

Memoir

Dictated by

EWAN CLAGUE

Director of Bureau of Employment Security, Social Security Board, 1940-46; Commissioner, Bureau of Labor Statistics, Department of Labor, 1946-54 and 1955-65; and Special Assistant to the Secretary of Labor, 1954-55.

Washington, D.C.

March 5 and 7, 1964

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NOTICE

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March 5, 1964

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I was standing on the platform of the Back Bay Station of the New Haven Railroad in Boston when I heard -- or saw -- about the death of President Roosevelt. I glimpsed a headline in a newspaper being read by a fellow traveler, "PRESIDENT ROOSEVELT IS DEAD." I simply couldn't believe it, but I went upstairs to try to find a paper and verified the awful fact.

To say that I was shocked and depressed is the understatement of the decade. Ordinarily I have a sanguine temperament and take things as they come. In this particular case I was devastated. I could recall in recent years only one previous occasion in which I had been as deeply,

fundamentally disturbed. That was in April of 1940, five years before, and the occasion was the Nazi

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invasion of Norway. On that previous occasion I was so upset that I fumbled my work at the office for several days until I could get a grip on myself. On this occasion, I found it practically impossible to sleep on the way down to Washington, and my feeling the next day was one of complete discouragement. It seemed as if the bottom had dropped out of the world. However, my memory is that I recovered rather quickly from this depression, partly because of the excellent start made by President Truman in taking over the duties of the office.

I was not well acquainted with President Truman, but I had had some experience with him as a senator in connection with the work of his committee on the conduct of the war. Also, I had heard him speak at an interstate conference of Employment Security Administrators in Missouri in one of the early years of the war. Lastly, I knew he had been for a time an employment office administrator in the U.S. Employment Service, and for

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that reason I felt that he would have an understanding of some of the problems we were dealing with in the Employment Security Program.

The first incident that stands out in my memory was the case of the post-war projections of unemployment. During the war, I was director of the Bureau of Employment Security. In the pre-war period, this bureau comprised the unemployment insurance system and the U.S. Employment Service, which was engaged in placing unemployed workers. Immediately prior to December 7, President Roosevelt made a decision to nationalize the employment service in order to obtain a better coordination of nationwide employment service activities. It was felt that the State services were not sufficiently coordinated and integrated for effective administration of placement. I myself remained with the Social Security Board as Director of unemployment insurance. The nationalized employment service was transferred from the Social Security Board to the new War Manpower Commission.

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At the beginning of the war in 1941, the Social Security Board had been engaged in making economic projections: first, the pattern of economic development during the war, and the second, the estimated post war readjustment.

There was a man on my staff in the Bureau of Employment Security by the name of Woytinsky, a refugee from Soviet Russia, who had worked his way through Germany, Switzerland, France, and finally to the United States. He had worked with the Social Security Board in the early years of the program, serving at times on the Board staff as a consultant, and at other times, under the auspices of the Twentieth Century Fund and the Rockefeller Foundation. Woytinsky was a world-famous economist and statistician who helped develop some of the statistical programs in the early period of the Board's operations. He was especially interested and skilled in analyzing future economic development. So, when the United States got into the war, he was commissioned to develop a wartime and

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post-war projection, with particular reference to employment and unemployment. This he did in a famous document which projected the defeat of Germany at the end of 1944, the defeat of Japan by the end of 1946, and a two-year period of readjustment in 1947 and '48. A significant fact concerning this long-range projection was that it sketched out a probable gross national product during the war years and then forecast a speedy and successful post-war readjustment lasting only about a year. It pointed to new high levels of production and employment in 1948 and beyond. The interesting point about this projection is that the actual readjustment which took place in 1945-46 was almost exactly as it had been sketched out by Woytinsky five years before. He was wrong on the timing of the war ending, but he was completely right with respect to the nature of the post-war readjustment. He persisted in arguing that the volume of unemployment in the post-war readjustment would not exceed three and a half million workers.

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When it became apparent in the early spring of 1945 that the war with Germany was about to end, we had Woytinsky draw up a proposal for the readjustment of the economy during the remaining period of the war with Japan. It had already become apparent that the peak of wartime employment had been reached in November, 1943, and that the flow of war munitions and supplies was being produced with a declining number of workers. The question was what to do when Germany was defeated, what readjustments should be made. Woytinsky drew up a paper, which we reviewed in the Social Security Board and then sent over to the Office of War Mobilization for their consideration.

The key point in Woytinsky's projection was that there would no longer be need for a 48-hour week. There would be almost certainly a decline in war employment. He therefore proposed that the hours per week be reduced to 45, with a comparable rise in hourly pay that would retain the same level of weekly income. His argument was that the workers

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in this case would be glad to accept the reduced hours and that the effect would be to spread the unemployment to some extent. He further anticipated that in the final readjustment after the defeat of Japan, there could be a similar reduction attempted in such a way that gradually the country would work back to a 40-hour week without experiencing any sharp unemployment increases, or any great reduction in worker income.

Nothing came of this effort on our part. The memorandum was lost in the Office of War Mobilization without any comment ever coming back to us in the Social Security Board. Years later, when Professor William Haber of Michigan was doing some historical summarizing of the activities of the mobilization agencies, he telephoned me one day to say that he had found in the files a copy of my letter transmitting Woytinsky's projection. On the paper was a notation, "This is not worth serious consideration."

Woytinsky's views ran so contrary to the

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prevailing fears in the mobilization agencies concerning a great post-war depression that his thinking received no serious consideration.

Then when the war with Japan came to an abrupt end in August, the fears of post-war depression dominated the picture completely. The hours of work were reduced, wage controls were removed, the country entered a post-war readjustment, not with a high volume of unemployment, but with a major industrial relations problem. The cutback in the 48-hour week, with the premium pay at time and a half, had the effect of sharply reducing the take-home pay of the workers. Yet at this very time, the price level was creeping upward, not so fast then, because price controls were still in effect, but the shrinkage of weekly income was not in any way countered by a reduction in the cost of living. The workers clamored for increased pay to make up for the loss in weekly earnings and we entered the worst period of strikes that we had had in many years. The result was a series of

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wage increases designed to make up the loss; and the consequence of that was a rise in prices as soon as controls were taken off in the summer of 1946.

Then, by a series of developments, I found myself in the middle of that picture. When the war had finally ended, the Employment Service and the War Manpower Commission were still in existence. The first step taken in the post-war readjustment was to transfer the Employment Service to the Department of Labor. In the meantime, the Bureau of Employment Security, administering the Federal-State Unemployment Insurance System, was located in the Social Security Board. This led to a series of legislative battles concerning the eventual location of these two programs.

In the Social Security Board, we were well prepared for the post-war readjustment. The unemployment benefit funds in the States had been built up to levels sufficient to take care of more unemployment than actually developed. The addition

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of unemployment benefits for returned servicemen in a separate program took care of any pressures that might have arisen in that direction. As a result, during the readjustment of 1945-46, the employment security program performed on schedule.

As the director of the program, and as a ten-year veteran in the Social Security Board, I expected to continue with this work in the indefinite future. However, in the summer of 1946, it must have been about early June, I received a telephone call one Saturday (we worked on Saturdays in those days) from Ed [Edwin E.] Witte, who had been one of my professors at the University of Wisconsin. Professor Witte asked if he could run over to take lunch with me on Saturday noon in the Social Security Building. I agreed to see him, and we met in the lunchroom. I shall never forget the way Professor Witte tackled the subject almost immediately. "I have a proposition to make to you," he said, "and I want you to promise not to say 'no'

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until I have had a chance to explain it."

I don't remember what I replied, but he went on, "I want you to become Commissioner of Labor Statistics. Now, don't say 'no' until I have a chance to tell you about it."

I mentioned something about being completely satisfied with the Board where I was, and that it was very unlikely I would consider anything else, but I indicated that I was willing to listen. He then went on to explain that he himself had been offered the job as commissioner, but that he felt that he had only about ten years left in which to develop his thoughts concerning the Social Security program. He therefore proposed to return to the University of Wisconsin and had no desire to come down to serve further in Washington. He had been a member of the War Labor Board during the war itself. However, he felt that the Bureau of Labor Statistics was in a crisis. It was necessary to find somebody who could fit a whole series of qualifications, and he felt that I was the one who

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should undertake this responsibility.

At this point, some background is necessary, both on my previous relationships with the Bureau, and on the events in the Bureau itself, which brought about the vacancy in the commissionership.

My first job, when I left the University of Wisconsin in the spring of 1926, had been as an economist with the Bureau of Labor Statistics working on the subject of productivity. This had come about because the Commissioner, Ethelbert Stewart at that time, was a professional and personal friend of my major professor at the University of Wisconsin, John R. Commons. He wired Professor Commons, asking for a young graduate student to do work in productivity and Commons had urged me to accept. So, I spent about two and a half years in the Bureau at that time, 1926-28.

My next connection with the Bureau occurred in 1933-34, when I was a member of the Committee on Government Statistics, which was appointed to review and examine the statistics of the Federal

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Government. I was secretary of the subsidiary Advisory Committee to the Secretary of Labor. This committee was a branch of the Committee on Government Statistics, but devoted itself primarily to statistics in the Labor Department. At that time then, I had the opportunity to review in considerable detail all the statistical work of the Department, not only in the Bureau of Labor Statistics, but in the Children's Bureau, the Woman's Bureau, and other bureaus as well.

Next, in 1937-38, when the Social Security Board was drawing up its plans for statistics for unemployment insurance administration, I again had connections with the Bureau of Labor Statistics, and with Commissioner Isador Lubin, in devising a coordinated program of statistics which would provide basic data on employment in covered industries in the United States,

coordinating it with the monthly reports on employment and payrolls being developed by the Bureau of Labor Statistics. A cooperative arrangement was worked

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out at that time.

Still later, at about the end of the war in 1945, the Bureau of Labor Statistics obtained funds for a greatly expanded comprehensive program of employment, hours, and earnings statistics. This time, Assistant Commissioner Aryness J. Wickens came over to my office in the Social Security Board and arranged for a further extension of cooperation. As I recall it in this particular case, some of the States refused to make their information available to the Bureau of Labor Statistics, but they would send figures to the Bureau of Employment Security, of which I was the Director. I then agreed to make these statistics available to the BLS.

I was, therefore, experienced over a couple of decades in the work of the Bureau of Labor Statistics. However, the problem of the vacant commissionership arose from the wartime experiences in the Bureau of Labor Statistics with which I had no connection. This was the great controversy

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concerning the Consumer Price Index, or the "cost-of-living index," as it was then called. The labor movement had raised questions concerning the accuracy of the index in measuring the rise in the cost of living. A committee was appointed to look into the situation, and later a presidential commission was appointed, under the chairmanship of Professor Wesley C. Mitchell of Columbia University. The committee and the commission both arrived at the same conclusion, namely, that the Bureau of Labor Statistics was conducting its index in a sound and accurate statistical way, although they agreed there were some kinds of increases in the cost of living which could not appropriately be dealt with in the Consumer Price Index. Accordingly, the commission established a system of additional points, which could be used for wage increases under the auspices of the War Labor Board. These were, first, three and a half points, but later were raised to five points. The effect of these points was to give the workers

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and the unions some of the increases that they could not obtain on a straight cost-of-living basis, that is, the cost of living as represented by the index.

This controversy had become so serious that the Secretary of Labor, Frances Perkins, had put an end to an advisory group of labor union statisticians who had the practice of meeting with the Commissioner of Labor Statistics a couple of times a year. Due to an outburst which occurred at one of these meetings, the Secretary broke off all relationships between the Bureau of Labor Statistics and the labor union statisticians. This was the situation when the war ended. In the meantime, Frances Perkins had resigned as Secretary of Labor when President Truman was inaugurated in April, 1945. Ex-senator [Lewis B.] Schwellenbach, a native of the State of Washington, and a fellow senator with President Truman during the war, was persuaded to leave his position as judge out in the State of Washington and become the Secretary of Labor for the Truman Administration.

In the course of his confirmation for the office, Schwellenbach became aware of Secretary Perkins'

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elimination of the Labor Advisory Committee. So in July, 1945, he announced that one of his first actions would be the settling of the problem of the Bureau of Labor Statistics with the labor movement. The Secretary made some sort of statement to the press; I recall seeing it at the time. Whatever may have been his original intention, the effect of the statement was to imply that things needed to be cleaned up in the Bureau of Labor Statistics. As the story was told to me, the Acting Commissioner, [A.F.] Hinrichs, went immediately to the Secretary and offered to resign. Secretary Schwellenbach, at that time, had no intention of adding to the flames, so he persuaded Hinrichs not to offer his resignation. However, from that time forward, the Secretary and the Acting Commissioner, were not in very good rapport.

Commissioner Lubin had been appointed in 1933 by Secretary of Labor Perkins, and for his first two terms, four years each, had served actively as commissioner. However, when the war developed, he moved over to the White House, as an

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adviser to President Roosevelt, and the Deputy Commissioner, Ford Hinrichs, became the Acting Commissioner. For the entire war period, and during the entire controversy about the index, Ford Hinrichs was only an acting commissioner while Lubin continued to serve as the commissioner. In July, 1945, this same situation still existed. However, Lubin's term ran out in February, 1946, so nothing was done until that date, when Secretary Schwellenbach offered Lubin a reappointment. Lubin decided that he did not want another term and therefore declined. This meant that Ford Hinrichs continued as Acting Commissioner for the next several months. However, it became apparent after a period of time, that Hinrichs would never be appointed commissioner. Consequently, in the month of May, he resigned.

Aryness Wickens, who was next in line, then was appointed Acting Commissioner, but the quest was on for a new man. Mrs. Wickens herself had been so closely connected with the wartime controversy

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that the Secretary did not regard her as a suitable replacement for Hinrichs. This then was the situation when Professor Witte interviewed me at the Social Security Board in the lunchroom on Saturday noon.

Witte gave me a strong sales talk concerning my responsibility for doing something significant in the field of statistics. He played upon my former experiences with the Bureau of Labor Statistics, and on what he considered my abilities to solve some of the problems. Secretary Schwellenbach was in desperate need of someone who could put an end to the developing troubles. It had to be someone who was professionally well qualified, who would be acceptable to management and to labor, and who could administer a Bureau, which now was hesitant and torn because of the removal of its leadership.

