# SOME PROBLEMS OF ECONOMIC STABILIZATION

BY GIL GREEN

THE tide in the war has turned in favor of the United Nations. The awe-inspiring victories of Soviet arms create the possibilities for decisive victory over Hitler in a relatively short period of time especially if these are taken advantage of by the prompt launching of a European second front. Yet, at a time when the United Nations hold the offensive on the military front, the defeatists and reactionaries have grasped the offensive on our home front.

It is this offensive of the appeasers and reactionaries at home that today constitutes the greatest menace to the national war effort. The Vandenbergs and Wheelers in Congress are leading the wolf-pack against the win-the-war policies of the National Administration, against the labor movement, against the anti-inflation program of the President. Together with the Lammot du Pont clique in the N.A.M., with the Eddie Rickenbackers and Westbrook Peglers, they are doing their best to stir up class and sectional strife, to break national unity and to create distrust and suspicion between the U. S. and its Allies.

What explains this rather anomalous situation?

In the first place, the very prospect of imminent victory over the Axis has made the defeatists more desperate and more determined to disrupt and sabotage our war effort and pave the way for a negotiated peace with Hitler.

Secondly, the improved fortunes of war have led narrow-minded circles of the ruling class to consider the war as already won and to revert to good old business-as-usual and politics-as-usual ways. Some of these have become more frightened of the consequences of a Hitler defeat than they ever were of a Hitler victory. This explains the attitude of a number of poll-tax Senators and Congressmen. Yesterday, they supported the President because they feared the menace of Hitler world conquest; today, they ignore the needs of the war, fear the consequences of a people's victory, and join hands with the reactionary Republican opposition against the National Administration.

Thirdly, there is the disquieting tendency of various Administration circles timidly to retreat in face of the reactionary attacks, fearing to take the issues to the country at large. This was expressed in the fight on the anti-poll tax bill; in the calling off of the F.E.P.C. Railroad hearing; in the fight to keep Representative Marcantonio from obtaining a seat on the Judiciary Committee of the House; in the resignation of Henderson as the head of

O.P.A.; in the failure to muster all Administration and progressive strength against Dies; in Attorney General Biddle's shameless removal of Maloney as chief prosecutor of the thirty-three indicted Nazi agents; and in numerous other instances.

Fourthly, and most decisive of all, is the fact that the defeatists and reactionaries, although weak numerically, make up for this by their unity, their high degree of organization and their political gall. The win-the-war forces on the other hand, while stronger in influence and larger in numbers, are nowhere as well organized, are still far from united and for the most part less alert and articulate when it comes to political struggle. It is this weakness of the win-the-war camp, and of important sections of the labor movement in particular, that explains the tendencies to retreat in certain Administration circles.

The numerical weakness of the defeatist camp should not be mistaken for an inability to confuse and mislead millions of people. The recent natonal elections showed that these reactionary forces know how to confuse the thinking and influence the actions of scores of millions. They do not, of course, dare to parade in their true colors as opponents of the war effort. But they have shown a devilish ability to pick up economic issues and grievances and utilize them for their disruptive, treacherous objectives. Bearing the main responsibility for the failure of the country to achieve a centralized planned war economy and a workable anti-inflation program, the defeatists and reactionaries have succeeded in deflecting a good deal of responsibility from themselves and onto the President and the war effort as such. It is around these issues that they smuggle in their whole defeatist position, as the following instances will show:

The country is in the throes of solving its manpower problem. This problem is in the first place one of pooling and planning, for there is no dearth of available labor supply nationally; there is only bad distribution and organization of the supply on hand, as Earl Browder has repeatedly emphasized. What is the answer of the defeatists and reactionaries to this problem? Do they propose ways and means to utilize the vast reservoir of unused manpower in the ranks of the women and the Negro people? Hardly. Herbert Hoover takes advantage of the shortage of farm labor, not to help solve it, but to use this problem as a springboard for projecting his whole defeatist program. He argues in one breath that the war is as good as won, and, in the next, that it will last from three to five years more. The main burden of his plea is that there is no need to over-exert ourselves, time is licking Hitler and Hirohito for us. What we ought to do, according to Mr. Hoover, is demobilize a large section of our armed forces, put off the invasion of Europe to some indefinite future and thereby "solve" our manpower crisis.

