

## WAGE STABILIZATION IN THEORY AND PRACTICE

20 October 1955

## CONTENTS

	<u>Page</u>
INTRODUCTION--Brigadier General F. E. Calhoun, USAF, Deputy Commandant, ICAF .....	1
SPEAKER--Mr. David J. McDonald, International President of the United Steel Workers of America .....	1
GENERAL DISCUSSION .....	16

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Mr. David J. McDonald, International President of the United Steel Workers of America, was born in Pittsburgh, Pa., on 22 November 1902. He worked in Pittsburgh steel mills in his youth, and is now a member of United Steel Workers Local 1272, Jones and Laughlin plant. While he worked in a steel plant during the day, he attended night classes at Duquesne University, and, later, Carnegie Institute of Technology. In 1923 he became secretary to the vice president of the United Mine Workers of America. When Philip Murray became a member of the Board of the National Recovery Administration, Mr. McDonald served as his assistant. Shortly after the formation of the CIO, he was elected international secretary-treasurer of the United Steel Workers of America. In March 1953 he was elected International President to succeed the late president Philip Murray. He holds many other positions in the CIO: Member of the CIO Executive Board; Secretary-Treasurer, CIO Political Action Committee; member of the General Council of the International Confederation of Free Trade Unions; International and Latin American Affairs Committee. He is also an officer or committee member of: The American Arbitration Association; Community Chests and Councils; American Heart Association; American Cancer Society; National Conference of Christians and Jews. Mr. McDonald has written several one-act plays, and is coauthor of a book "Coal and Unionism." This is his first lecture at the Industrial College.

**WAGE STABILIZATION IN THEORY AND PRACTICE**

20 October 1955

**GENERAL CALHOUN:** Gentlemen: Two of the fundamental elements of our economy are labor and agriculture. Yesterday we heard from agriculture; today we will hear from labor.

Our subject is "Wage Stabilization in Theory and in Practice." Our speaker is Mr. David J. McDonald, International President of the United Steel Workers of America. He has held this post since March of 1953, succeeding the late Mr. Philip Murray.

His union is the second largest in the Congress of Industrial Organizations.

Mr. McDonald has devoted almost his entire lifetime to trade unionism. In fact, his Irish grandfather and Welsh father were officials in steel unions before him. You have seen from his biography that his experience is wide. It has been varied and highly successful. In addition to being an author and a playwright, he is the first CIO official to have been appointed to a high government post by President Eisenhower.

It is a pleasure to have with us today, Mr. David J. McDonald.

**MR. McDONALD:** Thank you very much, General. Gentlemen: I was telling the Admiral, the General, and a few of your friends a little story a few minutes ago. During the war a student body at Annapolis invited me to make a talk one evening. General Knudsen, you know, was the head of the Defense Mobilization setup, and he and I were both invited. Then something happened--the General did not show up. So I went down to the mess hall with the midshipmen and had some dinner. Before the affair was to take place, they announced over the loud speaker that David J. McDonald, the Secretary-Treasurer of the United Steel Workers of America, CIO, was about to make a speech that evening--"Oh, Oh!" Well, needless to say, I was scared to death. But we managed. We had a good time. I hope that we can have a good time today.

Now, on this subject that I am to talk about, "Wage Stabilization in Theory and Practice," well, at first I discarded the idea that I would even mention the subject. I thought I would just talk--as we say--about the union. But as I began to think it over, I put some of our boys in Pittsburgh to work. One young man had a lot of experience on the Wage Stabilization Board during World War II, and he and I talked about the subject, and I had him help me to write a paper.

Now, I don't like to read papers; but I think perhaps that it is necessary that I do read this paper, and then perhaps I will have time to talk a little bit about the United Steel Workers of America--what we are, and what we are trying to do. Perhaps that will be of interest to you. So, if you will bear with me, I will wade through this very very heavy document, and, if you want to have it mimeographed for distribution later on, it is perfectly all right with me.

Now, we say that governmental control of wages and salaries in a democratic society always represents a radical step and one which should be approached with the utmost caution. By that I mean that the imposition of such controls requires justification in the form of demonstrated national-emergency conditions, evidence that indirect controls are inadequate, and requires also an approach which takes into account the many nonwage factors which are significant in the maintenance of a stable economy in emergency periods as well as in so-called normal periods.

It is somewhat surprising to recall that in the past 13 years there have been governmental controls on wages and salaries for almost half of the intervening years. During World War II and in the early reconversion period, wage movements were restricted by the National War Labor Board and its successor, the National Wage Stabilization Board. Again, for two years, during the Korean emergency, wages were controlled by the Wage Stabilization Board. It is not quite three years since the latter controls were terminated.

In other words, in considering this matter of wage stabilization, the knowledge which we bring to the problem is not confined to theoretical concepts, but includes an accumulation of facts based on involvement in wage stabilization practices in recent years.

A realistic wage stabilization program cannot be formulated in a vacuum. The overall circumstances which prevail at a given time

must serve as the guides to the nature of the program to be put into effect, and to its timing. In our two most recent experiences with wage stabilization, conditions varied enormously. For example, at the outbreak of World War II in September 1939, and even 27 months later when the United States was attacked, our national economy had been under-employed for an extended period. More than 17 percent of the labor force was unemployed in 1939 and about 10 percent was unemployed in 1941. Wages were at depressed levels. Average weekly earnings in all manufacturing industries combined were less than \$24 in 1939. In other words, there was no immediate danger that competition for labor would result in the skyrocketing of wages, nor was there the likelihood that serious inflation would result from a sudden demand for goods beyond the ability of industry to produce. Labor-management relations in the prewar period, especially in the mass-production industries, were relatively new.

These, then, represented a certain set of conditions which, along with other circumstances, had to be evaluated when the question of wage controls arose.

