held to be unconstitutional.³⁴

³³Ibid., March 24, 1951, p. 130.

³⁴Youngstown Sheet and Tube Company, et al., vs. Sawyer, United States Reports, Volume 343, October Term, 1951.

"The executive order was not authorized by the constitution or laws of the United States, and cannot stand."³⁵

The Viet Nam Situation and Price Wage Guidepost

The origin of wage-price "guidepost" can be traced back to 1961 and the Kennedy Administration. Basically, the central idea was to promote full employment by expanding federal and private spending.

Full employment carries one important risk. As the employment rate rises and business picks up, prices start to rise. Indeed, if employment over full, these price increases as well as wage increases become widespread. Thus, the general level of prices (measured by the Consumer Price Index - CPI) rises rapidly.³⁶ With full employment and rising prices already initiated, labor necessarily tends to increase its share, resulting in wage increases.

The Viet Nam "Situation" has produced in America a higher state of full-employment than has existed since

³⁵Ibid.

³⁶Bruce T. Allen, "The Guidepost: A Sympathic Obituary," MSU Business Topics, 1967, p. 72.

the World War II period. And, these "guideposts" were being used--unsuccessfully or wrongly--as controls.³⁷ The qualifications which could have made guidepost wages and prices efficient wages and prices were being forgotten.

Organized labor had never been happy with the guideposts, since they were alleged to hamper free collective bargaining. Every now and then, a wage increase would exceed the national trend (for example, 1964 auto settlement).³⁸ These increases eventually lead to the Administration recommendation for retention of lower general guide rates. Whatever attention unions had paid to these guideposts now became open defiance.

While the "guideposts" are considered a failure, they have been somewhat useful because of the knowledge gained. The Viet Nam Situation has failed to tax the economy with war mobilization. Work stoppages, strikes, and lockouts, although they do exist, have yet to become an emergency situation.

The question still remains to what extent will these guideposts, as well as National Wage Control Boards, be

³⁷ Ibid.

³⁸ E. K. Falkmeyer, "Is Labor's Wage Push More Bark than Bite?" Fortune, LXIX (June, 1964), 100-103.

effective if and when the Viet Nam Situation becomes "a war", and the realization that economic and social salvation rests entirely upon whether or not the economic crisis which results can be met.

CHAPTER IV

THE THEORY OF WAGE CONTROLS UNDER MOBILIZATION

Professor John Kenneth Galbraith was in a favorable position to explain the operations of controls. Until World War II, he, like some of his contemporaries, was not sure that controls would work. In 1941, Dr. Galbraith was named OPA Deputy Administrator in charge of price controls. He not only had a close look at America's first large scale controls but also had a close look at the operation of controls in enemy territory as Director of the United States Strategic Bombing Survey in charge of its economic work.

The theory of controls was divided into two sections. The first dealt with a fully mobilized economy in World War II. During this period of 1941 to 1943, controls were looked upon and accepted not only as inflationary control measures but also as an integral part of the strategy of resource mobilization. The second section dealt with a partially mobilized economy in the Korean War. The major aspect in this period was the prevention of a wage-price spiral.

Prior to World War II, economists attached very little importance to the role of controls. Most of them would go to the other extreme and would deplore placing any reliance on price and wage controls. This fact was based on the belief that the measures were both unwise and impossible to accomplish. These economists could see no good to be derived from controls but were certain of the damage that would be caused by them. It was quite evident that to control prices would leave uncontrolled the excess of demand that started the upward movement. Nothing useful could be gained and inflation would result. If the purpose was to balance demand against supply and allocate resources, this was the function of freely moving prices. If prices are fixed, they cannot function freely. These economists saw controls as removing the very machinery which is most useful in doing that which is required of controls. They saw controls as causing an improper functioning of the economy.¹

¹William C. Ferguson, "An Analysis of the Wage Stabilization Board's Criteria in Wage Determination," Bureau of Labor and Management, State University of Iowa, 1955, p. 130.

