PRESENT AND FUTURE PLANS FOR WAGE STABILIZATION

3 May 1951

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PRESENT AND FUTURE PLANS FOR WAGE STABILIZATION

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GENERAL HOLMAN: Gentlemen, yesterday's lecture on price stabilization carries, as you well know, only a part of the economic stabilization story. Today's lecture, on wage stabilization, will round out the stabilization picture for you. Our speaker is Dr. George W. Taylor, who, as you know, was just recently appointed the Chairman of the new Wage Stabilization Board.

Dr. Taylor has a distinguished record in the field of labor-management relations. During World War II he served as vice-chairman and later as chairman of the War Labor Board. He has just told us that since the war he has spent four out of the last five years here in Washington. So he is thoroughly acquainted with the Washington scene. I am sure that this discussion this morning will help you greatly with the problem that you are now working on.

Dr. Taylor, it is certainly an honor to have you with us. We feel highly privileged to hear your views on wage stabilization.

DR. TAYLOR: Gentlemen, while the General was introducing me I got to thinking how best I could get you into the feeling that this problem of wage stabilization is very closely tied in with the industrial scene, because one cannot develop a wage stabilization program without a very careful working idea of what it does to production. The two are related closely. The wage stabilization problem is also very closely related to price stabilization, to our whole battle in controlling inflation, which is a very important one. So I don't see how we can continue to cut out 5 percent of the muscle of our dollar or even 2 percent and still keep respect for the dollar from being lost. So stabilization is related to that.

I think wage stabilization is also related to manpower, because in a democracy one of the ways that labor is allocated between different activities is by differentials in wages. So that one cannot talk about wage stabilization apart from the industrial problems and those of price stabilization and manpower. There is, too, the relation of wage stabilization to industrial peace.

I might mention an experience that I had shortly after the close of World War II. President Truman decided to call a management-labor conference to determine upon a wage stabilization program that would insure industrial peace during 1946 and 1947. We had the big leaders of management and labor there. I was the secretary of that conference in November 1945.

One of my responsibilities as secretary of that conference was to meet with representatives of the Washington press each day and tell them about the progress that had been made in the day's deliberations. We didn't make much progress in the deliberations. So my task in meeting the Washington press daily became more and more arduous.

Finally, the press got the feeling that I wasn't getting anywhere, and one day at a meeting some of these newspaper reporters put on my desk a card of sympathy for my bereavement over the death I had had in my family, and signed their names to it. I looked at it and said, "Yes fellows, there has been a death in my family all right, and I am grateful for your sympathy; but really some people are taking this too seriously, because it was only a stepchild." One of the newspaper reporters said, "Yes. A stepchild born out of "deadlock." So now, judging from the news, there have been some more of those brats left at my doorstep.

But, seriously, I would like to focus your attention first upon the necessity of coordinating wage stabilization with the need for continuous employment. Sometimes wage stabilization has to be modified to meet that objective. Have you ever stopped to think about the nature of strikes in our kind of democracy? Some people agree with me when I say I don't think that the strike is really a sign of strife. I think it is a conflict of characteristics. I don't think you can understand that unless you look at this functional job of resolving the more underlying conflict, that is, the basic conflict as to what the terms of employment are.

Now, in a democracy such as ours we say that when management and labor do not agree about the terms of employment, there is only one way to resolve that conflict and that is by agreement. There is no other way to resolve that dispute except by agreement of the parties. It is hard to do that as long as you hold the old notion that you must have the medium of the strike in order to put the ultimate pressure upon the parties to come to an agreement. The function of the strike is to bring about agreement on the more persistent disputes, but that is not a very good tool. Maybe some day we will be civilized enough to develop a better one.

But the function of the strike is to put pressure upon the parties to recede from their extreme positions and thus make agreement possible. You can't get anywhere by just eliminating strikes unless you have some mechanism for performing their function, which is to bring about an agreement.

I had that notion driven home to me very forcibly during World War II. When we stepped in with seizure operations in facilities where a strike had occurred, with an injunction, we didn't solve the basic underlying conflict. We were charged with the responsibility of getting an agreement between the parties, which was the only way that the Government could then step out of the picture. Seizures and injunctions may assist in holding

the situation in abeyance, but they do not resolve the underlying conflict, which can only be resolved when an agreement is established. In fact, I signed one order to have the president of a company carried out of his plant. It didn't solve anything. We still had to get down and get an agreement between management and labor.