The emergency created by the Korean War found a different set of economic realities to contend with, such as, a much lower rate of unemployment, a relatively higher wage level, a larger economy producing much closer to its full capacity than in 1941, more mature labor-management relations, and a swiftly moving upward rush of wholesale and retail prices. Obviously, these differences required different treatment.

It is this necessity to tailor a program to the prevailing conditions, if economic dislocations are to be kept to a minimum, which, in my opinion, is the largest obstacle to advance planning of an economic stabilization program for application in a future emergency.

Nevertheless, despite this imposing obstacle, I am not prepared to say that examination of the problem in advance is futile. Certainly there are general principles with proven validity in prior emergencies which very likely will lend themselves to future application.

The purpose of a wage stabilization program is to restrain wage increases as part of an overall program of economic stabilization so that inflation, which might seriously interfere with needed production, may be prevented. Such an overall program to be successful must be

an integrated one which encompasses controls over prices, credit, profits (in the form of tax policies), remuneration received by individuals, and distribution of goods. It should be designed to maintain a proper balance in the economy by preventing the emergency controls from creating gross inequalities among and within these sectors of the economy, by maintaining sufficient flexibility to permit correction of hardships, and by aiming at the best possible utilization of the Nation's human and physical resources. The wage stabilization part of the program should strive to disturb as little as necessary the normal processes and results of collective bargaining.

Only an all-embracing program can be successful. But I wish to emphasize that this does not mean that a particular emergency situation necessarily requires the simultaneous imposition of all types of controls. The relationship between wages and prices is one of the popular myths of our day. It is sometimes assumed that prices rise solely "because" of increased wages. The Defense Production Act which authorized the imposition of controls in the Korean emergency required simultaneous institution of wage and price controls. Recent public releases of the Office of Defense Mobilization indicate clearly that its preparations and blueprints for another "M-day" call for a simultaneous wage and price freeze.

I would not deny that there conceivably can be situations where such action would be justified. But a theory that wage and price movements must be restricted at the same time, regardless of the circumstances, has no economic justification. Such a theory completely overlooks the inherent difference in the rate of movement between wages and prices. Prices can and do move rapidly when the opportunity presents itself. Companies are free to take almost immediate advantage of a favorable market situation. Employees are not. They face the natural resistance of their employers to higher wages. They are confronted with all types of personal difficulties which militate against changing jobs to take advantage of a more favorable labor market situation elsewhere. If they are represented by a union, there is still employer resistance to higher wages and there is the existence of collective bargaining agreements which have fixed terms often extending many months into the future and which must, therefore, expire or reach a wage reopening period before higher wages can even be proposed. This uneven situation always results in prices moving far out ahead of wages in situations of sudden heightening of economic activity. This drastically disturbs any preexisting balance--and to the detriment of the wage earner.

The Korean emergency illustrates this point. The Korean War began on 25 June 1950. Within three weeks the wholesale price index of 28 spot commodities increased 7.6 percent. By 31 August it was up 21 percent. The consumers price index, which moves more slowly because of the time lag between the increases in wholesale prices and their reflection in higher retail prices, moved upward at an average rate of almost 1 percent a month for the 7 months between June 1950 and January 1951, when price controls were instituted--an annual rate of 11.5 percent.

Did large-scale wage increases "cause" these price movements? Obviously not. Average straight-time hourly earnings of workers in all manufacturing industries combined rose by .9 of 1 cent an hour in the month following Korea; fell by .5 cent an hour between July and August 1951; and showed a modest increase of about 7.5 cents an hour by the end of the year, a large part of which was due to expanding employment in relatively higher paid industries rather than to wage-rate increases.

The clamping of a simultaneous freeze on both wages and prices in January 1951 was, therefore, equitable only on the surface. A closer examination reveals that this action froze serious inequalities to the detriment of wage and salary earners and created a situation which, if it had been allowed to continue, would have dealt a serious blow to morale, disrupted labor-management relations, and would have made infinitely more difficult the task of increasing production as rapidly as it was needed.

It seems clear that the wage-price freeze of January 1951 was ill-conceived. I am, therefore, somewhat disturbed by the indications that a Government agency, the Office of Defense Mobilization, busy with its preparations for a future emergency--should one come--Please God, let's not have one!--leans toward the idea of a simultaneous over-all freeze of the economy. The variety of circumstances which might be present at such a time, which might well make such a cause of action unwise, seem to indicate that it would be prudent to have available possible alternate steps which might be more appropriate.

This brings me to a second principle which unquestionably proved its value in prior stabilization efforts. I am referring to the principle of voluntarism and management-labor participation in Government-stabilization programs.

The conference of leading representatives of management and labor shortly after Pearl Harbor culminated in a "no-strike, no-lock-out" agreement for the duration of the war. This voluntary pledge became the cornerstone of the wage-stabilization and industrial-disputes settlement program of World War II. This initial cooperation formed the basis of the tripartite structure of, first, the National Defense Mediation Board and, then, the National War Labor Board. In spite of the most difficult tensions brought on by a rapidly expanding economy, millions of new entrants into the labor force, the growth of labor unions, and wartime restrictions and dislocations, the no-strike, no-lockout pledge was honored. Time lost because of labor disputes in 1942, 1943, and 1944 was miniscule--less than .1 of 1 percent of man-hours worked. If you recall back in those days some of the propaganda, you would think that the work force was restricted all the time.

Equally important and directly related to the success of the no-strike, no-lockout pledge was the continued cooperation of labor and management at the national and local levels in the work of the National War Labor Board. The participation of management and labor representatives in the establishment of and the administration of wage-stabilization policies greatly facilitated the work of the Board by insuring the fairness and realism of the decisions which had to be made, and by helping to secure general acceptance of and compliance with such decisions, even when they hurt.