The economist felt he was on firm ground when he deemed controls as unwise and impossible. On the basis of empirical information, he was well supported. There were no attempts at controls or public regulations that could be called successful, as all attempts had been listed as failures.² These failures were easily explained: self-interest had always necessitated a coalition between buyers and sellers. This left controls as a measure used by the government without the consent of the governed. A small black market grew into the only market. Man always attempts to adjust his economic affairs to prevailing circumstances. There were many attempts at controls to support this contention. In Germany, the price freeze of 1936, was the result of the people's fear of inflation. A ban was placed on prices because there was no other alternative available to them at the time. In England, the economy was backed into what was a voluntary system of controls. In Canada, the controls were results of upward surges in prices. In the United States, in 1941, an orthodox design for a war-time policy was worked

²Ibid., p. 134.

out. Taxation together with the control of consumer credit was expected to hold demand in balance with supply. Controls were to be placed only on those goods in either short supply or especially strong demand. Many economists saw wage stability as a by-product of price stability.³

The measures as worked out in 1941, were not very attractive. Prices rose very rapidly, taxes were not sufficient to bring demand in balance with supply. After these measures failed, there was instituted the General Maximum Price Regulation of 1942. This was an important step in war-time policy and served as a model for future controls. The policy of 1941 was reversed. The new policy undertook to regulate all prices and not just certain ones as the previous policy had done. Circumstances forced the very step which the older school of economists had viewed as both unwise and impossible to accomplish.

Total Mobilization in World War II

The question of how well controls worked for the World War II period is debatable. It is admitted that

³Ibid.

these controls served as temporary measures in that they deferred rather than prevented price-wage movements. Workers during the war had been given claims on future civilian goods in return for their effort in the manufacture of military goods. These claims held by the workers were in banks, in currency, and in Government bonds, all of which was readily spendable. When controls were released, these liquid claims had the tendency to bring on inflation.

To the extent that controls held down inflation during the war, they were neither unwise nor impossible to administer. The administrator, however, had many difficult problems to overcome. To administer control is to work hardships and damage on the fortunes of individuals in an absolute sense or at least in relation to opportunity. People must be denied income they have had or could have had. When these things happen in the operation of a free market, no one is to blame. The desire for money and the desire for re-election to office are too very powerful motives and the administrator had to contend with or even deny the aspirations of both.

The Post-War Period

Controls were just as ineffective in the postwar period as they were effective during the war years. The reasons for this ineffectiveness are readily discernible. At the end of the war, taxes were reduced immediately and very substantially. Consumers borrowed from current revenues and from savings. A government's public work program, as great as anything undertaken during the depression, was started soon after the close of the war. Direct controls over resource use were quickly decontrolled. Price control soon followed all of the other conversion to civilian goods was hardly completed and inventories were still seriously short. With these existing conditions, years of accumulated demand were released. Just as important a cause in the ineffectiveness of controls was a lack of understanding of the problem.

Leadership to rid the country of controls was assumed by the National Association of Manufacturers, who promised that there would be no inflation. There were others who wanted an immediate end to controls out of fear that if allowed to continue, they might last indefinitely. Some even felt that controls would hinder

production. These reasons were given in view of the fact that the greatest expansion of production in the nation's history occurred under controls and that the economy was operating under a state of full employment.⁴

A couple more years of high taxes, of restraint on private borrowing, and of gradually relaxing controls might well have been sufficient for stability and would have been a slight consequence of the largest effort in economic mobilization that any nation ever attempted. Important men insisted that it be otherwise. The deus gods who kept watch on economic policy must muse at the way American Capitalism is abused by its most vocal defenders.⁵

Partial Mobilization in the Korean War

The disequilibrium system of controls as used in World War II was quite different from those controls used in the Korean War. In the former instance, all measures were subordinated to the major task of complete mobilization. The latter had the main purpose stabilizing the economy, where there was a much smaller

⁴Ibid., p. 137

⁵John Kenneth Galbraith, A Theory of Price Control (Cambridge: Harvard University Press, 1952), pp. 55-58.

percentages of material going into defense use. This resulted in limited controls over materials, plants, and manpower. There was limited mobilization and many individuals and groups made demands for equitable claims on income or property. Unlike World War II regulations, there was no complete surrender of individual preferences. There were no promises given against future goods, because there was no foreseeable termination point. There was faint hope that there could be mobilization without any of its accompanying inconveniences.