Incidentally, you might be interested in an experience I had. I won't mention any names. During the course of that business a fellow came over from England to see how we were stabilizing wages during World War II. We had developed the Little Steel Formula, and he was invited to check on it with us. His comment was, "You folks really don't understand too much about the real principles of a democracy. Oh, well, you are a young country. You haven't had much experience in government." I bristled a little at that and said, "Where did we display this awful lack of knowledge of the principles of a democracy?" He said, "You know, you violated the first principle of a good democratic government in its relations with the people--never reveal the Government's impotence."

Well, I was rather shocked at that sort of thing. I said, "I think you are wrong about that being the first basic principle of a democracy. If you follow that program, you will be lacking in not taking the normal risks of leadership. I think the first principle of democratic relations in this country--and it must be the same in yours--is 'Never take steps 1, 2, and 3 until you have thought out 8, 9, and 10.'" You don't get anywhere by putting in an injunction until you have thought out what you are going to do there to discontinue the injunction; you can't go on operating under injunctions.

So the real job, it seems to me, is not to concentrate so much upon the temporary ways of allaying conflict, but to develop alternate ways of resolving the conflict. That is why I am such a great believer in tripartite boards. Some people like to say, "You are crazy over them." But my experience in World War II has taught me not to bruise too easily. You have to think about steps 8, 9, and 10 and see the reason why you must have a tripartite board instead of an all-public board.

On an all-public board I have to think about what is going to be done when it gets out a decree. Who is going to enforce it? This is a government agency. When it is an all-public board, every issue gets to be a problem of the Government. You must have the force of the Government to back up the board and compel people to accept the decisions of the board, which is not a basic principle when you are trying to preserve our civilian life.

You can't have a wage stabilization policy and striking over wages at the same time. You can't say, "The wage stabilization shall be this and this limit" and at the same time have people striking for more wages.

You can't have the two at the same time. They are incompatible. They are two separate methods for the determination of wages. Of course, that is what we have now. We have wage stabilization rulings and the right to strike for higher wages.

How do we get over that hump? By getting the acquiescence of labor and management in the wage stabilization rules, so that they accept that alternative to labor's right to strike to get the wage disputes settled.

The tripartite board is the surest way to do it. I will put it this way, in more technical terms: Continued meetings of management and labor on tripartite boards is acquiescence in action. That is what you have to get as you go along.

How about the World War II experience, for example? Labor representatives would say, "This damn Little Steel Formula is driving our standard of living into the ground. It ought to be eliminated." I would say to them, "Why don't you move to eliminate it? All you have to do is withdraw from the board." Management would complain about something. I would say: "Why don't you change it? You can by withdrawing from the board." That is the nature of a tripartite organization. It has a terrific function, which is to make the policy, which they cannot do if they withdraw. That is the challenge that a tripartite board has.

Some persons see nothing but one series of national emergencies after another unless the right to strike is revoked. I don't want to see the right to strike revoked. During World War II there didn't seem to be any possibility that there would be an order against strikes in this country. When we had the coal mine strike during the middle of the war, when people in the armed services were suffering for lack of coal and the matter went to Congress, it passed tha War Labor Disputes Act, which verified the right to strike. We must develop our wage stabilization program while the people retain the right to strike, at least during this period. The way we do it is through a tripartite board, by gaining acquiescence. It is in the collective bargaining tradition to have tripartite boards. It involves the accommodation of conflicting interests.

That is basically the labor disputes problem. We are not accomplishing anything for our country in the present defense effort if we come out with a wage stabilization program that will not resolve the conflicts, but that will require the Army and Navy to bring about acquiescence, and to take over the facilities and operate them. Then we would just be messing it up more and more. Our job is to develop a wage stabilization program that will by and large keep up the acquiescence. It must be done from the standpoint of what is necessary to retard inflation.

I would like to tell you a little about the manpower situation now, because I think that wage matters are very closely related to that, too.

I think one of our biggest jobs is to work out a wage policy that will properly allocate manpower. We are not kidding ourselves. When you have important facilities, you must have wage differentials in order to get the people they need from the limited supply of manpower.

Some of you might have known about this. We worked this out with the armed services the last time, and very satisfactorily to us. Some people said, "The armed services always wanted to raise wages higher than we did," but I am sure that is not so. We set up an agency for each of the armed services and delegated complete authority to them in the Government-operated plants, the Government-owned, and the privately operated plants. We said to them, "Do you know what the policy is on wages? We delegate the right completely to you to devise your own wage policy within the limits of the over-all national picture."