After listening, I agreed that I would go over and talk to Secretary Schwellenbach before I made up my mind.

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Secretary Schwellenbach greeted me like a long-lost brother. He knew that he and I had been classmates at the University of Washington. I am sure that he was not aware of it at an earlier date, but Mrs. Wickens had reminded him of this fact and he was enthusiastic about it. Mrs. Wickens herself had also been a fellow student of mine at the University of Washington. The Secretary regaled me with many stories of his experiences at the University of Washington and emphasized the great need he had for somebody to take over in the Bureau. He offered me full responsibility as Commissioner of the Bureau of Labor Statistics, both as his statistical adviser and his economic adviser. He said to me, "I want you to tell me the facts. I may not act upon them; I may make decisions for political reasons, but for that you will not be responsible. But I will accept your judgment on economic matters."

I told him that I had no political strength in Congress and that it would be quite impossible

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for me to rustle up my confirmation. He told me not to worry in the slightest, that he was a close personal and professional friend of Senator [Joseph F.] Guffey from Pennsylvania, and that since I had originally been appointed to the Civil Service from Pennsylvania, I could claim that state as a residence. He indicated that he would take care of all the problems of confirmation. With this in my mind, I went back to have a talk with Arthur J. Altmeyer, the Chairman of the Social Security Board. As a matter of fact, within recent months, the Social Security Board had been eliminated, and a Commissioner of Social Security had been appointed. The public administration experts had persuaded President Truman that it was better to have a single administrator than a three-man board, or as in fact it was, two men and one woman. Therefore, when I consulted him, Altmeyer was now the Commissioner of Social Security.

I still recall what he said to me, "We want

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you to stay here, and you certainly have a future as Director of the Bureau of Employment Security. If you go over there, you'll be in the blue chips. You'll be on your own responsibility; but if you want to take it, we certainly shall not stand in the way."

Altmeyer had always operated in the Board on this same general principle. I recall that on a number of occasions, ambitious employees had gone in to see him when he was Chairman, with the story that they had had an offer at increased pay on the outside. His almost invariable response was to congratulate them on the offer and express his joy in their forthcoming promotion. He practically never responded by indicating that the Board would match the raise on the outside. It proved rather embarrassing to considerable numbers of people before they found out his attitude. In many cases, this outside offer was partly or wholly mythical, and had simply been advanced for the purpose of pushing a promotion from within. So

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far as Altmeyer was concerned, they were promoted within when he was ready to do so.

I must admit that I gave painful and serious thought to my alternatives. I talked it over with my wife, who was by this time a practicing physician in Washington and nearby Virginia, and we tried to take account of the risks involved. We had three growing children, who would eventually be requiring a college education, and while we had two incomes here in Washington, any kind of an upset to our family economy would have serious consequences. Nevertheless, I was intrigued with the opportunity, and the more I thought about it the more the challenge influenced my decision. I finally went back to Schwellenbach and told him that I would accept the commissionship if he would take care of the Congressional problem. He indicated that this would be no difficulty at all for him. He asked me to wait until he had arranged for a hearing with the Senate Labor Committee on the confirmation. I can still recall that committee

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meeting very vividly. Senator Guffey was, of course, the protagonist for my appointment. He announced in a stentorian tones that he didn't know this man, but that he was a candidate for Secretary Schwellenbach, and "anyone that Lew Schwellenbach wants is all right with me."

One of the members of the committee was Senator Taft, who asked me a couple of questions about labor matters. I don't recall what they were, but I'm sure they had something to do with statistics of wages and of the cost of living. At any rate, my answers seemed to be satisfactory. I was recommended for confirmation and shortly the Senate acted upon it. I was sworn in as commissioner in a ceremony in the Departmental Auditorium, August 1, 1946, at the same time that Keen Johnson was appointed Under Secretary. Keen Johnson was a former governor of Kentucky who, at that particular time, was connected with Reynolds Metal Company. He proved to be a friend in need on several occasions later.

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I was immediately catapulted into the Bureau's problems, but I had several valuable assets. In the first place, the Bureau was a going organization, well-administered, and well-qualified for the work it was doing. Mrs. Wickens, who had been acting commissioner, was able to administer the details of the work and therefore there was no problem of organizing a new agency, such as I had had to do when I developed the Bureau of Research and Statistics in the Social Security Board ten years before. There are, certainly, limitations to stepping in as the head of a going organization. There are at times advantages in creating your own agency from the ground up. But in this particular case, there was nothing wrong with the operating mechanism of the Bureau of Labor Statistics, and therefore, I did not encounter major administrative problems at the outset.

A second point of great importance was the fact that my appointment was received with enthusiasm by the staff of the Bureau. The further

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fact that I had coordinated with it and cooperated with it on previous occasions while I was in the Social Security Board, and the fact that I had high professional standing in the field of social security, meant that throughout the Bureau itself I was welcomed with gusto. Possible, also, the

months of uncertainty had made members of the staff nervous and fearful of what might happen. Undoubtedly, my appointment led to a breath of relief on the part of many of the top staff. I could hardly have moved in to a new organization with more wholehearted support coming up from below than in this particular case.

There was one stroke of good luck, that is good luck for me and for the Bureau, although perhaps not for the Nation. In the backing and filling of the economic situation in the summer of 1946, price controls had been taken off, then re-established, and then taken off again, so that the Consumer Price Index was fluctuating nervously. However, when controls finally came off in the

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month of August, the effect was to send the index soaring. This meant that the controversy with labor was at an end. No one could criticize an index for being too low, when it was soaring at the rate of two, three and four percent a month. The basic cause of the problem with the labor movement had been dissipated with the elimination of price controls.

Nevertheless, I did have a public relations problem right away. With the disappearance of controls, there was no longer any reason for the five points, which had, by this time, become embedded in industrial relations bargaining. So it was my duty to announce at an early date, and I believe it was in the month of October, that the five points were no longer applicable. We announced this in the form of a footnote to one of our monthly Consumer Price Index releases. There was some apprehension on the part of the staff, and therefore on my part also that this might result in some controversy. However, perhaps the

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fact that the index was rising sharply at that time was sufficient to prevent it. Furthermore, there was really no official channel for an expression of opinion from the labor movement on the point. As I indicated above, Secretary Perkins had ended the formal relationship between the Bureau of Labor Statistics and the labor union researchers.

The second major professional problem which I faced concerned a pamphlet on which the Bureau had been working for some years. An explanation of this involves going back to the beginning of the war. At that time, the Bureau of Labor Statistics, in collaboration with Professor [Wassily] Leontief of Harvard, had worked up an input-output table designed to picture the details of the operation of the American economy. During the war, this activity had been held in abeyance, but in the post-war period, the Bureau staff had picked up this program and had prepared an estimate of the post-war readjustment

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This was entitled, "Full Employment Patterns, 1950." It represented a five-year projection from 1945, the ending of the war, and attempted to estimate under conditions of full employment what the pattern of the economy would be. In fact, the pamphlet sketched two possible patterns: one, a high consumption economy and the other, a high investment economy.

Since this was the first time that this kind of project had been undertaken by the Bureau, there was some apprehension concerning the reception which it would meet when it was published. I

myself went through the published text. I had no capacity or desire to interfere in any way with the basic statistics represented there, but my public relations experience over the years had made me quite sensitive to the explanatory text. I recall that in several places, I edited the manuscript to dampen down the implications of direct forecasting and substituted more mechanical terms that described trends and projections. In essence,

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I did not in any way change the basic document which had been written by Duane Evans, Jerome Cornfield, and Marvin Hoffenberg.

Once more, the Bureau and I myself escaped any serious repercussions. There were some rather vigorous reactions from some of the industrial economists. I recall one in New York who criticized forcibly our estimate of automobile production. However, when we explained the basis for our projections, some of the opposition disappeared. A part of it had been due to misinterpretation. I recall that about two years later, I was called to testify before the Senate committee under the chairmanship of Senator Martin of Pennsylvania, at which hearing I presented basic facts concerning the steel industry. I shouldn't say "facts," because I presented the estimated production of steel under these alternative assumptions of high consumption and high investment.

The steel company presidents and other officials testified at this same hearing and their

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projections were vastly different. In fact, they forecast a decided decline in the steel industry from its wartime peaks. We had projected shortages and limitations to the amount of steel that would be available in the light of the demands that could be expected. I recall that Louie [Louis H.] Bean of the Department of Agriculture was one of those who testified in these hearings and he used estimates of steel production which corresponded roughly to ours.

One of my major objectives in assuming the Commissionership was to re-establish formal relationships with the labor union research group. I was well acquainted with many of them, since I had had association with them in the course of my activities with the Social Security Board. Advisory committees from labor and from management were not unknown in the Board, and while these were informal in many instances, they were, nonetheless, fruitful and effective. So, I first began consulting with members of the AF of L and

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the CIO groups, looking toward the establishment of an advisory committee. This took effect speedily, and in February, 1947, we announced to the public the formation of the Labor Research Advisory Committee to the Bureau of Labor Statistics. We had worked out an arrangement whereby we had eight members from the AF of L, eight members from the CIO, and four members from the Railway Labor Executives. The advantage of this arrangement was that the railway labor group was affiliated with the AF of L thereby, in effect, giving them twelve memberships on a strictly quantitative basis. At the same time, the formal AF of L organization had eight, which was the same number as the CIO. This arrangement turned out to be satisfactory to all parties, and the committee operated effectively from that time on.

However, I had not yet succeeded in establishing a relationship with the business group, which was another one of my objectives. I had talked informally with a number of my business economist friends,

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but they had urged me not to formalize the relationship into a committee. They suggested that I call down individuals from time to time for consultation, and leave the relationship on an informal basis. However, when the announcement went to the press concerning the formation of a Labor Research Advisory Committee, there was immediate reaction from the business group. It started in the office of the National Association of Manufacturers. It took the form of a letter written by the president or the secretary, I forget which, of the National Association of Manufacturers, addressed to the Secretary of Labor. In brief, it stated that the business groups of the country were users of the statistics produced by the Bureau, that they had a direct interest in the quality of these data, and that they, as well as the labor group, were entitled to be represented by an advisory committee. This letter came to Secretary Schwellenbach at a time when he was quite ill. It arrived also at a time when the Bureau was in

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deep trouble over its appropriation for the coming fiscal year. I shall refer to this later, but for the moment it is only necessary to say that we had experienced a drastic cut of some forty percent, involving a great deflation of the staff and the program of the Bureau. It seemed to me that, in these circumstance, it could be especially advantageous to have an advisory group from the business world, since it was the Republicans who controlled the Congress.

But Secretary Schwellenbach was in the hospital and I couldn't get to him. I talked it over with Under Secretary Keen Johnson, who also attempted to see him. I think at times they were able to communicate with the Secretary, although for a while he was quite ill. At any rate, eventually, Keen Johnson called me up to his office and told me that he had cleared it with the Secretary and that I should go ahead, write a letter to the National Association of Manufacturers, indicating our willingness to negotiate for an advisory committee

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from the field of business. We decided that the U.S. Chamber of Commerce should also be represented, and so I instituted negotiations with Ralph Robey, who was economist for the National Association of Manufacturers and Emerson Schmidt, who was economist for the Chamber. On the basis of our consultations, we worked out a list of about two dozen business economists who would agree to serve on an advisory committee, a Business Research Advisory Committee to the Bureau of Labor Statistics. It took the period of the summertime to work this out and the first meeting of the committee took place in October, 1947. Both these committees, the Labor Research and the Business Research, have continued to function down to date. In retrospect, I can say that it was one of the most successful moves that I made in the early days of my commissionership.

I had been commissioner only about six months when my minor triumphs and successes came to an abrupt end in a major disaster. This was the

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appropriation for the Bureau's work. When the election in November, 1946 had resulted in a Republican majority in the 80th Congress, I had not been overly disturbed. In my days in the Social Security Board, I had appeared before the House and Senate Appropriations Committees on many occasions. In fact, every year since 1936 I had had to defend my budget, always, of course, under the general supervision of the Social Security Board itself. Nevertheless, I was well acquainted with the experience of answering questions at appropriations committees, and I had known what it meant to have budget cuts.

In fact, I had had some exceedingly unpleasant experiences, as in 1941 when I was badgered and hectorred by a member of the subcommittee, Congressman Tarver from Georgia. This incident had arisen over the effort we had made to integrate the District of Columbia Employment Office, integrate in the sense of opening one office for both Negroes and whites. We had, in fact, provided for a segregation of the waiting rooms on either side of

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the central office space, where the files were kept, but the objective had been to insure that the job openings coming to the employment service could be referred to either Negroes or whites in accordance with their qualifications. Prior to that time, the offices had been both separate and segregated. The result of our new move was a revolt by some of the white staff in the District of Columbia office and an outburst from the Appropriations Subcommittee. The gist of the attack was that we were instituting a system of putting Negro supervisors over white stenographers and were destroying the pattern of race relationships in the District. The questioning was started by the Republican minority member, Frank Keefe of Wisconsin, who asked the typically insulting question, "I see you've stopped discriminating against Negroes in the District of Columbia."

When I tried to explain that we hadn't been discriminating and that we were trying to insure a better operation of the labor market, Congressman

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[Malcolm Connor] Tarver took over and carried on an explosive, hectoring questioning of our performance.

I recall that at one point, Congressman Tarver thumped the table and said in substance, "Young man, I don't know where you came from or what your previous experience has been, but God Almighty made the white man superior to the Negro, and you're not going to change it."

However, to return to the matter of appropriations, this episode had not had any direct effect upon our Bureau's appropriations, that is, the Bureau of Employment Security, and I did not have any great fear concerning the actions of appropriations committees.

However, in the spring of 1947, Congressman Keefe of Wisconsin was then the chairman of the new Republican majority. Since he was reasonably well acquainted with me and my previous work, I was not excessively apprehensive, although I had read in the papers a great deal about the proposed budget

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cutting which the Republicans were going to do. Congressman [John] Taber, as chairman of the House Appropriations Committee, was making a number of statements concerning the billions of dollars worth of cutbacks they were going to bring about.