Senator Bankhead has a similar "solution." Whereas we have a manpower shortage and whereas Russia and China are already in contact with the main forces of the enemy, why not a little division of labor, reasons the Senator. Let Russia and China do the fighting and the dying and America will do the producing and supplying!

In the transition to all-out war economy the nation is likewise beginning to feel the pinch of its first commodity shortages. In a sense, this is inevitable under war economy. It is not possible to gear our whole economy to the production of the weapons of war and the supplies necessary to wield those weapons without creating certain shortages in consumers' goods. Yet here, too, our problem is not so much one of acute shortage, but of failure to plan, to pool, to apply the principle of democratic rationing; in short, to organize. What the people object to so strenuously is not shortages *per se*, but that there seems to be no central plan of control, no rhyme or reason to the present disorganization and confusion. What embitters so many people is the general elasticity of price ceilings, the feeling of uncertainty as to the morrow and the knowledge that those who have the most money can still get everything they want without difficulty.

How have the defeatists met this problem? They have merely exploited the issue of shortages, for which they bear primary responsibility, in order to demand an investigation of Lend-Lease, in order to poison the minds of the more backward into believing that the government is sending meat and butter and canned goods abroad for purposes of "globaloney" instead of to our own armed forces and to those of our Allies.

The problems of war economy and economic stabilization are therefore not only essential of solution in the interests of maximum war production, they are at the very heart of the complicated political problems we face. The economic dislocations arising from the transition to a total war economy produce certain strains that require delicate readjustments. The defeatists and reactionaries are exploiting these strains, are taking advantage of the slowness of the Administration in introducing a semblance of order and planning in our economic life, in order to create sharp tension and friction between various class groupings leading to internecine class warfare. Earl Browder was profoundly correct when he pointed to the struggle for a centralized planned economy as the "link to mobilize the country politically against the reactionary and defeatist forces."

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What at this moment is disturbing most people and creating the greatest stress and strain in our economic life and class relationships, is what James F. Byrnes, Director of Economic Stabilization, has aptly termed "creeping inflation." Industrial workers, salaried employees, whether civil service or white collar and professional workers, lower middle class groups, and poor farmers, are considerably disturbed by the continuous rise in the cost of living and the inability of the Government to establish any degree of economic stabilization.

On this question especially, the defeatists and reactionaries are adept at traveling in opposite directions at the same time. They never hesitate to give their support to the inflationary demands of the so-called farm bloc, a bloc that in reality represents the interests of the food monopolies and not the farmers, and at the same time place the full responsibility for "creeping inflation" upon the Administration. As on other matters, the Administration is not getting credit for the many positive things it has accomplished in price control, but is getting the full blame even for failures that are not of its own doing but of the reactionaries in Congress.

Whence arises the danger of inflation? As a general rule, prices under capitalism are regulated by the interplay of supply and demand in market relations. When supply exceeds demand, the tendency of prices is to go down, as in periods of depression, except where artificially maintained through monopoly control. When demand exceeds supply, prices tend to shoot up, as in periods of industrial boom.

In war economy the bulk of production is no longer for the market and can therefore no longer be regulated by the market. Production in the main is for the war. At the same time, however, there takes place a great rise in the purchasing power of the masses. Reactionary employers credit this rise in purchasing power largely to increased hourly earnings on the part of workers, but this is patently false. This expansion of purchasing power is explained primarily by the return of millions of former unemployed to production, by the inclusion of additional new millions into the working class and by a general lengthening of the work day and week for labor as a whole.

Here we come upon the paradox of war economy. In peace economy the greater the demand, the greater in time becomes the supply. In war economy, however, we face a swollen demand for consumers' goods and a relative and absolute diminishing supply, because more and more of industrial capacity is diverted to the production of arms and materials that do not find their outlet in the market but are sold under contract to the government.

