

STATEMENT BEFORE NAVAL AFFAIRS COMMITTEE

By
Albert Gore, 4th District of
Tennessee
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*Revised
Complete
Statement*

Mr. Chairman and Gentlemen of the Committee:

I deeply appreciate the honor and privilege of appearing before you in an effort to make some contribution to the consideration of the important questions now before this Committee. Section 303 of the bill is, as I understand it, a limitation of profits. Perhaps the Committee will recall that, for a period of weeks and months last fall during the price control controversy, I vigorously, though in vain, sought the enactment of an over-all price control bill which contained a ceiling over profits somewhat similar to Section 303 of the bill now under consideration by this Committee. It is not my understanding that a profit limitation, or profit-recapture, is a tax although in some respects it operates as a tax. I submit to the judgment of the Committee that it should be made plain that profit in excess of the limit would never legally become the property of the contractor after this Bill becomes law. In the event monies in excess of this limit should be disbursed to the contractor, through mistake or otherwise, such excess would automatically revert to the government. I submit further to the Committee that in case the escheat did not operate automatically, the Bureau of Internal Revenue should be authorized to institute proceedings to collect same in the same manner by which they ordinarily proceed to collect delinquent income taxes.

So long as we attempt full mobilization through the medium of private enterprise, we must exercise care that we not destroy the profit motive. But

no American should be actuated by a motive to make a profit out of and because of his Nation's peril. I repel the thought that, in order to fight America's battle, we must create a new crop of war millionaires. To do so would be to break faith with those who shoulder arms in the name of liberty and equality.

I would like to submit to the Committee evidence of scandalous increases in the salaries and bonuses of corporation executives. These accretions in executives' compensation are evidence of two things: 1. Inordinate profits; and, 2. Evasion of high bracket profit taxes.

I have in my possession records taken from the reports filed with the Securities and Exchange Commission by the respective companies in conformity with the Securities Exchange Act of 1934. I will cite first a few examples of bonuses paid to corporation executives.

Mr. Bror Dahlbert, President of the Celotex Corporation, received a bonus in 1940 of \$46,081.14, which was in addition to a \$36,000 salary. Mr. Dahlberg received in 1941, in addition to his salary, a bonus of \$157,871.98. One Vice-President of that Corporation received a bonus in 1940 of over \$9,000. and the same Vice-President, Mr. Carl G. Muench, received a bonus in 1941 of \$31,574.40. Another Vice-President of the same Company, Mr. L. R. Boulware, received a like bonus of \$31,574.40, last year. Mr. G. W. Mason, President of the Nash-Kelvinator Corporation received a nice fat little bonus of \$100,000 last year which, in addition to his salary, gave him the handsome

compensation of \$225,731.07 for the good year 1941. How good will 1942 be? The Sales Manager of this same Corporation received a bonus of \$50,000 which was in addition to his salary of \$75,000. Indeed, the compensation of another sales executive was increased from the handsome sum of \$49,999.96 in 1940 to \$107,144.97 in 1941.

Mr. Jos. W. Frazer, President of the Willys-Overland Motors, Inc. received a bonus of \$42,000 last year, which was in addition to his annual salary of \$60,000. The compensation of the General Counsel of this Corporation was increased from \$19,000 to \$28,000. To be sure, business must be good. The Chairman of the Board, Mr. Ward M. Canady, who is not listed as drawing a salary in 1940, was put on the payroll in 1941 for \$51,425.

Mr. Chairman, a great deal more of such information can be obtained by the Committee from the records of the Securities and Exchange Commission. I hope that what I have given you is sufficient to convince the able membership of this great Committee that some ceiling should also be placed upon bonus payments. I respectfully urge that you write into this bill a prohibition against the payment of any weekly, monthly, or annual bonus in excess of 10% of the pay for the recipient's personal services during such period.

With the further indulgence of the Committee, I would like to give you some statistics on the outrageous increases in salaries of corporation executives. Mr. Clarence Reese, President of the Continental Motors Corporation, received a 150% increase in his 1941 salary, being increased from \$16,604.04 in 1940 to

\$40,903.25 in 1941. The Assistant to the President of this Corporation received a 100 per cent increase, his salary being raised from \$18,000 to \$36,000.

The West Virginia Pulp and Paper Company seems to have reaped a lush harvest from the impending paper shortage. The figures, which included profit-sharing bonus, show that the compensation of the President, Thos. Luke, jumped from \$29,000 in 1940 to \$90,000 in 1941, which is a nice increase of over 200 per cent. The Vice-President of the Company, Adam K. Luke, was jumped from \$29,000 to \$103,000. David L. Luke, Jr., who is not listed on my records as drawing any compensation in the year 1940, received a compensation of \$94,355.03 in 1941.

The Cessna Aircraft Company seems to have had a nice war business. Duane L. Wallace, President of the Company, received a 207 per cent increase in salary last year. And as further evidence of a booming war business, the Secretary of the Company, Dwight S. Wallace, had a 700% increase in salary, being jumped from a salary of \$2,325 in 1940 to a salary of \$16,000 in 1941.

The President of the Waco Aircraft Company had a 100 per cent increase in salary.

I would not want to overlook entirely my State. Mr. W. M. Jarman, President of the General Shoe Corporation, had a 30 per cent increase in salary last year, drawing \$29,836.25. Mr. W. H. Wemyss, Executive Vice-President of the Company, received a 30 per cent increase last year, being remunerated at the rate of \$26,139.34 per year. This Company is making shoes which soldiers will

trample out at \$30 per month and in which many of them will die.

