ON WAGE STABILIZATION

BY WILLIAM AND PAULINE YOUNG

A Discussion Article with a Reply by GILBERT GREEN

GILBERT GREEN, in his article in the March issue of *The Communist*, "Some Problems of Economic Stabilization," makes a notable contribution to our thinking on this vital issue. However, it seems to us that in this discussion of wages, Comrade Green has failed to put his finger on the basic defects in the policies of the government and the War Labor Board.

He points out correctly that when labor accepted the Little Steel formula it did so in good faith and with the understanding that other phases of the war economy would be stabilized along with wages. It was understood that the cost of living would be controlled and that essential commodities which were scarce would be rationed. It was likewise understood that excess profits would be curbed and that a sound tax program, based on ability to pay, would be instituted.

So far, the conditions of this acceptance have not been lived up to. The result has been an increasing dissatisfaction with the wage stabilization policy of the government. The four cardinal principles of the War Labor Board's wage program are the following: (1) Correction of "maladjustments," that is, application of the 15 per cent rule of the Little Steel formula; (2) Correction of inequalities and gross inequities; (3) elimination of sub-standards of living; and (4) Aid in the effective prosecution of the war. The general dissatisfaction with the wage policy has been primarily directed toward seeking an upward adjustment in the Little Steel formula. Comparatively little attention has been given by the unions and the War Labor Board to the other three points of the wage policy which, if properly applied, are flexible enough to provide the framework of a sound wage policy.

Comrade Green points out correctly:

> "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 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."

He then suggests as a substitute for the Little Steel formula another formula for cost of living adjustments, through which wages, during the war, could be periodically adjusted to the rising cost of living. This formula, he claims, would give a more flexible and lasting answer to the wage problem for the duration of the war. He claims it would accomplish a number of things: (1) Establish the principle of wage stabilization in a workable fashion; (2) Provide a new incentive for enforcement of price ceilings on the part of the government; (3) Break the bottleneck in the War Labor Board, and (4) Through the accomplishment of wage stabilization enable the workers to turn their attention to matters of production.

We are in accord with Comrade Green when he sets out to seek a formula and approach that can give a more flexible and lasting answer to the question of wages than the Little Steel formula. However, we do not believe the solution he suggests differs in any fundamental way from the Little Steel formula itself. We do not believe it is possible to find a mechanical formula which can be applied by rule of thumb to solve the problem of wage stabilization. In this connection the labor members of the National War Labor Board, in their dissenting opinion in the West Coast Airframe Companies case, stated,

"It needs to be emphasized that there is no rule of thumb or static wage formula that can be applied mechanically in wage cases to the end of producing wage stabilization."

What is really needed is an approach to the wage question which takes into account not only the factor of economic stabilization but also the vital questions of productivity, workers' morale and efficiency. Browder quite clearly stated in his speech of August 29, 1942,

"Wages must be dealt with upon the basis of providing the most efficient working class for the tasks of production consistent with the supply of consumers' goods and services that can be made available in the country in an all-out war economy. The moment we look beyond the money form of wages and think in terms of the actual needs of production essential for victory in the war, the question of wages takes on an entirely new significance."

Labor can make its most valuable contribution to War Labor Board policies by giving meaning to the phrase "effective prosecution of the war," an established but little-used criterion for wage increases.

We do not agree that the cost of living adjustment is a final or even partial answer to the wage problem for the reasons which we set forth below:

Cost of Living Is Not the Basic Approach to Wages. In peacetime we have held that cost of living considerations alone were not sufficient in determining a wage policy. To base wage increases merely on the cost of living factor is to presuppose the worker is adequately compensated in the first place and receives his due share of the value of his product.

The question arises whether in

wartime we should retreat from this position to the philosophy that we should maintain only the workers' real wages, measured in terms of a "peacetime standard," or whether we should adopt an entirely new philosophy based on the requirements of the war program.