The extent to which these huge government expenditures for the war call the cards in our economy today can be seen when we compare the government expenditures for economic recovery in the depression years with those for the war today. From 1935 to 1939 the government spent for industrial recovery some $250,000,000 a month. Today, to finance the war, the government spends some $250,000,000 a day.

It is therefore obvious that the regulating influence of the market relationships of peacetime no longer plays that role today. To permit the market relationships to determine prices during the war is to give the green light to a runaway economy —to inflation on a grand scale.

The difference between consumer income on the one hand and the value of goods available on the other has been dubbed by bourgeois economists as the "inflation gap." James F. Byrnes declared in his recent address to the nation that the "inflation gap" at this time is as high as $16,000,000,000. According to Mr. Byrnes, $16,000,000,000 must be removed from the hands of the consumers in order to remove the pressure for higher prices.

We are not in a position to argue with Mr. Byrnes as to his figures, but it is not at all improbable that the size of this "inflation gap" has been exaggerated. However, we would like to take issue with Mr. Byrnes' premise that this excess purchasing power is responsible for the inflationary threat. When Mr. Byrnes concedes this point, he is conceding the main argument put forth by reactionary Big Business circles against the economic policies of the Administration.

In fact, this same argument is being used by the *New York Times* against Mr. Byrnes himself. The *Times* has violently objected to Mr. Byrnes's forty-eight-hour week order because of the provision for time-and-one-half pay for all weekly hours over forty. In an editorial on this question, it asks:

"At a time when the total supply of civilian goods is constantly shrinking... is it wise, is it non-inflationary, to pursue a wage policy designed to give every worker the purchasing power to command as much goods and services as ever? In other words, is it wise, is it non-inflationary, is it even in the long run possible to keep wages abreast of the rising cost of living?"

Thus, the *Times* takes a stand not merely against any wage increases but against the very principle and conception of wage stabilization. This was further indicated a few days later when the *Times* not merely came out against an upward revision of the Little Steel wage formula but against the Little Steel formula itself for "this formula, even if adhered to, is itself inflationary."

The so-called anti-inflation program of the *Times*, the Scripps-Howard press and the N.A.M. is little less than a plan to place the full economic burden of the war on the backs of the lower income groups through wage freezing, high taxes and a controlled rise in prices.

Why did Mr. Byrnes succumb to the leading premise of the *Times?* Because he has forgotten the main reason for the existence of his office. The mere fact that we have established an Office of Economic Stabilization is proof of the fact that we realize that the normal market relationships cannot under war conditions regulate or stabilize our economy. The former role of the market must now be replaced by the direct intervention and control of the government, by centralized planning with democratic rationing and rigid price control.

Given democratic rationing and real price control, and the amount of money in circulation will no longer determine prices. Every man, woman and child in the nation will get only the due share of available supplies, regardless of how much money he may possess. With such democratic rationing of all essential goods; with dollar-and-cent fixed prices; with prison sentences as the penalty for speculation and black markets; with a curb on profits and a tax program based on the ability to pay; the so-called "inflation gap" need no longer be a danger and the excess purchasing power in circulation would far more easily than today find its outlet in the purchase of government bonds and stamps to help finance the war.

The advantages of such a solution as against that proposed by the *Times* are numerous. First, it would guarantee that all would receive their share of the available supply and that rich and poor alike would get the basic necessities of life. Secondly, it would heighten national morale and become a boon for increased production and strengthened national unity, as against he program of the *Times*, which would lead to lower morale and sharp class battles. Thirdly, it would maintain wage and health standards. Even if workers in higher wage brackets could not profitably spend all their earnings today, they would at least have the satisfaction of knowing that their employers were not taking undue advantage of them and that their savings would be used as they saw fit after the war.

When the Little Steel wage formula was accepted by labor it was done in good faith and with the understanding that not only would wages be controlled but all other wheels of our war economy. It was understood that price ceilings would be placed over all essential commodities and that these would be rigidly enforced. It was likewise understood that excess profits would be curbed and that a $25,000 ceiling would be established over personal earnings.