In World War II, there were restraints in operation. Management felt that labor was always wrong and that the demands of labor were opposed to the best interest of both businesses and of the society. Another restraint was that the end of the war was foreseen and that there would be a reckoning day for those companies that had allowed wages or prices to go too high. These restraints were inoperative during the Korean Conflict. Labor was regarded in a different perspective and wages were generally increased as labor demanded.

The disequilibrium system of World War II offered as an incentive value, money claims on future goods. In

the Korean War resources were only partially mobilized, goods and services of nearly all kinds were available for consumers all throughout the war. The race tracks were open and other goods also were available, so that much of the excess demand was drained off through these sources. Controls under partial mobilization operated under conditions of equilibrium of supply and demand. The function of these controls was necessary only in markets of imperfect competition and became less a problem as the markets approached pure competition. Wage controls were necessarily confined to those wages which were determined by collective bargaining between strong unions and strong firms.

Either by accident or by design, the controls of the Wage Stabilization Board followed closely this problem. These controls were most effective in those areas where collective bargaining was the rule. In most instances where there was an approach to pure competition, unorganized employers of farmers and small firms were exempt from controls. The only restraints were those exercised by demand. However, it was unlikely that controls would ever be so arranged by design. In most economic reasoning, it has become generally

accepted that controls must have general application. It was difficult to leave uncontrolled such cost-of-living items as food and clothing, and then try to explain to union leaders why wages were fixed, also profits, and agricultural prices were controlled only by indirect means.

Under certain conditions, the competitive markets may have a disequilibrating effect. They may draw resources from other markets and may have to be treated in general regulations. If inflation control is successful, there will be, at least occasionally, below ceiling prices, and shortages on any large scale will serve as a serious warning. It is this competitive market which tells if demand is being kept in balance with supply, if controls, under partial mobilization, are effective or not.

In January, 1951, drastic action was taken to stop the runaway of salaries and wages, stopped a chaotic movement but it also froze many inequities. The Wage Stabilization Board's first major task was to develop a policy to correct inequities, to create order had developed. The regulations were emergency measures aimed at bringing price and wage movements

to a halt, and to give the Administration time to develop an equitable control program.

Viet Nam Mobilization

Now that Viet Nam represents a completely new type of mobilization, a new approach to wage controls is applied. The wage and price guideposts, although considered a failure,⁶ have presented a valuable lesson. This lesson is that a form of control designed under one set of circumstances is irrelevant under some other emergency situation.

The American economy, in a time of a modern limited war, is without the necessary controls to head off increased wages and is not able to effectively control the inflation that results. The Office of Civil and Defense Mobilization is no doubt a form of control, but is rendered ineffective because the country itself is in no immediate danger from war or threat of war. Yet! The Viet Nam Situation remains.

CHAPTER V

SUMMARY AND CONCLUSIONS

Summary

In an economy already operating at peak levels of production and employment, how much "give" is there in a labor force to meet the demands of an emergency such as war or near war. A careful system of plans must be developed and utilized to economize the resources and manpower of the nation.

In the past emergencies, a certain portion of the overall manpower for staffing defense plants consisted of workers already on the job. In some industries, an automatic switch from consumer goods to defense production accomplished this task. A resulting pinch in civilian type industries, such as construction, had the effect of making additional employees available in the production of defense goods.