I am told that we won't be able to do it that way this time because of acts of Congress which prescribe that the determination of wages must be done by our board. So we had to think up some sort of new device where that agency that handles this problem will be an arm of the board, at least technically. That is one problem that we must work out satisfactorily, because we are not specialists enough to know the needs of all the operations.

When you get into wage stabilization in time of tight manpower, there are many ways to raise wages besides the general wage increase across the board. Those of you who might have worked in that field know about the reclassifications, the merit increases, the promotions, and all those internal devices that Americans, who are very ingenious people, can work out to get around wage stabilization rules.

I recall during World War II, for example, going to a very prominent plant and saying, "May I look at your wage rate structure?" I looked at it to see how many common laborers there were. There were 40,000 employees in that plant and only 8 common laborers. Everybody was classified as a 1-A machinist, an assistant vice-president, and so forth. These reclassifications can play terrific havoc with any wage stabilization program.

I remember in the North American Aviation plant during the war, which was so crowded, which was the plant that made the first jet plane, they had a wage problem and I went out there. The manager was very proud that they had developed the first jet plane. He said, "What would you most like to see in my plant?" I said "It is a wonderful plant. What I would like to see most of all is a common laborer." He couldn't show me one.

So that there are all these devices for raising wages. When you have merit ranges and all those things in your installation, there are all kinds of ways and means and devices for accelerating these in-grade changes that take place. These merit ranges and job changes can wreck any wage stabilization program and get around it. The people themselves have as much to do with the wage stabilization as we have. Believe, me, it is as much in their hands to administer wage stabilization as it is in ours. We can't set up rules that will insure that they will be administered properly when the wage structure is tight. We tried to do it in the last war.

Some of you might have seen our General Order 31, that we had in World War II, which was to govern in-grade progression, merit increases, promotions, and all the rest. It was six pages long and as complicated as the dickens. I had difficulty in understanding what my staff brought to me on that one. They were more perplexed than I was about it. It was a 6-page document prepared by Carroll Dougherty. Will Davis said, "I can understand pages 1 and 2. Pages 3 and 4 I am sure you and God can understand. But I am sure that on pages 5 and 6 God will drop out." We could get into that mess again.

We tried to bring them under control. I am reluctant to do it, but I have to do it, because this is the only board in the country that is charged with the responsibility for administering the wage structure in the situation and holding down wages. I don't know if we can do it. I do hope we can get it across to the country.

The country wants stabilization. In a situation like this they look to our board to accomplish it. I suppose the President will announce today the full complement of our board. Our first session of the board will be held on next Tuesday at two o'clock, so we can start in business again.

What will be the first order of business? Will it be labor disputes? No. What difference do we have now from that at the start of World War II? At the start of World War II, when we started in business, we had strikes all over the country. So we told the workers, "Get back to work. We will settle your wage issues and make retroactive anything that we find is right." That was our business when we first opened in World War II.

Incidentally, the success of that "get back to work" policy was that anything we decided upon would be made retroactive. It is very wise to do that. You have to make it retroactive, because you can't ask people to keep on working under conditions of employment that they have rejected. So the retroactive feature was necessary in the "no strike" policy.

Now, we don't have strikes today. Well, we have the southern textile strike. I won't say whether that is a national emergency or not. They are arguing about that right now and I am not deciding it. We have that strike around, but nothing else much.

What do we have management and labor doing? Both are going to come in and say, "Please approve this wage increase that we have issued." Management is going to say, "The meat packers are entitled to their 11 cents." The union people say, "We want it." What is the poor government department going to say? Is it going to say, "Yes. They ought to have it." Or in the shipyards the shipbuilding companies are going to come in and say, "We have agreed to this wage increase. Please approve it."

The trouble is, management and labor are too agreeable at times. So the question is not what wage will we recommend to terminate a labor dispute, but should the Governement intervene to create a labor dispute where none now exists?

This agreement that management and labor have made may be satisfactory to their purposes but incompatible with national needs. Maybe collective bargaining is too good. I said to you earlier that the only way you can settle wage problems today is by agreement. They are agreeing too much.

Part of the reason for this amiability between management and labor, of course, is this inflationary movement, where profits are high and wage increases can be passed on. Why should they risk a strike and the loss of all these profits in a conflict over wage increases that can be passed on to the consumers in most cases? So they tend to settle things themselves, and the very difficult job that we have as a wage stabilization board is to decide whether we will step in and prevent management and labor from putting into effect a wage increase which both of them say is proper. I have yet to find a single industry or a single government operating agency that thinks a tight wage policy ought to be introduced in its operation.