Cost of Living Adjustments Do Not Guarantee Real Wages. In peacetime we have opposed cost of living adjustments as the sole consideration in wage increases on the further basis that such adjustments do not actually guarantee maintenance of a worker's real wages. The cost of living index is not a crystal ball which tells us infallibly how much it costs to live. It is merely a statistical number, subject to all the errors and pitfalls into which even the most honest statistics must fall. The theory of the cost of living index briefly is this:

A wage-earner's budget is priced in a given period (1935-39 is the period used by the Bureau of Labor Statistics) and then that price is called 100 per cent. Increases or decreases from this total price are expressed as percentages of the original total, and the resultant number is called the cost of living index. This method works fairly well as a means of measuring the movements of workers' cost of living as long as buying habits remain constant. However, extremely rapid price changes such as we have had in the last two years will cause marked changes in the buying habits of workers. Changes in supply of the goods and services which workers normally buy will likewise cause a change in buying habits. This upsets the whole foundation of the cost of living index and makes it practically worthless as a measure of workers' real wages.

It is true that the cost of living index published by the U. S. Bureau of Labor statistics has been altered to a certain extent in an attempt to reflect recent vast changes in the buying habits of wage earners. However, it has been impossible to make the index reflect the actual change in cost of living. For one thing, it cannot take into account unusual expenses which have added to the real cost of living for millions of workers, such as migration to war centers, higher cost of food when meals are eaten at restaurants, more difficult and expensive transportation because of longer distances to work, etc.

Also, the cost of living index does not reflect enormous increases in costs to workers because of decreased quality in articles of vital consumption. It cannot reflect the hardships on workers which result from shortages of essential foods such as meats, butter, etc. It does not reflect the hardships occasioned by housing shortages. It does not take into account black market and bootleg prices which workers are forced to pay for the goods they need.

With these inherent weaknesses no one can claim the cost of living index is of any value at all as a measure of workers' real wages. The most it can do is give some indication of the movement of prices.

For instance, within the past six months, according to the Bureau of Labor statistics, there has been only a 2.1 per cent increase in the cost of living in the Los Angeles area. Would a $4.20 increase to a wage of $200 a month compensate for the black market prices which the workers in the Los Angeles area are forced to pay for meat and butter—when they can get them? Certainly not.

Cost of Living Adjustment Does Not Meet Needs of Low-Income Workers. One of the basic criticisms of the Little Steel formula made by the unions is that it gives least consideration to the low-income workers, who are in most need of upward wage adjustments. In this respect there is no difference between the policy advocated by Gil Green and the Little Steel formula itself. A sample of the anomalous result obtained by application of the Little Steel formula is the recent case of the West Coast Airframe plants, in which the Southern California plants received no cost of living increase, although their base pay was lower than the Seattle Boeing plant which received a 4½ cent cost of living increase. Furthermore, it is a well-established fact that the cost of living of the lower-income brackets increases at a more rapid rate than the cost of living index itself, even under normal economic conditions.

Cost of Living Formula Will Not Accomplish Stated Objectives. Green claims that the cost of living adjustment will establish wage stabilization in a workable fashion. As we have pointed out above, there is no rule of thumb or mechanical formula—Little Steel or any other—which will accomplish wage stabilization. A wage policy, to be effective, must be flexible. Every wage case must be considered on its own merits in the light of the whole production and economic program. The message of President Roosevelt on wage stabilization did give the War Labor Board sufficient flexibility for a realistic determination of wage issues.

Green suggests that a cost of living adjustment will be an incentive to the government to perform its job of controlling prices. To those familiar with the policies and methods of the enemies of price control and their influence in O.P.A., it is apparent that a stronger incentive than the one proposed by Green is needed to get those esteemed gentlemen "off the dime" and down to business. If the workers should follow the premise outlined by Green in their approach to price control, we would be faced not with a "creeping" inflation but with a wholesale piercing of prices. It seems to us—and this has not been clearly pointed out by Green—that the unions themselves have a major job to do in enforcement of the price control program, as well as striving for a sound wage policy. It is our responsibility to see that O.P.A. is subject to as much pressure from consumer forces for control of prices as it meets from big business interests which are constantly working for the removal of price control. This is a job requiring tremendous energy and organization, but one which would, if coupled to a sound wage policy, yield more fruitful results in terms of an improved standard of living than would a hare-and-tortoise race for cost-of-living wage increases. It seems to us, therefore, that to expend a major portion of our energy in seeking revision of the Little Steel formula, or its conversion to any other cost of living formula, is a tactical error which we cannot afford.

