June 26, 1951

Hon. Herbert H. Lehman
Senate Office Building
Washington, D. C.

Dear Senator Lehman:

The report of the Banking and Currency Committees in the House of Representatives and the Senate on a new Defense Production Act is tremendously disappointing to the working men and women of the country. These committees failed to meet the increasing danger of inflation which has already reached a serious point.

Certainly, we must not permit ourselves to be lulled into a complacent business-as-usual inactivity by the current--but only temporary--halt in the inflationary trend. The defense program is only now beginning to make itself felt throughout the economy; it will have a much greater impact during the months ahead.

The question is -- Will Congress Meet This Issue By Enacting a Defense Production Act Which Will Provide For Control of the Factors and Forces Which Create Inflation With its Powerful and Destructive Effects? What will happen to our nation if inflation reaches the point where it is beyond governmental control? If inflation reaches that stage, our country will be at a great disadvantage in the war in Korea or in a war with Russia.

There is much talk these days about a "truce" on the battlefield in Korea. Let me take this opportunity of reminding you and your colleagues that there can be no "truce" in the battle against the forces of inflation. In this battle, Soviet Russia stands on the sidelines but she will be the real victor unless the Congress is willing to pass a truly effective Defense Production Act.
We must face this challenge and deal with these facts. Congress alone possesses the power to do so. Therefore, the call of the moment is to pass a Defense Production Act which will include effective price control, rent control, regulation of credit and other provisions designed to control and prevent inflation.

In our opinion, the bill reported by the Senate Banking and Currency Committee simply cannot do the job. We are much disturbed by the Committee action because we feel it has made the fight against inflation extremely difficult, if not impossible. In particular, I want to call your attention to the following ways in which the Committee bill needs to be strengthened:

1. Section 2: Prohibition of price rollbacks. This section cuts out the heart of the price control program. The cancellation of the beef price rollback is completely unjustified in view of the fact that even after the October 1 rollback, beef prices will still be at 125 percent of the parity level. If rollbacks are outlawed, the net result can only be such gross inequities that the general price level will have to be "rolled forward" thus adding fuel to the fire of inflation.

2. Subsidy program. Since purchases of food form the largest single item in the average family's budget, we are very much concerned that the Committee has taken no action which would stabilize food prices. Only about one-third of food purchases are now under any sort of price control regulation. The American Federation of Labor urges that the President be given authority to embark upon a program of food subsidies to be applied only to prevent necessary price increases on farm products which are below 100 percent of parity from being reflected in increased prices at the grocery store.

3. Effective enforcement of price control. We urge enactment of the President's proposals for strengthening the enforcement of price control. What is the use of price control regulations unless they can be effectively enforced? We believe that granting authority to the President for the issuing of licenses in particular industries where enforcement is difficult is a well considered proposal. Necessary safeguards are included to prevent any possible abuse of this authority.

4. Rent Control. While the Committee's recommendations would strengthen the existing rent control program in some respects, we believe that the blanket 20 percent increase contained in the bill is entirely unwarranted. We support the President's original proposal on rent control which would permit increases in rents where there have been genuine increases in landlord's costs. In addition, we oppose the so-called "local option" provision which permits communities to remove themselves from rent control. Such local autonomy in the rent control law is no more justified than it would be in the price control and wage stabilization programs.
We believe that only with these suggestions can an effective anti-inflation program be possible.

Let me point out that organized labor is voluntarily accepting the restraints placed upon it by the wage stabilization regulations. However, the future of wage stabilization is closely tied to the future of the entire anti-inflation program. If Congress does not strengthen the basic anti-inflation weapon, the Defense Production Act, Congress will, in effect, be saying that the burden of the defense program must fall heaviest on the nation’s workers.

On behalf of the 8 million members of the American Federation of Labor, I urge you and your colleagues to reject this approach and vote instead for strengthening the Defense Production Act and thus for a genuinely effective anti-inflation program under the principle of "equality of sacrifice".

Sincerely yours,

[Signature]

President
American Federation of Labor