I mention this at this time because sometimes the lessons of past experiences are forgotten. The Office of Defense Mobilization, in its work of preparing plans for administering wartime controls of wages, salaries, and prices, if it has not already done so, certainly should include in its plans a study of the best means by which labor and management representatives can be drawn into its advance planning work. Wisdom and experience are not confined to any one group. A blueprint of economic controls drawn up quietly and imposed suddenly in an emergency situation does not appear to be calculated to achieve the most widespread understanding and cooperation, nor are such controls likely to represent the most intelligent way of meeting the problems we may have to face in a sudden emergency.

A third point which I feel is basic in any discussion of wage stabilization is the necessary tie-in between wage controls and disputes-settlement machinery.

An emergency situation which requires direct economic controls also requires efforts in the direction of minimizing industrial conflicts. Our prior efforts have consisted of establishing governmental machinery to aid in the settlement of labor-management disputes. Such machinery was designed not to replace collective bargaining, but to supplement it. Here again, encouragement of voluntary action is important. Most of the problems which arise between companies and unions, even in wartime, can be settled by collective bargaining. This is fortunate, because it is almost impossible to visualize a Government agency capable of solving all such problems. Inevitably, however, there will be conflicts which, in peacetime, would be resolved only after an exercise of economic strength by one or both parties to the dispute, but which, in wartime, must instead be resolved with the assistance of special Government machinery.

It seems to me that there can be no logical separation between the administration of a wage-stabilization program and the administration of disputes-settling machinery. Such a separation of functions would cause constant confusion as, for example, what would occur if one Government agency aided in the settlement of a dispute, and a second agency disapproved the economic terms of the settlement.

I have deliberately confined my remarks to the general approach which I feel should be made to the problem of wage stabilization. The ramifications of the many problems which must be solved through policy-making regulations by those responsible for administering such a program cannot be covered in so brief a discussion. A comprehensive program of wage controls, should such become necessary, would delve into such matters as incentive pay plans, escalator clauses, productivity adjustments, merit increases, rate ranges, rates for new and changed jobs, reclassifications, promotions, wage schedules for new plants, job evaluation, pensions, social insurance, vacations, holidays, shift premiums, and countless others.

However, I would like to set forth in summary form a few factors which I feel are especially important.

1. No program of wage stabilization should be designed to stabilize earnings as such. Stabilization must be confined to wage rates. Increased earnings due to increased incentive production, or an increase in hours of work, or due to shifts in employment to higher-wage occupations, plants, and industries, are all related to increased

production. Controls on earnings rather than on wage rates would, therefore, require wage-rate reductions in numerous instances--a policy which hardly would be in accord with the objective of obtaining increased production.

2. Wage rates should not be restrained below the level necessary to maintain "real" wages. In other words, the imperfections of price control must not be paid for by wage and salary earners. The "Little Steel" formula of the War Labor Board, which limited cost-of-living wage adjustments to 15 percent despite a more than 33 percent rise in the cost of living from January 1941 to July 1945, unfairly penalized workers for the shortcomings of the price-control program.

3. In an extended period of emergency, the growth of productivity in the economy--greater production per man-hour of work--should not be channeled completely into the pockets of employers by wage-stabilization regulations. Such growth should be shared by all sections of the economy. Wage-stabilization regulations should permit appropriate wage adjustments to reflect this growth factor which results in increased production.

4. A wage-stabilization program should never lose sight of its objective--the restraint of wage adjustments which might contribute to inflation and thereby weaken the economy and impede production. Accordingly, there is no need for control of wage and other economic adjustments which do not contribute to inflation, and which do not impede production. Wage increases to correct substandard wages, for example, have desirable effects in the form of improved morale, and yet are noninflationary. Similarly, stabilization regulations are not required to hold in check certain fringe adjustments, such as pension plans, which, by their very nature, are deflationary; since they result in deferring increased purchasing power to a later date.

5. In the administration of a wage-stabilization program there is required enough flexibility to balance carefully what sometimes will appear to be conflicting objectives, such as the aim of restraining wage adjustments, helping to resolve labor-management disputes, and aiding in obtaining the best distribution and utilization of industrial manpower; and

6. To the extent possible, the regulations of a wage stabilization agency should be self-administering. The issuance of clear policy

statements and decisions and the decentralization of operations throughout the Nation are desirable objectives which tend to bring about widespread understanding of the program.

What I have attempted to present to you today is, of course, not a blueprint in any sense of the word. As I mentioned earlier, I believe that the uncertainties of the times in which we live, and the rapid changes which take place in our dynamic economy, make the drawing up of a stabilization blueprint largely an academic exercise.

However, regardless of the uncertainties, of one thing I am sure. And that is: should we again be confronted with a national emergency, the strength, the skills, and the experience of American workers and their unions will once again be at the service of the Nation.

Gentlemen, that is my formal paper. If you will bear with me, I will try to tell you a little about the United Steel Workers of America, our organization, our union.

Back in 1936, on 17 June 1936--it is almost 20 years ago--11 of us sat down in the office of the United Mine Workers of America in the Commonwealth Building in Pittsburgh, Pennsylvania. Our group was headed by Philip Murray, who was Vice President of the United Mine Workers of America. He had been designated by the Congress of Industrial Organizations, which was headed by John L. Lewis, to be chairman of the committee. We called it the Steel Workers Organizing Committee. I was designated Secretary-Treasurer of that group. I was working for the United Mine Workers at that time.

The United Mine Workers had conceived this idea of the Congress of Industrial Organizations, commonly known as the CIO. The idea was to organize all the unorganized workers in the main production industries of our country. For instance, in the steel industry at that time there were about 4,000 organized workers; that's all; about 4,000 organized workers. They were concentrated in a couple of plants in the St. Louis area. They had absolutely no effect on the economic life of our Nation nor on the operation of the steel industry as such.