We have a consumer interest in every industry but ours. In our industry we have a producer interest in which we have this problem of wage increases. I don't think we can meet the problem at all unless we can get a policy which management and labor at the national level will agree upon, so that there will be some way of grappling with these disputes. Of course, that is a terrific operation. We have to make them understand why there should be a national policy.

Enough of these general factors. I am just going to mention something about the settlement of disputes, because I think it is, among other things, the core of the present controversy that led to the withdrawal of organized labor from the Wage Stabilization Board. A demand was made by

the labor members that the Wage Stabilization Board should have the authority to settle noneconomic disputes as well as to deal with wage stabilization. Of course, this new board which has been established, which I hope will start operations next week, does have certain dispute-settling functions. In that respect it is different from its predecessor Wage Stabilization Board.

Why were the unions so anxious to have an agency to which they could take their disputes? Well, I indicated that we don't have any big disputes around the country now. To some extent it is preparation for the future. But when you get into a wage stabilization program, we ought to have wage stabilization following these rules not to interfere with collective bargaining. You say, "What the parties agree upon is not necessarily it. The Government might modify it." When you do that, I think you interfere with collective bargaining at that point.

You preserve tha collective bargaining tradition if you interfere only to the extent of approving the type of regulation that management and labor can enforce themselves without sanctions. But it is very difficult in labor disputes to separate a wage dispute from nonwage issues. You bargain and say, "Are you willing to accept a little more wages and forego the union shop?" You move around between the various elements. When they forego the union shop, the unions feel--and, I think, rightly so--that you are also eliminating their ability to achieve economic power.

Take this illustration: If you were running a union and you and your people wanted a wage increase plus a union shop, you could probably run a pretty good strike in the situation today. But if you take the wage dispute out, it is quite difficult to run a strike for a union shop at the same time. So it is a fact that wage stabilization diminishes the unions' economic power. Basically and fundamentally that is why they felt there should be some mechanism to follow in the future collective bargaining on the noneconomic issues.

Well, management didn't want it. I suppose there is some feeling on the part of management now that the unions' economic power was going to be diminished with respect to these nonwage disputes. That is understandable from their side. They didn't want to make any concessions that would augment the unions' economic power. That is a very understandable reaction. You see, when the Government comes in with a piece of machinery for settling nonwage disputes, the fear arises in the minds of employers that the Government is going to supplement the unions' economic power by virtue of wage stabilization.

When you talk to the union fellows about their demand for dispute-settling functions in the board, say, "You really don't want that. You don't want to give a no-strike pledge, do you?" Well, none of them do at this time. I think everyone from industry realizes that you don't want a

no-strike pledge at this time. I think it would be ill-advised. I will try to make my reasons for that as nontechnical as I can.

When you have an all-inclusive no-strike pledge, such as we had at the start of World War II, where labor guaranteed not to strike, then you have set up a board with broad jurisdiction. If you have any dispute that might lead to a strike, it will be settled by a board. That means that you have the broadest kind of jurisdiction over future unknown disputes.

I always put it this way: When you have an all-embracing no-strike policy and a board to settle issues that arise that would otherwise be settled by a strike, you have a board with jurisdiction to order which is as broad as the power of the parties to agree. Of course that means that you have government jurisdiction plus government intervention in all disputes in industrial relations. And the pressure for expanding the Government's activities into various affairs of business is great when you have a no-strike pledge.

We are not ready for that. We shouldn't take that step in industrial relations at this time. I am satisfied that a wage stabilization board, with acquiescence in its policies, is better. This means an incentive for a limited no-strike policy, where you say, "Work with it. Work it out." If you work it out on the wage basis, it implies no strike; but it is limited to wages. I think we should try that policy for a time, instead of jumping overboard with an all-inclusive no-strike policy, because that would be compulsory arbitration, it seems to me.

The Wage Stabilization Board may settle such noneconomic issues as both parties agree to submit. This is, in effect, voluntary arbitration to be provided by the Government in disputes relating to national defense. Our work must be limited to disputes relating to the national defense. We must not bring in all kinds of corner grocery stores and beauty parlors and all that sort of thing. We don't want all the little problems; we want the big ones.

It is to the national advantage to have a program where the parties can be able to have disputes settled by the board, because with our limited power I don't think we should make it easy to have strikes. Aside from the military situation, I don't think we should do that in this inflationary problem. We are going to have this inflationary problem for a long time to come, no matter what happens; I am sure of that.

