Name________________
Date________________

Postwar Wage-Price Policy

Part A.

Read the following postwar wage-price policy statements and answer the questions.

In August 1945, President Truman began his plan for reconversion from wartime economy with the Stabilization Act:

> Our national welfare requires that during the reconversion period production of civilian goods and services go forward without interruption, and that labor and industry cooperate to keep strikes and lockouts at a minimum.
>
> 1. In the near future I shall call a conference of representatives of organized labor and industry, for the purpose of working out by agreement means to minimize the interruption of production by labor disputes in the reconversion period.
> 2. Pending the completion of the conference and until some new plan is worked out and made effective, disputes which cannot be settled by collective bargaining and conciliation, including disputes which threaten a substantial interference with the transition to a peacetime economy, should be handled by the War Labor Board under existing procedures. For that interim period I call upon representatives of organized labor and industry to renew their no-strike and no-lockout pledges. . . .
> 3. . . . wage adjustments which might affect prices must continue to be subject to stabilization controls. With the ending of war production, however, there is no longer any threat of an inflationary bidding up of wage rates by competition in a short labor market. I am therefore authorizing the War Labor Board to release proposed voluntary wage increases from the necessity of approval upon condition that they will not be used in whole or in part as the basis for seeking an increase in price ceilings. Proposed wage increases requiring price relief must continue to be passed upon by the Board.[1]

Early in October, Secretary of the Treasury, Fred M. Vinson warned:

> During the coming year we shall find ourselves in a somewhat paradoxical situation. The rate of government expenditures—and particularly those expenditures which find their way currently into the pockets of consumers—will be declining rapidly. Millions of workers will be laid off and forced to seek new jobs. As the labor market loosens, the workers' total income will decline. Overtime pay will rapidly diminish. Many workers who have been promoted to well-paid classifications will find themselves reclassified into less remunerative jobs. Workers, in many instances, will have to move long distances in search of new jobs. In many States, unemployment compensation, under existing legislation, will not prove adequate to sustain mass purchasing power.[2]

He went on to note the imperative of avoiding both inflation and deflation.

[1] Harry S Truman, as quoted in *The Truman Administration: A Documentary History*, ed. Barton J. Bernstein and Allen J. Matusow (New York: Harper & Row, 1966), 48–49.

[2] Fred M. Vinson, as quoted in *The Truman Administration: A Documentary History*, 49.

Name________________
Date________________

At the end of October, under pressure from labor conflicts, President Truman modified his wage-price program. He stated:

> 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. . . .
>
> I am convinced that we must get away as quickly as possible from Government controls, and that we must get back to the free operation of our competitive system. Where wages are concerned, this means that we must get back to free and fair collective bargaining.
>
> As a free people, we must have the good sense to bargain peaceably and sincerely. We must be determined to reach decisions based upon our long-range interest . . .
>
> If management does grant a wage increase, it is not prevented from coming in thereafter and requesting Government approval to have the wage increase considered for purposes of increasing prices. Whether such approval is sought before or after the wage increase is given, it receives the same consideration. . . .
>
> The second point is new and is very important. It is something which I am sure will help industry get over this very difficult period of readjustment. In cases where no approval of the wage increase has been requested by management, or even where a request has been made and denied by the Government, industry will not be asked by the Government to take an unreasonable chance in absorbing such wage increases. After a reasonable test period which, save in exceptional cases, will be six months, if the industry has been unable to produce at a fair profit, the entire wage increase will be taken into account in passing upon applications for price ceiling increases.
>
> The Office of Price Administration will have to give its prompt consideration to all applications for price increases.
>
> This is your Government's wage-price policy. For the time being, the machinery that administers it will remain the same as during the war.
>
> But, as you know, I have called a conference here in Washington of the representatives of management and labor. It will start next week.[3]

During January, 1946, the labor situation worsened. Three-quarters of a million steelworkers went on strike. Also striking were meat packers, electrical workers, and employees of General Motors. On February 14, President Truman again altered his stabilization program:

> I am now modifying our wage-price policy to permit wage increases within certain limits and to permit any industry placed in a hardship position by an approved increase to seek price adjustments without waiting until the end of a six months' test period, as previously required. . . .
>
> I am authorizing the National Wage Stabilization Board to approve any wage or salary increase, or part thereof, which is found to be consistent with the general pattern of wage or salary adjustments established in the industry or local labor market area . . . provision is made for the approval of increases found necessary to eliminate gross inequities as between related industries, plants, or job classifications, or to correct substandards of living, or to correct disparities between the increase in wage or salary rates. . . .[4]

[3] Harry S Truman, as quoted in *The Truman Administration: A Documentary History*, 53, 55–56.

