

THE MOST HATED MAN IN AMERICA: FRED VINSON AND THE OFFICE OF ECONOMIC STABILIZATION

RICHARD P. HEDLUND

"I am smiling now, but it will be for the last time today," remarked Fred Vinson upon being sworn in as director of the Office of Economic Stabilization (OES). He succeeded James F. Byrnes who became director of the newly created Office of War Mobilization (OWM). Congratulating his successor, Byrnes said, "This is a happy job for me to turn over to you."¹ Two weeks earlier, Byrnes urged Vinson to become his assistant, but the bulky Kentuckian turned him down. Now he was working with him.

When sufficiently motivated, President Franklin D. Roosevelt acted decisively with both speed and secrecy. Byrnes stated that his resignation as director of OES had not reached the president's desk before Vinson was asked to succeed him. Unaware of these changes, Vinson was asked to accept the job at 3:00 p.m. on 27 May 1943. He agreed, and the announcement was made the next day. Tired of the judicial life, the sad-eyed Kentuckian stated, "I leave the court [United States Circuit Court] after five years of service with deep feelings of regret," but the president's call left him no alternative. "Since the President concluded that I might be useful furthering the war effort, personal considerations were foreclosed." He declined to make any policy statements but pledged to meet each problem as it arose.²

Thus Fred Vinson moved from the calm atmosphere of the judiciary to the pressure-packed position of director of the Office of Economic Stabilization. Success of the economic stabilization program depended on his ability to say no to wage and price increases. Strong pressures came from Congress, labor, farm

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1 *New York Times*, 29 May 1943; *Washington Post*, 29 May 1943.

2 *Ibid.*

groups, and business for higher prices. He successfully resisted these pressures and kept inflation in check. In doing so he probably became the most hated man in America. By turning down the railway unions' request for a thirty-percent pay increase, he embroiled the president and his agency in a threatened railroad strike and provoked Congressional intervention. What follows is an examination of Vinson's leadership during the railroad crisis of 1943. Vinson's role in resolving this dispute would determine the success or failure of the effort to control inflation.

Not only was Vinson surprised but so was his superior and friend Chief Justice Lawrence Groner of the United States Court of Appeals. Groner stated that he had no indication of the change until it happened, but he believed that Vinson had the necessary ability. "The regret we feel in having him transferred to the executive branch of the government is tempered by the consciousness of his outstanding ability for that task and his willingness to make personal sacrifices to help solve the great economic problems of this difficult time." Vinson also had the support of the one person who meant the most to him, his wife Roberta. In 1938 she had urged him not to seek reelection but was glad that he accepted the post as OES director. Mrs. Vinson explained:

It is fortunate no one paid attention to me in 1924, when I was anxious to remain in a small town in Eastern Kentucky. When Justice Byrnes gave up a lifetime job with security and honor to take the job as Stabilization Director, I remembered thinking how magnificent it was of him to do so. Now practically the same thing has happened to us. It is indeed a privilege rather than a sacrifice to be able to contribute to winning the war.³

The economic crisis was rooted in the problems created by World War II. By May 1943, strikes were rampant, particularly among the coal miners; there was also a threatened walkout by over a million railroad workers. Unhappy over restrictions imposed by the Little Steel formula, labor sought to end it. This formula prohibited wage increases beyond fifteen percent above

3 Ibid.

the wages of 1 January 1941. Certain exemptions would be made to prevent inequality in a company, a locality, or an industry. Because of a crisis in transportation, the country was also plagued with shortages of gasoline, meat, potatoes, and milk. Efforts to resolve these problems while holding down the cost of living failed. Through a hold-the-line order, the president imposed price ceilings. They were, however, vague and easily avoided, and prices continued to rise. Originally, food was not included in the order, but a continuous rise in food prices threatened to destroy the balance between wages, prices, and the cost of living. The cost of living rose 1.1 percent since March 1943, while food costs jumped 2.3 percent. Angered, the president issued an executive order forbidding wage and salary increases with some exceptions. Workers could not change jobs if the new job had higher wages than old one. New price increases were outlawed and ceilings were imposed.⁴