I do not know that this Committee would feel that it had proper jurisdiction or would want to undertake in this bill to place a ceiling upon wage and salary increases. I made the fullest contribution of which I was capable on this matter during the consideration of the price control bill, though judging from the scant vote my proposal received, only a few members considered my efforts to be a contribution. I will not undertake to tax the patience of this Committee to make again my views upon this question a matter of record. If, however, the Committee desires to consider the placing of an over-all ceiling upon profits, prices, wages, salaries, rents, etc., then, Mr. Chairman, I would again solicit your indulgence of this humble servant.

According to the Press the Assistant Secretary of the Navy informed this Committee that the overtime pay on naval contracts would be approximately \$4,000,000,000. I desire to call to the attention of this Committee that the 1943 Naval Appropriation Bill, which we have already passed, provided \$428,728,809 for the pay of enlisted sailors last year. The \$4,000,000,000 of overtime pay, you will see, would pay the salaries of the entire enlisted personnel of our Navy for approximately 10 years.

The taking of "A" into the armed forces at a pittance per month and deferring "B" because he is doing necessary work on the farm or in the factory, though this work be less hazardous than military service, and, as if to ward

the stay-at-home, allow "B" greatly increased compensation for his services is, it seems to me, wholly indefensible.

It has been said, and correctly so, that the forty-hour minimum work week did not forbid anyone from working longer than the forty hours. The requirement of time-and-a-half pay for all time in excess of forty hours per week is the point of controversy. This penalty of all work over forty hours is a deterrent to full-time war production. The additional pay for overtime work in normal peace time is a quite laudable provision of law in that it discourages fatigue and overwork, makes for better wages, and spreads employment. But in war production it serves:

1. To increase greatly the cost of war;
2. To ~~contribute to~~inflation;
3. To deter full-time production;
4. To reward the stay-at-home.

I congratulate and compliment the A. F. of L. and the C.I.O. for the action taken on yesterday by which they purport, by voluntary agreement, to eliminate double time for Sundays and for holidays. Undoubtedly the work of the Naval Affairs Committee in considering this legislation materially assisted the President in bringing about this decision on their part. It remains to be seen how effectively they can execute their agreement. I hope for the best.

In our extreme plight it is hard to justify any additional pay per hour for either holiday work, Sunday work, or reasonable overtime. Yet, the Committee will doubtless recognize that, in certain types of work in which a laborer literally becomes a human shuttle, work beyond the efficiency point sets up employment hazards, such as industrial accidents resulting from fatigue, physical breakdown from continuous over-exertion, which must be weighed against the urgency of full operation. The Secretary of Labor clearly pointed this out to the Committee on yesterday. I certainly am not as experienced and learned in the labor movement as is the Secretary of Labor, though I am not entirely without experience, having served as Secretary of Labor of the State of Tennessee. The Secretary pointed out yesterday the need for relief shifts, and I agree with her that they are needed, but I desire to submit to the Committee that the impending shortage of trained labor will, in my opinion, soon be the greatest bottleneck to production. Relief shifts of the type referred to by the Secretary yesterday ~~will~~ are desirable, to be true, but it is an industrial luxury which war demands upon labor will not justify.

The Secretary on yesterday pointed out that the passage of this bill might cause an undesirable shifting of workers from war plants to civilian production. This is an impelling argument for wage control. The scarcity of civilian goods creates a strong sellers' market, and, therefore, on that great bulk of commodities on which no price ceilings have yet been placed, the producer can and is raising his prices to that point to which he can

either withhold his present labor from transferring to war production or raise wages to that point which will attract workers to his plant from war industry, or otherwise obtain the labor. Indeed, this is one of the potent arguments why a general ceiling over prices should be immediately applied by the Price Administrator under the authority already vested in him by law. The shifting of workers from defense to non-defense plants, or the discouragement of the vice-versa shift, is no more disturbing now than the aimless shifting of workers from one defense industry to another as a result of competitive wage bidding as between war production contractors.

As we approach full utilization of our man power and the definite scarcity which will appear before the end of the year, it will become necessary to establish priorities on workers.

I have been performing some diligent labor upon this subject, and in the near future will take occasion to point out the necessity for such man-power control and direction and also to outline my own conception, to the extent as I may have the light, as to how the problem can be effectively dealt with.

If we depend upon "hit or miss" methods of man power utilization, we must take the chance that the job which must be done to assure victory may or may not be done. We simply can not allow non-war enterprise to compete with war industry for necessary man power. We can not allow one war industry to raid the man power of another without government supervision; nor can we afford to allow surplus labor in those particular branches of agriculture

wherein there is no demand for increased production. The nation's man power must be directed to the most necessitous use. If we are to have the most effective and fullest use of our man power, its direction must be swift and certain and with purpose.

Of all the monopolies, the most cruel, oppressive, and stifling is a monopoly upon the right to work. In peacetimes the closed shop is a dangerous and debatable concentration of power, which, according to Mrs. Perkins on yesterday, the unions may not desire to continue. In war time when the bulk of our energy is in production of materiel of war, the closed shop on war contracts stands condemned in the heart of every free man who feels it his inalienable duty and right to work for the defense of his country without paying tribute or allegiance to any master save to his God.

We succeeded, in a large measure, in driving the money changers from their ~~poor~~ positions of power and privilege. We must now be careful lest we erect another privileged group to dominate the nation.

I warn both the labor lords and the industrial barons that the patience of the American people is worn threadbare; and this is especially true of my own generation who must fight and win this war. Private corporate industry and uncontrolled labor organization are on trial. This is their "last best chance" to justify their existence. If they fail America now, Americans will be done with both of them. The people are more interested in the shape of the future than in adhering too closely to the precedents and practices of the past.