The growth and spread of industry-wide labor unions has increased the power and prestige of unions and allowed them to develop attitudes for their organization and regulate, in part, the lives of millions. Either

directly or indirectly, there are a few activities affecting wages, hours and conditions of employment that are not discussed in collective bargaining.

A clear understanding of the above situation and its economic implications concerning wages will help to produce a meeting of the minds and prevent lockouts and strikes. It will also help to prevent inflation, and will aid in the smooth effective prosecution of war.

Many labor difficulties, which impede war production, marked the early period of the United States' participation in previous wars. This was partially due to the lack of a centralized policy and responsibility in dealing with labor problems. There were inconsistencies in labor policies of different government departments and, often, there were differences between bureaus of the same department.

Wages constituted the major issue coming before the War Labor Board in World War I being involved in more than half of the cases. The War Labor Board stressed the necessity for grading of positions on the basis of duties and responsibilities in order to lay a foundation for equitable awards.

Situations arose in four cases processed by the National Defense Mediation Board during the Pre-World War II period that necessitated the President's intervention. The eventual taking over of defense plants by the Army and Navy, necessarily formed a background to all of the Board's work. However, many efforts were tried to promote a workable agreement between the parties because only then could the full productive capacity of industry be released.

The work of the National Defense Mediation Board clearly shows that the Board did not operate under formulated principles and that its disposition of one case did not necessarily serve as a precedent in another.

The executive order by which the National War Labor Board was created made it clear that the effect of the dispute upon the war effort rather than the subject matter of the dispute was to be the criterion which determined the Board's jurisdiction. The Board had two vital powers: (1) it could withhold the contracts or it could enforce its priority rulings, and (2) it could make final disposition of the disputes or it could seize plants.

In other cases, the profits of the companies involved or their ability to pay was the deciding factor favoring wage increases. The ability to pay was not the determining factor, however, when wages needed to be equalized. The Board granted a wage increase in two cases in which the employers maintained that they were unable to meet such increased costs.

Perhaps the greatest advantage that the War Labor Board possessed was that the National Defense Mediation Board had explored many of the problems which served as a basis for the work of the War Labor Board and for the work of future boards.

Under the broad powers of the Defense Production Act of 1951, the President was authorized to exercise control over credit, production, and distribution of materials. He had the power to fix ceilings on wages and prices and to ration consumer goods. Out of this Defense Production Act grew the Wage Stabilization Board. This Board was ended by President Eisenhower in early February, 1953.

The peculiarity of the Korean War created a most complicated situation. There was no all-out war and the apparent sight of victory in 1951, took the urgency

out of mobilization and made the Federal Government hesitate to press labor, the farmer, the businessman, or the tax payer too hard.

Stabilization was an essential ingredient of the defense mobilization program. It was, of course, only a part of the total program but a highly essential part.

The Office of Civil Defense Mobilization represents a type of control to be utilized in the event of military attack upon the United States. In such a case, an immediate "freeze" of prices and wages would result.

The Viet Nam Situation does not represent nor does it seem possible of resulting in an attack upon the United States, thereby, rendering these emergency controls ineffective and non-applicable in this present state of limited mobilization.

Conclusions

Freedom of economic action is a characteristic of free society. When, however, such a nation is forced into a state of emergency by armed aggression in the world, the public interest intervenes in economic decisions and some temporary limits have to be placed

around freedom of action. A set of emergency rules has to be drawn up by which everybody is expected to abide.

Wage differentials are a part of economic and business terminology. Inequalities and inequities have psychological and more connotations. In the social and moral code of a nation built on egalitarian traditions the decline of equal-pay for equal-work is deeply rooted.

The initial policies of a stabilization program are likely to be backward-looking policies. Stabilization also has a positive meaning. It operates in a context of changing economic forces and circumstances, in which the anti-inflation aspect must be allied with the drives for increased production of essential goods and services.

In the American economy and particularly during an emergency period, high level production is a basic goal. Productivity plays a basic role in total production trends and production potential. When productivity is increased, some advance in wages may be needed to attract men from other occupations, industries and places into the expanding plant or industry.