[4] *The Truman Administration: A Documentary History*, 66–67.

Name_________________
Date_________________

Finally, shortly after the 1946 elections, Truman announced:

> 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. . . .
>
> . . . 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. . . .
>
> 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.[5]

Answer the following questions:

1. What economic dangers did the United States face at the conclusion of World War II?

2. How would you characterize Truman's wage-price policies?

3. Do Truman's comments in November 1946, reflect optimism or pessimism? Explain your position.

[5] *The Truman Administration: A Documentary History*, 84–85.

Name________________
Date________________

Part B

Examine the following statistics and reading as indicators of the American experience through the Truman and Eisenhower administrations and then answer the questions.

	1940	1947	1949	1951	1953	1955	1957	1959
Life expectancy at birth	62.9	66.8	68.0	68.4	68.8	69.6	69.5	69.6
GNP	43.9	74.6	79.1	85.6	88.3	90.9	97.5	101.6
GNP per capita	754	1,605	1,719	2,129	2,286	2,408	2,576	2,731
Average annual income of a full-time employee	1,299	2,589	2,844	3,217	3,581	3,851	4,230	4,594
Average annual income of a full-time railroad worker	1,906	3,211	3,703	4,161	4,415	4,697	5,416	6,054
Average annual income of a full-time employee in health services	927	1,821	1,912	2,099	2,335	2,497	2,660	2,907
Average annual income of a nonsalaried dentist	3,281 (for 1941)	6,610	7,146	7,820	10,873 (for 1952)	12,480	14,311	—
Retail price of one pound of bread	0.08	0.12	0.14	0.16	0.16	0.18	0.19	0.20
Retail price of one pound of round steak	0.36	0.76	0.85	1.09	0.92	0.90	0.94	1.07
Percentage of families owning at least one car	—	—	56%	60%	61%	70%	75%	74%
Unemployment rate	14.6	3.9	5.9	3.3	2.9	4.4	4.3	5.5

Table 22.1. *Historical Statistics of the United States: Colonial Times to 1970*. U.S. Department of Commerce, Bureau of the Census, 1975.

Name________________
Date________________

> The Bureau of Labor Statistics in 1950 calculated that a family income of $3,717 was necessary to maintain a family of four on a "modest but adequate" budget.
>
> In 1935–36 this poorest one-fifth of the families had received just 4.1 per cent of the total family income, and the richest one-fifth had received 51.7 per cent. In 1950 the percentages stood at 4.8 and 45.7, respectively, and by 1958 they were 4.7 and 45.5. The distribution of personal income had actually changed very little. The improvement in the living standard of the poorest one-fifth came about because total income increased tremendously rather than because they got a significantly larger share of this total.
>
> Furthermore, personal income was not regionally well distributed. In 1959 the per capita personal income of the entire United States (total of personal income divided by population) was $2,166. In other words, the mythical average American family received that amount for each family member. State figures showed a great diversity: Connecticut, $2,817; California, $2,661; New York, $2,736; South Dakota, $1,476; Mississippi, $1,162.[6]

1. How would you describe the U.S. economy between World War II and 1960? Cite specific evidence to support your conclusions.

2. In 1958, John Kenneth Galbraith's *The Affluent Society* was published. Was he correct in describing the United States of that period as "affluent"? Support your answer.

3. Pinpoint economic and social dangers suggested by the statistics.

4. How would you rate the overall effectiveness of President Truman's economic policies? Of President Eisenhower's economic programs?

5. What advice would President Truman and President Eisenhower have given to President Kennedy regarding the economy as he entered the presidency?

[6] David A. Shannon, *20th Century America: World War II and Since*, 3rd ed. (Chicago: Rand McNally College Publishing Company, 1974), 143.