I went down to see Congressman Keefe rather early in the season, and, as I think back on it now, he certainly was giving me some warning. He announced to me on one occasion that the Bureau of Labor Statistics had gotten its head way up in the air during the war and that they would have to be brought down to reality. But I didn't take this as meaning that he planned to annihilate the Bureau's budget. I felt that we would have a difficult time and I did the best I could in preparation for the hearings.

It was typical of Congressman Keefe that at the hearing itself, he gave every evidence of friendliness and helpfulness. At one point he seemed to imply that I wasn't making out as good a case as I should, so he took up one of our pamphlets

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and read off the titles of the different chapters that were within it -- in effect, implying that he was trying hard to help me make a good case against the budget cutting. In actual fact, Keefe was simply an actor. This was all part of a pose that he was working for us. When the time came to report out the budget, he had cut our appropriation by forty percent, requiring us to lay off about seven hundred employees out of approximately seventeen hundred, and indicating that we should do so during the remaining months of the fiscal year, so that we would be down to that level by the new fiscal year beginning in the month of July. Since similar cuts had been handed out to other bureaus and offices of the Department of Labor, the main building was a gloomy place in March, 1947. It was apparent to everyone that, no matter how well we fared at the Senate, we would lose a large proportion of our employees.

But we suffered an even greater disaster in our Bureau, a disaster greater than any other

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branch of the Department of Labor. On the floor in the debate, Congressman Keefe, criticized us for producing too many statistics. He indicated that the country had statistics running out of its ears, and that what was necessary was to get rid of some of these useless pictures of the economy. The strategy of the Democratic minority was to force some votes on some of the Department of Labor appropriations, so Congressman [John] Fogarty, the minority representative, arose on several occasions to propose a restoration of the President's budget for one or the other of the Department's bureaus. Unfortunately, the Bureau of Labor Statistics was one of those selected for this exercise. If I had been consulted I surely would have recommended against it. I never knew a time when you could get more money for statistics on the floor of the Congress. There is not enough glamour in statistics to bring about any such upset.

However, the strategy was decided upon; perhaps

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Congressman Fogarty felt that, in view of the wartime controversy concerning the cost-of-living index, the Republican members of the Congress would be influenced in favor of the BLS. So he made a motion to restore one million dollars of our budget cut. It was still not up to the President's budget, but substantially above what the committee had recommended. This was speedily voted down and then Congressman [George B.] Schwabe of Oklahoma, a Republican member of the committee, got up and recommended that the Bureau be further cut by this same million dollars. Again, the House responded with full hue and cry by voting in favor of this additional cut.

I was astonished that Chairman Keefe made no effort to rebut Congressman Schwabe's additional cut. It is generally one of the traditions of the House Committee, that the chairman vigorously supports the Committee action. If anyone attempts to raise the budget from the committee's report, he objects, but if anyone tries to cut it further, he valiantly defends the action of his committee. Instead, Congressman Keefe did not speak up at all.

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He allowed the wave of votes to take effect in producing an additional cut of one million dollars in our budget.

The next day, I called up Congressman Keefe to see whether Congressman Schwabe's action represented his viewpoint. I didn't say so to him, but my action plainly implied that he had taken advantage of Schwabe's action, and that perhaps this represented a committee majority. But Keefe volubly explained that this had caught him entirely by surprise, that he knew nothing whatever of Schwabe's proposed motion, that he was too astonished to take any action. Then he added that, if I went to the Senate and got some additional funds, he himself would insure that in the conference they would come up at least to the House Committee action. This is, in fact, what happened. The Senate, after hearing our presentation (and the Senate in that year acted rather late in the spring), raised our budget to three and three-quarters millions. The House Committee action (prior to the cut on the

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floor) had given us about 3.4 million. In the conference, Keefe acceded to the Senate figure to the extent of coming up to the 3.4 million of the House Committee.

It can scarcely be imagined what this meant to the employees and to the work of the Bureau. Within a space of a couple of months, we had to dismiss about 700 employees. We decided that there was no use in trying to make any distinction between those whom we considered highly desirable employees, and those whom we would not miss. There were certain rules laid down by the Civil Service Commission that would work precisely, when applied. As I recall it, we made no exceptions whatever, and as I further recall, I believe there were only two appeals from our decisions on layoffs. What happened was that the great bulk of employees recognized that a great deflation in our employment was in prospect, and that there was not much use in trying to stay with us.

In the midst of this debacle, it may well be

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asked how the Bureau succeeded in conducting our work. The answer is that, in the first place, the House Committee had recognized the fundamental importance of the Consumer Price Index and therefore they had allocated up to \$695,000 for this operation. Therefore, we gave this the highest priority and insured that nothing would happen to the index itself, which at this moment was literally skyrocketing.

The second major program was the employment, hours, and earnings statistics, which we were collecting in cooperation with the state agencies, either employment security agencies or state departments of labor. We gave this program a high priority in order to insure that there would be no interruptions with the regular monthly statistics on employment, hours, and earnings. It was the Wage and Industrial Relations Division of the Bureau which suffered the most. Since such surveys were made on a periodic basis, there was no chronological compulsion forcing us to a set

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schedule. Consequently, what happened is that we postponed surveys that we had programmed and we cut out other surveys that we now couldn't possibly do. In many areas of the Bureau's work, we simply cut out all kinds of special studies and concentrated entirely on the continuing data that had to be maintained.

In the meantime, we had done one other thing which perhaps made some slight difference in the final result. Knowing that we had such a drastic cutback in sight, and knowing too that we were beginning to establish relationships with the business community, we made program decisions concerning the coming fiscal year and indicated clearly how we would take the cut in budget. Then we sent out written papers to representative businessmen, who had been respondents of ours in various surveys. In brief, we announced that the cut had taken place and that we would welcome any advice concerning where we should take it. The sheet, which we asked to be returned to us, provided a

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simple method by which they could record their judgments.

This was an interesting operation in that we obtained quite a lot of information concerning the business uses of our statistics, judging from the way people responded to this request. The response was exceptionally good in terms of the numbers of questionnaires returned, and also good in that many people wrote in detailed observations as to what would be useful to them. This had a secondary result in that a number of these businessmen then wrote to their congressmen and commented on the reduction made in the Bureau's budget. Possibly some of them wrote in commending the reduction, but we do know that a great many who wrote expressed the opposite point of view. Congressmen began to hear about the cut in the budget of the Bureau of Labor Statistics and recognized that there was some public opinion in favor of the Bureau. Of course, the labor group was trying to do something about the budget, but they had no influence

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in the 80th Congress and their representations did little good. This experience, however, helped us a great deal in the subsequent operations of the Business Research Advisory Council. [These two advisory groups were first called "Committees", but later were called "Councils.]"

To continue on to the next year, in the spring of 1948 we were back once more before the House Appropriations Committee. Again there was a completely dominant Republican majority, who decided to cut the Bureau some more. By this time, I was well enough acquainted with the members of the committee to be able to find out some of the things that were happening. Congressman Fogarty told me that the Republican majority of four members out of seven, as the total membership then was, had been meeting secretly by themselves and making their own decisions; so that instead of a joint committee appraisal of the various budget presentations, there was instead a majority decision made in advance, and not amenable to change by

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argument in committee. This attitude was deeply resented by Fogarty and the other Democrats who had not in the past conducted their appropriations discussions on this basis.

Conditions from an appropriation point of view could hardly have been worse in the spring of 1948. Again, I went through the hearing with the committee and answered the questions that were asked, but at the very end, Congressman Keefe, the chairman, asked what I would do if they reduced my budget by another forty percent. I must confess that this approach completely floored me. I had not expected that they could proceed with another forty percent cut on the top of the last. Therefore, I was totally unprepared for it, and I made a very bad presentation. In fact, I went off the record and tried to say something about the desirability of maintaining our current statistics, but I'm sure that it had relatively little effect.

At any rate, that is exactly what happened; the House Committee gave me an appropriation of two

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and a half million dollars. In the meantime, the Senate hearing, as usual, was delayed until late in the year. In fact, while the appropriation hearing had been held in the Senate, there had been no final decision on our budget by May 24, 1948. That is a red letter day in the history of the Bureau of Labor Statistics, because that's the day when the General Motors Corporation and the United Automobile Workers signed the famous contract which provided for escalation of wages on the Consumer Price Index for the next two years.

This is the incident which saved the Bureau's appropriation for that year and undoubtedly for all subsequent years. With the use of the index so openly and definitely made a part of the labor-management relations in the United States, pressure was brought immediately to prevent any cut in the Bureau's budget. I think I can credit Senator [Ralph] Flanders as being the initiator of the discussions with the automobile companies. At any rate, the position of management – top-level management

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-- in the country concerning the Bureau's budget was conveyed both to the Senate committee and to the House. We came out with the same appropriation we had had in the preceding years.

Statement dictated by Ewan Clague, Washington, D.C., March 7, 1964.

I was, by this time, at the end of nearly two years as Commissioner, in a mood of deep despair. I felt myself to be the victim of the slings and arrows of outrageous fortune; everything seemed to be going wrong and I was not able to stem the tide. Even the most sympathetic members of the Bureau staff were losing confidence in my leadership. Psychologically speaking, I had plumbed the nadir. In the meantime, the world around me was in even worse shape.

When I first took office, Schwollenbach, the Secretary, was still in good health. My relations with him were excellent. I recall that at the time I assumed the duties of the office, he called me

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in to give me my sailing orders. In substance, he said to me, "You are my economic adviser. I want to know what you think. I may not always take your advice. For political reasons, I may do exactly the opposite, but I want you to keep coming through with your professional judgment." In all the years that I have served under various chiefs, I have never had one who was any better from this particular point of view than Lew Schwollenbach.

I have no clear recollection concerning my outlook for the elections of 1946. Certainly, I had no premonition of disaster. If the political leaders in the Department were concerned about the matter, it was not in any way communicated to me. It was obvious from the political polls that were being taken at the time, that President Truman had lost his high-level early popularity. Certainly it must have been clear to most of us that the election might be a very close thing. I think I had some concern about the election, but certainly not any alarm.

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However, as soon as the 80th Congress got underway, the Department fell into deep trouble. This was the beginning of the hysteria about Communists in Government. The department was hit in the Federal Mediation and Conciliation Service, of which [Edgar L.] Warren was the Director. He had had the misfortune years before to join the Washington Bookshop, which turned out later to have had some Communist members. This was a perfectly innocent thing for many Government workers to do. In fact, I myself might well have been one of those had it not been for my native caution in refusing to join any kind of organization that might have some influence on my job. In accepting my responsibilities as Director of Research for the Social Security Board, and later as Director of the Bureau of Employment Security, I felt the urgent necessity of making sure that no political or policy-making issues should obtrude on the objectivity of my work. Consequently, I religiously refrained from joining any of the organizations

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that might cause difficulty.

As I recall it, the Congressional hue and cry began with the Department's appropriation hearings, when Warren appeared on behalf of his organization. At that time, the Federal Mediation and Conciliation Service was a branch of the Department of Labor. Warren was called upon to explain his membership in the Bookshop. He developed a story, an explanation, which he gave before the House Appropriations Subcommittee. I was not directly concerned with this matter, and I knew very little about the background of it. Since I had my own budget difficulties, I did not enter into it to any greater extent than necessary. However, I was well acquainted with Warren himself, as well as with a number of his staff. Consequently, I heard a good deal of the gossip concerning the real problem. As it was told to me, the difficulty originated in the staff of the Federal Mediation and Conciliation Service and was directly connected with John Steelman in the White House. Steelman

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had formerly been the head of this Service under Frances Perkins as Secretary of Labor. In the latter part of the war, about 1944, I believe, he had resigned and Warren had been appointed.

As part of his plan to improve the Service and to modernize it, Warren had brought in a number of younger economists and statisticians and had set up a new type of research department. To make room for these new members of the staff, he had retired some of the older members, who were either at retirement age or close to it. These older members had been the appointees of John Steelman when he had been Director of the Service. They resisted the change and went to Steelman with their troubles. I have no idea what personal feelings Steelman may have had concerning these changes and these individuals. I did not know the individuals themselves and do not to this day know who they were. However, the feeling around the Department was that Steelman became a bitter enemy of the new administration of the Service, and therefore was

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ready to do it harm in any way that he could.

The one incident which I do recall occurred in connection with the appropriations, that is, the House hearings on appropriations. This was told to me by Keen Johnson, the Under Secretary, at a time when I was consulting him about my own problems in connection with the appropriations. It seems that the Democratic members of the House Committee were John Rooney and John Fogarty. As Keen Johnson relayed the story to me, there had been some discussion in the whole subcommittee on the subject of Ed Warren and his loyalty. In the course of the discussion, Chairman Keefe indicated that he would call the White House to check on this matter. Accordingly, he did so, but did not report to the committee on the outcome of it. As a matter of fact, the Democratic members were bitterly complaining that they were not being consulted in connection with the decision on the appropriations. But on one occasion, Rooney had the opportunity to look at the hearings record in the Office of the

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Chief Clerk of the Committee. He noted that in connection with the page relating to the appropriations for the Mediation Service, there was a handwritten note as follows: "Warren is a pinko." According to Rooney, this is what Keefe had learned from his telephone conversation

with John Steelman at the White House. Rooney, therefore, passed on the word to the Department saying, "You had better straighten out your situation with the White House. We can't do anything for you down here under the present circumstances."

In relaying this story to me, Keen Johnson gave me the impression that there was nothing that could be done about it. I wondered at the time why it was not possible for Lew Schwellenbach to go to President Truman, or at least to go over to John Steelman and face him with this charge; but it was fairly clear from Johnson's general attitude that he felt the situation was hopeless. Furthermore, there was another complication at this time. Schwellenbach became quite ill. He

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had slipped a disc and had to have his back in a cast. In addition, what was probably his final fatal illness was undoubtedly affecting him to some extent. As I noted earlier, in connection with the Business Research Advisory Committee, he was in the hospital at varying times in the spring of 1947, and was not available for very active leadership. In any case, the damage was done. Not only did the Department suffer drastically in reduced appropriations, but legislation was set in motion which eventually passed (the Taft-Hartley Act). One of the features of this act was the removal of the Federal Mediation and Conciliation Service from the Department of Labor, thus making it an independent agency. Warren, of course, had to resign, and in the new administration Cy [Cyrus] Ching was appointed the Director of the Service.