Whatever recommendations may be made as to future wage-setting criteria must largely be determined by the

type of the emergency. In an all-out emergency, materials, manpower, prices and wages should be allocated by an overall Board. This is what happened during World War II. Under this situation, emphasis was placed upon production. All activities of the economy were worked within the framework of the total emergency. Ceilings were placed on prices and wages, and essential goods were rationed. Taxes were increased and every effort was made to increase the sale of defense bonds for the purpose of drawing surplus funds from the market. In the future, under similar situations, this should be the guiding principle in establishing a policy.

In a partially mobilized economy, the immediate economic situation would be more serious because of the attitude of Americans toward governmental interference with their lives except in times of total emergencies. It would be more difficult to prevent immediate inflation. It is difficult for any business to realize or to restrain a successful operation even if such might be detrimental to the overall economy. It is difficult to accomplish a positive purpose with only negative sanctions operating as restraints.

The democratic principle of tripartite representation, the wage-freeze, and the cost-of-living criterion have all worked well in emergencies and can be expected to do as much in the future emergencies.

BIBLIOGRAPHY

Books

- Backmon, Jules and others. War and Defense Economics.
New York: Rinehart and Company, Inc., 1952.
- Bain, Joe S. Price Theory. New York: Henry Holt
Company, 1952.
- Gailbraith, John K. A Theory of Price Control.
Cambridge: Harvard University Press, 1952.
- Gitlow, Abraham L. Wage Determination Under National
Boards. New York: Prentice-Hall, Inc., 1953.
- Warren, James R. Wartime Economic Cooperation.
Toronto: The Ryerson Press, 1949.

Government Documents

- Monthly Labor Review, U. S. Labor Statistics Bureau,
"Labor Supply Aspects of Mobilization," Vol. 71,
No. 5 (November, 1950), pp. 564-567.
- "The National War Labor Board," U. S. Department of
Labor, Bureau of Labor Statistics, Bulletin No.
287, Chapters 1-4, December, 1921.
- "National Defense Mediation Board," Report, U. S.
Bureau of Labor Statistics, U. S. Department of
Labor, Volume 1, Section 23, 1955, p. 714.
- Youngstown Sheet and Tube Company et al., vs Sawyer, U.
S. Reports, Vol. 343, October Term, 1951.
- Dispute Functions of Wage Stabilization Board, Hearings
Before A Sub-Committee of the Committee on Educa-
tion and Labor, House of Representatives, Pursuant
to H. Res. 73, May 28 to June, 1951.

Investigation of Wage Stabilization Board, 1952 Report of Committee on Education and Labor to House of Representatives, Pursuant to H. Res. 532.

"Wages in A National Emergency," U. S. Government Printing Office, 1952.

"Summary of Decisions of the National War Labor Board," Vol. 1, January 12, 1942, to February 15, 1943, U. S. Government Printing Office, 1943.

Directive Orders and Opinions of the National War Labor Board in the "Little Steel" Case, U. S. Government Printing Office, July 1942.

Periodicals

"Wage Formula," New Republic, Vol. 124, March 12, 1951, p. 6.

"Controls for the Future," Business Week, January 10, 1953, p. 148.

"Let Prices Spur Production," Business Week, February 3, 1951, p. 21.

"Controls and Wage Stabilization Board Action," Monthly Labor Review, September, 1951, pp. 473-474.

"Labor Supply Aspect of Mobilization," Monthly Labor Review, November, 1950, pp. 564-567.

"Cold War vs. Wage Stabilization Board," Scholastic, October 29, 1952, Vol. 61, pp. 12-13.

"Controls: This Way Out," Scholastic, February 18, 1953, Vol. 62, p. 5.

"What Brought Steel Seizure: Interview, N. P. Feinsinger," U. S. News, April 18, 1952, p. 22-29.