Because of these problems, Congress and the American people demanded action. Congressional critics demanded the appointment of an economic czar responsible to Congress. To forestall such a move Roosevelt established the Office of War Mobilization (OWM) headed by Byrnes. This agency was to keep military production and essential civilian production running smoothly and to end inter-agency quarrels. It had broad authority to govern the use of natural resources and the civilian workforce and to maintain and stabilize the economy. All agencies must obey OWM directives and submit progress reports. At Byrnes's request the order did not include disputes arising under the 2 October 1942 Price Control Act. Controversies involving the National War Labor Board (NWLB), the Office of Price Administration (OPA), price-wage quarrels, and disputes over price ceilings for farm commodities would all be decided by Vinson. This would

4 *Business Week*, 2 July 1942, p. 80 and 15 August 1942, p. 15; *U. S. News*, 16 April 1943. Terry Birdwhistell interview of Benjamin Cohen, 19 March 1975, Frederick M. Vinson Oral History Project (hereafter FMVOHP), Margaret I. King Library, University of Kentucky, Lexington, Kentucky.

enable Byrnes to make general policy decisions and to avoid specific problems like price ceilings, wage increases, and rationing. To assist Byrnes Roosevelt established an advisory committee of Secretary of War Henry L. Stimson, Secretary of the Navy Frank Knox, Harry Hopkins of the Munitions Assignment Board, Donald Nelson of the War Production Board, and Vinson himself. Congress quickly approved the choices. One southern senator remarked, "I am damn glad we've got three of our own boys in government."⁵

The Judge, as Vinson was often called, was a serious student of government and a cagey politician who had the capacity for making prudent decisions. His ideas were always tempered by "how the folks back home would feel." "I would do what I really thought ought to be done - If I could. If I were in the driver's seat, . . . I would do my *durndest* to do that which would be in the public weal." An able behind-the-scenes operator whose forte was compromise, Vinson was able to persuade others to cooperate with him. He could completely disagree with people and yet leave them convinced that he had given their viewpoint the most careful consideration. A dark, rangy, long-faced man with busy eyebrows, Vinson was not a patient man as he wrestled with problems all day and then dreamed about them all night. He tackled a problem by what he called the "saturation method," soaking himself in information and then letting the facts suggest the answer. His friends called him the "Great Oak" because once his mind was made up he could not be budged. One senator described Vinson as a jovial, hard-working man who "never walks around a fight. He goes right into the middle." When asked why

5 James McGregor Burns, *Roosevelt: The Soldier of Freedom 1940-1945* (New York: Harcourt Brace Jovanovich, 1970), 333-42. *New York Times*, 29 May 1943; *Washington Post*, 29 May 1943; "Stabilizer Vinson," *Newsweek*, 21 June 1943, p. 54. For the best discussion of the Office of War Mobilization, see H. M. Somers, *Presidential Agency: Office of War Mobilization and Reconversion* (Cambridge: Harvard University Press, 1950). As OES director Byrnes thought he had spent most of his time resolving wage-price disputes.

he never seemed afraid, Vinson replied, "Where I come from it was dangerous to be afraid." It would take all of his leadership skill to resolve the difficult problems created by the war.⁶

Examining the background of wartime regulations and the powers of his agency, Vinson realized that neither had been in existence very long. The OES was established in 1942, while a National Defense Advisory Committee was created in 1940. By 1942 Roosevelt had numerous agencies with overlapping authority. This led to several inter-agency public feuds that Roosevelt had to resolve. Frustrated by these disputes, Roosevelt set up the Office of Economic Stabilization in October 1942, which was headed by Byrnes. This agency had broad powers to formulate and develop a comprehensive national economic policy relating to the control of civilian purchasing power, prices, rents, wages, salaries, profits, rationing subsidies, and all related matters. The goals were to prevent avoidable increases in the cost of living, to cooperate in minimizing the unnecessary migration from one business, industry, or region to another, and to facilitate the war effort. To give effect to this comprehensive national economic policy, the director had the power to issue directives on policy to the federal departments and agencies concerned.⁷

Byrnes quickly established the principle that the director's decision was final. With the establishment of the OWM Roosevelt achieved the stability necessary to make the system work. Byrnes and Vinson developed a close working relationship which allowed Byrnes to spend more time on long-range planning, while Vinson

6 John Crider, "The Man at the Head of the Treasury," *New York Times Magazine*, 14 October 1945, pp. 18-20; Fred Rodell, "Chief Justice," *Life*, 24 June 1946, pp. 103-16; "Vinson: Senate Businessman," *Business Week*, 17 March 1945, pp. 17-18; Kenneth Crawford and Gilbert Stewart, Jr., "Fred Vinson," *American Mercury*, April 1945, pp. 409-410; Vinson to William C. Clay, 16 January 1943, Vinson Papers; William Cooper interview of John McCormack, 1975, FMVOHP.