I don't think the Government can say, "We are not concerned with whether you strike or not. We don't want to eliminate your strikes." I think we should make it easy for them to settle disputes peaceably. That is a fair and legitimate thing for the Government to do at this time. If both parties want the dispute to be settled by us, we ought to make it easy for them to settle their dispute peaceably instead of by strike.

Management opposes that vigorously. It has one real argument. Management's real argument is that it violates the Taft-Hartley Act, because it doesn't necessarily use the machinery set up in the act. Its real argument about it runs like this: If you conceive of an important industry with a lot of little companies and there are agreements with the union to submit to us on important issues, then if we settle disputes in five or six little cases, we will have formed a national policy--and that is dangerous.

On the other hand, I just don't think we can be complacent about it and say, "Strikes as usual in the days ahead." If we are going to have the Government settle labor disputes, it seems to me that the voluntary submission route by the parties in the case is about the least trouble-some step that can be taken. Unquestionably this matter will be argued very strenuously before Congress in the debates over the Defense Production Act. The argument will be whether this board should have any disputes-settling function.

There are dangers. Certainly you get a pattern-making effect to our decisions just by looking back to World War II, where our decisions became almost a national pattern because a government agency was getting acquiescence in settling disputes. There is danger in that route, although I for one would be very happy if you could work these things out by voluntary submission instead of by collective bargaining followed by seizures and injunctions. It should be obvious that seizures and injunctions are not good either.

Perhaps I might just give you an illustration. Maybe I can submit this voluntary submission notion as the "least worst" thing you can do. If you don't do that, you can't have anything that is in the jurisdiction of a government board that will be effective at all in the settlement of disputes. It is either that or nothing. I think you had better work that out. It is a great problem and it is going to be debated further.

The second portion of our disputes-settling function is that if, in the opinion of the President, there is a dispute which substantially threatens the progress of national defense, he may certify the dispute to the Board. In any case referred to the Board by the President the Board shall investigate and inquire into the issues in dispute and report to the President with its recommendations to the parties as to fair and equitable terms of settlement.

Now, we are not kidding ourselves about the fact that when a national board makes recommendations, it carries weight. Our recommendation will not be made casually. Management seems to take the position that these boards are always going to recommend against them. Sometimes the unions take the position that these decisions are a personal attack against them.

The chairman of the Presidential board which considered the complaint of the firemen and engineers on the Diesel locomotives for a second fireman and a second engineer happened to recommend against the second fireman and the second engineer. Those operators loved that recommendation. The union didn't like it. The union's interests ran counter to that recommendation. But recommendations like that do have an effect upon the way things are settled. I don't think you can say that these recommendations are one-sided.

Actually, when you look at that second part of our disputes-settling function, the President's asking us to investigate and make recommendations to him about the facts is an adaptation of the Railway Labor Act machinery. It is very close to the procedure that is used in the railroads. Of course that, too, may not be too effective or else the Army wouldn't be in the railway business now.

I think an attack on this part of our disputes-settlement functions is going to be made pretty soon. It will be claimed that we are violating the Taft-Hartley provisions for emergency disputes settlement. I am not a lawyer and certainly not a constitutional lawyer, but the way I read that Taft-Hartley Law, the law is permissive. It does not provide, in my judgment as a layman, that the President in case of public emergency disputes must use the provisions of the Taft-Hartley Law and none other.

To the unions the Taft-Hartley Act has symbolic value. They use that as a standard to battle about. So if we are going to battle about whether our board is contravening the Taft-Hartley Act, I suppose it can be very difficult.

On the other hand, I would like to say this to you: The Taft-Hartley Act's national emergency section provides that in disputes threatening an entire industry or a substantial portion thereof, the President may appoint a board of inquiry. It is permissive. I can conceive very well that in this period of defense preparation an individual plant, not a whole industry at all, could be so vital that some steps would have to be taken in an emergency to avoid a strike in that operation. So in any event we have one disputes-settling function to work with in our wage stabilization procedure.

What do we say about the disputes-settling function? We hope that our recommendations will have an impact on the parties, that we can be helpful in moving the parties closer toward agreement. But you recognize, I hope, that this is not compulsory arbitration. Anybody who says that this step is introducing compulsory arbitration into our industrial relations is not correct.