Well, the mine workers gave a half-million dollars to do the job. They sent me a check for 25,000 dollars to start with. We opened an account in the Commonwealth Trust Company, Pittsburgh, and we went into business--found office space, and so forth, hired people,

opened offices all over the country. Our representatives went out and began to talk up the idea of what we called industrial democracy--bringing a trade union to the steelworkers. We talked industrial democracy until it was running out of our ears, and we sold the steelworkers on the idea that they should have a union. It wasn't easy. It was a really tough selling job to do. About nine months after we started our campaign, lo and behold! an agreement was negotiated with the United States Steel Corporation.

Labor thought that perhaps the United States Steel Corporation would force us into a strike for recognition, but the leaders of the corporation at that time decided that they did not want to get into a strike, because some of them could remember the bitter days of 1892 when there was a bitter strike at the plants of the United States Steel Corporation, and the Amalgamated Association of Iron, Steel and Tin Workers of North America was destroyed. In 1892 this was the most powerful union in America and it was destroyed in that strike. U. S. Steel decided it did not want to go through that again; so a contract was signed between U. S. Steel and the United Steel Workers of America, or, as we called ourselves, the Steel Workers Organizing Committee.

We thought we were in business; that we were going to ride high, wide, and fancy. When we approached Bethlehem, Inland Steel, and Youngstown Sheet and Tube and asked them for wage agreements, they said, "No; we are not going to make agreements with you." We called a strike. It was a tough strike. About 100,000 people, as we say, "hit the bricks." Before that strike was over, about 21 men had been killed and communities were torn apart. It was rough; bitter. During that strike came the infamous Memorial Day massacre up in South Chicago in a field across from the Republic Steel Plant. I think there were 14 men killed that day by the police of Chicago.

It looked as though perhaps the steelworkers movement would collapse. Very few people were paying dues. But somehow or other we always managed to borrow money and we held the organization together. There were a number of dedicated men who were determined that this steelworkers' union should not die, as had all the other previous unions--the Amalgamation Association, and before that, the Sons of Vulcan, around the Civil War days.

So we struggled on, and then, of course, people did begin to pay their dues, and we were able to supply some needed services. Then along came the war.

The war broke out, and of course there was a tremendous increase in the demand for steel, and we began to negotiate some improved wage agreements with U. S. Steel and some of the others. During 1941, when the war was on, we were able to reorganize the workers in the "Little" steel companies, and this time when we asked for agreements, instead of saying no, they said "All right." So we negotiated wage agreements in 1942. We did the reorganizing job in 1941 and made the wage agreements in 1942.

Of course we went to the National War Labor Board. That is when this "Little Steel" formula which I referred to came into being, in our first contracts with these companies--Republic, Bethlehem, Youngstown, and Inland.

Our organization then began to grow. We got the check-off for all the union dues needed in 1942. That helped us in one of the most serious problems we had. It was no longer necessary to have a hand-collection dues system in operation.

We grew rapidly in the war years. Now we have a membership of 1,100,016 members paying dues in the United Steel Workers of America. We have a total membership of something like 1,200,000. Some people are exonerated from paying dues, for reasons of unemployment, and so forth. So our combined membership is 1,200,000 to 1,250,000 people.

They are scattered all the way over the United States and Canada. Although we call ourselves the United Steel Workers of America, we are made up of many groups of workers. Some of them get into our organization by accident. For instance, we have the plant under contract which manufactures baseball bats. How we got that was by accident. A lot of things occur. We have some fellows who make paving blocks, operate quarries, and cut out blocks for cobblestones. At one stage in our proceedings we had a ladies' corset factory under contract. We got rid of that.

We have many different types of work groups in our organization, principally, of course, the basic steel workers in the United States and Canada, and the iron ore miners; the aluminum workers; the can manufacturers; the bauxite miners; the limestone miners; and all sorts of fabricating outfits--the manufacturers of heavy machinery; the manufacturers of railroad equipment; locomotive builders. I suppose there

is something like 85 or 86 different categories of industries which have contracts with the United Steel Workers of America.

We administer our organization through 30 district offices and a national headquarters. We have a total of 285 offices all over the United States and Canada. We have approximately 2,500 local unions. A local union usually covers a plant or a portion of a plant. The prevailing rule is that a plant such as the steelworks at Gary, Indiana, is one local union. In some other situations, such as in Bethlehem, Pennsylvania, because of the geographical layout of the Bethlehem plant, we have, I think, four local unions up there.

Those local unions carry on the day-to-day administrative work for and in behalf of the membership. We have a total staff employed by the national organization of almost 1,000 people. The district directors and the international officers of the union are elected by referendum vote for a term of four years. Officers of the local unions are elected by referendum vote in the local unions, and they are elected for a term of two years. The general staff of the organization, of course, is appointed, and works under the direction of the International President. I happen to be the International President.

I think we have, during the years since 1936 and to date, really brought industrial democracy to the steelworkers. We have brought into being such ideas as, well, the establishment of pension and insurance plans, which were practically nonexistent in the steel industry. Maybe a fellow, if he were lucky, and had been with a firm for 110 years, could draw about 14 dollars a month pension before our agreements. We have changed that. We have pretty fair pension plans now. We have social insurance, the Blue Cross and the Blue Shield plans, and things of that sort, that we brought into being.

Wage rates, which in 1936 averaged 66 cents an hour, have now risen to \$2.50 an hour. I don't have the figures here, but we can prove that this is a real wage increase, and not simply inflated dollars. That jump from 66 cents to \$2.50 an hour on the average really means that the people are in much better economic circumstances than they were in 1936.

This can be proven very simply by taking a look outside of any steel mill and you will see that perhaps the principal problem around there now is finding a space to park automobiles. If you look at any

steelworker's house, you will see that on almost every house rooftop there is a television aerial, and if you look in every kitchen you will see a modern, up-to-date electric refrigerator. The way the people are dressed is different. In addition to that, which is a tremendous psychological factor, the men have a feeling of freedom which they did not have in the old days. We can put it very simply--they have the right to talk back to the boss--which they did not have in the old days.

