

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE FOR EMERGENCY MANAGEMENT
OFFICE OF ECONOMIC STABILIZATION
WASHINGTON, D C

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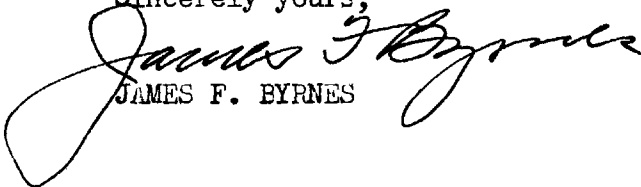
JAMES F. BYRNES
Director

Dear Mr. Eccles:

Enclosed are the minutes of the last Board meeting.

The next meeting, to be held on Friday, November 13th, at 11:00 a.m., will be devoted to a discussion of measures designed to control excess purchasing power. All members of the Board will want to hear your views on this question. If you care to prepare a memorandum, setting forth your ideas, I shall be glad to see that it is circulated among the Board members in advance of the meeting.

Sincerely yours,


JAMES F. BYRNES

Honorable Marriner S. Eccles
Federal Reserve Board
Washington, D. C.



MINUTES OF MEETING

The Economic Stabilization Board met on Friday, October 30th, 1942, at 2:30 P.M.

Present: The Director (presiding), Mr. Bell (Acting Secretary of the Treasury), Mr. Wickard, Mr. Jones, Miss Perkins, Mr. Eccles, Mr. Henderson, Mr. Taylor (Acting Chairman of the National War Labor Board), Mr. Lubin (Economic Advisor to the President), Mr. Murray, Mr. Green, Mr. O'Neal, Mr. Patton, Mr. Johnston, Mr. Flanders and Mr. McNutt (by invitation).

1. The Director expressed regret that, because of a change in the time fixed for the President's Cabinet meeting, the Board meeting had again been postponed from Thursday to Friday. It was decided that future meetings would be held on Friday mornings at 11:00 o'clock.

2. Mr. McNutt's memorandum with respect to the relationship between wage stabilization and the migration of labor had been circulated among the members of the Board. The meeting was thrown open for comments upon this subject.

Dr. Taylor stated that the National War Labor Board had completed an analysis of 1200 pending applications for volunteer wage increases. More than 800 of these applications were based upon the alleged necessity of increasing wage rates in order to prevent the loss of labor. Dr. Taylor said that applications of this sort would, in the absence of a clear manpower policy, place an intolerable burden upon the War Labor Board. It will be impossible, Dr. Taylor asserted, to stabilize wages so long as wage rates are permitted to act as the primary instrument for regulating the flow of manpower. In these circumstances, the War Labor Board would be required to decide which occupations were more essential than others; whether employers had inaugurated satisfactory training and upgrading programs; and other similar questions. This would involve an invasion of the manpower field by the War Labor Board. The only alternative, Dr. Taylor

stated, is a national manpower policy which makes wage adjustments a secondary rather than a primary factor regarding the flow of manpower.

These were, according to Dr. Taylor, unanimous conclusions of the War Labor Board.

In answer to queries by Mr. Green, Mr. McNutt expressed the opinion that the stabilization of wages and the adjustment of inequalities were equally important elements in a successful manpower policy. Adjustment without stabilization would involve a constant upward wage spiral, with no level to which adjustments might be made. On the other hand, in the opinion of Mr. McNutt, rigid wage freezing without adjustments to correct inequalities might lead to a loss of morale and to dissatisfaction, with consequent losses in production. This would be true even if compulsory labor market controls were instituted, in view of the fact that compulsion, while capable of preventing the turnover and transfer of workers, could not guarantee the necessary levels of productivity without a high degree of cooperation upon the part of the individual worker.

Mr. McNutt, however, held the view that compulsory labor market controls would prove necessary. In fact, indirect compulsion is already being applied in the case of non-ferrous metal workers, lumbermen and certain agricultural laborers. McNutt expressed agreement with Mr. Green's view, that, in the event of a compulsory transfer of workers, seniority rights and the social insurance benefits should be preserved on a uniform national basis.

Mr. McNutt also agreed with Mr. Green that a national registration of women should be held before the adoption of compulsory manpower control. However, he stated that 39 million selective service questionnaires were already in possession of the United States Employment Service, but that the failure of the Congress to make adequate appropriations held up the necessary work of analyzing this information.