The Department itself was suffering from other handicaps. At that time, the labor movement was bitterly divided between the AF of L and the CIO. The cleanout of the Communists from the CIO had not

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yet taken place, so that there was relatively little cooperation between the two branches of the movement. Within the Department, we had two assistant secretaries, one representing the AF of L, and the other, the CIO. The former was Ralph Wright and the latter was John Gibson. This meant that, within the Department, there was almost no administration at all, that is, at the departmental level. Neither of these could be designated as Acting Secretary; neither of them could exercise administrative control over any branches of the Department's work. I recall that at one time it was proposed that the Bureau of Labor Statistics should report to the Secretary through John Gibson. However, objection was made to the Secretary immediately from somewhere in the AF of L and the proposed move was dropped. In actual fact, the Bureau worked successfully with both Wright and Gibson. Gibson was closer to our type of activity and proved to be a very good friend on a number of occasions. However, in no case did the

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Department itself organize in such a way as to establish a team of political and policy-making officers.

By the spring of 1948, conditions were much worse. Schwellenbach was already dying and was wholly unable to give any significant kind of leadership. Keen Johnson was a good man, and we worked well with him, but he did not have the stature and prestige to enable him to take over.

Consequently, it was almost a leaderless and rudderless ship which was operating as the Department of Labor at the close of the fiscal year in June 1948.

During the first two years, we in the Bureau of Labor Statistics had relatively little contact with the White House. As told to me by the older members of the staff, the BLS had been very active during the Roosevelt Administration. This was no wonder, since Lubin himself was in the White House. With the incoming of the Truman Administration, and with myself as a new Commissioner of Labor Statistics, there did not develop immediately

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any such close relationship. The most frequent contact we had was through the Council of Economic Advisers. Edwin Nourse, as Chairman, had known me as an economist over a period of many years. Consequently, we did have contacts with him of a strictly economic kind.

At the same time, the Department of Labor was having its difficulties with the newly appointed Council. I recall one occasion when we met in Secretary Schwollenbach's office on the subject of industrial disputes and labor relations. This must have been very early in 1947, perhaps in January. The Council was preparing its Congressional report, in the course of which they expressed themselves forcibly on the subject of strikes and labor disputes. I do not recall how they worded their proposed text, but whatever it was, Secretary Schwollenbach called a meeting, attended by the three members of the Council and by a number of us in the Department of Labor, including myself. Secretary Schwollenbach was very forthright in his

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position. He argued that the Council should not concern itself directly with problems of labor-management relations, since that was the province of the Department of Labor. Furthermore, he thought that the particular policy that they were proposing, which had something to do with holding the line on wage increases, was not something which was appropriate for the Council to get into. As a result of that conference, the Council did tone down its incursion into the field of labor-management relations. Whatever form the final wording took, at least it refrained from establishing the Council as the Administration guide with respect to labor and management problems.

There was one other contact with John Steelman, in the White House, of which I do not know the significance. This must have been in connection with the Council's report in January 1948. In any event, what happened was that I got a call to run over to the White House to look over a proposed draft of the Council's report. This call came through

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John Steelman's office. When I got over there, I found that several of us -- at least one from Commerce and one from Agriculture, together with myself -- were to look over a draft, which Chairman Nourse had prepared for the President. So far as I can recall, none of us had any objection to it. We read it over and gave it our approval. Nevertheless, I was astonished that the Council itself should not have been present at this kind of a meeting, and I was curious as to why it was being checked in their absence. So far as I'm aware, nothing happened as a result of this

review of the Council's work, although Nourse did eventually resign as Chairman of the Council. Whether this kind of activity in the White House staff was a factor, I do not know.

In the early summer of 1948, Secretary Schwollenbach died. Immediately, there was doubt and concern among the staff members of the Department. With the 1948 election approaching, with the bitter contest between President Truman and the 80th Congress,

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the outlook was very dim. An idea of the prevailing opinion can be obtained from the statement by someone in the Department, that when Secretary [Maurice] Tobin took office, appointed by President Truman in about August, 1948, a journalist remarked that he would probably have the shortest term of any Secretary of Labor in history. I do not know what negotiations went on before Maurice Tobin accepted the job, but the consensus in the Department was that only someone who was prepared to take a political risk, and who at the moment had no other reasonable alternatives, would have taken the job.

Tobin brought in with him as Under Secretary, a Boston associate named Michael Galvin. The two of them devoted themselves almost entirely to political activities during the remaining months of 1948. My position in the Department at that time can best be illustrated by the fact that, in August and September, I took a six weeks' vacation to take my wife and family on an automobile trip to the State of Washington to visit my mother. We

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toured the nation going out by the northern route through Wisconsin, the Dakotas, Wyoming, Idaho, and into the State of Washington. We later returned by the southern route through the Grand Canyon, Bryce Canyon and on through Southern Illinois and Ohio. My deputy, Mrs. Wickens, was able to carry on the administrative activities of the Bureau.

It was on this western trip that I saw the factors which helped to elect President Truman in the face of the obstacles before him. It happens that I myself had come from a wheat-growing and fruit-growing State (Washington). Throughout the western states, Wisconsin, Minnesota, the Dakotas, we saw the wheat being harvested. In the Congress, in the preceding spring, Congressman Taber; as Chairman of the House Appropriations Committee, had eliminated a proposal made by the Truman Administration, for the acquiring of a great many Quonset huts and other types of emergency storage bins, in order to take care of the bumper crop of wheat. The defeat of

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this legislation meant that the farmers had no place to store the wheat, which they were then harvesting. There were, along the route which we traveled on our way to the West, literally hundreds of fields with gigantic piles of grain open to the sun and the rain. All the farmers were praying that it would not rain, because, if it did, the wheat would sprout and would be entirely ruined. This was the theme that President Truman preached in that section of the country when he made his election tour. I can certify from my talks with farmers at the time, that there was no doubt about their bitter resentment at the Republicans for having deprived them of this safety factor. As a matter of fact, it did not rain, and I believe that relatively little wheat was lost. But

politically, the damage was done. This one factor may not have been the deciding element in President Truman's election, but it certainly did him no harm in the wheat-growing districts of the country.

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On election night in 1948, we had a party at our house. We had invited a couple of dozen friends to come in and sit and listen to the election returns. As I recall the situation, there were relatively few of us who really thought it likely that President Truman would be re-elected. Nevertheless, we got out our pads and pencils, noted down the States and recorded the election figures as they came across. It was with somewhat bewildered astonishment that we saw the temper of the early returns. There were enough statisticians among us to be quite able to gauge the significance of early figures. We still worried about the farm States, even when the returns from the major industrial districts looked so favorable. However, I think it could scarcely have been more than two hours into the evening, when we became quite convinced that the President would be elected, long before his election was conceded, or even seriously contemplated in most places. At least we did not make the mistake of some newspapers, namely, of

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thinking that the President had been defeated. It was some of the early returns from the rural districts in Wisconsin, Minnesota, and Iowa, which first alerted me to the fact that the episode of the wheat bins was having its effect. It was from that moment that I was reasonably sure that the farm vote was not going to the Republican candidate.

I would cite President Truman's election as the date at which the Bureau of Labor Statistics and the Department of Labor began their ascent upward. If I cited the General Motors contract in 1948 as the episode which checked our descent into the depths, so I would say that it was the election of President Truman which started us on the road up. Secretary of Labor Tobin came back full of enthusiasm. I suppose he himself had felt that he was taking a great gamble when he assumed the secretaryship in the summer of 1948, but now he had been vindicated. He was ready to assist the Bureau in developing our program.

In the meantime, from a technical point of

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view, our staff were more and more dissatisfied with the Consumer Price Index. The rapid rise of the index over the two years from 1946 to the summer of 1948, had had the effect of distorting its component parts. By the very nature of the index, the rapid rise in food prices produced an exaggerated effect upon the index itself, causing it to rise more than a better balanced market basket would have done. Furthermore, the lag in rent due to rent control was also distorting it. When increases were running at two, three and even four percent a month, there was no occasion to do much with the Index under such circumstances. However, when the Index leveled off in the summer of 1948 (the peak was reached in August and September), we in the Bureau then took stock, and decided that the Index ought to be revised as soon as possible.

What would have happened had the Republicans won the election, I don't know. But as soon as the election was over, we proposed to Secretary Tobin that he present to the President an

emergency appropriation to revise the Index. We found Secretary Tobin in a very receptive mood. The Bureau of Labor

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Statistics was the first bureau of his department to offer him a big new program which promised action in the future. He was so eager to get it underway that he pressured us to cut it down from a four-year program to a three-year program. He took the proposal over to the White House and sold it to the Bureau of the Budget. Consequently, our budget for the coming fiscal year was immediately upped by a special appropriation for the revision of the Consumer Price Index. With a Democratic majority in the Congress, our appropriations committee in the House came under the chairmanship of John Fogarty of Rhode Island. He was receptive to our proposal and it went through without a hitch. We were then launched on our first major change since I had become Commissioner, change in an upward direction.

But our path through that revision was by no means smooth and easy. We encountered one disaster in the first year. We got our money in the summer of 1949. In this kind of an appropriation, where

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it was necessary to appoint large numbers of temporary employees, we found it desirable to ask for an exemption from the usual Civil Service rules for appointments. This was necessary, not to get around Civil Service by making political appointments, but because the machinery of Civil Service made it difficult, if not impossible, to assemble a special staff speedily and effectively. In order to avoid politics in the appointments, we made arrangements with my old associates in the Bureau of Employment Security for the local employment offices to examine the local candidates for price agents, that is, the agents who were to make the family expenditure studies and to develop the local reporting system. Congressmen, being accustomed to these kinds of appointments, had plenty of recommendations. However, we had relatively little difficulty about our appointments, which were made from the employment office lists.

I can recall only one incident, which turned out to be harmless and amusing. Senator [Kenneth

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Douglas] McKellar of Tennessee was one of the most savage of the Congressmen in pushing for appointments of Tennesseans to Federal jobs in Tennessee. His battles with [David] Lilienthal and the TVA are well known. In our case, some woman in some Tennessee city wanted to be appointed. The examination had already been given, but she would not accept this fact. So, we had a call from Senator McKellar's son who insisted that this woman should have her chance at the job. I had a decision to make and I made a relatively simple one. I decided that I would re-open the examination and give her the opportunity to qualify, if she could. This seemed to satisfy Senator McKellar's office. In actual fact, when the young woman showed up to take the examination, she took one look at the questions, and walked out without making any effort to take it.

It was one of Secretary Tobin's protege's who got us into our only really serious difficulty during the revision program. This was a young man

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who was appointed from Boston and brought down to work here in the clerical staff in Washington. He was, presumably, as well qualified as most of the others; he had passed the examination. However, he became friendly with one of the young women in the office and he spent most of his time sitting at her desk and talking to her. It is difficult enough maintaining reasonable discipline in a temporary, newly recruited staff under any circumstances. In our case, it was particularly difficult, because the unit was housed in wartime temporary buildings with plenty of exits. One of our major problems was to insure that members of the staff did not walk out from time to time and simply go home. So we could not have a bad example, such as was occurring right there in the office, with a boy and a girl wasting time when others were trying to work. After a series of warnings, we finally took action by proposing to discipline this young man. I don't recall that we discharged him, but we planned to move him out

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of that unit and put him somewhere else in the Department.

So far as I know, this young man did not appeal to Secretary Tobin; or if he did, he must have received scant recognition. At any rate, Secretary Tobin never mentioned the matter to me. However, the young man and the girl went down to the House Post Office and Civil Service Committee and reported that our administration was unfair to employees. As a result, Chairman Murray of this committee called secret hearings, at which members of our staff were called upon to testify. Naturally, those who were disgruntled were in the forefront of the testimony. I myself was not called down or examined. Some of my supervisors were; they reported on the circumstances in the BLS as they saw them.

When the hearings were over, the members of the committee's staff held a consultation with me to discuss what kind of a report they should render. In that discussion, I had every impression that

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their intention was to give us a clean bill of health. They were going to criticize us for being somewhat inefficient in the administration of our funds, but there was no indication that we were going to be subjected to a major attack. Imagine my surprise, therefore, when the committee report was actually printed. It blasted us for wasting money, accused us of having misspent \$150,000 out of approximately one million dollars the first year, and delivered a blistering attack on the BLS and the Department. The first I knew of it was when I saw the headlines in the papers.

The next step was that we were officially called upon to make a reply to the charges. It was then that I had another conference with the staff of the committee. I do not recall at the moment the personnel of that staff. It was made clear to us that we were expected to accept the general conclusions of the committee and promise to do better next time. On the understanding that we would take this position, the committee would agree

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to drop the subject, so the staff said. In making our rebuttal, we had one tremendous advantage. The staff of the committee had worked out a questionnaire, which they had given to a sample of our subordinate BLS employees. In brief, this asked what kind of direction they were getting, what their relationships were with their supervisors, whether they understood what they were trying to do. The results of this questionnaire were published as an appendix to the committee's report. Fortunately for us, an overwhelming proportion of the employees had indicated that they were receiving good supervision. The questionnaire itself completely vindicated the Bureau's administration. I was able to point out that the Committee's own examination had demonstrated that, apart from a few dissident individuals, the employees were thoroughly in accord with the Bureau's administrative and operating procedures.

I recall that, at the very end of this episode, I went down to the office of Congressman Williams

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of Mississippi. He was one of the key members of the subcommittee who had investigated this operation. I found him quite congenial. He said that he was sympathetic with Government employees and their problems, even with supervisors. He indicated that he himself wouldn't like to be charged with the responsibility of getting some of these programs carried out. In general, he indicated a sympathy with our position. At any rate, he agreed that he would accept our explanations and that the matter would be dropped, which it was.

It was our good fortune that neither the BLS nor I ever suffered any long-run consequences from the episode. Nevertheless, I always regarded this as an illustration of the difficulties inherent in political appointments. Such individuals always rush to their Congressmen when they encounter any trouble, and their sponsors are usually unwilling to accept any discipline for them. In connection with this particular episode, I have always thought that Secretary Tobin might have given us more help,

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if he had taken more responsibility for the situation. However, while he certainly kept his hands off and did not in any way attempt to embarrass us in the course of our travail nevertheless he let us paddle our own canoe in connection with the Congress.