We have come up with the conception that our economy today is sort of a mutual trusteeship. I have tried to explain this theory, perhaps not very successfully, but I feel as though labor and management, say in a corporation like U. S. Steel, are operating a mutual trusteeship--a trusteeship for the owners of the United States Steel Corporation.

We completely, insofar as the steelworkers are concerned, reject the Marxian ideas. Personally I think Marx was a jerk. That's the way we feel about socialism and communism in the United Steel Workers of America.

I had a tremendous experience a couple of years ago, before Phil Murray died. We had a very bitter strike in 1952. It was a really tough go. At the conclusion of that, Phil Murray, President of the United Steel Workers, and Benjamin Fairless, President of the board of United States Steel, said: "There must be some way we can find to resolve our differences." They decided they would perhaps have to go out and visit the men in the mills and talk with them and listen to them; have a general tour.

Well, unfortunately, Mr. Murray died. Shortly after his death, Mr. Fairless asked me if I would go through with the deal which he and Phil had made. I said I would. Several months later we began our tour. Both of us were a bit apprehensive as to how we would be received. We started our visits in Lorain, Ohio, where we have a very tough local union. We went through the mill and shook hands with literally thousands of men. It was very simple. I would say, "How are you doing? How are things going?" Then I would listen to them. Mr. Fairless and I would make speeches to the combined group representing management and the local union there, the corporation's men and foremen representing management, and officers of the local union, the president and foremen, and so on. We would

quite frankly say we were trying to find the causes of industrial stoppages. I said that the grievances which arose should be checked up at the lowest level with the machinery in our labor contracts for the disposition of grievances. If a man complains, thinks he should be moved up to another job, for example--if Mr. A says he should get it, and Mr. B says he should get it, the question goes on through various steps up to the top management of the local union, the top management at the plant. If it cannot be disposed of there, we have an arbitrator in Pittsburgh who can dispose of the case.

I said, and Mr. Fairless said, we would like the action to be taken at the lowest possible level. We thought if they could settle the cases at the lowest level that wrangling would not develop; that acrimony would not develop; that bitterness would not develop; we could get rid of the things away down there at the bottom.

When Mr. Fairless said that, it was quite a revelation to the representatives of the steel corporation. When Mr. Fairless said, "We recognize the United Steel Workers of America; we accept the United Steel Workers of America," this was an eye-opening thing for some of his managers.

When I told the steelworkers to settle the cases down at the bottom, that was an eye-opener to them also; because some of them would like to play politics, rather than to say to a fellow, "You don't have a case." He would like to let the national union take the rap.

Recently we have negotiated with the can companies, representing 35,000 employees of American and Continental Can, a so-called guaranteed annual wage. We don't like to call it that. It is a supplemental employment benefit plan that we have worked out with them. It roughly provides that a man unemployed will get for a period of 52 weeks 65 percent of his normal earnings.

We expect to present ideas similar to this to the steel corporations when we meet with them next summer. Our plan is quite different from the one negotiated by the United Automobile Workers. We are a little bit proud of what we did. We did it by working cooperatively with the American and Continental Can Companies. We didn't beat them over the head. We didn't need to. We worked the plan out.

The United Steel Workers are looking forward to negotiating such a plan next year in basic steel. The steelworkers are looking forward to the establishment of a real five-day week in the steel industry-- Monday through Friday. The basic steel mills work seven days a week. This is a source of great irritation. Saturday and Sunday work is undesirable. The boys don't like it. This is one of the most popular proposals ever to come to the union--to establish a real five-day week in the basic steel industry. It was worked out in Great Britain, in the United Kingdom years ago. I am sure we can work it out here.

A few more things in which the United Steel Workers of America are interested--these are several of many things: Outside of our economic interests, which are our primary interests, we have a Political Action Committee. We train people to be politicians. We get them to raise money to be spent by the Political Action Committee of the national union on a voluntary basis during election campaigns of all kinds, from the presidential elections right down to the municipal elections. We give the chance to people to express themselves in that fashion. We have trained thousands of our people to be legislative representatives--thousands of them.

We have operated schools. We have schools going currently. We have manuals prepared for them. These people go to state capitals and to municipal groups. They come to see congressmen. We train them to be lobbyists, working in favor of labor legislation, or against unfavorable labor legislation. We operate educational programs.

This summer we had thousands of our members attending schools in 30 universities all over the United States--Penn State, California, Indiana--schools of that nature. We have steelworkers going for a few weeks; they are college students. They live in fraternity houses. They are themselves sort of members of a fraternity for a while. They have baseball teams, golf teams, and so forth. They have quite a time for a couple of weeks. The professional staff at the university teaches them a course designed in cooperation with the Steel Workers Union. This was worked out originally with Penn State.

Our people participate in all sorts of community affairs. They participate in the Red Cross drives; the Community Chest drives, and so forth. They are woven into the very fabric of our Nation today. The local unions, many of them, have built halls and office buildings, and these in some places are becoming real community centers.

We even promote concerts by the Pittsburgh Symphony Orchestra. It may seem strange, but a lot of steelworkers enjoy this tremendously. The Pittsburgh Symphony has gone to the steel towns and brought music to them--Duquesne; Homestead; Canton, Ohio; Bethlehem, Pennsylvania; and so forth.

These are a few of the things our labor union does. There are so many I can't begin to tell you all of them.

This is my story, gentlemen. Believe me, it is a privilege and a pleasure to be with you, and a great honor to be invited to talk with you. I hope I have opened a door or two. Have at me as you will.

Thank you.

CAPTAIN GERWICK: Mr. McDonald is ready for questions, gentlemen.

MR. McDONALD: Don't be ready for answers, though.

QUESTION: Sir, although my grandfathers were not coal miners, I have an Irish wife; so I want to ask this question in as friendly a way as I can. Does organized labor really believe that the Taft-Hartley Act is a slave-labor law?