Miss Perkins called attention to the fact that several million workers are still registered with the United States Employment Service and suggested the recruitment of these workers in war production. Mr. McNutt stated that a considerable number of these registrations were "not active" and that a great many of the remainder were in the field of domestic service and other casual occupations. Miss Perkins also referred to the existence of 1,700,000 unemployed workers, but Mr. McNutt expressed the opinion that of these about 1,000,000 were unemployable.

Mr. Murray suggested a more complete study of the entire problem of war mobilization before embarking upon a program of manpower regimentation. The manpower problem, stated Mr. Murray, is inevitably tied up with the mobilization of all our human and natural resources. Such matters as the allocation of war contracts and the utilization of the facilities of small enterprise are directly related to manpower. Mr. Murray reiterated his opinion that labor will accept whatever sacrifices and compulsions prove necessary for winning the war, no matter how drastic; but labor does not believe that existing possibilities for the effective mobilization for our total resources have been exhausted.

Mr. Patton expressed the opinion that dependency must give way to occupation as the primary criteria for the operation of selective service; and that the local draft boards as now constituted were not technically capable of dealing with complicated occupational questions. Governor McNutt agreed with Mr. Patton. Mr. Patton also agreed with Mr. Murray's observations as to the necessity of integrating procurement with manpower and the problems of the civil economy. Mr. McNutt agreed, and advocated the creation of a Board consisting of the Joint Chiefs of Staff, Mr. Nelson, Mr. Stettinius, Mr. Byrnes, and himself to deal with the problem of relating manpower allocation to military strategy. Mr. Patton also urged the necessity of enabling the Secretary of Agriculture to administer the entire food program, which is now split between the Department of Agriculture and the War Production Board.

Mr. Johnston stated his opposition to the use of compulsion unless it proved absolutely necessary. He further advocated creation of a central authority to allocate manpower among the armed services, war production and the civilian economy. Mr. McNutt agreed, but pointed to certain difficulties, such as the traditional priority of the armed forces in all manpower allocation, with the consequent reluctance of many persons to abandon the system of voluntary enlistments. Mr. Johnston also emphasized the possibility of accomplishing much through voluntary cooperation between labor and management and the local community, citing the experience of Muskegon, Michigan, where labor turnover and piracy had been reduced almost to the vanishing point.

Mr. Flanders stated that, in his opinion, the government should proceed at once to an all-out program of voluntary manpower control, with preparations to move into compulsion. He also called attention to the existence of cost-plus contracts as a disturbing factor in national economy, and to the disparity between agricultural and industrial wages. Mr. Flanders further expressed the opinion that we had not yet approached the degree of total mobilization already achieved by the enemy, and that the full utilization of all our resources would require much more delicate controls than those now contemplated.

Mr. Eccles emphasized the gains which could be made from increasing the efficient utilization of our present manpower supply.

3. Secretary Wickard read a memorandum dealing with the problem of agricultural wages (circulated at the meeting). Miss Perkins, Mr. Henderson and Mr. Patton all expressed general agreement with Mr. Wickard's recommendations, which generally accorded with those contained in Mr. McNutt's memorandum. Mr. McNutt also called attention to the fact that one difficulty in recruiting agricultural labor was the failure to obtain adequate appropriations for the Farm Placement Division of the United States Employment Service. Mr. O'Neal expressed

emphatic disagreement with the recommendations of Governor McNutt and Secretary Wickard, stating that adequate farm prices and the deferment of farm laborers would deal successfully with the farm manpower problem. Mr. O'Neal further said that the Department of Agriculture's program for supplying labor to pick long staple cotton in Arizona had failed, thus demonstrating the inadequacy of Mr. Wickard's proposals. Mr. Wickard and Governor McNutt disagreed sharply with Mr. O'Neal's statement, contending that the situation would have been adequately handled except for outside interference.

Mr. Wickard reiterated his belief that for the present there should be no ceilings on farm wages, and there was general agreement with this view. Mr. O'Neal, however, reminded Mr. Henderson of his opinion that increases in farm prices would be equally necessary to secure increased production.

The Board adjourned to meet again on Friday, November 13th, at 11:00 o'clock A. M.