We had begun our program of revision of the Consumer Price Index, confident that we had several years of relative price stability ahead of us. As economists, we thought that the post-war inflation was at an end. At the same time, we did not anticipate any great price deflation. We expected several years of price stability, during which we could adjust our Consumer Price Index market basket and develop a revised, modernized, up-to-date index.

However, at the end of our first fiscal year of operations, the Korean War broke out. As soon as this happened, we were in trouble. In the first place, we were right in the midst of our revision operation, and could not afford to set it aside.

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At the same time, we were immediately subjected to the pressures growing out of a wartime economy.

One interesting point is that the General Motors contract with the United Automobile Workers ran out in May 1950. In March of that year, based on the January index, the workers in General Motors and the other automobile companies took a cut of two cents an hour, because the index had declined from its peak in 1948. Because the automobile settlements were on a quarterly basis, the two-cent decline in March 1950, was based on the behavior of the Index between October 1949 and January 1950. Over the two years of the contract, as I recall it, the workers took a total cut of five cents an hour, based on the Index. Of course, this was offset by the six cents per hour that they obtained in their annual improvement factor, which at that time was three cents per hour each year. However, the interesting point is that, in general, the workers had achieved no significant increase in wages over the two-year period of the contract.

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I would not have guessed that the union would for a moment consider a renewal. Yet, at that very time, members of our Business Research Advisory Council who were connected with the automobile industry were telling us that this type of contract was very popular with the families of the auto workers, and that they had every confidence it would be renewed. I happened to have had some contact with the Ford Motor Company, and from the top officials in that company in Detroit, I got the same impression. They felt that they were on a winning program and that the union would go along. It is important to note that this was in fact what happened. In May 1950, the union and the companies signed a five-year contract under the same general formula.

Other labor and management groups were not so enthusiastic. In fact, there was considerable opposition from both sides of the bargaining table among other groups. However, the outbreak in Korea created an entirely new situation. Possibly

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prices would have risen slightly in the summer of 1950 in any case, but with the business revival well underway, and with this further accentuated by the pressure of war production, prices started to jump. The country was not ready or equipped for any kind of price or wage control. While the stabilization agencies were established, nothing much was done. Hoarding took place on a large scale, and some developing shortages helped shoot the Consumer Price Index upward. Immediately, there was a burst of new agreements. Union after union opened up its contract with management and climbed aboard the escalator program. Within the remaining months of that year, possibly as many as one or two million workers were added to the numbers who were on escalation.

Meantime, we were being subjected to another pressure. The price stabilization agency needed a measure of price increase relating back to the months prior to Korea. Here we were in the midst of a revision program, but had not yet in any way

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revised the index. Since it was quite clear that it was out of date and needed revision, there was pressure upon us to make a temporary and emergency change pending the final result. This we finally decided to do. It had been our good fortune that even during the tremendous budget-cutting of 1947-48 we had been able to keep alive our program of surveying family expenditures

in a few cities each year. On the basis of the results in these cities for 1947-48, and 1949, we derived some new index weights, that is, the importances assigned to different groups and items in the Index -- food, housing, and personal care, et cetera. Using these weights, we came out with a temporary revision of the Index in January 1951.

This faced me with one of the most difficult decisions I have ever had to make during my years as Commissioner. The point was that the old Index had greatly exaggerated the rise in foods, that is to say, foods were greatly overweighted in the Index, so that what was happening to food prices had an excessive effect on the rise. As I recall it,

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the weight of food reached at one point about 42 percent of the entire weight of the Index. Quite clearly, this was giving the Index a strong, upward bias. Conversely, the effect of rent control was producing a strong, downward bias, in the housing end in the Index. At that time, we did not have home ownership as a factor in the Index. We used rent to represent all housing costs, that is, apart from furnishings and house operations, and fuel and light, of course. It was perfectly evident that the upward bias in the food component was partially offset by the downward bias in the rent component, but it was not quite clear how to relate these two.

When we brought about our interim revision, however, the important question that was raised was when we should link the two. In the course of our temporary work, we had arrived at a revision of the rent component and were ready to apply it. One choice was to allow the excessive food weights to operate up until January 1951, ending the upward

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bias at that date, and then applying the rent readjustment from that date forward. The other alternative was to go back to May 1950, prior to Korea, and readjust both those elements from that time forward. This latter is the decision I finally made against the advice of the Labor Research Advisory Council. The pressure on the Bureau from both councils was exceedingly strong and forceful. There were legitimate professional reasons for either decision; the only question was what was the best decision to make in the light of the unpleasant alternatives. I finally made the decision, not on the basis of aiding the business group as against the labor group, but on the fact that for the nation as a whole, it was quite clear that the price control and wage control relationship during Korea should be based on an accurate measure after May 1950. That could only be done by the revision of the index from that date forward. Accordingly, I made that decision in the public interest, and that is the way it was done.

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The Bureau and I myself were bitterly criticized by some members of the Labor Research Advisory Council, particularly by the representative of the United Automobile Workers. The effect of the decision was to take away part of the excessive rise of the Index which had occurred in the first six months of the Korean War, that is, take it away for the purposes of wage and price determination by the stabilization agencies. By the early months of 1951, Mike DiSalle had been brought in to take over the control of the price stabilization agency and price control and rationing were being established.

The research director of the United Automobile Workers never forgave me for having made that decision. He persisted in interpreting it as a decision in favor of the employers and against the workers. On the other hand, the Labor Research Advisory Council as a body did not follow this leadership. The AF of L group were less directly concerned with escalation, since few of their unions

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were heavily involved in it and, in addition, they were more conscious of the desirability of maintaining friendly relationships with the Bureau. There was some discussion in the Labor Research Advisory Council about taking the issue up with the Secretary of Labor, but cooler heads prevailed, and so far as I know, no official Council action was ever taken. As a matter of fact, the Auto Workers Union did persuade the companies to open up the contract for a special readjustment in the spring of 1951, and the adjustment enabled the contract to continue to run for the full five-year period, ending in 1953.

This brings up the final outcome of the revision program. We carried forward our revision procedures successfully; we were crowded for time and limited in personnel to some extent because of the crisis of the Korean War. Consequently, we had to adopt a number of shortcuts in order to achieve revision of the Index on schedule in January 1953, when the Korean War was still under way. Our plan

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was to link the new revised Index to the old Index in December 1952. This simply took the level of the old Index as of December and made the revised Index equal to it. Then the revised Index would continue in the 1953 and subsequent years. We issued preliminary statements to both labor and management, indicating that there might be contractual relations problems, and urging that action be taken to make the adjustment.

At this time, the Government itself had a direct interest in the peaceful solution of any industrial relations problems, because price and wage controls were still in existence. Therefore, every effort was made to see if something couldn't be done in problem cases. However, what happened was that a number of unions and managements wrote to President Eisenhower and asked that the old Index be continued. Under pressure of the industrial relations problems involved, the White House agreed. I recall my meeting with budget director [Joseph M.] Dodge, responding to an appeal from

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twenty-two railroad unions as well as from some employer groups. It was already well into the month of January, and we had signed off our reporting stores with the December price collections. To resume meant the development of an emergency staff and the resurrection of the price collection for the month of January, which was already past by the time we got into the field. Budget Director Dodge assigned us \$150,000, which he took from the price stabilization budget, and he instructed us to proceed at once. We mounted this difficult job successfully. What we did was to collect prices for two months in a row, January and February both, and then produced these two monthly indexes. We then continued this old Index through June 1953.

The amazing thing about this episode is that it was brought about primarily by an economists mistake. The economic adviser to the railroad unions, that is, their economic advisory agency, had been quite aware over the years of the excessive effect of food prices upon the old Index. Therefore,

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those economists made the assumption that the old Index, with its high weight on food, would in all likelihood, go up more than the revised one in the spring of 1953. In general, food prices tend to rise in April, May and June each year, because the old supplies from the preceding summer are being exhausted and the new higher priced fresh fruits and vegetables are coming in from the South. Counting upon this, their economic advice was that the railroad unions would do better under the old Index than they would under the revised one.

I remember pointing out to members of my Labor Research Advisory Council that this was a doubtful assumption. I warned that they might be wrong; but no attention was paid to this advice. Of course, these members of our Labor Research Advisory Council were not the economists for the associated labor unions on the railroads. Presumably, also, if this advice of mine ever did reach the union officials by way of some of the sympathetic members of the Labor Advisory Council, it probably carried very little weight as against the stronger advice

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of their regular economic advisers. Of course, the historical fact is that this choice was a mistake from the union point of view. The revised Index rose faster than the old one as the spring went on. It turned out that there were ample supplies of food that spring and prices, instead of rising sharply, remained fairly stable. The net effect was that the unions which stayed on the old Index to the bitter end actually took rather substantial losses in wage increases, which they would have obtained had they converted to the revised Index.

There was a policy point which arose during that spring. When it became apparent that the old Index was not behaving according to previous patterns, there was a demand for some guidance from the Bureau of Labor Statistics in bringing about a conversion. The Bureau staff, and I myself were gradually pushed into the position of being asked to make a decision as to what was the equitable thing to do. In other words, in what month should the conversion be made? This responsibility we absolutely refused to accept. Instead, we prepared

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a series of conversion factors for each month going back for three years, and continuing up to the middle month of the spring of 1953. We published these factors, indicating that the parties could make the conversion on any month that they wanted; our mathematical figures would enable them to do this. However, the real issue was the exact month on which the transfer should take place; and that was not a statistical problem, but a policy problem. The result was that no conversion took place until the final index for June 1953, when it was a necessity. We had no funds to continue the old Index any longer and would not have carried it on in any case, so the conversion took place on the June indexes (from the old to the revised).

The revision of the Consumer Price Index was not the only triumph which Secretary Tobin was able to achieve during the early part of his term as Secretary. Back in 1941, just prior to Pearl Harbor, the Roosevelt Administration had decided that it was impossible to operate a successful nationwide

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employment service by using the State services operated through the Bureau of Employment Security of the Social Security Board. Accordingly, President Roosevelt had wired the governors of the States and proposed a federalization for the duration of the wartime emergency. The war had not yet begun. Federalization had been recommended by the War Manpower Commission, or the Social Security Board, which was administering that program at the time, but the decision had not yet been made. The telegram to the governors was sent immediately after war was declared. The governors found it difficult to refuse the President under the circumstances, and the shift to Federal operation and control went through without more than a modicum of dissent.

When the war ended, the question arose as to what to do with the Employment Service. The wartime experience had allied the Service closely to the activities of the Department of Labor, so the first decision of President Truman was to put the

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Employment Service under the Secretary of Labor when the War Manpower Commission was abolished. However, Congress thought differently. During the 80th Congress, legislation was adopted providing for the transfer of the Employment Service back to the Social Security Board, realigning it with the unemployment insurance program in the Bureau of Employment Security. However, the Service itself and its personnel were not happy with this arrangement. Furthermore, the organized labor movement was strongly in favor of retaining the Service in the Department of Labor, so much so that they were also willing to support the transfer of the unemployment insurance program to the Department.

So, in 1949, legislation was introduced for a reorganization of the program, providing for the shift to the Department of Labor. This was proposed as a reorganization plan by President Truman. It was subject to review by the Congress. When the vote took place, the plan carried by a

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narrow margin, despite the opposition of the states, that is, the state employment security agencies, and in general, the employer groups. In these reorganization plans it required a majority of the Congress to overrule the President's program. As a consequence of that reorganization plan, the Department of Labor acquired a program which was larger than all the remaining branches of the Department put together. It was a tremendous buildup for the Department.

Then came Korea, and Secretary Tobin experienced the first real threat to his administration of the Department of Labor. When the Korean outbreak occurred, the President created the War Production Board and a number of other agencies designed to facilitate the conduct of the war. Prior to that time, the overall planning agency was in the Office of the President (I forget its

name, but it was essentially the Emergency Mobilization Planning Agency), which had the responsibility in a general way for joint control over the military aspects

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of the Government and the civilian aspects. At that time, the head of this agency was Stuart Symington, later the Senator from Missouri. When the President set up his new war agency, he appointed Charles Wilson of the General Electric Company as chairman. At first it was assumed that Wilson would report to Stuart Symington as the overall agency head for planning, but it soon developed that Wilson was to report directly to the President. Consequently, the Emergency Planning Agency, in effect, was pushed off to one side and Wilson became directly responsible to President Truman.

Wilson brought in General Lucius Clay as his operating head, and proceeded to pull together the agencies he regarded as necessary for the effective operation of wartime controls. Before long they were drawing up a plan for absorption into the new agency of the appropriate units in the regular departments. As I recall it, the War Production Agency in the Department of Commerce was immediately transferred to Wilson's direction. With respect

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to the Department of Labor, a plan was drawn up, certainly under the authority of Wilson and Clay, but actually, I believe, by Charles B. Stauffacher, who was one of the assistants in the new organization. Under the plan, the proposal was to transfer the Employment Service from the Department of Labor to this new war agency. The Bureau of Labor Statistics was involved in this to some extent, in view of the fact that the proposal involved the transfer of the Employment Statistics Division from the BLS. This was the division which was responsible for the Federal-State employment, hours, and earnings statistics. It represented a large segment of the Bureau's work. The effect of the transfer would have been to remove the Bureau of Labor Statistics as such from direct association with the manpower operations of the war agency, and of course, would have split up the Bureau.

During this time, Secretary Tobin was one of the members of Wilson's cabinet, so to speak. He had regularly been attending meetings held in

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Wilson's office. Occasionally, I substituted for him when he was unable to be present. This plan was never cleared with him, but the planners in Wilson's office called over Robert C. Goodwin, who was the new head of the Bureau of Employment Security and whose organization would have been directly affected by this proposed transfer. I do not know the circumstances or the pledges that were requested of Bob Goodwin, but at any rate, he was told what the general plan would be. As I know Bob Goodwin, I would doubt very much that he had any part in working out this arrangement. So far as I can see, he was merely called over and told that this would be the plan.

