

Sourcing Question:

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November 9, 1946

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The same hour of release applies to radio announcers and news commentators.

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CHARLES G. ROSS  
Secretary to the President



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STATEMENT OF THE PRESIDENT

The general control over prices and wages is justifiable only so long as it is an effective instrument against inflation. I am convinced that the time has come when these controls can serve no useful purpose. I am, indeed, convinced that their further continuance would do the nation's economy more harm than good. Accordingly, I have directed the immediate abandonment of all control over wages and salaries and all control over prices except that necessary to implement the rationing and allocation programs of sugar and rice. Rent control, however, must and will be continued.

On October 14, I reported to the people on the subject of the meat shortage and our general stabilization program. In addition to freeing meat from control I directed that the lifting of other controls be accelerated. As a result, controls have been removed from practically all foods and a long list of other commodities.

The Price Administrator has advised me that, with so much of the economy freed from price controls, clinging to the rest would, in his judgment, lead to distortions in production and diversion of goods to an extent far outweighing any benefit that could be achieved.

There is no virtue in control for control's sake. When it becomes apparent that controls are not furthering the purposes of the stabilization laws but would, on the contrary, tend to defeat these purposes, it becomes the duty of the government to drop the controls.

The major problem with which we have had to contend is the withholding of goods from the market. As price controls are dropped, one by one, many sellers naturally hold on to their goods in the hope that their turn will come next and that they can obtain a higher price. In addition to those who are holding on to goods merely in expectation of decontrol, there are others whose motive is deliberately to force decontrol by depriving consumers of essential goods or manufacturers of essential materials. This withholding is becoming so serious as to threaten key segments of the economy with paralysis.

The real basis of our difficulty is the unworkable price control law which the Congress gave us to administer. The plain truth is that, under this inadequate law, price control has lost the popular support needed to make it work. At best, the administration of price control is an extraordinarily difficult and complex business and it can work successfully only if the people generally give it their support.

We have now reached the point where many of our shortages have disappeared and in many other areas supply is rapidly approaching demand. In the fifteen months since V-J Day the stabilization program has preserved a large measure of general economic stability during a period in which explosive forces would otherwise have produced economic disaster. In fact, the situation is far more favorable for the return to a free economy today than it was when the present badly weakened stabilization law was finally enacted by the Congress.

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Nevertheless, some shortages remain and some prices will advance sharply when controls are removed. We have, however, already seen what consumer resistance can do to excessive prices. The consumers of America know that if they refuse to pay exorbitant prices, prices will come down. Wholesalers and retailers alike are aware of the danger of accumulating inventories at prices so high that they cannot be confident of reselling at a profit. Manufacturers, thinking of their future markets, will hesitate to raise prices unreasonably. In short, the law of supply and demand operating in the market place will, from now on, serve the people better than would continued regulation of prices by the government.

The reasons which impel the lifting of price controls are not applicable to rents. Housing is desperately short and will continue to be short for a long time to come. Tenants are in no position to resist extortionate demands. The fixing of rents by the ordinary processes of bargaining would bring hardship and suffering to our people. It may be that some adjustment of rents will be required, but control of rents and control over evictions must be continued.

I wish that it were possible to keep effective price controls on building materials in furtherance of the Veterans' Emergency Housing Program, under which we have seen an unprecedented acceleration both of homebuilding and of the production of building materials. But price control on building materials alone, with no price control on products competing for the same raw materials, would drive these materials away from housing and defeat the objectives of the program. The removal of price ceilings on building materials will obviously necessitate a change in the approach to some of the problems in the housing program. I am asking the Housing Expediter to report to me promptly in this regard. We must continue an aggressive program of building homes and apartments for veterans.

The removal of price controls leaves no basis or necessity for the continuation of wage controls, which have operated, in most industries, only as an adjunct to price controls. Accordingly, I have issued an Executive Order terminating all wage and salary controls under the Stabilization Act of 1942. This does not affect, of course, the statutory provision governing changes in terms and conditions of employment in plants operated by the Government pursuant to the War Labor Disputes Act.

I have asked the Bureau of the Budget, in consultation with the agencies involved, to prepare plans for the reduction of operations resulting from today's action, and to devise the most effective and economical methods for administering the functions which remain.