Events since then have proved to labor that only wages have thus far been controlled. The cost of living has constantly mounted. Food prices alone have risen by 10.1% since May, 1942, and food is the largest single item in the budget of a workers' family. Many workers have lost faith in the willingness and/or ability of certain government agencies to impose rigid price ceilings, for Prentiss Brown, the new head of O.P.A., has himself endorsed a "normal" price rise of ½% a month. At the same time, they note that corporation profits are at record peaks. Leon Henderson, in his last public address as head of O.P.A., exposed the fact that "corporation profits have risen from $5,300,000,000 in 1939 to approximately $20,000,000,000 this year," and that "the corporations are able to pay higher wartime taxes and yet have as much left as in 1929, the boom year, and twice as much as what they had in 1939, the year before the war." Nor should the urge for increased war profits be ignored as a great contributing factor to speculation and inflation. This is the background for the increasing pressure within the ranks of labor for wage increases and for an upward revision in the Little Steel 15% wage formula to take into account the rise in the cost of living since May, 1942. This demand is just. To refuse to adjust wages to the increased cost of living is to make a cynical mockery of the phrase "economic stabilization"; for there can be no stabilization if ceilings are imposed and enforced on wages alone.

Mr. Byrnes in his recent radio address correctly points out that in the year 1943 all of us will have to accept greater burdens and deprivations and that "there is no way we can hope to improve or even to sustain our customary standards of living during the coming war year." Some workers may not yet understand this but it is unquestionably true that the vast majority of the workers are ready to accept whatever sacrifices may be necessary to achieve victory.

The workers want assurance, however, that the full burden of the war will not be placed on their shoulders and that their essential needs will be met, for this is necessary in the interest of maximum production for war. That assurance does not yet exist. If anything, the opposite is true. While it is true that wages in certain industries are relatively high today, it is likewise true that millions upon millions of workers still receive substandard wages. Is it not also true that the failure to fix prices and ration has resulted in inconvenience to many and if permitted to continue will lead to widespread suffering? And is it also not true that the lowest income groups are being hit the hardest by the inflationary rise, especially in food prices?

Organized labor has many times indicated that it would prefer a basic solution to the wage problem by all-out rationing and strict price control and by the raising of substandard wages and the removal of wage inequalities. The C.I.O. has fought for this for many months. But unless and until these basic answers are applied forcefully and efficiently the pressure for increased wages corresponding to the increase in the cost of living will continue to mount.

In fighting for the upward revision of the Little Steel wage formula, the C.I.O. and A. F. of L. do not in any respect share the views and policies of the defeatist John L. Lewis. Lewis's answer to the wage question is that inflation is already here, cannot be stopped, and that the only thing for labor to do is to force the government to remove its agencies of control over wages and collective bargaining. What Lewis is striving for is to throw the country into a period of violent strike struggles. Neither the war effort nor the immediate interests of the workers, even if one could separate the interests of the workers from those of the nation at war, would benefit by such a development. The reactionary anti-labor forces in the country would like nothing better than to provoke labor to strike action as a means of arousing the farmers and middle classes against the workers and getting Congress to adopt oppressive labor legislation which would destroy the rights won by labor over years of struggle.

The present discussion on wages raises the question as to whether some formula and approach could be found that could give a more flexible and lasting answer to this question for the duration of the war. Even if the Little Steel formula were to be revised upward, if this were not accompanied by effective price control and a tax program based on the ability to pay, the problem we face today would only repeat itself a few months later. It would be the case of the tortoise, wages, chasing the hare, prices. If the objective of economic stabilization is correct, and it is, would it not prove wise for the government to establish a formula through which wages during the war could be periodically adjusted to the rising cost of living without going through painful and protracted struggles? We note that in Canada, notwithstanding the generally low wage levels in that country, a formula is in effect which guarantees an automatic quarterly adjustment of wages to the cost of living index. Whether that index is properly weighted to take into consideration the relative importance of various items in a workers' budget we do not know, but the general approach adopted has considerable merit.