However, this had a devastating effect on the Department of Labor. Of course, the plan soon became known. I do not recall by what channels I myself learned about it, but the effect in the

Department was to put the Secretary himself completely out of rapport with Bob Goodwin and the Bureau of Employment Security. I can still recall

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the violent reaction of Under Secretary Michael Galvin, who was Tobin's close personal friend and associate. I was immediately called in to the higher councils of the Department. Meetings were held at which Bob Goodwin was eliminated; that is to say, he was not invited to be present. Department strategy was discussed. It was unfortunate that this happened, because for a time at least, Bob Goodwin was under suspicion of having been disloyal to the Department.

In any event, Secretary Tobin took the matter up, first with Mr. Wilson himself, and then, I believe, with President Truman. He went over to see Mr. Wilson and indicated that he himself would agree to serve as a subordinate to Wilson, but he insisted on keeping control of his own employment service and of the employment statistics in the BLS. So far as I know, Wilson was not enthusiastic about this arrangement. His play had been to absorb the employment service and the manpower operations into his own agency. But Secretary

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Tobin apparently obtained from President Truman some kind of stay of execution, because in the final outcome, no change was made. The cabinet operation in Wilson's office continued to operate and the Department of Labor functions were never transferred to Wilson's office.

It is important to record that Bob Goodwin did establish good relationships with the Secretary again. Apparently, the Secretary was convinced that Goodwin had nothing to do with any plotting to bring about this transfer out of the Department, and there, a close relationship was once more established. Tobin was not a man to retain enmities or to suspect people beyond the evidence. I have no means of knowing what administrative limitations the Wilson agency found in operating on this basis during the entire period of the Korean War. Suffice it to say that, from the point of view of the Department of Labor, the operation was successful; there were no fundamental difficulties that could be attributed to lack of executive administration

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within the Department. This, perhaps, laid the foundation for later plans for war mobilization during the Eisenhower Administration, when the general principle was established that, insofar as possible, the peacetime agencies would assume wartime powers; and while some reorganization would take place at the top, there would be as little transfer and shift of current operating personnel as possible. It had always seemed to me that this was a sound practice. The problem in wartime is not to create new agencies, to establish hopeless duplication with existing agencies, and to shake up personnel in all directions. The operating agencies themselves are quite competent to carry on in the new situation. The problem is how to coordinate at the top.

It was soon after the outbreak of the Korean War that the issue of my reappointment as Commissioner came up for consideration. My term ran out in August 1950. Under the legal provisions governing the commissionership of Labor Statistics, the incumbent

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must be sent down to the Congress for confirmation every four years. It's an unusual term in that it dates four years from the time of the original appointment. It was therefore necessary for the President to submit my name again to the Senate for confirmation.

By this time, I was not so helpless on the Hill. The experience of obtaining the revision money for the Consumer Price Index and the vital importance of the Bureau of Labor Statistics in the early months of the Korean War were quite sufficient to make me fairly well acquainted on the Hill. It also happened that I had become personally acquainted with Senator [Francis J.] Myers, the Democratic Senator from Pennsylvania. The original sponsor, Senator Guffey, had been defeated in the election of 1948, by the Republican Senator Martin, who later on was to cause considerable trouble in my reappointment in 1954-55.

There was no question about my reappointment, so far as the Department and the President were

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concerned. So I went down to see Francis Myers, who immediately endorsed me. My name was sent down to the Senate and I was confirmed.

My relationships with Secretary Tobin and with his Under Secretary, Mike Galvin, were always excellent. They were easy people to work for. On the other hand, as administrators, they simply did not know which side was up. I recall an incident with the Under Secretary which dramatizes the situation. After trying to reach him for several days, I finally managed to work my way into his office. He was sitting behind his desk with the entire desk covered with little small slips of paper, say, two inches by three inches. I asked him what in the world those slips were for. He explained that he had decided to organize his office better, so he had listed in his own handwriting on each of these slips, a specific task or job that he had to do. This entire, enormous desk was completely covered by these slips. My irrepressible sense of humor got the better of me

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and so I said to him, "Why don't you just sweep all of them now into the wastebasket and start from scratch?" He laughed to some extent, but I had the feeling that I had wounded his sense of administrative pride. This was a perfect example of his inability to handle his office. He would spend, and must have spent, an hour or two, if not more, working that list up. At the rate at which he processed the decisions which reached his office, it's quite clear that the incoming would have exceeded the outgoing. Consequently, most of all this listing was, in fact, wasted. He might have done better to take my suggestion and start from where he was.

The difficulty with Secretary Tobin was that he did not spend enough time around the Department to get into the administrative problems. Ordinarily, what he did was take a plane to Boston, an Air Force plane or a MATS plane -- which usually left on Friday at about 1 o'clock. Cabinet meetings took place on Friday morning, and he would be

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driven down immediately after Cabinet to the Bolling Airfield, where he took a plane to Boston. He remained in Boston over the weekend, usually on Monday and frequently on Tuesday. That meant that at best he arrived in Washington some time on Tuesday afternoon or very likely on

Wednesday morning. This gave him a couple of days, Wednesday and Thursday, in the office, if he had no speechmaking or other activities to engage his attention. Then on the next Friday the next round would be repeated. Consequently, he was seldom much consulted in making decisions. When difficulties did arise between bureaus in the Department, as they naturally would from time to time, he would usually try to compromise the situation in some way. Mike Galvin as his Under Secretary was not a strong enforcement officer; he never felt free to make any fundamental decisions in the absence of the Secretary. Consequently, we were left with very little leadership and mostly had to solve our own problems as best we could. However, when items did reach the

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Secretary's desk and a big meeting would be held to resolve some of these problems, about the only guidance we got was suggestions for compromise between the contending Bureau chiefs. "Why not do this?" "Will you agree that this Bureau should undertake that assignment?" To the other Bureau he would say, "Why don't you let the BLS do this?"

This doesn't mean that we didn't operate reasonably successfully; and perhaps we resolved our internal differences more successfully than might have been the case had one or the other of our chiefs snapped out some decision. I will say this for Secretary Tobin and also for Mike Galvin; their general political tendency to arrive at compromises meant that they did not snap out impossible decisions for us to live with.

The Bureau of Labor Statistics reached new heights of importance during the Korean War. The first thing that happened, almost immediately after the outbreak in the last week in June, was an upward surge in prices. People remembered the

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shortages in World War II. Consumers rushed out to get hold of goods which they thought would be in short supply.

An amusing incident occurred in Washington, D.C. A grocer put out a large sign over his store, "Sugar, 10 pounds, 98¢." The actual price of sugar at the time was 5¢ a pound, 10 pounds for 49¢. This one sign brought such a rush on his store that he sold out his entire supply at this double price. He then gave the money to charity, the additional funds he had received, and put an article in the paper, explaining to people how stupid it was and showing the consumer was not paying attention to the true economic situation.

Nevertheless, the effect of consumer alarm was to bid up the prices at retail throughout the country and our Consumer Price Index immediately began to show the effect. This brought about a quick change in the field of labor and management relations. As I indicated above, for the first two years of the automobile industry's experience

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with Consumer Price Index escalation, there had been no great rush of other industries to adopt this method. However, when it became apparent that prices would be rising rapidly, and in view of the fact that some kind of wage and price control seemed to be in the offering, there was

literally a wave of contract re-openings, accompanied by the introduction of this escalation type of contract.

Each of these operations fed upon the other. As prices rose, more unions rushed to the escalation type of contract, and the more that the managements accepted this type of contract, the more they raised their prices in order to anticipate what was likely to occur in the future. Furthermore, with price control in prospect, all businessmen had to bear in mind the principle that when the freeze would occur, if and when, they would be stuck with whatever price they were charging at the time. The incentive was to establish as high a price as was practicable. To counteract this

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the stabilization agency began threatening to have a rollback of prices to May of 1950 -- before the Korean War. However, this talk of a rollback was mostly a type of jaw-control -- nothing much could be done about it, since there was no administrative machinery for establishing price controls.

It was undoubtedly fortunate for the Bureau of Labor Statistics that price control was not instituted until the early spring of 1951. The Bureau was extremely busy during 1950 carrying on its program of revising the Consumer Price Index. We had a staff at work in the field of family expenditures, housing surveys, and price collection, designed to establish the new index. Had price control been introduced at an earlier stage, it is difficult to see how controls could have been successfully established in the first six months after the outbreak in Korea. The machinery of administration had to be established. Mr. [Alan] Valentine, who was the first price stabilizer, was mostly engaged in setting up a staff to carry

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on the work. The actual operation of establishing machinery for price controls took a considerable period of time. However, in the meantime, the price index rose so rapidly that it went up about ten percent in the nine months between June, 1950 and March, 1951. The people became concerned and Valentine was blamed for not taking more positive action. His resignation was finally accepted and Mike DiSalle of Ohio came down to become the price stabilizer.

It happened that John Gibson, the Assistant Secretary of Labor, had been a friend of Mike DiSalle's, so he arranged a special meeting at which I and members of the staff of the Bureau went down to meet Mr. DiSalle in his office soon after he took over the work. Gibson had already resigned by that time as Assistant Secretary of Labor. He was engaged in other activities here in the Government in Washington. He accompanied us to the meeting with DiSalle, so we got in on the ground floor, so to speak, in supplying DiSalle with

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some of his earliest memoranda and recommendations. We established some regional office staff to work with the various offices of the Price Stabilization Agency. In general, we had a fruitful and successful operating relationship during the entire Korean War.

Meantime, the Wage Stabilization Board was being set up and attention was being directed to the Bureau of Labor Statistics on the problem of wages and salaries. The Bureau had been

conducting at the end of World War II a small program of community wage surveys; something like twenty cities were covered by this program. This was a system of collecting wage and salary information on cross-industry occupations, that is, occupations which would be found in more than one industry in a specific locality. It was the kind of information which could not be successfully gathered in industry wage surveys.

The Bureau of the Budget had encouraged the Bureau of Labor Statistics to expand this program

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in the years 1948 and '49. The Army, the Navy, and Air Force wage boards determined local wages in each community for the workers employed in the air depots, navy yards and army arsenals. In order to avoid duplicate contacts with employers and to economize on Government expenditures in this field, the Bureau of Labor Statistics was encouraged to become the collecting agency for these various types of boards. The idea was later extended to the Department of the Interior and to other departments of the Government. The original operation, as I recall it, occurred in the city of Denver, where there was a need for this kind of operation. As a result, the Bureau of Labor Statistics became the agency for the collection of the information from employers, one collection serving the purposes of all the agencies establishing wage rates for their employees.

The BLS had nothing to do with the final decisions which were made by the wage boards in the respective branches and departments. What it

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meant was, however, that the identical information became available for their use in their wage decisions.

One of the first requests of the Wage Stabilization Agency in the Korean period was that the Bureau establish this type of operation in about seventy-five cities throughout the country, so that a rich volume of information on wage changes could be made available to the stabilization agency. Funds were provided to the Bureau of Labor Statistics to conduct these studies in the Bureau itself.

I might point out at this stage, that both with respect to wage control and price control, it was the policy of these operating agencies to use the Bureau as a research and statistics agency for the purpose of gathering information. In this way, they could use the respect and prestige which the Bureau of Labor Statistics had as an honest fact-finding agency. Had they moved these operations into their own agencies, they would have been subject to the charge that they were perhaps juggling their

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own figures in order to justify their decisions. As it was, both labor and management, as well as the general public, had confidence in the facts supplied by the Bureau of Labor Statistics, and therefore, these agencies could make their administrative decisions without being subject to the charge of having in some way justified their decisions by juggling the facts.

Not only did the Wage Stabilization Agency get us going on surveys of more communities, but they also thrust us into the field of fringe benefit tabulations. In order to avoid too much of a price increase (and a rise in costs) during the Korean period itself, the Wage Stabilization Board tended to award wage increases in the form of fringe benefits of one kind or another, the full cost of which would be transferred to some future year. The objective was to dampen down current wage increases. This meant that there was not only a wealth of fringe benefits being created, that is, by new fringe benefits being established,

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but there was also need for more information on developments in this field, more data. The Bureau of Labor Statistics, therefore, had its staff enlarged with Wage Stabilization Board money in order to collect more information of this kind. This was the origin of what later became the large scale Bureau program of wage and salary statistics, which in 1962, eventuated in Federal legislation providing for the payment of Federal salaries on scales equal to those in private industry. If the Bureau itself had not had extensive experience in developing and processing this type of information for administrative use, it is not likely that this policy could have been so easily established later on in the early 1960's, that is, the fundamental policy of gearing the Federal salary and wage structure to the developments in private industry.

There was another program of the Bureau of Labor Statistics which came to the fore in this particular crisis. That was our statistics of productivity, our indexes of output per man-hour

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in the private economy. These statistics had been developed over the years. In fact, one of the earliest surveys ever made by any Government agency on the subject of productivity was the famous study of "Hand and Machine Labor" back in the 1890's, when Commissioner Carroll D. Wright and his Bureau were instructed by the Congress to make surveys of the comparative labor cost and efficiency of output of the hand labor of mid-century and the modern mechanized labor of the 1890's. That was the beginning of the mechanization process in production.

Following that period, the Bureau of Labor Statistics had made occasional studies of this kind over the years, but the program flowered again in the 1920's when there was a great deal of interest in the increasing mechanization of industry after World War I. It was at that time that I held my first job in the Bureau of Labor Statistics, my subject being the development of the productivity indexes, that is to say, a series of indexes measuring the changing rate of productivity in various industries. Following

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my time, this work had been carried on, on an individual industry basis, up through World War II.

However, in the post-war world, we found that the industry-by-industry operation was too limited to enable us to compute indexes for the economy as a whole. It was too difficult to produce satisfactory indexes for some industries, such as textiles, which were exceedingly difficult to measure, particularly with respect to the total output of the industry. So, we switched our methods of operation and began to produce indexes of output based on the dollar volume of

production, that is, on the value added in the productive process in the industry, deflating that money value by the rise or fall of prices in the intervening years. The effect of this was to enable us to produce reasonably satisfactory indexes of output per man hour for the economy as a whole and for major sectors, such as agriculture, manufacturing, et cetera.

When the automobile collective bargaining contract was signed in 1948 between General Motors

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and the Auto Workers Union, and was extended to other industries, the theory of the annual increment, the improvement factor in the contract, was that this was related to the rising standard or level of living of the average worker in the American economy. Since this rise in the standard of living is based fundamentally on the rising productivity of the economy itself, this new development soon created an interest in productivity statistics.