7 Executive Order 9250, 3 October 1942, copy in Vinson Papers, box 110. This copy had been well read with numerous marginal notes. For discussion of these agencies and their problems, see Somers, *Presidential Agency*, 13-18, 30-35; Burns, *Soldier*, 55-56, 253-62; Kenneth Davis, *Experiences of War: The United States and World War II* (New York: Doubleday & Company, 1965), 166-67.

handled the day-to-day operation. Byrnes intervened whenever Vinson could not resolve a dispute or his decision was appealed; normally, he supported Vinson. In Vinson Roosevelt had a man "who when he said no, meant no." Referring to the president as the "Champ," Vinson conferred with him daily and usually gained his support. Occasionally, Roosevelt made promises that Vinson could not keep. This led to controversies that required all the political skills of Roosevelt, Byrnes, and Vinson to resolve.⁸

As director his powers rested on executive orders 9250, issued in 1942, and 9326, issued in 1943, and on the Little Steel formula. He could order any federal department or agency to subsidize or purchase for resale any commodity to maintain a price ceiling or to prevent a price rise inconsistent with the order. The OES could not grant wage increases unless first approved by the NWLB. All increases were based on the Little Steel formula. This formula assumed that since the cost of living rose by fifteen percent from 1 January 1941 to 1 April 1942, labor was entitled to a fifteen percent increase. If labor had already received a fifteen percent increase, further increases could not be granted "except to correct maladjustments, inequalities, to eliminate substandard living, correct gross inequalities, or aid in the effective prosecution of the war." Throughout the war, labor leaders attempted to break the formula, but they usually failed. Vinson believed that wage and price control was essential to the war effort.⁹

Executive order 9250 stated that manufactured or processed agricultural commodities were stabilized on the basis of levels which existed on 15 September 1942 and in compliance with the hold-the-line order. Through the combined efforts of the Office of Price Administration and OES, attempts were made to control profits. In April 1943, Roosevelt issued an executive

8 Terry Birdwhistell interview of W. E. Crutcher, 8 January 1975, FMVOHP; Benjamin Cohen interview, FMVOHP.

9 Order establishing the Office of Economic Stabilization, Vinson Papers, box 109; "Little Steel Formula", *Business Week*, 25 July 1942, p. 24; *Business Week*, 15 August 1942, p. 4.

order, a second "hold the line order," which clarified and strengthened his earlier order. It reaffirmed the Little Steel formula and allowed the NWLB to make wage adjustments subject to the director's approval.¹⁰

Supposedly a policy-making office, Vinson spent most of his time resolving disputes between the various agencies. He handled "one of the toughest jobs in the nation, sure to be kicked by labor on one side, business on the other, and the farmer from the rear." Cool under pressure, Vinson ran a small but efficient staff composed of two fellow Kentuckians, Paul Porter, deputy administrator, and Edward F. Pritchard, secretary, and two former law clerks, Willard Pedrick and Wilbur Lester.¹¹ Each had certain responsibilities and worked closely with Vinson on specific problems. Writing to Justice D. Lawrence Groner, he stated:

I have been driving myself hard every minute of the day and up into the night. . . . We have had many, many different problems on our table since you left. Many of them were staggering in their effect upon the successful prosecution of the war and our people after the war. I am giving them the best I got.¹²

Vinson prided himself on sizing up people and determining if they were telling the truth. Under tremendous pressure to do favors for people, he never did. "It was never wise to get yourself under obligation to anyone, since it would come out sooner or later," he told Pedrick. Personal feelings never interfered with his decisions. His judgment was based on what was good for the

10 Executive Order 9250, 3 October 1943; Executive Order 9328, 8 April 1943, Vinson Papers, box 109. On 27 April 1942 Roosevelt outlined his seven-point program to keep prices in check: tax heavily and keep profits down, fix ceilings on prices and rents, stabilize wages, stabilize farm prices, sell more war bonds, ration all scarce essential commodities, discourage installment buying and encourage paying off debts.

11 Unidentified clipping, 30 September 1943, Vinson Papers, box 11; Terry Birdwhistell interview of Paul Porter, 19 March 1975, FMVOHP; Terry Birdwhistell interview of Willard Pedrick, 22 October 1976, FMVOHP.