In Great Britain, by 1941, some three million organized workers had contracts with their employers taking into consideration the need for periodic wage readjustments to meet higher living costs. In this country even where workers have such contracts they cannot bring about such adjustments without first having their case reviewed before the War Labor Board. All this helps to pile up thousands of cases before the Board and to create bottlenecks that become causes of dissatisfaction and unrest, thereby hampering maximum production.

The need for a more basic and long-time aproach to wage stabilization is also necessary because large numbers of workers face dilemmas to which they have no answer today. Take the plight of the civil service employees who, because of frozen salaries and because the War Labor Board has refused to take jurisdiction over them, have no court of appeal to which to turn. These workers cannot even get the 15 per cent increase to which they are entitled under the provisions of the Little Steel formula. What are they to do? The failure to meet a problem such as this only sows the seeds of disruption and makes many of these workers prey to the demagogy of John L. Lewis and other defeatists.

If some form of periodic adjustment of wages to cost of living were to be established for the duration of the war, this would help accomplish a number of things: (1) It would establish the principle of wage stabilization in a workable fashion; (2) it would provide a new impetus and incentive for enforcing price ceilings on the part of the government, for every time prices went up by 1 per cent this would result in a 1 per cent rise in wage costs for the government and the government is the largest single employer in the country today, indirectly paying the wages of all workers engaged in war production; (3) it would immediately break the botleneck in the War Labor Board, for adjustments of wages to the cost of living would no longer have to be handled separately by the Board; it could then concentrate its attention on removing inequalities in wage rates, in guaranteeing collective bargaining, and in handling the problems of substandard wage groups; (4) the workers assured of wage stabilization would then be able to turn more of their attention to matters of production and to increasing their earnings through increased productivity.

Centralized economy and economic stabilization require special consideration of the problems of the farmers and small business. Often these groups feel that they are at loggerheads with labor and that their interests are diametrically opposed to labor's, when the opposite is true. These groups tend to view increased prices for their products as the only solution to their particular problems. This is illusory and partly due to the fact that no positive answer to their problems is being put forth by organized labor.

Let us take the matter of the Pace Bill. This bill calls for the inclusion of farm labor costs in the concept of parity. The majority of farmers, especially those who need hired hands, favor this bill, yet its adoption would increase food prices by approximately 10 per cent and would greatly contribute to the inflation spiral.

It is obvious that the Pace Bill is a chimera. But back of it is a kernel of truth, namely, that labor costs have increased for the farmers and that many farmers whose sons are in the armed forces are compelled to seek hired hands if they are to maintain production. Under such circumstances the labor movement must support a system of government subsidies which would go directly to the individual producer as an incentive for increased production. Byrnes has indicated that such subsidies are being contemplated, although the reactionaries are out to defeat the government's request for $100,000,000,000 for this purpose.

When Byrnes, however, states that, "There must be no further price increases unless and to the limited extent required by law to meet clearly established cost increases which cannot generally be absorbed out of profits," we are fearful that he is establishing another loophole through which price ceilings will be broken. It is obvious that in rare cases increased production costs on the part of the manufacturer cannot be absorbed out of profits, yet it would be more economical in the long run to grant subsidies to such groups as against permitting tampering with the price structure.

We recently saw a concrete example of such a problem in what took place in the New York dress industry. For five months the union had been negotiating with the employers without result. The employers insisted that they could not absorb increased labor costs without the O.P.A. lifting the price ceiling on dresses. The union organized a stoppage in the dress market, with the result that pressure was exerted on the O.P.A. to raise the price ceilings and on the War Labor Board to certify the dispute.

The best intentions in the world will not keep prices down if men holding the key posts of responsibility, such as Byrnes and Brown, start out by yielding to the pressure of certain business groups. That has been the fault to date—what started out as exceptions have become the rule.