You will not find in the automobile contract any mention of the word productivity. The annual improvement factor was based specifically upon the rising standard of living, or level of living, as it is more appropriately called. But this was to be closely geared to the rising productivity of the American economy, not in an individual industry such as automobiles, but in the economy as a whole. In effect, what the automobile companies hoped, when they signed that agreement, was that they would be able to obtain productivity gains that were at least equal to the gains in the

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economy as a whole. This explanation of their objectives has been consistently maintained by both labor and management in the automobile industry right down to date in 1964. In other industries, unions particularly, and management to some extent, have from time to time talked about the developments in their own particular industries, either the productivity or the lack of it, as a key factor in the wage bargains in that industry. But the automobile groups have consistently recognized that they were talking about the average rate of increase for the economy as a whole. Of course, this does not preclude bargains that are based upon the profits or the prosperity of the industry. This has been highlighted by some of the statements of President [Walter] Reuther and the Auto Workers Union in the spring of 1964. Nevertheless, they have never ceased to call attention to the general rate of productivity increase in the private economy.

The economic logic of this particular type of

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contract did not carry over into all the other fields of collective bargaining. It undoubtedly stimulated the deferred wage increase type of contract, which has become popular in recent years, and which acquired stimulus during the Korean War and afterwards, particularly in 1955, '56, and '57. In this type of contract a series of future wage increases are established, running two and three and sometimes even as much as five years in advance, but without any logical tie-in with the productivity gains in the economy as a whole, or with the productivity results in the particular industry.

This problem of productivity finally reached the Wage Stabilization Board in about the last year of its operation. I think it was sometime in 1952. In some way or other, the proposal was

concretely put before the Board itself and a special hearing was held. I appeared to testify before them. As I recall it, Ben [Benjamin] Aaron was in the chair at the time. The Board was talking with

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us on the subject of our productivity indexes and their applicability to a general principle of permitting wage increases at productivity rates from year to year during the war itself. Our testimony was strictly factual, but the Board arrived at the conclusion that this principle should not be applied in wartime. It was recognized that during the war itself the productivity gains were undoubtedly being substantially used up in war production, and that a combination of price escalation and productivity escalation would have the effect of creating more inflation than the Government was willing to allow. Consequently, the proposals, which I believe had originated among some of the labor members of the Wage Stabilization Board, were put to rest and the principle itself of annual productivity gains was never directly incorporated into the wage stabilization policies during the Korean War.

Another agency with which the Bureau of Labor Statistics had a great deal of contact during the

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Korean period, was the Council of Economic Advisers. This was not surprising, since the basic statistics of the Bureau of Labor Statistics were the most important items in the determination of the policies of the Council. While it is true that the wartime agencies were dominating the operation of price and wage control during the war itself, nevertheless, after the passage of the Employment Act of 1946, the general economic policies of the Government were formulated by the Council. The first Council, under the chairmanship of Dr. Nourse, had one type of policy with respect to the basic functions in the economy. According to Dr. Nourse, he was specifically an adviser to the President of the United States. He was willing to go down to testify before the Congress, but only with reluctance and with decided limitations on what he would be willing to say. His position was that the Council was the private economic adviser of the President, and therefore, that its policy recommendations should be confidential; they were to become the recommendations of the

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President.

In the meantime, however, the Council did publish annual reports (in fact, semi-annual at times) and in these reports, they did not hesitate to recommend general policies for the Nation as a whole. For example, they periodically urged wage restraint during the period 1947-48, when a significant post-war inflation was underway. Eventually Dr. Nourse resigned and Leon Keyserling became chairman of the Council. Immediately there was a fundamental shift in Council policy. Leon Keyserling did not regard his activities as being solely a confidential adviser to the President. He was willing to undertake the assignment of testifying before Congressional committees in defense of the economic outlook of the Council. Furthermore, he definitely put the Council in the position of making recommendations to the President, that is, of assuming responsibility for the President's recommendations. In that sense, the Council now became more political than it had

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been under Dr. Nourse. At least, it became more policymaking and therefore more directly connected with political considerations on the Hill.

One of the results of this became apparent in 1953 when the Eisenhower Administration took office. The first action of the Congress was to abolish the budget of the Council of Economic Advisers and thus in effect to abolish the Council itself. The Eisenhower Administration eventually decided that this was unwise and the Council was later re-constituted. However, this action of the Congress is a clear indication that the new Republican majority in 1953, that is, Congressional majority, had regarded the activities of the Council as being political. They therefore wanted to insure that the Council members and the staff of the Council would be eliminated from office.

During the period of the Nourse chairmanship, the Bureau of Labor Statistics had been from time to time consulted with respect to the facts, figures, and even the policies that the Council was considering. Dr. Nourse had respect for the staff of the BLS and he established direct connections with

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us. No problems arose out of this. The Department of Labor had no objection to the BLS establishing such contacts as we felt desirable.

However, when Mr. Keyserling became chairman, the Bureau was not quite in the same position. In the first place, we ourselves did not want to assume responsibility for participation in policy decisions which would be political in character. Furthermore, Keyserling himself took much more direct action in connection with the decisions of the Council and the preparation of their report. It was not that we were eliminated from consideration of the Council's activities. The Council continued to rely on our data, which were of vital importance to them; and we supplied from time to time textual analyses of our figures for consideration in the preparation of the Council's report. However, the character of those reports took on more and more the character of Leon Keyserling and his fellow members of the Council. They became much more policy-making documents closely associated with the operation of the White House, and therefore, were

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in general, more remote from our activity. To put it another way, we supplied the information and the basic factual interpretation of our data, but we were not close to the decision-making processes of the Council.

It may be of interest in this connection to trace the next steps of the Council during the early period of the Eisenhower Administration. It seems as if the original act of 1946 had envisaged the Council of Economic Advisers as consisting of a bi-partisan Council with the majority belonging to the majority party, but with a staff non-partisan in character. In fact, in its early operation, the Council reminded me very much of the Social Security Board, which had been established on that same basis back in 1936. It may be recalled that President Roosevelt appointed a Republican, ex-Governor John Winant of New Hampshire, as chairman of the Social Security

Board in order to emphasize the non-partisan character of that program. In that same sense, Dr. Nourse, whose politics or political leanings I do not know, was a type of

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John Winant, in the sense that he certainly was regarded as a non-partisan scholar. Nevertheless, Dr. Nourse operated on the principle that the Council was a pluralistic body, that is to say, while he was Chairman, he was simply first among equals in consultations with the President; and in determining policy the Council acted as a board, so to speak.

This was continued in principle during the Keyserling chairmanship, although in effect, Keyserling took such an active part in the leadership that probably he was closer to President Truman as an individual than the other members. I was not closely associated with the White House at that time, not enough to know whether or not Keyserling's more dynamic and forceful leadership of the Council in any way cut down on the significance of the other two members. Suffice it to say, however, that by the time the Republicans took over in 1953, they regarded all members of the Council as equally vulnerable to this political attack. Consequently,

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action was taken to abolish the Council's appropriation, so that the Council members, all three, as well as the staff who had been associated with them, were in effect removed from office.

The fortunate aspect of the situation in 1953 is that the ending of the Korean War, and the development of a postwar readjustment problem, brought the Eisenhower Administration around to a recognition of the fact that they needed a Council. I do not recall the exact month in which the decision was made to re-constitute the Council, but it was about the month of June. Furthermore, since the peak of prosperity was reached in July, 1953, after which business took a moderately sharp turn downward, this fact brought to President Eisenhower's personal attention the need for economic advice. Certainly, the Council was suddenly restored to a high level of policy consideration and a high level of policy influence under the chairmanship of Dr. Arthur Burns of Columbia University. As the recession became more apparent

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in the fall and winter months, Arthur Burns became one of President Eisenhower's closest associates.

The Eisenhower method of administration was applied to the Council as well as to many other agencies, such as the Atomic Energy Commission, etc. President Eisenhower had the military concept of administration, so the principle which he established was that Arthur Burns as Chairman was the only member of the Council with whom he consulted. He treated him as the director of the agency and spokesman for the Council itself. I do not know the extent to which the other members of the Council may have been admitted from time to time to the President's conferences, either in order to express their views or to hear his; but there is no doubt about the fact that the Council operated under a strong chairman in Arthur Burns, and the administrative machinery made him the key responsible person.

The relationship established with the Congress by Arthur Burns reversed completely the position of

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Leon Keyserling and returned to that of Dr. Nourse, or even to a closer relationship to the Administration in the White House.

Arthur Burns refused to appear in public before the Joint Economic Committee of the Congress. For this, he was vigorously criticized by Senator [Paul] Douglas and some other senators. The Joint Economic Committee of the Congress during Keyserling's leadership had gradually been obtaining from the Council their basic forecasts of the economy for the coming year, including such questions as the amount of taxes that might be raised and the prospects for the Federal budget. These were presented in open hearings to the Congress. Arthur Burns, first of all, refused to forecast. He took the position that he did not know how the economy would operate during the coming year and therefore would not in any way discuss before the public even his private judgment. His position was that this was a matter for the President alone.

Furthermore, this meant that the Joint Economic Committee did not receive any confidential projections

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with respect to the economic situation and its bearing on the Federal Budget. The Joint Economic Committee was unable to get from the Council itself any statistics to which they could direct their attention or their criticisms with respect to the economic proposals for the coming year. This might not have attracted so much attention, that is, this change of policy, had it not been for the fact that the recession of 1953-54 brought economic conditions into important policy consideration. During the Korean War, the general economic pattern was that of the expansion of the economy and the growth of war industries, with more emphasis on price and wage controls and keeping the economy within bounds. Now with a recession developing, Congressional interest swung over to methods of dealing with unemployment, to public works and to such other factors of Congressional interest.

Arthur Burns stuck to his guns during this controversy with the Congress. In 1953 and in

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succeeding years he held firmly to this general policy of refusing to do more than appear in a confidential hearing, that is, in what is called an executive hearing of Congressional committees. This was by no means satisfactory to the members of the Joint Economic Committee of the Congress, but they had to be satisfied with it.

Another feature of work of the Bureau of Labor Statistics is the activity of the Bureau during an election year. In my period of service with the Social Security Board, this problem never came to my attention. The Board itself maintained contacts with the White House and with the leading statesmen on the Hill, so that the Bureau chiefs, in general, were completely protected. We were Civil Service appointees who had no direct connection with policy matters. My first experience on a policy level was in the election of 1948. However, as I indicated above, this was a period of

transition in the Department of Labor; Secretary Tobin had been newly appointed and was primarily concerned with electioneering himself. I found it

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possible to take six weeks off and make a trip to the West Coast with my family to see my mother. In general, I found that I was able to absent myself from the political problems of the election. I never heard from members of my staff, such as my deputy Aryness J. Wickens, about any special incidents which occurred during that year. I do recall that I was very doubtful about the success of the Truman Administration in that I had been appointed on a non-partisan basis, and my general idea was that I would continue to serve out my term which ran until August, 1950.

When the election of 1952 came around, I was in an entirely different situation and so was the Bureau. In the midst of the Korean War, in view of the activities the Bureau was carrying on with respect to the wartime activities in the Government, there could not have been the kind of hiatus that existed in 1948. Therefore, I was on the job, except insofar as I took a few weeks off for a vacation. More than that, however, we had

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what amounted to a statistical disaster in that period.

We were, by this time, producing some of the results of our family expenditure surveys, which had been made in order to revise the Consumer Price Index. We had collected the information during the spring of 1951, on the expenditures of the families during the preceding calendar year, 1950. This family expenditure information was tabulated and was being used for the purpose of revising the weights in our new Consumer Price Index, which was due to be released in January, 1953. Meantime, all kinds of outside groups were pressuring us to make the material available to the public. These statistics of family expenditures were of great interest to all kinds of advertising groups, to industries, to businesses associated with retailing, and to the statistics and economics professions. Consequently, there was persistent pressure on members of the staff to present tabulations to the public.

In the summer of 1952, under this kind of pressure, the members of the staff of the Prices and Cost of Living Division, who were the group responsible for this work produced a brief summary

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tabulation which was designed to appear in the *Monthly Labor Review*. In general, my method of administration in the Bureau of Labor Statistics is to delegate to the maximum possible extent. The Bureau is well staffed by competent employees and the most effective administrative method is to rely upon that competence and not to attempt to tell the staff how to conduct their activities. Nevertheless, in something as important as this kind of a release to the public, namely, the summary table on the incomes and expenditures for the families which had been surveyed for the Consumer Price Index, the document is brought to my attention. I recall very well that I was in my office when Larry Klein, the Chief of Publications, who is the man responsible for the *Monthly Labor Review*, and for all the bulletins issued by the Bureau, came to my office to show

me this brief release. It could not have consisted of more than three or four pages, and it had in it a summary table showing the incomes and expenditures of the families by income

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groups. I recall that I was extremely busy with a series of administrative problems at the time. I took the paper from Larry Klein, glanced at it, saw what it was, and said, "You go ahead; I haven't got time to spend on it."

This was a most disastrous mistake, because I am confident that had I looked it over carefully, I would have detected what was wrong with it. This is not because I have superior ability in handling matters of this sort, but simply because I do have a sixth sense of public relations. I always look at a publication, a release, a speech, or any statement of mine, or of the Bureau, from the point of view of its effect on the general public. In other words, I am deeply conscious of the importance of accurate communication. This attitude of mine becomes important, when we consider what actually was wrong with the release, and why the staff themselves did not succeed in discovering it.

In brief, this first raw summary table showed

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that the average expenditures of the average family in our sample in the year 1950 amounted to \$4,500, while the family had an income of, as I recall it, something like \$4,200. This seemingly indicated that the families were spending more money than they took in. This is what I would have detected had I taken a look at the figures. This would seem to indicate that the families were in a deficit status, that is, were actually unable to meet their needs with their incomes; which was not in fact the case.

No sooner did this release hit the press tables than the Republicans picked up this very point. They argued that it showed that the Democratic Administration was not providing the economy with incomes sufficient to balance consumer needs. It was Mr. [Richard] Nixon who popularized this idea in a speech, and who used it a number of times during the remainder of the campaign.

