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Labor Policy and National Defense, by Z. Clark Dickenson

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LABOR POLICY AND NATIONAL DEFENSE (1941) Z. Clark Dick-
inson, Bulletin No. 12, Bureau of Industrial Relations, University of
Michigan, pp. 57, \$.75.

The vast readjustments at top speed which are the keynotes of war time change necessarily mean increasing complexity in integrating war-time labor policy with a general attempt to discover and mobilize national resources in such a manner as to get the needed efficiency in defense and a tolerably equitable sharing of the burden.

A discussion of labor policy during World War I and its repercussions on post-war economy is the first step in analysis of present problems. The familiar outlines of war-time inflation, the price-wage upward spiral followed by post-war depression, are presented as the widely accepted example of the major economic evil which occurs whenever there are wars.

World War II in its effect upon labor problems in the belligerent

countries has pointed up many difficulties and possible solutions which are significant for the United States.

Due to the pressure which workers vital to defense production can bring for higher wages, they can succeed in demanding wages proportionately higher than those of workers in non-essential activities. Those workers in non-defense industries, the unorganized or ill-organized and the low paid are squeezed by rising rents and prices or thrown out of work altogether. While "in any desperate struggle the hard choice must often be made sustaining best the producers and welders of arms"¹ yet a democratic, socially conscious country should seek to maintain as high as possible a minimum living wage for all workers.² Such a policy will be beneficial to labor as a unit not only because it will seek to assure a "living wage" for all workers, but also, because the distribution of wages determines how the burdens of war will be shared. To the man whose income remains static or falls, increased taxes and voluntary (or involuntary) war loans take a proportionately greater share of that income. Rising prices pile on more inequalities in the absence of effective price control.

Taxation and voluntary loans have been the most popular measures utilized for raising war revenue and reducing consumption power. But in past wars they have proved their ineffectiveness as equalizers of the cost of war. In April, 1941, England adopted the Keynes plan of forced savings. Under this plan exemptions are lowered for income taxes and persons affected by this lowering have a certain percentage of their increased taxes credited to their name as savings to be repaid at the end of the war.³ This builds up a reservoir of purchasing power which will help to break the force of post-war depression.⁴

While England has established a National Arbitrary Tribunal

¹ DICKINSON, LABOR POLICY AND NATIONAL DEFENSE (1941) 15.

² The author has not indicated clearly why labor unions do not realize this and endorse a national "living wage" policy as has been done by Swedish Trade Unions. See SPIEGEL, THE ECONOMICS OF TOTAL WAR (1942) New York: D. Appleton Century Co., Inc. p. 164. Workers, "will continue to argue that their safest course is to press for all wages they can get, even if their real standard of living is bound to fall off. It will fall further they think, if they do not extract all wage increases they can. This argument is quite correct in that the group securing a larger increase in money wages than other groups may be able to stabilize, expand, or reduce to a smaller extent, its consumption at the cost of the consumption of those groups who are unable to secure a corresponding increase in money earnings."

³ Variations in this plan can be worked out by regulating the amount which the contributor is forced to save. Consumption can thus be accurately accommodated to the capacity of production available for civilian uses. See BROWN UNIVERSITY ECONOMISTS, INTRODUCTION TO WAR ECONOMICS (1942, Feb.) Chicago: Richard D. Irvin, Inc., Chapter IV

⁴ The author did not mention that this advantage will be fully effective only if prices after the war are not inflated and the incidence of heavy retrogressive taxation does not take away the desired effect of this extra spending power.

and Industrial Court to fix a "living wage" rate through arbitration, it has been unable to enforce a real national wage-price policy.⁵ A conscious national policy endorsed by labor itself is necessary if effective regulation is to be achieved.

Canada has adopted a system of voluntary cooperation by labor in settling labor disputes through a "cooling-off" period. At the same time Canada has adopted a policy of raising wages by giving all workers a flat raise proportionate to increased costs of living. This means that workers who might have demanded and gotten much higher wages because of their skill and necessity must contribute the difference as part of their war sacrifice. But there is no ceiling on increase in earnings due to overtime.

Stability in German prices and wages is attributable to undemocratic controls.

In the United States, the need for an effective national labor policy is more pressing than ever since our entrance into the war. Conscription of labor, a solution not discussed by the author of this publication, is now a much discussed possibility. The effectiveness of such a measure in accelerating production and in enlisting the all-out, sustained support of labor for the war effort may be seriously questioned. In considering its possible utility the author's suggestions as to the basic principals for labor policy in a war economy deserve serious consideration.

Roundabout face is the keynote in war-time labor policy. Labor must be convinced that it is most important to break the upward spiral of wages and prices. While price control may effectively break inflation for a while, regulative bureaus rapidly become inefficient and burdensome. To reduce consumption in the lower income brackets it becomes needful to attempt to curtail consumer demand. Such curtailment should be utilized in such a manner to meet the government's need for money, but should not be so great as to destroy incentives for the greatest possible production.

Every effort must be made to take up all industrial slack of unemployment. Experience in Germany and England has proved that increased hours of work and overtime is an uneconomical and inefficient measure. So long as we have men unemployed every effort must be made to utilize them. Of course, such efforts will be handicapped by many factors, lack of training, geographical distribution, housing, etc.

Wage increases in war-time seem unavoidable. The problem is to distribute such increases equitably and see that they are diverted from purchase of consumer goods. France imposed increased contribution to social security, a lead which the United States might well follow.

Unions must be persuaded to reverse policy as to dilution of labor. More apprentices should be admitted and skilled workers removed from work that can be done by unskilled labor.

Strike stoppage must, of course, be curtailed, if possible through voluntary cooperation between government and labor unions.⁶

⁵ DICKINSON, LABOR POLICY AND NATIONAL DEFENSE, op. cit. 24.

⁶ STEINER, ECONOMIC PROBLEMS OF WAR (1942) Bloomington: John Wiley & Sons, Chap. XV.

The author wisely does not recommend the adoption by the United States of any particular policies. His plea is rather for a conscious, directed approach to the problem, more research and statement of differences of opinion. But it is impossible for the reader to fail to draw a few conclusions as to desirable trends for United States policy. The emphasis throughout on the important effect of labor policy on the distribution of the cost of the war seems most significant. It illustrates the impossibility of considering any problem created by war apart from its repercussions on the entire war effort and post-war reconstruction problems. As demonstrated by experience, the success of any war-time labor policy depends in the ultimate analysis on how successful the government is in convincing labor that "control of money wages is but a disagreeable antidote to the poisons of inflation and bureaucratic rationing."⁷

As a starting point for study the article is a cogent, forceful analysis of the problems involved, easily understandable to a non-economist and effectively supported by facts and figures.