I think of what Will Davis used to say--"You can't disagree about a fact. You can only be ignorant about it." Some people can be ignorant about this fact, but you can't disagree about it when you see it. The Board can only recommend; it cannot decide. The Board has no powers of compulsion. It is an instrument of voluntaryism. It is a good thing to have a board which can make recommendations and possibly help in avoiding a critical work stoppage threatening national defense. Our procedure is a separate and distinct procedure from that of the Taft-Hartley Act. In my opinion the two procedures are not in conflict. The President simply has available a new tool to use in the settlement of disputes.

In engineering they say that a straight line is the shortest distance between two points; but in industrial relations never. You circle around with your attack, instead of making a head-on attack. I think there are going to be many steps around in this problem. They will not take the short course that is indicated. But we are in a great try-out at this moment, an economic try-out.

In my judgment there is a great economic debate which is about to start over the Defense Production Act, maybe in many ways as important as the other debates. Does this country want the Defense Production Act, with its wage stabilization, its price stabilization, and all the other things? Do you want a pattern? Do you want a solution? Do you want controls or do you want to kick them out?

Now, the decision that is going to be made on that point is going to determine the number of labor disputes in the next few years, how much inflation we are going to have in the next few years, and how good a job we are going to do in allocating manpower. So I say to you I do hope this great economic debate does not get entirely overshadowed by the other debates--debates which are also urgent and very real and important.

Well, I would just like to finish by saying that it is a real privilege to meet with you and to talk over some of the industrial relations problems and wage stabilization problems. They are not just my problems. They are your problems and the country's problems, because the people of the country are going to decide what kind of stabilization program they will put up with to meet this challenge. The job looks tough and it is tougher than the one we had in January 1942. But if we get around and talk these things over and understand each other, I think we can lick this one too. I have every confidence in it.

QUESTION: Is there any place in this labor-management relations program for a public information program? Can't we do more by proper dissemination of information, for example, such as you gave us here this morning?

DR. TAYLOR: I am very hopeful that we will have our regional offices established promptly. We will have in each area, labor, management, and the public participating in our program in that area. We will also have releases of information, published information, et cetera.

There is nothing like word of mouth. Getting anything from reading printed matter is very difficult. I think we ought to have a lot of speakers and have our staff go out and explain our purposes.

COLONEL BARNES: Will those regional offices be at the same points as the price control offices?

DR. TAYLOR: We will follow the same basic pattern but we may have some additional small offices to provide better service. I wasn't satisfied the last time with the Pittsburgh problems having to go to Philadelphia. I think we ought to have a Pittsburgh office for its problems. So I would be recommending that we have more offices than the present pattern.

QUESTION: I wonder what your comments are regarding a planned or calculated type of inflation, which was built into the type of contract such as General Motors signed.

DR. TAYLOR: I think it means this: That the Little Steel Formula broke the link between wage rates and the cost of living. That is what it did. It says that wage rates will not rise even though the cost of living rises beyond the 15 percent point.

We reasoned that we could do it because there were all these other things that the regulations permitted, like in-grade promotions and so forth, so they could still keep their wages abreast of the cost of living even though we held them to the basic rate.

Now, I think they are inextricably linked at this time. I tell you frankly, I see no possibility of breaking the link between wage rates and the cost of living. There are great inflationary potentialities in that, because there will be overtime pay, and you know that is going to increase the consumers' purchasing power.

One reason we don't want to break the link is that the farmers still have their escalator clauses and other elements in our economy have their escalator clauses. I think we are going to have to stabilize the prices of farm products or it is going to drive us inevitably to the question of whether we will be forced to accept a larger subsidy program than before to keep down the prices of farm products. That is the only way you can keep wages down. That is a politically difficult subject when you have subsidies. In the absence of subsidies or in the absence of keeping the cost of living stable, we will not be able to prevent rises in wage rates.

It is out of the question. There is much more to be said on that, but I will cut it short so that you can have time for more questions.

QUESTION: I was very much interested in what you said about the disputes-settling functions of the Board. Can you tell us what the relationship will be between your wage-disputes functions and those of the Federal Mediation and Conciliation Board?

DR. TAYLOR: We are right now engaged in conferences with the Mediation Service and also with the NLRB and the National Mediation Board. We are not going to infringe upon their functions. We are agreeing on what our jurisdictions are, and we are going to make a public announcement to that effect. We are not going to encroach on the Mediation Service--one place where our jurisdiction's touch would be in these emergency disputes which come to us direct from the President.

I do think there should be some kind of a review board or ad hoc committee made up of interested agencies, a committee which could advise the President about the disputes to be submitted to us. One criterion of such a committee should be whether or not the full services of the Mediation Board have been utilized. I could say much on that point.