12 Benjamin Cohen interview; Paul Porter interview; Vinson to Honorable D. Lawrence Groner, 20 August 1943, Vinson Papers. For a brief discussion of Vinson's career in the executive branch, see James Bolner, "Mr. Chief Justice" (Ph.D. diss., University of Virginia, 1962), 39.

country rather than friendship or state loyalty. Upon one occasion a powerful eastern Kentucky coal-mine operator stormed into the local office of the food administration and demanded more meat for his miners. "Who's in charge of the office?" he asked the startled local official. "Fred Vinson," the official replied. "Give me that phone," he demanded; he called Washington and insisted on speaking to Vinson. When Vinson was on the line, he said, "Now Fred, I just want to tell you that I am an old time coal miner and I've got a lot of men working for me. They work hard. And I'm going to tell you or any other government official that my miners have to have meat to mine coal." Vinson replied "Well I'll just tell you that your miners are just like everybody's else miners. And you're not getting any favors from this office." Even though they were friends for many years, Vinson said:

you are going to be treated just like anybody else. The law is the law and the rules are the rules and the regulations are the regulations. And you'll just have to make out the best you can, because we're not going to give you any special favors.¹³

Pressures of the job and time pressure caused mistakes, but Vinson never worried about them. His task was to enforce the hold-the-line order regardless of pressure or fear of mistakes. He viewed the office as a judge and explained his decisions in relation to the orders. Success of the stabilization program depended on Vinson's ability to say no to wage and price increases. Strong pressures came from Congress, farm groups, labor, and business for higher prices. Congress and farm groups wanted to end subsidies and raise prices, while business wanted higher prices and ceilings on wages. Labor wanted higher wages and controlled prices. It required all of his skills to make his agency work effectively in spite of powerful pressures.¹⁴

13 Wilbur Lester, "Fred Vinson in the Executive Branch," *Northwestern Law Review* 49 (1954): 35-37. Willard Pedrick interview; Terry Birdwhistell interview of Mac Swinford, 22 July 1974, FMVOHP.

14 Willard Pedrick interview; *Congressional Record*, 78th Congress, 2nd session, Appendix, Vol. 11, p. A3694; *Washington Post*, 23 June 1943.

A demand by railway workers for a pay increase far above the guidelines threatened the administration's stabilization program. If successful it meant the end to the Little Steel formula and price controls. Representatives of the 350,000-member operating union sought a thirty-percent increase, or a minimum of three dollars a day, while the 1,097,180 non-operating employees wanted twenty cents an hour more. Alvaney Johnson, president of the Locomotive Engineers, claimed these increases were necessary because of the "added responsibilities and hazards placed upon the employees, excessive hours, manpower shortages, higher cost of living and the inequality of railroad pay compared with other industries." By threatening a strike in 1942, the operating union workers received a ten cents an hour increase, while the non-operating employees secured nine and half cents. To prevent more such increases, Congress passed the National Railway Act. Union requests were submitted to a three-man emergency board appointed by the president. The board's recommendations were final thirty days after its report was submitted unless the stabilization director objected. At the insistence of William L. Leiserson, chairperson of the National Railway Mediation Board, Roosevelt established separate emergency boards. Leiserson insisted they would do a better job of holding the line. I.L. Sharfman, professor of economics at the University of Michigan, chaired the panel that would investigate the demands of the non-operating railway employees and make recommendations.¹⁵

In May 1943, the Sharfman board granted the non-operating employees an eight cents an hour raise even though they had already received their full fifteen percent. It rejected the union's demand of a minimum wage of seventy cents an hour but made the increase retroactive to 1 February 1943. This was necessary "to correct the gross inequalities and aid in the effective prosecution of the war," the board concluded. Vinson had thirty

15 *Ashland Daily Independent*, 9 December 1942; copy of Executive Order 9299, Vinson Papers, box 109; *Washington Post*, 25 July 1943.

days to accept, reduce, or veto the awards. He understood that his decision would affect the operating union case, the cost of living, and the Little Steel formula.¹⁶