We do not agree with Green's thesis that an automatic cost of living adjustment would break the bottleneck of the War Labor Board, for the simple reason that it would not solve the wage problems of the workers. Even though such adjustments might be handled outside of the board machinery, there would still be a flood of requests for wage increases because the basic problems would not have been solved. Moreover, some kind of governmental machinery would have to be established to check on cost of living wage adjustments because of the tendency on the part of employers to pay illegally high wages for the purpose of pirating labor and checking unionization.

If the unions want to take a truly constructive approach toward improving the machinery of the War Labor Board, they should tackle their wage problems in the manner we have advocated above. They should continue to seek removal of disruptive inequalities in wage rates. They should seek to establish a clear conception of a substandard wage. They should seek to give meaning to the phrase "effective prosecution of the war," which is nominally one of the basic criteria of the board for granting wage increases, but which, except for a few cases, has never been properly utilized by the unions or by the board itself. They should seek establishment and approval by the War Labor Board of incentive wage systems which will help increase production. They should work out labor utilization plans which will guarantee a full week's work to every worker and assure him not only adequate earnings but full participation in the war effort.

While striving for adoption of a sound wage policy, the unions must carry out their equally important job on other fronts of economic stabilization—taxation, price control, rationing, control of excess profits. Above all, they must continue their efforts for establishment of an over-all plan of the nation's war effort.

REPLY BY GILBERT GREEN

COMRADES William and Pauline Young are entirely correct when they say that what is needed is an approach to the wage question "which takes into account not only the factor of economic stabilization but also the vital questions of productivity, workers' morale and efficiency." In their own treatment of wages, however, the factor of economic stabilization plays no role whatsoever.

My article, "Some Problems of Economic Stabilization," in dealing with wages, limited itself to only one phase of the problem—its relation to economic stabilization and the fight against inflation. I can assure the comrades that this aspect of the problem is not unrelated to both labor productivity and labor morale.

The comrades state that the wage policies as established by the Administration at the time of the pronouncement of the Little Steel wage formula "are flexible enough to provide the framework of a sound wage policy."

What the Comrades Young seem to forget is that when the wage policies of the Administration were enunciated last Fall they constituted but one plank in an economic stabilization and anti-inflation program which promised that there would be no further increases in the cost of living, democratic rationing, a tax program based on the ability to pay and a $25,000-a-year ceiling over personal earnings.

These comrades would be justified in their position *if* this anti-inflation program had really been applied. But it was not, except in respect to wages. The cost of living continued to spiral upward at even a faster pace than previously. Profiteering remained unchecked. A disproportionate tax burden was placed on the backs of those least able to pay through the 5 per cent payroll Victory Tax and the new income tax rates. Rationing was slow in making its appearance and even at this late date is not yet universal and democratic in its application. Wage stabilization tended therefore to become more and more that of wage freezing and even the flexible interpretation of those aspects of the wage policies dealing with substandard wages and inequalities could not make up for the constant rise in the cost of living and the increasing drift toward inflation.

This failure to apply the anti-inflation program of the Administration, for which the defeatists and obstructionists are in the main responsible, caused no end of discontent in the ranks of the workers, impaired productivity and efficiency and created the danger of sharp class battles.

Bearing these developments in mind, I wrote in my March article that the labor movement seeks "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 these for 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.*"

And further, "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."

With these views the Comrades Young disagree. They believe that it was a tactical error to support the demands of labor for an upward revision of the Little Steel wage formula. They believe that it was also incorrect to think in terms of a more flexible cost of living formula which could be adjusted periodically to the rising cost of living. They are in fact opposed to any cost of living formula whatsoever.

In their discussion article they devote considerable space to proving that cost of living indexes are not accurate barometers of real wages. They argue that any attempt to base wages merely on the cost of living is wrong. But in all this the comrades only succeed in knocking down straw men, for these are not the issues.

Yet evidently there is a purpose in the argumentation. What are the comrades out to prove by this line of argument? That labor should put forward *no* wage demands based upon cost of living considerations?

This certainly is not the position of the majority of workers. It is precisely because they do think of wages as also related to the cost of living and profits that they have been so insistent that something be done about the present situation. Furthermore, the workers know that the present Little Steel wage formula is itself a cost of living formula but one which no longer holds for the cost of living today.