"The Guideposts: A Sympathetic Obituary," MSU Business Topics, Autumn, 1967, pp. 72-77.

Serials and Pamphlets

Daykin, Walter L. "Furnishing Wage Data for Bargaining." Reprint from the June, 1953, Issue, Labor Law Journal.

"Financial Regulation of Unions Under the Taft-Hartley Act." Bureau of Labor and Management, The State University of Iowa, 1950.

Ferguson, William C. "An Analysis of the Wage Stabilization Board's Criteria in Wage Determination." Bureau of Labor and Management, The State University of Iowa, 1955.

APPENDICES

APPENDIX A

GENERAL DOCUMENTS

EXECUTIVE ORDERS RELATING TO THE NATIONAL WAR
LABOR BOARD

Executive Order No. 9017

January 12, 1942

Whereas by reason of the state of war declared to exist by joint resolutions of the Congress, approved December 8, 1941, and December 11, 1941, respectively, (Public Laws Numbers 328, 331, 332-77th Congress), the national interest demands that there shall be no interruption of any work which contributes to the effective prosecution of the war; and

Whereas as a result of a conference of representatives of labor and industry which met at the call of the President on December 17, 1941, it has been agreed that for the duration of the war there shall be no strikes or lockouts, and that all labor disputes shall be settled by peaceful means, and that a National War Labor Board be established for the peaceful adjustment of such disputes:

Now, therefore, by virtue of the authority vested in me by the Constitution and the statutes of the United States, it is hereby ordered:

1. There is hereby created in the Office for Emergency Management a National War Labor Board, hereinafter referred to as the Board. The Board shall be composed of twelve special commissioners to be appointed by the President. Four of the members shall be representatives of the public; four shall be representatives of employees; and four shall be representatives of employers. The President shall designate the Chairman and Vice-Chairman of the Board from the members representing the public. The President shall appoint four alternate members representative of employees and four representative of employers, to serve as board members in the absence of regular members representative of their respective groups. Six members or alternate members, including not less than two members from each of the groups represented on the Board, shall constitute a quorum. A vacancy in the Board shall not impair the right of the remaining members to exercise all the powers of the Board.

2. This order does not apply to labor disputes for which procedures for adjustment or settlement

are otherwise provided until these procedures have been exhausted.

3. The procedures for adjusting and settling labor disputes which might interrupt work which contributes to the effective prosecution of the war shall be as follows: (a) The parties shall first resort to direct negotiations or to the procedures provided in a collective bargaining agreement. (b) If not settled in this manner, the Commissioners of Conciliation of the Department of Labor shall be notified if they have not already intervened in the dispute. (c) If not properly settled by conciliation, the Secretary of Labor shall certify the dispute to the Board, provided, however, that the Board in its discretion after consultation with the Secretary may take jurisdiction of the dispute on its own motion. After it takes jurisdiction, the Board shall finally determine the dispute, and for the purpose may use mediation, voluntary arbitration, or arbitration under rules established by the Board.

4. The Board shall have power to promulgate rules and regulations appropriate for the performance of its duties.

5. The members of the Board (including alternates) shall receive necessary traveling expenses, and unless their compensation is otherwise prescribed by the President, shall receive in addition to traveling expenses \$25 per diem for subsistence expense on such days as they are actually engaged in the performance of duties pursuant to this order. The Board is authorized to appoint and fix the compensation of its officers, examiners, mediators, umpires, and arbitrators; and the Chairman is authorized to appoint and fix the compensation of other necessary employees of the Board. The Board shall avail itself, insofar as practicable, of the services and facilities of the Office for Emergency Management and of other departments and agencies of the Government.

6. Upon the appointment of the Board and the designation of its chairman, the National Defense Mediation Board established by executive order No. 8716 of March 19, 1941, shall cease to exist. All employees of the National Defense Mediation Board shall be transferred to the board without acquiring by such transfer any change in grade or civil service status. All records, papers, and property, and all unexpected funds

and appropriations for the use and maintenance of the National Defense Mediation Board shall be transferred to the Board. All duties with respect to cases certified to the National Defense Mediation Board shall be assumed by the Board for discharge under the provisions of this order.