Working closely with Wilbur Lester, Vinson examined the records, consulted with William Davis, chairperson of the NWLB, two of its prominent members, Frank Graham and Wayne Morse, and Richard Mitchell, a labor expert from Pennsylvania. Writing his opinion as if it were a legal brief, Vinson rejected the board's recommendations.¹⁷ The board had given too liberal an interpretation to the hold-the-line order and the raise did not meet the test of gross inequalities. Besides, the railroad workers had already received their fifteen percent under the formula. Vinson concluded that, "The only way to hold the line is to stop trying to find justification for not holding it here or not holding it there." The board should reconvene and make new recommendations based upon his opinion.¹⁸ I. L. Sharfman, who was now serving on the board investigating the operating union's demands for a pay increase, rejected Vinson's suggestion that the panel be reconvened, arguing that such action would be useless because Vinson's recommendations were "entirely unworkable in the circumstances of this proceeding, except insofar as they may be affected through arbitrary action." They would destroy the procedures and machinery set up by the Railway Labor Act to resolve railway labor disputes. He concluded that, "There is real danger that such an outcome and such an approach would gravely impair the effective prosecution of the war."¹⁹ Vinson replied by

16 "Rail Wage Rise," *Business Week*, 29 May 1943, p.105; *Washington Post*, 27 May 1943. This wage boost would cost an estimated \$204,000,000 annually.

17 Benjamin Cohen interview; See Lester, "Fred Vinson in the Executive Branch," *Northwestern Law Review*, 36-53. Lester believed that Vinson interpreted the hold-the-line order correctly but that he could have accepted the recommendations with Roosevelt's approval. See *ibid.*, 40-42. Willard Pedrick interview.

18 Press Release from Office of War Information, 23 June 1943, Vinson Papers, box 109; *Washington Post*, 24 June 1943.

19 I. L. Sharfman to Fred Vinson, 3 July 1943, I.L. Sharfman Papers, Michigan Historical Collections, Bentley Historical Library, University of Michigan;

characterizing the board's action as a rejection of presidential policy which he could not accept, concluding, "If those responsible for the administration of the Railway Labor Act choose to conduct a sit-down strike . . . to prevent reconsideration of this case, the responsibility is theirs not mine."²⁰

If Vinson hoped to end the controversy, however, he failed. Sharfman wrote to Leiserson denouncing Vinson's conclusions as a "complete perversion" and "irresponsible Judgement." Leiserson agreed and appealed directly to Roosevelt arguing that he must "find a way of permitting the Emergency Board's recommendations to go into effect."²¹ Vinson, meanwhile, also rejected a request from George Harrison, president of Railway Clerks, and William Green, president of the American Federation of Laborers, to reconsider his decision. On 1 July Harrison and Leiserson met with Roosevelt, Brynes, and Vinson and urged Roosevelt to set aside Vinson's order. Labor leaders came away thinking that Roosevelt supported them, but, in fact, he had decided against overruling Vinson. The non-operating unions then asked the owners to accept the wage increase and threatened to strike when they refused. Roosevelt promptly reopened the wage issue and established a new panel to consider it. Roosevelt recommended that they "accord such relief as may be consistent with the stabilization program," and report to him by 15 November.²²

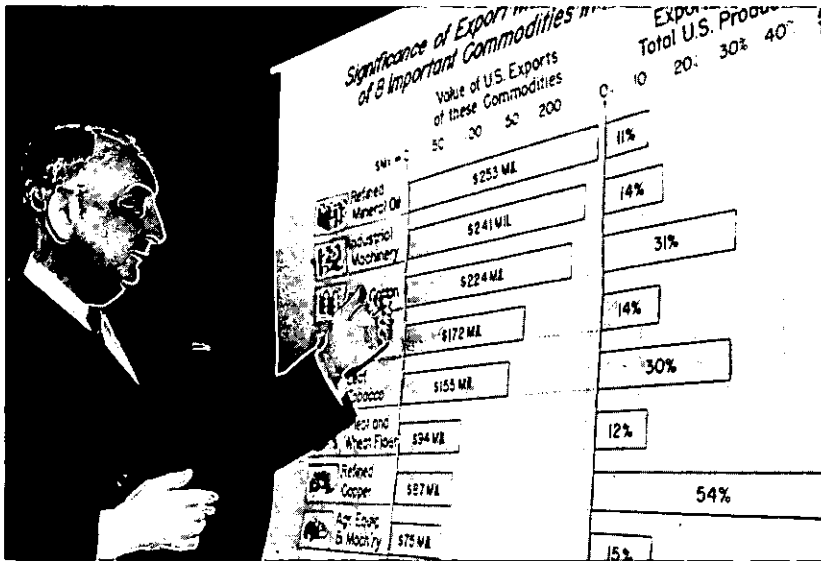
Meanwhile the special panel investigating the operating unions' demand for a thirty percent wage increase presented its findings. Earlier Alvaney Johnson, president of the Brotherhood of Locomotive Engineers and Firemen, accused Vinson of having prejudged their case. In all probability he did. By a two-to-one

Washington Post, 4 July 1943. The new panel was headed by Walter P. Stacy.