None of the above problems can be resolved in the interests of the nation at war and in an atmosphere of strengthened national unity unless the united labor movement and the conscious win-the-war forces in the country become aroused to the the shameful burlesque being staged by the reactionaries in Congress today. The people of this country are not going to achieve a centralized planned economy, strict price control and democratic rationing without a political struggle, just as they cannot hope to eradicate all last traces of Darlanism in North Africa without a political struggle. This fight is not a fight between workers and employers. It is first of all a political fight to rout the defeatists and reactionaries in Congress; to destroy their paralyzing grip on our legislative bodies and to give backbone and courage to the Administration in the carrying through of its established policies.

At this particular moment the fate of the Pepper-Kilgore Bill, which calls for the establishment of an Office of War Mobilization as a first step toward a centralized planned economic administration, rests in the hands of the people. The Military Affairs Committee, to which this bill has been shunted, will never act favorably on it unless an aroused labor movement expresses itself in no uncertain terms.

Without an Office of War Mobilization, without centralized planned control, we are going to continue to have confusion and chaos in our economic life. An example of this planlessness was the work-or-fight edict of McNutt. This order, despite its worthwhile objective, created confusion worse confounded in the ranks of the workers, especially in light industry centers such as New York.

Certainly, men must work where they are most needed. But are we going to accomplish this by threatening them with the draft and thereby placing the onus of draft dodgers on those in essential industry? Do we want all workers to leave their so-called non-essential job? Are we to treat a city like New York the same way as a city like Buffalo? No wonder this McNutt decree, necessary as its aims are, has only added grist to the mill of the defeatists who are trying their best to cripple our armed forces *a la* Herbert Hoover.

The serious political situation in the country places a great responsibility on the organized labor movement. It is the organized labor movement which must find the ways and means of uniting its ranks and rallying all other win-the-war forces of the country for the battle against those who are sabotaging and obstructing the war effort of the nation.

This requires in the first place the recognition of the fact that there can no longer be pure and simple trade unionism. Every economic issue today can only be solved in a political fashion. This the recent

C. I. O. Board recognized, in the following words:

"Our national economic problems are problems which go far beyond any question of mere negotiations with employers and the statement of grievances with employers.

"Today the War Labor Board in Washington must pass upon all wage matters. The office of Price Administration and the Department of Agriculture and other Washington agencies make policies which will decide whether we will have a really effective price control or whether prices will skyrocket upward so that wage adjustments will become meaningless.

"These same agencies in Washington decide whether we will have a fair distribution of food and other necessities of life through overall rationing or whether those with the most money will get the largest share of our limited supply. Congress passes on all of these matters and also decides whether through tax cuts there will be taken out of pay checks of our members taxes to such an extent as to cut down their food budgets and their health.

"All of this has placed on the shoulders of the C.I.O. and its members an increased responsibility which goes beyond wage negotiations and grievance adjustments. Our members paying a Victory tax out of their pay envelopes each week have realized that the real questions relating to their everyday working life are being decided in legislative and political fields."

This position of the C.I.O. represents a great step forward of one of the decisive sections of the labor movement in re-emphasizing the importance of political action.

The C.I.O. Board also drew practical conclusions from this analysis, the first of which was the need for unity on all legislative questions between the C.I.O., A. F. of L., Railroad Brotherhoods and National Farmers Union. The response of A. F. Whitney of the Railroad Brotherhood to the proposal for a great labor-farmer legislative coalition is indicative of the growing recognition of the urgent need for united labor action in all wings of the labor movement.

In addition, the C.I.O. urged all the organizations to set up legislative committees, not only in the unions and shops, but in the Congressional Districts as well.

"These local legislative committees," it declared, "must also operate jointly with A. F. of L. and Railroad Brotherhood locals, farm organizations, church and community organizations in their respective localities or Congressional Districts. The views of these groups must be brought to Congress by joint committees of these various organizations, by joint rallies or demonstrations, joint communications and delegations to the Congressmen."

If these decisions of the C.I.O. Board are translated into life; if the coalition between these great organizations is achieved; if the organized labor movement proceeds to organize for the fight against the defeatists and reactionaries in Congress in every shop, union local, locality and Congressional District, then the will of the people will make itself heard and the win-the-war policies of our Government will be more effectively implemented and carried into life.