The lifting of price controls and wage controls results in the return to a free market with free collective bargaining. Industry has sought removal of price controls while labor has pressed for removal of control of wages. Both have insisted that removal of these controls would lead to increased production and fewer work stoppages.

High production removes the hazard of inflation and brings prices within the reach of the mass market. Wage rates not justified by labor productivity and prices not justified by manufacturers' costs may bring the illusion of prosperity. In the long run, however, good wages, full employment and sound business profits must depend upon management and workers cooperating to produce the maximum volume of goods at the lowest possible price.

Today's action places squarely upon management and labor the responsibility for working out agreements for the adjustment of their differences without interruption of production.

Questions to Consider: What are the positives of price/wage controls?  
What are the negatives of price/wage controls?

According to the President, who has the responsibility, moving forward, of working out the differences without the interruption of production?

President's Secretary's Files: Radio Address, Executive order 9599, October 30, 1945, pp. 1-2

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October 30, 1945

[ Broadcast from the White House at 10 p.m. ]

Fellow citizens:

On August 18, 1945, four days after the surrender of Japan, I issued Executive Order 9599 which laid down the guiding policies of your Government during the transition from war to peace.

Briefly stated these policies are:

First, to assist in the maximum production of civilian goods.

Second, as rapidly as possible to remove Government controls and restore collective bargaining and free markets.

Third, to avoid both inflation and deflation.

Those are still our policies.

One of the major factors determining whether or not we shall succeed in carrying out those policies is the question of wages and prices. If wages go down substantially, we face deflation. If prices go up substantially, we face inflation. We must be on our guard, and steer clear of both these dangers to our security.

What happens to wages is important to all of us--even to those of us who do not work for wages.

It is important to business, for example, not only because wages represent an essential item in the cost of producing goods, but because people cannot buy the products of industry unless they earn enough wages generally.

What happens to wages is also important to the farmer. The income he earns depends a great deal on the wages and purchasing power of the workers in our factories and shops and stores. They are the customers of the farmer and cannot buy farm products unless they earn enough wages.

The fact is that all of us are deeply concerned with wages, because all of us are concerned with the well-being of all parts of our economic system.

That is a simple truth. But like all simple truths, it is too often forgotten. Management sometimes

forgets that business cannot prosper without customers who make good wages and have money in their pockets; labor sometimes forgets that workers cannot find employment and that wages cannot rise unless business prospers and makes profits.

Like most of you, I have been disturbed by the labor difficulties of recent weeks. These difficulties stand in the way of reconversion; they postpone the day when our veterans and displaced war workers can get back into good peacetime jobs. We need more of the good sense, the reasonableness, the consideration for the position of the other fellow, the teamwork which we had during the war.

It has been my experience in public life that there are few problems which cannot be worked out, if we make a real effort to understand the other fellow's point of view, and if we try to find a solution on the basis of give-and-take, of fairness to both sides.

I want to discuss the wage problem in just that spirit, and I hope that all of us in the United States can start thinking about it that way.

Let me begin by putting labor's position before you. I do not think all of us understand how hard a blow our industrial workers have suffered in the shift from war production to peace production.

You do know that sudden total victory caused millions of war workers to be laid off with very short notice or none at all. While we hope to overcome that condition before too many months have passed, unemployment is hardly a suitable reward for the contribution which veterans and war workers have made to victory.

Several months ago, I urged the Congress to amend the unemployment compensation law so as to help workers through the difficult months of unemployment until reconversion could be effected. The Congress has not yet passed that legislation.

The responsibility for that is solely up to Congress--and specifically I mean the Ways and Means Committee of the House of Representatives. I hope that this Committee will fulfill its obligation to the people of the Nation, and will give the Members of the House an early chance to vote on this important legislation. We must all recognize that legislation which will help sustain the purchasing power of labor until reconversion is completed, benefits not labor alone but all of us--business, agriculture, white-collar workers, and every member of our economic society.

I am sure that the workers of the Nation, those who depend upon manual labor for a livelihood, also feel a deep concern about full employment legislation which is now pending in the Congress. It is essential that the Congress speedily adopt some effective legislation which embodies the principles underlying full employment.

The American people are entitled to know now that this Government stands for prosperity and jobs--not depression and relief. Passage of a full employment bill will give the American people this assurance.