²⁰ Vinson to Sharfman, 7 July 1943, Sharfman Papers.

²¹ Vinson to Sharfman, 7 July 1943; Sharfman to William Leiserson, 10 July 1943; Leiserson to Sharfman, 29 June 1943; Leiserson to Roosevelt, 30 June 1943, Sharfman Papers.

²² *Washington Post*, 26 June 1943, 2, 25 July 1943, 3 August 1943, 17, 27 October 1943.

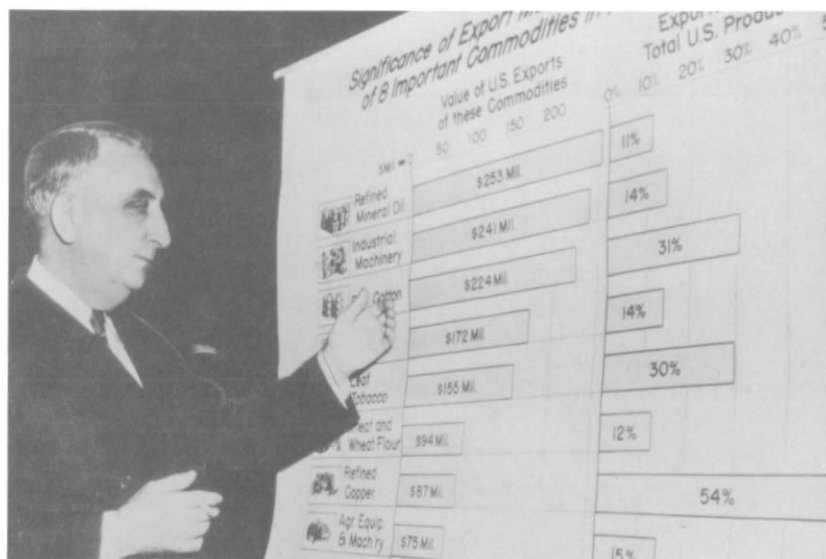


Vinson Ponders Economic Statistics

The Filson Club Historical Society

vote the board recommended a four cents an hour increase which Vinson approved. Calling the offer an insult, however, the operating unions rejected it and planned to strike. Issuing a minority report, I. L. Sharfman accused the board of placing "too narrow a construction on Vinson's operating case" and suggested a seven and half cents an hour increase.²³ This decision affected the new panel which Roosevelt had created. It proposed a four to ten cents an hour increase. Those on the bottom of the scale would receive the larger amount "tapering off at four cents for those in the top bracket." This would "eliminate sub-standard living conditions and provide the minimum adjustment in interrelated job classification." Vinson endorsed the recommendations, stating that they fell within the guidelines of the formula. Denouncing the panel as a creature of Vinson's, however, the fifteen non-operating

²³ *Washington Post*, 20 June 1943, 29 September 1943, 17 October 1943.



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²³ *Washington Post*, 20 June 1943, 29 September 1943, 17 October 1943.

union leaders rejected its recommendations. Both the operating and non-operating unions appealed to Congress to enact legislation to restore their eight-cent increase. Vinson, they contended, acted illegally in overruling the emergency board.²⁴

Responding to the union appeal, Senator Harry S. Truman (D-Missouri) and Representative Robert Crosser (D-Ohio) sponsored a joint resolution granting the increase. Testifying before a senate interstate commerce subcommittee, the railway leaders advanced three arguments. Vinson's actions did not have the effect of law; they had not received their fifteen percent under the Little Steel formula; and the raise was necessary because of "gross inequality and aid in the effective prosecution of the war." Truman concurred, stating, "I was convinced of that . . . otherwise I would not have introduced it" [the resolution]. Following Truman's lead, B. M. Jewell, spokesman for the fifteen non-operating unions, claimed their wages were far behind other workers in comparable areas and that Vinson had exceeded his authority.²⁵ Unless Congress took action, Harrison warned, the unions would strike. Senator Edwin Johnson (D-Oklahoma) stated that such an ultimatum put Congress in a bad position; it would have to override the president's actions. However, Donald Richberg, attorney for the unions, pointed out that Congress was not overriding the executive but rather clarifying the intent of Congress when it passed the law. Roosevelt, Vinson, and Byrnes would be relieved if they did, Harrison declared. Harrison also reported that a strike vote would be held on 22 November.²⁶

Unimpressed by the union's arguments, Vinson threatened to scrap the Little Steel formula if Congress adopted the joint

24 *Washington Post*, 17, 26 October 1943; *New York Times*, 9 November 1943. Press release from Office of War Information, 8 November 1943, Vinson Papers; Undated memorandum, "Railroad File," Office of War Mobilization and Recovery Economic Stabilization, National Archives, box 460, Washington, D.C.