Of course, it caused an explosion right away.

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Secretary Tobin demanded to know what was the matter. The Bureau of the Budget, that is to say, the Office of Statistical Standards of the Bureau of the Budget got into the act. I received a formal letter from Stuart [A.] Rice, who was director of the Office of Statistical Standards. I was challenged as to why this release had not been cleared with them and why we had permitted this kind of an error to occur. Because unfortunately there was an error here; in fact, two of them.

The first mistake which was one of fundamental principle, is that families in general always understate their incomes. We find in our surveys in this type of work that the average understatement runs about 10 percent. This means that the raw data have to be readjusted for this understatement of income. Since the Bureau of Labor Statistics was primarily interested in the

expenditures rather than the incomes of the families, the staff had not paid much attention to this relationship. We collect the income information in order to check

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the reasonableness of the expenditures but we do not try to verify the incomes as such. Of course, in individual families, money income can fall at times below their annual expenditures, because the family makes it up either by the sale of assets or by borrowing money. The technical staff of the Bureau, who work closely with this kind of information are so familiar with the situation that they do not anticipate how the public will respond to such statistics, particularly in the absence of any explanation for the discrepancy. It simply didn't occur to the staff that these statistics would have such an explosive effect. So no one caught the mistake until the figures were made public.

Secondly, and this seems to be the misfortune of statistical agencies, at least of our statistical agency at a critical time, there was a factual error in the expenditure data. In some way or other, adequate checking had not been done. This sometimes occurs in such hasty press releases. Our

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difficulties were compounded by the fact that there was an error of some \$200 in the average expenditures. So the expenditures at \$4500 and the incomes at \$4200 should have been shown as expenditures of \$4300 and incomes of about \$4700. However, the published figures were getting all the attention, and unfortunately it was an election year.

In this situation, I tried to prevail on Secretary of Labor Tobin to allow me to hold a press conference in order to explain this situation in full. In any case, we had to prepare an explanation for the Office of Statistical Standards and accept their spanking of us for our mistakes. But I couldn't persuade Secretary Tobin to make any public statement or to permit the Bureau to do so. We did issue routinely at some time later the adjusted and corrected figures; but, as nearly as I can recall, this did not happen until after the election was over. Secretary Tobin's position was that it was better to allow the attack to go unanswered. This did not seem to me to be a very

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wise policy, but it was the one which was followed.

This, I think, was typical of Secretary Tobin. He did not want to embark on unknown seas, with which he was not familiar. While he himself could understand me, when I explained to him exactly what the problem was, he had no professional appreciation of the situation, and was inclined not to undertake anything himself. But he also insisted that I should stay out of it. Perhaps in retrospect he was wiser than I was. It is possible that I would have been drawn into a political controversy, since I would have been contradicting the conclusions reached by the candidate for Vice President on the Republican ticket. This could have drawn the Commissioner of Labor Statistics into the political arena, possibly with unfortunate consequences. As it was, the charge kept being made during the remainder of the election period; it was never directly answered by the Democratic Administration, with the result that it eventually died down, since it did not get into the

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public debates. At any rate, this was another hard lesson for the Bureau of Labor Statistics, and for me personally, on the subject of how to communicate facts to the public and to avoid misinterpretations and misunderstandings which are completely unwarranted, as, in fact, this was.

I was really too busy during the 1952 election to be concerned with what would happen afterwards. As I recall it now, it seems to me I was fairly sure that the Republican Party would win the election; the polls clearly showed Eisenhower's popularity. I was a great admirer of Governor [Adlai] Stevenson. I didn't know him well, but on one occasion, in previous years, I had been out in Springfield, Illinois at some kind of a welfare conference held in that city, in the course of which some of us were invited to the governor's mansion. Accordingly, I met the Governor and some members of his official family. I was immediately attracted by his splendid record as Governor of Illinois; he had introduced a non-partisan merit system in the State Civil

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Service to a degree that had never been previously experienced in that State. He was noted also, at least on the outside, for being an efficient and effective administrator of a State government. I therefore was a vigorous partisan of Governor Stevenson, even though as a resident of Washington, D.C., I was not entitled to vote; and of course I took no part whatever in the election.

After the election, I certainly was deeply concerned, not only personally, but also professionally, about the question as to who should be the Secretary of Labor in the new Eisenhower Administration. It was quite clear that businessmen were going to be dominant in the posts. But it had always been the tradition that the Department of Labor was headed by a man with a labor background of some kind. However, as time went on, we heard various names proposed, some of which were indeed alarming. One which I recall was Dean Clarence E. Manion of the Notre Dame Law School, who had been a strong Democrat, but who

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switched sides in the course of the election and who became a vigorous supporter of the Republicans. I had heard some of his speeches over the radio in the course of the election, and I was horrified at the prospect that he might become Secretary of Labor. Fortunately, this rumor did not turn out to be a fact. For some reason or other, despite his accomplishments during the campaign, his name was passed over. More time elapsed, and it was quite apparent that the Eisenhower Administration was having considerable difficulty in arriving at a name. Eventually, we heard the name of [Martin] Durkin, of Illinois, a Democrat. This was indeed good news. I personally knew Mr. Durkin when he was Commissioner of Labor of the State of Illinois. I had had professional dealings with him in connection with Federal-State statistics in his State; and I had met him on a number of occasions, such as when we held interstate conferences on labor statistics.

As soon as he was appointed, which was about the end of the year 1952, I went to see him. There

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was no problem whatever about my job. He indicated to me that he had no intention of asking for my resignation, that he regarded my job as non-partisan, and that he wanted me to stay on as Commissioner. So. I returned to my office in the serene confidence that the Bureau of Labor Statistics would be in good condition in the Department of Labor in the Eisenhower Administration.

During Durkin's brief service of less than nine months, I had relatively little to do with him and his operations. The reason is that he devoted himself almost entirely to the problem of labor legislation, that is, to the revision of the Taft-Hartley Act. I have no means of knowing what promises he felt he had received from the President in connection with his appointment, nor do I know anything about the final controversy which developed concerning his resignation. He appointed an under secretary, Lloyd Mashburn, who was also a labor leader, and whose primary interest was in the revision of the Taft-Hartley Act. Therefore,

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there was comparatively little administration within the department at the departmental level. We bureaus adjusted ourselves to the new Administration as best we could. In my case, it was not particularly difficult, because I had immediate occasion to be in contact with the White House and the Eisenhower group. This arose, as I indicated above, in connection with the revised Consumer Price Index. When it was issued in January, 1953, and the old Index was dropped, petitions from labor and management groups induced the President to restore the old index for a period of six months.

I was called over to the White House to consult with Gabriel Hauge, who was one of the President's advisers, who discussed the problem with me and referred me to Mr. Dodge, who was the newly appointed budget director. Mr. Dodge assured me that funds would be available to revive the old index and to carry it forward for 6 months. He transferred \$150,000 from the stabilization agencies to the Bureau of Labor Statistics. The successful conduct

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of this project relieved the Eisenhower Administration of some difficulties that might otherwise have arisen, such as strikes, for example; so the Bureau's non-partisan and professional status was well-cemented in the first half year of the Eisenhower Administration.

Secretary of Labor Durkin broke with the Eisenhower Administration in September, 1953, and Under Secretary Lloyd Mashburn resigned with him. We officials in the Department had another brief period of uncertainty, but it didn't last long. Within a month, as I recall it, Secretary [James P.] Mitchell, who was then serving in the Defense Department, was appointed as Secretary of Labor. He was well known to the Department and its staff, since he had operated in the Defense Department during the war in the manpower field. As I remember it, he was Assistant Secretary for Civilian Manpower, that is, manpower in factories producing war products. He had supervision of a staff of persons, some of whom were ex-employees

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of the Department of Labor. Therefore, there was a universally favorable response to his appointment. I did not know him personally, except to have seen him at a distance from time to time. However, he knew very well who I was and we established satisfactory relationships right away.

Once more, I was fortunate in another respect, namely, that the interest of the Department was centered at the moment on problems involving the Bureau of Labor Statistics and our statistics of employment. This matter arose in the following way. The Bureau of the Census had obtained funds to enable it to enlarge the sample of families which were used to obtain the monthly employment, unemployment, and labor force data in the country. This was the series which had been started in the WPA by Harry Hopkins in the late 1930's, in order to estimate the number of unemployed workers for whom Federal work programs would need to be set up. In 1942, when the WPA had ended, this household survey was transferred to the Bureau of the Census. It was originally offered to the Department

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of Labor and to the Bureau of Labor Statistics, which was then under the acting commissionership of Ford Hinrichs. However, for one reason or another, the Department fumbled the ball and the series was transferred to the Bureau of the Census. During the post-war years, this became a critically important statistic.

In the meantime, the Bureau of Labor Statistics, in cooperation with the Bureau of Employment Security, and with the assistance of State agencies in every State were producing statistics of employment, hours and earnings from reports coming from employers. This system had been in operation for several decades. So the Bureau of Labor Statistics was issuing, each month, statistics of employment for several hundred industries, statistics on hours of work, on hourly earnings, and on weekly earnings. These statistics always took longer to prepare than the statistical report of the Census, which, being under the control of a straight-line Federal agency, could be processed much more quickly. The result

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was that Bureau of the Census would be issuing statistics on overall, total employment and unemployment for the Nation as a whole, followed somewhat later by a release on employment by industries, coupled with some hours-of-work and earnings data issued by the Department of Labor through the Bureau of Labor Statistics.

Now the Census Bureau, as I indicated, had obtained some funds for the purpose of stepping up the size of the sample from 21,000 to 35,000 families. Unfortunately, their budget was cut by the incoming Republican Congress in the spring of 1953, with the result that the Census had to proceed with this proposed enlargement of the sample, but with inadequate funds. Faced with this situation, the Bureau of the Census took some shortcuts.. They felt that it was absolutely essential that the sample expansion should proceed on schedule. The short-cutting process meant that the shift over from the smaller sample to the larger sample would occur in the month of February. The Advisory Committee to the Census, that is the professional advisory committee

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within the Government, had strongly recommended against this, urging that the Census should carry on until April or May, when unemployment would be at a more reasonable level and when the transfer could be effected more judiciously and more accurately. However, the Census was stuck with its limited appropriation, so they had to do the best they could with the funds available. The shift from the old to the new expanded sample was made in the month of February, which is usually the high unemployment month of the year. In the meantime, the business recession was getting deeper, so that the unemployment figures were attracting public attention.

Another administrative difficulty developed for the Census. Since they were short of staff, they took the supervisors from the current operation, that is, the collection of the statistics on the old sample of 21,000 families, and transferred these supervisors to the training program for the new agents processing the 35,000 families. There was some overlapping in these districts, and some older staff were to be retained under the new program.

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However, in certain of these local districts where the sampling took place, the Census employees were destined to be out of a job when the transition was effected in a few months' time. Therefore, they did not have the incentive to proceed with the zeal that they formerly displayed, and they were in addition deprived of their supervision at this critical time. What happened was that the declining sample of the 21,000 began to show significantly different unemployment figures than the expanding sample of the 35,000. The unemployment figures for the older, smaller sample looked excellent in the fall months and even in the month of January, 1954. But when the new sample was introduced to the public in February, there was a sharp jump in the unemployment rate.

The Bureau of the Census had a clear, professional explanation of the discrepancy and they endorsed the new expanded sample. However, Arthur

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Burns, the Chairman of the Council of Economic Advisers, and the President's adviser on economics, was extremely critical of this statistical debacle. The higher unemployment figures, which became available in February, indicated that a major recession was in fact under way and this to some extent contradicted the earlier data which had previously been published. There was a demand by the Council that the Census take steps to explain the situation and also that something ought to be done about this whole problem.

Meantime, the Joint Economic Committee of the Congress also got into the act at this time. Attention was called to the contradictions between the figures produced by the Bureau of Labor Statistics on the subject of employment, hours and earnings, and the overall employment-unemployment figures produced by the Bureau of the Census. Of course, at times these ran somewhat counter to each other for perfectly understandable reasons. Nevertheless, there was a persistent demand, which now became an anvil chorus, in favor of doing something to put all these data on a more correlated and coordinated basis. So, on recommendation of the

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Joint Economic Committees and under the sponsorship of the Council of Economic Advisers and the Office of Statistical Standards, an agreement was reached that the two Cabinet officers -- the Secretary of Commerce and the Secretary of Labor -- would issue a joint statement on these figures every month, interpreting them to the public. This would make for a clear, overall, consistent interpretation of the data. That was the first step, taken in 1954, to bring these two sets of statistics together.

At that time, there was no shift in budget nor any change in the program of the Census and the Bureau of Labor Statistics. However, a coordinating committee was set up under the chairmanship of the Office of Statistical Standards of the Bureau of the Budget, consisting of representatives of the Bureau of the Census, the Bureau of Labor Statistics and the Bureau of Employment Security. This committee got together each month as soon as the figures become available. The Census delayed its publication until the time that the BLS employment statistics

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could be made available, and then a joint release was issued in the name of the two secretaries, explaining what had happened in a correlated and consistent way.

It is important to note here that this decision meant that these figures were then released in the name of the Cabinet officers, who are political appointees. Prior to that time, both the Census figures and the BLS figures had been issued as routine releases with no names attached, being released by the bureaus themselves as part of their routine operations. The effect of the new procedure was to lift these figures to Cabinet status and to credit their interpretation to political officials.

In the beginning, this did not have any serious effect. The professionals who served on the committee to coordinate the statistics decided what was to be said. I, as Commissioner of Labor Statistics, usually cleared this release with Secretary Mitchell. So far as I know, the Director of the Census was basically responsible for clearing it with

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the Secretary of Commerce. If either Secretary suggested changes, they had to be brought back to the coordinating committee, provided they were serious enough to warrant such consultation. I recall several occasions when Secretary Mitchell asked me about making some changes in the text. Sometimes I would agree with him, and would take responsibility for clearing the revisions with the other committee members. At other times I would indicate that the suggested changes probably would not meet the approval of the committee, and the Secretary would drop the matter. So, while the statistics were issued to the public by political officials, the text of the press release was determined by the professional staffs of the agencies. There was complete insurance against any political slant in the figures.

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