WAGE STABILIZATION IN A DEFENSE ECONOMY*

1. THE WAGE STABILIZATION PROGRAM


Permits the President to establish price ceilings, either selective or general, and, in the event of such action, requires concurrent stabilization of "wages, salaries, and other compensation."


Explains the grounds on which the Committee on Banking and Currency included stand-by wage and price controls in the Defense Production Act and discusses the intent of the specific provisions.


The order establishing an Economic Stabilization Agency and providing that it shall include a nine-man, tripartite Wage Stabilization Board.


"There is no way of superimposing a rapidly expanding defense effort upon a tight economy ... without the whole price and wage structure being moved up a notch, or even several notches. . . . The real problem . . . is to prevent the price and wage structure from moving upward so many notches that we get into serious trouble."

2. EXPERIENCE WITH WAGE STABILIZATION DURING WORLD WAR II

Balderston, C. Canby. "What has been happening to employee compensation?" *Personnel* (330 W. 42nd St., New York 18), March, 1945. pp. 266-271. $1.00.

A summing up of the gains and losses to employers and employees of wartime wage trends.

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* Items from this list should be ordered directly from the publisher. Addresses are given in connection with each reference.

An examination of the effects on the control of inflation of basing wage rates on living costs. Although concerned with the problems of a wartime economy, the argument is pertinent to any period when the threat of inflation exists.


Attempts "to trace those rules and principles of the Board's common law of industrial relations which may, perhaps, be expected to survive this war, either in the form of statutory labor law or as rules of peacetime industrial law."


Argues for the public advantages of the tripartite composition of the Board as an agency to administer wage stabilization because it gave organized labor a share in responsibility for administering the program. Also states that "the program was observed by an overwhelming proportion of the substantial and responsible companies. . . ."


A review of the effects of the National War Labor Board's policies regarding substandard wages, cost of living adjustments, and labor market area "brackets" on specific individual or job rate inequities, sex differentials, differentials between incentive and nonincentive workers, and individual worker advancement. The author's general conclusion is that these policies "accelerated the centralization of internal wage controls" and "fortified organized labor's position in determining intraplant job rate relationships as well as general plant-wide adjustments." With specific reference to internal wage rate rationalization, he believes "the Board made a positive contribution to industrial relations."


An economist associated with the Regional War Labor Board at Atlanta criticizes the ineffectiveness of the Board in achieving wage stabilization and examines the reasons for this. Those mentioned include inadequate techniques for "directing and controlling the flow
and distribution of manpower,” the tripartite nature of the Board, and
the application by the Board of “welfare concepts.”

Taylor, George W. Government regulation of industrial relations. New
A substantial portion of this book deals with the impact of defense
and wartime controls on collective bargaining. Of special interest is
the discussion of the wage stabilization program (pp. 171-196).

United States Department of Labor. The termination report of the Na-
tional War Labor Board; industrial disputes and wage stabilization
Government Printing Office. 1948-1949. 3 volumes. $7.25.

—The National Wage Stabilization Board, January 1, 1946—Feb-

These reports are source material for study of the operation of the
wage stabilization program.

3. VARIOUS POINTS OF VIEW REGARDING CURRENT DEMANDS
FOR WAGE INCREASES

Chamber of Commerce of the United States, Committee on Economic
Policy. Policies and controls in a war-burdened economy. Wash-

Analyzes the demand for cost-of-living pay increases and points out
that so far as this means more purchasing power for the same output
of consumer goods, it contributes directly to the inflationary spiral.

Recommends that “total spending power” be kept “in line with civilian
supplies” by a “vigorous fiscal-monetary policy.”

The CIO News (218 Jackson Place, Washington 6), September 4, 1950.
“CIO offers program as a means of helping to halt totalitarian ag-
gression.” pp. 6-7. 5 cents.

Text of an economic policy statement issued by the CIO Executive
Board on August 29. States that labor has lost in purchasing power
and “seeks to redress these inequities through collective bargaining . . .
There is ample room for wage adjustments without disturbing exist-
ing price levels.”

Labor’s Monthly Survey (American Federation of Labor, 901 Massa-
chusetts Ave., N.W., Washington 1), July-August, 1950. “USA
prepares to defend freedom.” 12 pp. Whole issue. $1.00 yearly.

The last five pages of this bulletin are particularly concerned with the
problem of economic controls. Advocates voluntary action by manage-
ment, government, and labor to curb inflation and points out that “It
has long been Federation policy to negotiate wage increases without
raising prices.” Advice to member unions is “Plan for the wage in-
crease you need and be ready to cooperate with employers in saving
costs to pay for it. We must take responsibility to do our share and
cooperate to prevent price rises if we want to avoid wage controls
which will shackle collective bargaining.”

In discussing the impact of a permanent arms economy on wage agreements, the author predicts that real wages will drop in spite of escalator clauses through the effects of any one of several possible government policies.


Contends that wage controls are not necessary in every industry where price ceilings are established because "it would be extremely unfair to hold down the wages of certain groups of workers when the major cost-of-living items which these workers buy remain uncontrolled. Moreover, it would be the height of injustice to control the wages of one group of workers when the wages of other workers engaged in less essential work are allowed to rise."

4. Company Planning for Wage Stabilization


Outlines the steps which management should take in preparation for wage controls.


Outlines eleven steps which management should take "to protect itself wage and salarywise in these uncertain times..."


Professor Tolles suggests that in expectation of a period of inflation companies should pay particular attention to the following means of adjusting to the situation: cost of living and productivity adjustments of wages, wage adjustments outside the pattern, resisting the squeeze of wage differentials, and increased emphasis on training and promotion.


Questions and answers outlining "rules that probably will be followed if controls again are put on." Emphasizes the importance of establishing a system of salary ranges and putting it in writing.