25 *Washington Post*, 30 November 1943. *Hearings before Senate Interstate Commerce Commission, 78th Congress* (Washington, D.C., 1943), 41-44, 71.

26 Senate Hearings, 112-17.

resolution: "If Congress exempts one group from the application of the Little Steel Formula, then the executive department would be compelled to abandon it for other groups." If Congress wanted to change the formula, "It should . . . write a formula applicable to all. The inequities during the war were no greater than they were in peacetime." Truman, however, predicted quick passage of the resolution by the subcommittee, the committee, and the Senate. It was easily approved by the subcommittee and the full committee.²⁷

Senate debate opened on 9 December. Proponents of the measure reiterated the familiar themes that the workers did not receive the full fifteen percent under the formula and that the raise would not be inflationary. The railroad board settled the matter and stated there would be no raise in freight rates. Then Truman declared, "Mr. Vinson tried to upset the decision by offering a perfectly absurd settlement which would not be materially different so far as the amount of money involved is concerned." Truman argued that since the increase would not be passed onto the consumer, it would not be inflationary. Clyde Reed (R-Kansas) maintained that on three separate occasions Roosevelt promised a raise only to have Vinson interfere: "Judge Vinson . . . is alarming the country unnecessarily by his wholly unjustified emphasis upon what he calls the inflationary factor involved in this matter. There is no inflationary factor involved in this case."²⁸

Few senators, in fact, defended Vinson. This was to be the first serious breach in the president's hold-the-line order which had the effect of making Congress adjudicators in labor disputes. Allen Ellender (D-Louisiana) asserted, "Judge Vinson is the supreme court on the question at issue and you are trying to override him by your resolution." Arthur Vandenberg (R-Michigan) and Joseph Bailey (D-North Carolina) argued that inflation would do

27 *Washington Post*, 18-19 November 1943.

28 *Congressional Record* (78th Congress, 1st session, 9 December 1943), 10497, 10503, 10506, 10508, 105011, 10512-14.

to America at home what Hitler could never do to America abroad - wreck the economy through inflation. The Senate, however, easily approved the resolution 74 to 4 with 18 not voting.²⁹

On 18 November Vinson defended his actions before the House Foreign and Interstate Commerce Committee. If wage increases were given to one group it would be impossible to deny them to others. The railway workers already obtained their increase under the Little Steel formula. In December 1941 they had received "15.6 percent or 16.35 percent, depending upon which of two methods were used in computing the increase." The Interstate Commerce Commission should decide if they should raise freight rates, not the proponents of this resolution. "Even if the Commission should determine that no increase was necessary, the railroads might with some propriety urge the Congress to do for them what it had so generously done for their employees."³⁰ Congress should "exercise its legislative function by passing laws which will combat inflation - the unspectacular but nonetheless relentless enemy of the national interest." Two laws must be harmonized - the wage recommendation of an emergency board and the wage-control standards prescribed by the stabilization act of 2 October 1943. "That is my job," Vinson concluded.³¹

Donald Richberg defended the union's position and accused Vinson of making "unwarranted assertions." Vinson, however, had forced the emergency board to accept his recommendation. He devised the formula for dividing the money so it would come out the same but be distributed differently. Richberg argued that Vinson thought he had "super powers" and had as a consequence put the president in an embarrassing

29 Ibid., 10497, 10520, 10526; *Washington Post*, 10 December 1943.

30 Statement by Fred M. Vinson, director of Economic Stabilization, on matter of Wage Increases for Non-operating Railway Employees, 18 November 1943, Vinson Papers, box 110. Hearings, House Committee on Interstate and Foreign Commerce (78th Congress, 1943-1944), Vol 1, 77-88.