7. Nothing herein shall be construed as superseding or in conflict with the provisions of the Railway Labor Act (Act of May 20, 1926, as amended, 44 Stat. 926, 1185; 49 Stat. 1169; 45 U. S. Code 151), the National Labor Relation Act (Act of July 5, 1935, 49 Stat. 457; 29 U. S. Code 151 et seq.), the Fair Labor Standards Act (Act of June 25, 1938; 52 Stat. 1060; 29 U. S. Code 201 et seq.), and the Act to provide conditions for the purchase of supplies, etc., approved June 30, 1936 (49 Stat. 2036; 41 U. S. Code, Sections 34-45), or the Act amending the Act of March 3, 1931, relating to the rate of wages for laborers and mechanics, approved August 30, 1935 (49 Stat. 1011; 40 U. S. Code, Section 276 et seq.).

FRANKLIN D. ROOSEVELT

APPENDIX B

EXECUTIVE ORDER OF THE PRESIDENT

Providing for the Stabilization of the National Economy

Issued October 3, 1942

By virtue of the authority vested in me by the Constitution and statutes, and particularly by the act of October 2, 1942, entitled "An Act to Amend the Emergency Price Control Act of 1942, to aid in preventing inflation, and for other purposes". As President of the United States and Commander-in-Chief of the Army and Navy, and in order to control so far as possible the inflationary tendencies and the vast dislocations attendant thereon which threaten our military effort and our domestic economic structure, and for the more effective prosecution of the war, it is hereby ordered as follows:

TITLE I

Establishment of an Office of Economic Stabilization

1. There is established in the Office for Emergency Management of the Executive Office of the

President an Office of Economic Stabilization at the head of which shall be an Economic Stabilization Director (hereinafter referred to as the Director).

2. There is established in the Office of Economic Stabilization an Economic Stabilization Board with which the Director shall advise and consult. The Board shall consist of the Secretary of the Treasury, the Secretary of Agriculture, the Secretary of Labor, the Chairman of the Board of Governors of the Federal Reserve System, the Director of the Bureau of the Budget, the Price Administrator, the Chairman of the National War Labor Board, and two representatives each of labor, management, and farmers to be appointed by the President. The Director may invite for consultation the head of any other department or agency. The director shall serve as Chairman of the Board.

3. The Director, with the approval of the President, shall formulate and develop a comprehensive national economic policy relating to the control of civilian purchasing power, prices, rents, wages, salaries, profits, rationing, subsidies, and all related matters--all for the purpose of preventing avoidable increases in the cost of living, cooperating

in minimizing the unnecessary migration of labor from one business, industry, or region to another, and facilitating the prosecution of the war. To give effect to this comprehensive national economic policy the Director shall have power to issue directives on policy to the Federal departments and agencies concerned.

4. The guiding policy of the Director and of all departments and agencies of the Government shall be to cooperate in the execution of such administrative programs and in the development of such legislative programs as may be necessary to that end. The administration of activities related to the national economy policy shall remain with the department and agencies now responsible for such activities, but such administration shall conform to the directives on policy issued by the Director.

TITLE II

Wages and Salary Stabilization Policy

1. No increase in wage rates, granted as a result of Voluntary agreement, collective bargaining, conciliation, arbitration, or otherwise, and no

decrease in wage rates, shall be authorized unless notice of such increases or decreases shall have been filed with the National War Labor Board, and unless the National War Labor Board has approved such increases or decreases.

2. The National War Labor Board shall not approve any increase in the wage rates prevailing on September 15, 1942, unless such increase is necessary to correct maladjustments or inequalities to eliminate substandards of living, to correct great inequities, or to aid in the effective prosecution of the war.