The responsibility for the damaging delay in enacting this legislation is definitely at the door of the Committee on Expenditures in the Executive Departments of the House of Representatives.

I am also sure that the workers of the Nation feel the same way about what is now happening to the United States Employment Service in the Senate and in the House. During the next year, millions of workers will have to look to efficient and centralized employment offices to find jobs for them anywhere in the country. The United States Employment Service has done so much during the war, and can do so much during the months ahead if it can continue to operate as a nationwide and unified organization, that I hope the Congress, for the time being, will keep this great public service under Federal management.

But quite as important as these problems of unemployment is the fact that the end of the war has meant a deep cut in the pay envelopes of many millions of workers. I wonder how many of you know that many war workers have already had to take, or will soon have to take, a cut in their wartime pay by one quarter or more. Think of what such a decrease in your own income would mean to you and to your families.

How does it happen that pay envelopes are being cut so deeply ? There are three reasons.

First, there is the present decrease in the number of hours of employment. During the past few years of war, millions of workers were asked to put in abnormally long hours of work. Now that the need is past, the forty-hour week is being restored.

The changeover from a forty-eight to a forty-hour week means a decrease in take-home pay, the amount in the pay envelope. That decrease is much more than just the loss of eight hours pay. Workers have been receiving time and a half for overtime--for all the hours they worked over forty. That overtime pay is now gone in the change to a forty-hour week. The result has been a decrease of almost one quarter in the workers' weekly pay.

Second, weekly pay is being cut because many jobs are being reclassified to lower paying grades. The individual worker will feel these particularly when he changes from one job to another, starting at the bottom of the grade.

Third, the pay envelopes of workers will be thinner because millions of workers who were employed in the highly paid war industries will now have to find jobs in lower-wage, peacetime employment.

These three factors added together mean a drastic cut in the take home pay of millions of workers. If nothing is done to help the workers in this situation, millions of families will have to tighten their belts--and by several notches.

It has been estimated that, unless checked, the annual wage and salary bill in private industry will shrink by over twenty billions of dollars. That is not going to do anybody any good--labor, business, agriculture, or the general public.

The corner grocer is going to feel it, just as well as the department store, the railroads, the theaters, and the gas stations--and all the farmers of the Nation.

It is a sure road to wide unemployment.

This is what is known as deflation, and it is just as dangerous as inflation.

However, we must understand that we cannot hope, with a reduced work week, to maintain now the same take-home pay for labor generally that it has had during the war. There will have to be a drop. But the Nation cannot afford to have that drop too drastic.

Wage increases are therefore imperative--to cushion the shock to our workers, to sustain adequate purchasing power and to raise the national income.

There are many people who have said to me that industry cannot afford to grant any wage increases, however, without obtaining a corresponding increase in the price of its products. And they have urged me to use the machinery of Government to raise both.

This proposal cannot be accepted under any circumstances. To accept it would mean but one thing--inflation. And that invites disaster. An increase in wages if it were accompanied by an increase in the cost of living would not help even the workers themselves. Every dollar that we put in their pay envelopes under those circumstances would be needed to meet the higher living expenses resulting from increased prices.

Obviously, such a juggling of wages and prices would not settle anything or satisfy anyone. A runaway inflation would be upon us.

When inflation comes and the cost of living begins to spiral, nearly everybody suffers. Wage increases, under those conditions, would defeat their own purpose and mean nothing to labor. White-collar workers would find that their fixed salaries buy less food and clothing than before. Farmers' incomes would shrink because they would have to pay so much more for what they buy. Increased earnings would mean nothing to business itself. War bonds, insurance policies, pensions, annuities, bonds of all kinds would shrink in value, and their incomes would dwindle in buying power.

Therefore, wherever price increases would have inflationary tendencies, we must above all else hold the line on prices. Let us hold vigorously to our defense against inflation. Let us continue to hold the price line as we have held it since the spring of 1943. If we depart from this program of vigorous and successful price control, if we now begin to let down the bars, there will be no stopping place.

After the last war this Nation was confronted by much the same problem. At that time we simply pulled off the few controls that had been established, and let nature take its course. The result should stand as a lesson to all of us. A dizzy upward spiral of wages and the cost of living ended in the crash of 1920--a crash that spread bankruptcy and foreclosure and unemployment throughout the Nation.