31 Ibid.

position. Roosevelt, in turn, has had to "uphold the prestige of Judge Vinson in performing highly responsible duties, and he did not want to be in the position of repudiating him because he is doing a great service for the country."³²

The committee suspended the hearings when the five operating railroad brotherhoods called a nationwide strike on 30 December declaring it to be "a strike against inflation for the privileged few and deflation for the many. The workers do not believe that swollen railroad earnings, larcenous profiteering, soaring prices and depressed real wages are necessary for the war effort." The committee set up a subcommittee chaired by Robert Crosser to draft a comprehensive rail exemption to the stabilization law for submission to the committee. Congress then adjourned for its twenty-one-day Christmas leave, giving the White House time to resolve the crisis.³³

Returning to this maelstrom from the Tehran Conference, Roosevelt defended Vinson: "There has been a lot of talk about Judge Vinson exceeding his authority. I want you to know that Judge Vinson is acting for me. He is carrying out the mandate of Congress to prevent inflation." Trying to resolve the issue, Roosevelt, Byrnes, and Vinson met with the representatives of the five operating unions, but little was accomplished. Responding to a question on the Little Steel formula, Vinson retorted, "I believe the Little Steel formula is fair. If we break it for one group, then others will demand increases. I'm not going to see it broken." "That's no answer," David Robertson of the Brotherhood of Locomotive Engineers and Firemen replied. "Do you want me to break the law?" Vinson snapped. "There's no reason why the law can't be changed if it's discriminatory." "It wasn't passed by Congress - it was instituted by the executive branch," Robertson countered. Following three hours of bitter exchanges, even among the union

32 *Washington Post*, 17 November 1943; House Hearings, 136-41.

33 *Washington Post*, 16-19, 21 December 1943. Truman opposed the exemption of any group from the Stabilization Act. He said he would support his own resolution but not any other. Crosser, however, supported the new measure.

representatives, the meeting ended. Supported by Vinson, Roosevelt offered the five operating unions a four-cent-an-hour increase, five additional cents instead of overtime pay after forty hours, and six days of paid vacation a year. The leaders of two of the operating unions, A. F. Whitney of the Brotherhood of Railway Trainmen and David Robertson accepted the proposal. However, the fifteen non-operating unions and the three operating unions announced a strike beginning on 30 December. Roosevelt authorized the secretary of war to seize the railroads.³⁴

Roosevelt urged the other unions to accept the benefits similar to those given to the two operating unions, but they refused. The fifteen non-operating unions wanted a four- to-ten-cent-an-hour, sliding-scale rate adjustment plus compensation in lieu of overtime. Late one afternoon, Harrison met with Roosevelt who promised an eight-cent-an-hour increase plus six-cent-an-hour overtime. Since it violated the Little Steel formula and the anti-inflation policy, Vinson vetoed it. After three weeks of tense negotiations, the three operating unions accepted the nine-cent-an-hour increase given to the other two. One reason for the delay was the unions feared Roosevelt would freeze their wages for the duration of the war. When he assured them that the freeze applied only to overtime pay, they accepted the offer.

To resolve the non-operating union's dispute, Roosevelt set up a third special panel headed by Elwyn Shaw. The committee wanted to adjust Vinson's sliding scale upwards from 11.25 cents to 13.33 cents, but he favored nine to ten cents. The final agreement superimposed on all parties an allowance in lieu of time and half after forty hours, plus the ten-to-four-cent sliding-scale previously awarded. Workers making less than forty-seven cents would receive eleven cents including one cent overtime. Those making between forty-seven and fifty-seven cents would receive ten cents and those making over fifty-seven

34 *Washington Post*, 24, 28-30 December 1943.

cents would receive nine cents. Once accepted, Roosevelt ordered the War Department to return the railroads to the private carriers.³⁵

Although Vinson faced other tests, it was his stand on this issue which set the tone for his term as stabilization director. Labor tried to end the formula, but it remained in effect until the war ended. How effective was Vinson in holding inflation down? During his twenty-two months he did a remarkable job of holding the line. From December 1941 to September 1942, the consumer index climbed from 66.1 to 74.3 percent, but from then until the end of the war it went from 74.3 to 77.5. During Vinson's tenure it rose from 74.9 to only 76.0. The cost of living had increased a mere 1.1 percent. While his efforts may have temporarily made him the most hated man in America, he clearly earned the nation's respect and gratitude.

35 *Washington Post*, 28-29, 31 December 1943; 6, 15-16, 19 January 1944.