MR. McDONALD: Yes!

STUDENT: May I have one more question?

MR. McDONALD: You may.

STUDENT: Why?

MR. McDONALD: Gee, I wish I had brought my notes. Well, I will tell you. Well, it can be used, you see in a variety of antiunion ways. For instance, we have organized a plant down in Miami recently, and we went to this particular company and said, "We would like to negotiate an agreement." There are all sorts of tricky devices in the Taft-Hartley Act which give them power to stall the negotiating of an agreement with the steel workers union. Through these devices the stalling goes on. The first thing you know, the membership is disgusted. They say, "Why don't we have a contract? Why can't we get

a contract?" We can't do it because of legal technicalities in the Taft-Hartley Act. If a company does not want to cooperate, it can take advantage of the loopholes that are there.

There is one thing that exists in the Taft-Hartley Act which is the reason I say it is a slave-labor act. That is the suability of unions which is in there. I believe in strict adherence to contracts, once they are negotiated. I tried to describe how our machinery operates--the grievance adjustment machinery. It is entirely possible and I have seen it happen--if a company desires to destroy a union, it will enlist the support of agents provocateur who will deliberately cause wildcat strikes and put the local and national union in a situation where it can be sued. We have no control over that. A fellow can be a member of the union and we may know he is an agent provocateur; under the Taft-Hartley Act we have no recourse. We can't expel him from the union for being an agent of the company. If a company wants to use this provision, it can do so. There have been a number of local unions wiped out of existence by that means. They are sued; their funds are gone; they can't operate; and they fall apart.

Those are some of the situations. There are many more. Those are two I know about.

QUESTION: Mr. McDonald, I would like to ask a leading question. I will warn you ahead of time. We have had several speakers here from Government agencies who have been responsible for establishing standby control. They do so with great reluctance, because, if they have that, they are politically unacceptable. Do you and do the union people object to standby controls to be used if and when they would be necessary?

MR. McDONALD: No; no. I tried to indicate in my paper, perhaps not too clearly, that we do not object to the idea; but what we are suggesting is, let's bring some labor and management people in to work along with them in the designing of these standby controls. We tried to illustrate how, after the Pearl Harbor thing, when we had this labor-management conference on this idea of voluntarism, then we did go to the President and his associates and set the machinery up for working out the wartime controls. I have no objection. I happen to be one of the fortunate people who served on a very special mission for President Eisenhower a little over a year ago, and I perhaps, as some of you know, have some appreciation of what future wars can do. When I said

0075

"Please God, let's not have another one" I was thinking of what could happen in atomic war. A lot of things which were very secret back in those days have recently been made public, such as the establishment of the DEW Line, and things of that sort--operation of the picket planes and the building of radar stations out in the Atlantic. I was given 11 days of very intense--what do you call it?--briefing.

When the National Security Council asked us what we thought, I said, quite frankly, "I am scared to death." I suppose anybody who knows anything about atomic warfare is scared to death. So I am against the idea. I don't know how we can plan for such a drastic thing if it should occur. Goodness knows, we can try. As I said, let's not have it. Maybe we can help. The Government calls us in on other things. What the devil do I know about intercontinental missiles? I was asked to serve. Maybe I made a contribution. I don't know.

QUESTION: Would you care to comment on what the organization would do with respect to pension and seniority in the event we had national service?

MR. McDONALD: In the event we had national service?

STUDENT: Yes, sir--in other words, the drafting of labor.

MR. McDONALD: Oh, well, of course I have always been against the idea of the drafting of labor, based on World War II. Of course we fought against that, and were successful. When President Roosevelt wanted it, we were able to convince Congress not to enact such a law. But again I say, in the event of an H-bomb holocaust, I have no idea. I don't know what would happen in our country. I don't suppose anybody knows. Philip Wylie has written some horrible books on the subject. Perhaps he is closer to the truth of what would occur than anybody else has dared to write. I just can't conceive of an America with 100 cities completely destroyed. I don't know. Perhaps the Cabinet and the Congress would be wiped out of existence. I don't know what would happen. I have no idea. I can't make any sense out of that, sir, I assure you.

QUESTION: Mr. McDonald, my question concerns political action. Organized labor has spent considerable money, and, I understand, considerable effort to deliver a labor vote, and dictated absolutely that

it was in favor of certain candidates. The big feud is coming in 1956. What are the possibilities of effective action?

MR. McDONALD: Well, I am Secretary-Treasurer of the CIO Political Action Committee. My friend here, George Rettinger, is Comptroller of the Political Action Committee. We have had more experience, I suppose, than anybody else in the labor movement, in raising funds. I dictate a vote--mine. I could not even tell Rettinger how to vote. I tell him to make up his own mind. That's the way the steelworkers operate. That's the way everybody operates. We don't tell them how to vote. We attempt to educate them on the issues involved. We attempt to educate them on who we think is the best candidate. But, Oh, Boy! they sometimes tell us in the ballot box how they felt about our recommendations. We worked awfully hard to defeat Senator Taft in his last campaign for the United States Senate in Ohio. Boy, Oh Boy! He carried those industrial areas. We didn't do any dictating to them. They said they liked Taft, and voted for him; right in the Youngstown area! They thought he was the best man.

Insofar as money is concerned, we put on a vigorous campaign every year. We try to get a dollar from each member of the union to spend for political action, and we spend it in conformity with the mandates of existing laws. I think, George, that the best we ever did was about 15 percent. I don't know whether we got even that. Maybe it was 12 percent of the members that we were able to convince that they should contribute a dollar for political action. What's about our maximum record? Two hundred thousand dollars?

MR. RETTINGER: About that; about 200,000.

MR. McDONALD: I think about the best year we ever had, we collected 200,000 dollars.

Does that answer it, sir?