If the comrades are consistent in their opposition to cost of living formulas in principle then they should not merely oppose upward revision of the Little Steel formula or its conversion to a more flexible formula but should call for its elimination entirely, replacing it with nothing new. That's the logic of their position, which would let down all barriers to industrial strife and remove even the objective of wage stabilization.

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The hold-the-line Executive Order of the President, issued a few days ago, introduces a new element into the situation and opens up a new opportunity for a basic solution to the problem. This Order points to the grave danger of inflation; declares that prices will henceforth be controlled and some of them rolled back to September, 1942, levels; adopts the system of subsidies as a means of inducing increased production in certain lines without bringing about an increase in prices; prohibits increases in wages except where necessary to correct substandards of living and authorizes reasonable adjustments of wages in cases of promotions, reclassifications, merit increases and incentive wages.

This Order together with the President's veto of the inflationary Bankhead Bill indicates that the Administration intends more vigorously to apply its anti-inflation program. If truly implemented and executed it can become an important turning point in the battle against inflation. It is for this reason that the labor movement—John L. Lewis excepted—has thrown its support to this Order and intends to fight for its realization, but not without certain reservations and trepidations.

The Executive Order in itself does not yet provide the guarantees that the trend toward inflation will be halted. First, the Executive Order must be fought for by the labor movement and by the Administration, for one must not underestimate the defeatist and reactionary forces who are working to bring on inflation with its concomitant of swollen profits, internal dissension and economic chaos—to the end that the country will be unable to wage an offensive war against Hitlerism.

Second, the Executive Order is itself replete with dangerous loopholes which if not plugged rapidly may result in the defeat of its central objective. Let me cite a few examples. The Price Administrator is directed to place ceilings on all commodities "affecting the cost of living." We may ask, what commodities do not affect the cost of living? Does this phrase refer to super-luxury articles purchased by the ultra-rich, or is it one of those loopholes through which prices will continue to mount?

The Executive Order further fails to make clear the intention to roll back *all* prices to September 15, 1942, levels. It says that "some of these can and should" but inserts a loophole as wide as a house with its phrase, "All of these cannot be rolled back." Why not? Especially if government subsidies are to be available for those production units unable to meet increased costs and as inducements for increased production?

Another glaring omission and shortcoming in the Executive Order is the elimination of any consideration of wage inequalities and its tendency to deprive the War Labor Board of its former role. Unless wage inequalities are given consideration and are eliminated, this will have a detrimental effect on workers' morale, efficiency and productivity. Unless the War Labor Board is restored, with its former powers of discretion, there is grave danger that labor will lose confidence in the government's arbitration machinery; for wage decisions will then be made without any labor representation whatsoever, inflation will not be controlled, and labor's standards and the national war morale will be jeopardized.

Furthermore, there is no guarantee as yet that Congress will go along with the President's program. At this moment the opposite is the case. The House Appropriation Committee is out to liquidate the Farm Security Administration, resists giving the Office of Price Administration the appropriation it needs to police price ceilings and apply democratic rationing, seeks to resurrect the inflationary provisions of the Bankhead Bill and still favors the inflationary Pace Bill.

Thus a great responsibility is placed on the labor movement. It must give its full support to the Executive Order while pressing to eliminate its many loopholes and omissions. It certainly must insist that the powers of the War Labor Board not be curbed and that provision be made to treat realistically with the problem of wage inequalities. It must especially throw its full support to the provisions in the Executive Order dealing with incentive wages, guaranteeing that the workers shall receive full remuneration for every increase in productivity. At the same time it must concentrate its united strength to defeat the reactionary inflationary bloc in Congress.

If prices are controlled; if universal and democratic rationing is instituted; if an equitable tax program is adopted; if profiteering is checked; if substandard wages are raised and gross inequalities eliminated; if the principle of incentive wages is correctly applied; then the pressure in the ranks of labor for general wage increases will subside and the issue of difference between the Comrades Young on the one hand and myself on the other will become entirely academic.

If, however, the Executive Order and the struggle of labor for its application do not stop the drift toward inflation, then come hell or high water there is no power that will be able to keep the workers from demanding in ever more emphatic terms that the Little Steel wage formula be revised or converted to one of a more flexible character, giving to them an increase in wages corresponding to the increase in the cost of living.