One difficulty with these emergency agencies is one trying to nick off a little of another's jurisdiction. We have gone over that in our staff and agreed that it is not going to do any good to try to nick off a little of somebody else's jurisdiction. We think that a public statement by all three of us will help in trying to do that.

I indicated that you can't have a wage stabilization program and the right to strike at the same time; they are incompatible. I probably didn't make that clear enough.

What you are seeking, as I indicated, is labor participation and management participation, and in that you get an implicit no-strike agreement. It constitutes an agreement that there will be no need to strike; so they forego the right to strike on wage issues and accept the determination of the limits of a policy as administered by a board. So I would answer your point by saying that I conceive of a tripartite board as an implicit no-strike agreement. In effect the strike would not be used to settle wage disputes properly decided by the Board.

COLONEL BARNES: There would have to be some sort of crossrelationship between the wage ceilings that come from your Board and the price control policies, I suppose?

DR. TAYLOR: Indeed so. The question whether or not a wage increase necessitates a price increase is something that is bothering us very much.

It is difficult to make a calculation, incidentally, as to whether or not a wage increase does necessitate a price increase. We will be talking for many days about that problem.

It is a matter of common sense that some cost ought to be able to be absorbed with the profit levels that we have. In 1951 profits are going to be greater than in the last quarter of 1950. In the first quarter of 1951 they were higher than in the last quarter of 1950. For that reason I think management ought to be willing to absorb some of those costs where these profits are as high as they are; just as I think labor should be willing to forego wage increases in many cases where they would necessitate price increases. That is our job to develop.

COLONEL BARNES: It definitely will be a function of your Board, then, not only to settle disputes referred to the Board in the two methods that you described, but also to analyze and set wage ceilings?

DR. TAYLOR: Yes, it will. One of the first jobs we will have to do is to determine whether or not and to what extent wage increases greater than the 10 percent allowance will be permitted. That point is up in these cases that are before us now--meat packing and shipbuilding--whether or not it will be higher than 10 percent.

Now, we also have to do a number of other things. We are going to have to fix ceilings on pensions and health benefits. These things have an influence on inflation also. We can't let anybody go in with any kind of pension program or maybe any kind of health program that they want. Their argument is going to be that it is better to do it that way because it doesn't create any purchasing power now. Of course it doesn't, but it creates purchasing power in the future. Or, so far as health is concerned, it allows individuals to spend funds that they would otherwise spend for medical expenses, for other purposes. It has an inflationary effect.

But there have been increased costs and increased prices, and we are under instructions to see what kind of limits there should be to the pension programs that can be approved and what limits to the health programs. Let us assume, without anticipating it, that wage rates will be linked to the cost of living. We don't solve the problem just by the way you link them up. You might link one cent decrease in wages to one percent decrease in the cost of living or two cents decrease in the cost of living. Or you might say a nickel wage increase every time the cost of living index goes up one point.

You have to put a limit even on escalator provisions. If you approve of an escalator arrangement, you have to put a limit on it. We have to put limits on these internal wage increases, such as in-grade promotions which I referred to. One of our big jobs is to develop a national wage

policy. Believe me, starting off to put in a national wage policy in a country as diverse as this, with all its different needs, is almost like passing a law compelling everybody to wear size 9 shoes.

QUESTION: Some of us have been concerned about the functions of the public members of your Board. Are they supposed to represent the consumer interest or the national policy interest, or both? Also are there situations in which the two might conflict?

DR. TAYLOR: I would like to answer that in this way--people tell me all the time: "Oh, you public members have the power. You decide the thing finally after you hear the arguments." But that is not true. I have been in tripartite boards for a good many years. A case comes in. The management members take one extreme position and the labor members take another extreme position. The positions are extreme because each side puts down what would most ideally meet its needs. So finally we have two extreme positions.

Now, we could as public members say, "Which one of those two will we vote with? Which extreme position will we support?" We shouldn't support either extreme position, should we? Of course not. We have to consider the needs of both parties plus the needs of the public. So nine times out of ten we have to say, "Here is the solution that we think will meet your needs plus the public needs." We must initiate suggestions.

Now, the restraint on us is that we have to get somebody to vote with us. I would rather have it that way than to sit down at a table and decide what should be done, what would be the best solution for all parties. Nobody is that smart. I want that restraint on the public members, because they are just fallible guys like the labor and industry people. They are not all-wise. They don't know all the answers. I want to have these checks and balances on all our members. Particularly I want these checks and balances on our public members. I don't want the board to issue a decree and then have to call out the Army to enforce it. I don't want that kind of setup.