QUESTION: Sir, we have had a fairly steady dollar for the last few years, and a fairly steady cost-of-living index. Assuming that the productivity increases three percent, and say, not more than five percent, in a normal year, what was the basis for the demand incident to the last wage increase in the steel industry, sir, because, based on what we have been led to believe was the basis, the increase given was an inflationary increase, in that it exceeded the increase in productivity?

00750

MR. McDONALD: Well, you see, we don't believe that a man's wages should be tied to the cost of living or to productivity increases, or any arbitrary yardstick. We think that we should be able to negotiate on the basis of the condition of the industry at the particular time. If you tie your wages to either of these or both of these factors which you mention sir, then, as I see it, there is not a chance of a fellow really getting ahead in the world. We like people to have a chance to get ahead in the world.

We presented arguments, economic arguments, of all kinds. It took about, I suppose, six hours of discussion to present our reasons why we felt the steelworkers should get a wage increase. You will know that there are all sorts of intangibles which occur. You design all these new economic arguments. I believe all of us get into an argument together. Jack Stevens and I fight all night; then, for some reason or reasons, we have an agreement. Those are the intangibles involved. We don't believe in specific formulas. One of the arguments we made was, "Look at all the dough you guys are making. Give us some." That's what it amounted to, after all the fancy arguments were over.

QUESTION: How does the Steel Workers Union feel about a profit-sharing plan, to share the ups and downs in the profits of the steel industry, versus the various incentive wage increases?

MR. McDONALD: We are against the profit-sharing idea. We don't like it. The steelworkers all want incentive plans. Everybody wants an incentive plan. In some steel companies, everybody has an incentive plan of one kind or another. They have different clauses in them. In U. S. Steel, for instance, today, the feeling for wage incentive plans is being instilled in the minds of those who don't have incentive plans. Everybody wants an incentive plan--machinists, bricklayers, and so forth. There doesn't seem to be enough industrial engineers around to get the jobs done quickly enough. In Sharon Steel, a small company, the workers there are completely covered by incentive plans.

We have industrial engineers in our employ who work in this field. If the company offers an incentive plan at a certain plant and the boys don't like it, some of our industrial engineers go in and work it out.

As I said, they have these incentive plans. They are very scientific, when you get into the designing of them. Sometimes it becomes a trial and error test to see whether a plan will pay 30 percent or 50 percent or something of that sort.

QUESTION: In most of the discussion that we have had with reference to the standby legislation, or across-the-board freeze, it has been brought out that that is an important expedient until you can gather your wits or actually sense the direction in which the emergency is going to go, and, further, that they expect, after that across-the-board freeze, to open the door, at whatever time there is a legitimate basis for it. On that premise, would labor necessarily be placed in a bad position?

MR. McDONALD: We try to show in those several illustrations in my paper where the prices skyrocketed, while wages were frozen, in World War II and Korea, where we fell behind very badly. I don't remember the figures we used. In World War II we had a 33 percent cost-of-living increase, and the wage increase was only 15 percent, despite the increase in productivity. We did get additional earnings through the installation of incentive plans. You know the productivity factors that were involved. We think this was not fair. There was a 33 percent cost-of-living increase, and wages rose only about 15 percent.

In the Korean situation I forget what the figures are. I think it was 7.5 cents an hour in the first year as the wage increase. I can't recall what we said on prices--15 percent, or something like that. It is in my formal paper.

STUDENT: As I understand it, this plan would freeze prices and wages simultaneously, and any relief would be in consideration of both.

MR. McDONALD: Our experience in the past--we can only talk about our past experience in World War II and Korea--was that it worked on wages, but it didn't work on prices. Everybody put in his price boost immediately. The fellows knew there was going to be a freeze. Whango! When the prices increased, collective-bargaining controls were in effect, and by the time we could negotiate wage increases, the freeze was on and we were stuck.

QUESTION: Would you explain to us your reasons for not favoring profit-sharing plans? It appears to me to be a very fair method, to permit the employees to share in the profits, and when times are bad, there are no profits; so there is justice.

MR. McDONALD: About the only reason I could give you is, I think it negates the principle of bargaining on both sides. You have something set; that's it. I am held over from the United Mine Workers school. I was trained by Phil Murray and John Lewis. They had some experiences years ago with profit sharing. Nobody was happy about it, neither the companies nor the employees. So I guess I have a fixation on the subject, without being able to explain it to you in detail. Our only interest is in negotiating and other collective-bargaining procedures on the part of both the company and the union.

That's about the only answer I can give you. I wish I were more expert, and able to help you.

QUESTION: Sir, are there any fundamental differences between bargaining with Canadian firms and bargaining with the United States firms?

MR. McDONALD: No, I don't think so; I don't think so. The labor laws are a bit different up there, but the procedures are about the same; if that is what you mean.

STUDENT: Yes, sir.

MR. McDONALD: Yes, the procedures are about the same. We have a national office up in Canada. We have research people there, and a few engineers. We proceed about the same way. They are behind the American steelworkers in earnings and rates right now. There's a lot of discussion about the installation of incentive plans in Canada. We operate about the same.

QUESTION: In the final analysis, due to full employment, the Korean War was paid for by a temporary reduction in the standard of living of the American people at home. You made a statement to the effect that in a situation like that war wages should not fall. How do we justify the two?

MR. McDONALD: I don't know. I don't get you.

STUDENT: We can't have our cake and eat it, too. Now in the net result, payment for war comes off our table, off our taxes, or out of our garages. You can't keep war wages up and pay for a war, in my opinion.

MR. McDONALD: I see. Well, I don't know. What about profits? Freeze everything--that would be a deal. Try to get away with it. I don't know. That's the only answer I can give you. Just try to freeze profits in this country. Boy, you would have more hell raised in the United States Congress than you could handle; by lobbyists, and everybody.

QUESTION: Mr. McDonald, How does the union feel about their responsibility toward charges generated as damages incurred during a strike by union members?