Provided, however, that where the National War Labor Board or the Price Administrator shall have reason to believe that a proposed wage increase will require a change in the price ceiling of the commodity or service involved, such proposed increase, if approved by the National War Labor Board, shall become effective only if also approved by the Director.

3. The National War Labor Board shall not approve a decrease in the wages for any particular work below the highest wages paid therefore between January 1, 1942, and September 15, 1942, unless to correct gross inequities and to aid in the effective prosecution of the war.

4. The National War Labor Board shall, by general regulation, make such exemptions from the provisions of this title in the case of small total wage increases or decreases as it deems necessary for the effective administration of this Order.

5. No increases in salaries now in excess of \$5,000 per year (except in instances in which an individual has been assigned to more difficult or responsible work), shall be granted until otherwise determined by the Director.

6. No decrease shall be made in the salary for any particular work below the highest salary paid therefor between January 1, 1942 and September 15, 1942, unless to correct gross inequities and to aid in the effective prosecution of the war.

7. In order to correct gross inequities and to provide for greater equality in contributing to the war effort, the Director is authorized to take the necessary action and to issue the appropriate regulations, so that, insofar as practicable, no salary shall be authorized under Title III, Section 4 to the extent that it exceeds \$25,000 after the payment of taxes allocable to the sum in excess of \$25,000.

Provided, however, that such regulations shall make due allowance for the payment of life insurance premiums on policies heretofore incurred, and shall make provision to prevent undue hardship.

8. The policy of the Federal Government, as established in Executive Order No. 9017 of January 12, 1942, to encourage free collective bargaining between employers and employees is reaffirmed and continued.

9. Insofar as the provisions of Clause 1 of Section 302 (c) of the Emergency Price Control Act of 1942, are inconsistent with this Order, they are hereby suspended.

TITLE III

Administration of Wage and Salary Policy

1. Except as modified by this Order, the National War Labor Board shall continue to perform the powers, functions, and duties conferred upon it by Executive Order No. 9017, and the functions of said Board and hereby extended to cover all industries and all employees. The National War Labor Board shall continue to follow the procedures specified in said Executive Order.

2. The National War Labor Board shall constitute the agency of the Federal Government authorized to carry out the wage policies stated in this Order, or the directives on policy issued by the Director under this Order. The National War Labor Board is further authorized to issue such rules and regulations as may be necessary for the speedy determination of the propriety of any wage increases or decreases in accordance with this Order, and to avail itself of the services and facilities of such State and Federal departments and agencies as, in the discretion of the National War Labor Board, may be of assistance to the Board.

3. No provision with respect to wages contained in any labor agreement between employers and employees (including the Shipbuilding Stabilization Agreement as amended on May 16, 1942, and the Wage Stabilization Agreement of the Building Construction Industry arrived at May 22, 1942) which is inconsistent with the policy herein enunciated or hereafter formulated by the Director shall be enforced except with the approval of the National War Labor Board within the provisions of this order. The National War Labor Board shall permit the Shipbuilding Stabilization

Committee and the Wage Adjustment Board for Building Construction Industry, both of which are provided for in the foregoing agreement, to continue to perform their functions therein set forth, except insofar as any of them is inconsistent with the terms of this Order.

4. In order to effectuate the purposes and provisions of this order and the Act of October 2, 1942, any wage or salary payment made in contravention thereof shall be disregarded by the Executive Departments and other Governmental agencies in determining the cost or expenses of any employer for the purpose of any law or regulation, including the Emergency Price Control Act of 1942, or any maximum price regulation thereof, or for the purpose of calculating deductions under the Revenue Laws of the United States or for the purpose of determining cost or expenses under any contract made by or on behalf of the Government of the United States.

TITLE IV

Prices of Agricultural Commodities (omitted)

TITLE V

Profits and Subsidies (omitted)

TITLE VI

General Provisions (omitted)

FRANKLIN D. ROOSEVELT
THE WHITE HOUSE

October 3, 1942

10
52820