I have to demonstrate that my ideas are good, and I try to get both sides to come along with them. We can get both of them to go along with us in 50 or 60 percent of the cases. That was our record last time and that is pretty near unanimous. On these tripartite boards you will get this: In one case one of the members came to me and said, "I am going to vote against you, but I think you are right and there won't be any trouble." I call that unanimous.

In any event, there is one more point that I want to make. When a decision goes into effect, we don't call on you people to enforce it. In this whole process it is a bargaining sort of business. It just has to be worked out that way. I think that we do represent the public interest.

I think we represent the public interest when we get something that we think is sound and we get acquiescence. I think that is in the public interest in a country which has accepted collective bargaining as a sound way of handling industrial relations.

QUESTION: What is the significance of the increase in the number of members on the Board?

DR. TAYLOR: The significance is this: When you have management and labor representatives on a board, it is not possible for them to give 100 percent of their time. The difficulty with our first Board was that we didn't have enough labor and management people around to do that business. It is my hope--and this I am going to recommend--that our Board will divide itself into two boards, with six members on each, to sit on different types of cases. That would leave six members free from board service every third week. We are going to ask our management and labor people to give us two weeks out of three, which will enable us to have two boards in operation out of the board membership of 18. I think we can do our business with two boards.

QUESTION: I think most of us are convinced by this time that inflation is a greater threat to this country than the military threat. Now, the country by and large has recognized that military threat and by and large goes along with the mobilization policy that becomes necessary to meet it. Why is there such a total lack of recognition of the threat of inflation? Is it because they don't agree that the stabilization policy that has been proposed is the right way to do it?

DR. TAYLOR: All who know anything about inflation know that we ought to have price and wage stabilization to prevent all these scarce things from adding to the inflation problem, such as manpower and labor. Heaven knows, you just can't have wage and price stabilization without running into problems. If you and I are making automobiles, and let us say that we each get $2,000 for making an automobile. We have $4,000 for two automobiles. If you make a tank instead of an automobile and get $2,000 for making a tank, we have then $4,000 for one automobile. If the price of that automobile is $2,000 and there are $4,000 hunting around for it, the price will go up. We all understand that by now. You can't have that tank and eat it. That is about what it really boils down to.

We are unwilling to have the Government sop up that extra $2,000 in extra taxed or through forced savings. So there is the great challenge, because from all the economic history that I have read, no democracy facing that challenge has ever grappled effectively with inflation.

There are no guides as to how to do that. We have to invent some new techniques. To me the problem of inflation is much more parallel to 1929 than to 1942, where because of chronic unemployment, underemployment, underemployment of both men and our physical resources, we had a downward spiral that we seemed to be unable to stop.

Now, beginning with 1940 and 1941, when this inflationary spiral started from the economic standpoint, it has added significantly to full employment and full utilization of the manpower resources. But in a competitive economy, the high-cost mines would be thrown out of business. We need them now. In the nonferrous metals we have to use every possible resource. Irrespective of its cost, it is used. We are using high-cost stuff all the time.

I would like to make just one other point. From the economic standpoint you know our economy has a wider range of efficiency than at any time before. We have new facilities coming in, new plants, with fine, modern equipment and low cost. At the same time we can't let go of the high-cost obsolete plants. We have to keep them in. Our demand for goods is so great that we want the production of the highest-cost producers irrespective of the price we have to pay to get it. If you stabilize the price on the basis of what it is necessary to pay to pull into production these high-cost mines, we are going to give large profits to the rest of the industry.

That started in 1940. You can't have high productivity when you have high production. High production is needed now, so you have to put up with these submarginal facilities. So you have the question come up: How do you grapple with that sort of problem in an economy where your political pressure impedes removing inflation at its source?

You don't find the answer in 1942. You have to look back to 1929. If you do that, I think you will find the answer or a counterpart of it.

I think it is a terrific problem that we are facing. The economic problems are so complicated that we are likely to be called upon to decide rather technical questions. I mentioned in my earlier discussion that it is almost like going to the electorate and asking them whether you should build a suspension or a cantilever bridge across the river or whether you should have an appendectomy.

COLONEL BARNES: Dr. Taylor, on behalf of all of us I thank you for this wonderfully stimulating discussion.

(9 Aug 1951--350)S.