MR. McDONALD: Why, I do not recall one single instance where any damage was caused to any plant by a union man.

STUDENT: How about public property, other than plant property?

MR. McDONALD: I don't know of any. You don't think I would admit that, do you?

QUESTION: Mr. McDonald, I was interested very much in your recount of the steps taken in organizing the steelworkers, and I am very much interested in what the initial reaction was among the workers to being organized. Why did they object to it? I am also interested in whether or not their reaction at that time was similar to the reaction that you get in trying to tell them how to vote; and think maybe the unions are going to be able to get the authority over the labor vote.

MR. McDONALD: Well, O. K. Now, you know as well as I do that it is an absolute physical impossibility for a union to control a man's vote. How in the world could I--if I work for the Jones and Laughlin Steel Corporation--in the Jones and Laughlin mill in the Southside in Pittsburgh, I am a member of the local union. If I should go around and say, "I demand your vote for Joe Blow for United States Senate," they would just tell me, as they are American citizens, to go to the devil. I can't approach anything on that basis. We operate the same as a politician does. I say, "I think you ought to vote for Joe Blow because of these factors." Maybe I sell them; maybe I don't.

The same thing occurred originally in the organizing of the union. We had a great fear complex. Some people, as soon as they had the opportunity, joined immediately. We had a great drive, and thousands joined up. Others were afraid to join. They thought if they joined the

union they would get fired. There were some instances where men got fired for joining the union. We had case after case dragged through the National Labor Relations Board. Some we won; some we lost. But some were fired. In Republic Steel there were hundreds fired because of joining the union. We finally won the cases in the courts. I think Republic Steel paid out 7.5 million dollars in lost wages because of the illegal discharging of men who were fired for joining unions.

We did have this fear. It's the same in any other selling campaign. The Army, the Navy, and the Air Force have recruiting officials trying to convince young men to join the Army, join the Navy, join the Marines, join the Air Force. I hear radio programs urging young men to enlist, and so forth. It was a constant selling job. Finally the idea caught on, and people began to believe they needed this industrial democracy. Once they believed it, we were off to the races. That is how we got 1,200,000 members. This goes on every day. There's nothing static. Our fellows are around all the time passing out handbills, talking to people, telling them what benefits they get out of the union. A number of people are organizers. We hold an election. If the majority want us, we go to the employer and ask for a contract. If the majority don't want us, we fade out of the picture; maybe try again next year. That's the way it operates.

QUESTION: Sir, you hear a great deal from the press and from the general public about the management of union funds; the dues. Even in recent months I read an article in the Wall Street Journal with reference to union leaders playing footsies with Wall Street brokers in buying common stocks. I wonder if you care to discuss that.

MR. McDONALD: Yes, I will be delighted. When we started the Steel Workers Union, we brought in men from one of the largest auditing firms in the country. They have offices in most of the principal cities. There is one in Washington. We brought in the senior partner, Mr. M. C. Conick, to set up our internal control machinery and to set up the machinery for controlling the funds in local unions. We set up a system of bonding of local union officers and national officers who have anything at all to do with the finances. We set up a system for auditing the accounts of the local unions and the national union. Men from that company audit our books twice a year. Our audit is made public. It is usually summarized in the Wall Street Journal--you made reference to the Wall Street Journal. It goes to our local unions. We send it to every member of Congress, to the President, to the Cabinet members, to leading clergymen throughout the Nation. We send it to every

important library in the United States and Canada. We make general distribution of this, so we operate in a goldfish bowl so far as funds are concerned.

Insofar as purchases of common stock are concerned, some unions are fooling around with them. The most notable instance is the teamsters' purchase of the Montgomery Ward stock. They purchased that for their pension fund; for their welfare fund--call it what you will.

The steelworkers don't get into that sort of operation at all. We have some common stock. We have one share of common stock of almost every company with which we have a contract--one share. The reason we do that is very simple. We want to get a copy of their financial statement. That's the only way we can get it. We go into the market and buy a share of the stock. I am one of the trustees. We get their financial statement so that when we go into collective bargaining we don't have a hit-or-miss system; we know what we are talking about.

Our pension funds are not controlled by the union. U. S. Steel, which I use as an example, United States Steel Corporation, controls their pension fund. We examine the financial statement, but we don't spend any of the money. Our philosophy is somewhat different from that of some other organizations. We are interested in the benefits which the member of the union will receive as a pensioner. That is far more important to us than the idea of controlling the funds. It will supply him a pension. That is our philosophy.

We just don't have the funds. As a matter of fact, we don't care what they do with the dough, just so they invest it soundly. If, for example, U. S. Steel wanted to build the Fairless Works out of money in the pension fund--Fairless is a good plant; it's going to make some dough.

QUESTION: Mr. McDonald, I just want you to express an opinion. Would expenditure rationing as a means of direct control in time of emergency be a means to curb inflation?

MR. McDONALD: I guess it has to be. We have to have rationing. I don't know whether I can make sense out of it now. I always come back to the experience we had in two wars recently--three wars--World War I, World War II, and the Korean show. We had some sort of

controls in each situation. But again I say, if New York, Washington, Pittsburgh, Detroit, Chicago, Los Angeles, Seattle, San Francisco, et cetera, et cetera disappeared from the face of the globe with H-bombs--bango!--you are gone. There are seven million casualties in New York City. I don't know. I am completely confused at this stage. I don't know what in the world you would do. I don't know whether we would even have a government. Maybe we would have 50 governments operating in our country at one time, until we were able to pull ourselves back. This is beyond my power of comprehension. I get completely lost in this thing. I have been briefed, and I am scared.

CAPTAIN GERWICK: I am sorry we have no time for the rest of the questions. Our time is up. On behalf of the College, thank you very much for a very fine presentation.

MR. McDONALD: It is a great pleasure to be here.