If these twin objectives of ours--stability of prices and higher wage rates--were irreconcilable, if one could not be achieved without sacrificing the other, the outlook for all of us--labor, management, the farmer, and the consumer--would be very black indeed.

Fortunately, this is not so. While the positions of different industries vary greatly, there is room in the existing price structure for business as a whole to grant increases in wage rates.

And if all of us would approach the problem in a spirit of reasonableness and give-and-take--if we would sit down together and try to determine how much increase particular companies or industries could allow at a particular time--I think most businessmen would agree that wage increases are possible. Many of them, in fact, have already negotiated substantial wage increases without asking for any increase of prices.

There are several reasons why I believe that industry as a whole can afford substantial wage increases without raising prices.

First, the elimination of the time and a half for overtime has reduced labor costs per hour.

Second, the increase in the number of people needing jobs is resulting in a downward reclassification of jobs in many industries and in many sections of the country.

There is a third reason for believing that business can afford to pay wage increases--namely, increased output per hour of work or what is generally called increased productivity. While increased production rests ultimately with labor, the time will soon come when improvements in machinery and manufacturing know-how developed in the war can certainly result in more goods per hour and additional room for wage increases.

As a fourth reason, business is in a very favorable profit position today, with excellent prospects for the period that lies ahead. Again, that is not true of all companies. Nevertheless, throughout industry and in every branch of industry, profits have been and still are very good indeed.

Finally, the Congress at my suggestion is now considering the elimination of the excess profits tax. Provision has already been made in our tax laws to enable corporations whose earnings dropped below their normal peacetime level to recapture a high proportion of the excess profits taxes which they have paid during the preceding two years. These and other provisions of the tax laws were designed to reduce to a minimum the risks entailed in reconversion--and that is precisely what they accomplish. They also add to the ability of industry to increase wages.

There are, however, important limits upon the capacity of industry to raise wages without raising prices. Let me put industry's position before you.

Industry has many risks and problems ahead that labor must recognize. For many companies, wartime products which were very profitable will have to be replaced by civilian products which will not be so profitable.

There are also problems of reconverting plants, of developing new sources of supply, new products, and new markets, of training inexperienced workers, of meeting increased costs of raw materials and supplies. All these will mean, at the beginning, lower volume and higher unit costs.

These problems and difficulties are particularly true in the case of small business--which is the backbone of the American competitive system.

I have said that not all companies can afford these wage increases. I want to make clear, further, that there are companies where wages and even overtime pay continue high, and where

no suffering will be caused to the workers during reconversion.

Labor must recognize these differences and not demand more than an industry or a company can pay under existing prices and conditions. It has a stern responsibility to see that demands for wage increases are reasonable. Excessive demands would deny to industry reasonable profits to which it is entitled, and which are necessary to stimulate an expansion of production. We must not kill the goose which lays the golden egg.

Labor itself has a responsibility to aid industry in reaching this goal of higher production and more jobs. It must strive constantly for greater efficiency and greater productivity--good work done, for good wages earned. Only in that way can we reach the mass production that has brought this country to the front of the industrial countries of the world.

Labor must constantly find ways within its own ranks of cutting down on absenteeism, reducing turnover, avoiding jurisdictional disputes and "wild-cat" strikes. Labor and management must adopt collective bargaining as the effective and mature way of doing business.

The extent to which industry can grant wage increases without price increases will vary from company to company and from industry to industry. What can be paid today when we are on the threshold of our postwar production will be different from what can be paid next year and the year after, when markets have been established and earnings have become apparent. Both management and labor must keep on exploring these developments and determine from time to time to what extent costs have been reduced and profits have been increased, and how far these can properly be passed on in the form of increased wages.

Guiding Questions:

Who made this radio address?

What are the simple truths that labor and management sometimes forget?

What are the three (3) factors that Truman lists that are affecting the American worker?

### **Terms Worksheet**

Know the meaning of these terms to give you proficiency with the language of the Taft-Hartley bill. Provide a definition that fits the context of the assignment.

**Arbitration:**

**Closed Shop:**

**Collective Bargaining:**

**Deflation:**

**Demobilization:**

**Inflation:**

**Strike:**

**Sympathy Strike:**

**Wage/Price Controls:**