Congressional Record S. 9984 - The Wage Adjustment Act of 1974

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By Mr. Mansfield:

S. 3600. A bill to stabilize the economy and mitigate the effects of inflation by providing for minimum annual increases in wages. Referred to the Committees on Banking, Housing and Urban Affairs and Labor and Public Welfare, by unanimous consent.

The Wage Adjustment Act of 1974

Mr. Mansfield. Mr. President, I introduce a bill entitled "The Wage Adjustment Act of 1974" and ask unanimous consent that it be referred simultaneously to the Committee on Banking, Housing and Urban Affairs and the Committee on Labor and Public Welfare.

The Presiding Officer. Without objection, it is so ordered.

Mr. Mansfield. Last week, Mr. President, on the Senate floor, I reminded the Senate of what every Senator knows only too well—that the No. 1 economic problem confronting this Nation and the world today is inflation. In Europe and Asia national inflation rates range from 15 to 30 percent. In the United States the most recent monthly inflation rate is 12.4 percent. For the first quarter of this year the inflation rate was 14.2 percent. For the most recent 12-month period the rate is 10.2 percent. Production in this country is declining at an annual rate of 6 percent. Wages are lagging behind prices for the 13th consecutive month. Workers' families have approximately 6 percent less to spend that a year ago. The stock market is in a steady decline. The interest rates are at record highs. As I said last week, if the present trend continues Americans will have to make twice what they are making today in 1980 just to keep even. But there are no solutions forthcoming.

I think it is time to put a primary focus on this most severe problem. I do hope, however, that it will provide a vehicle upon which a national dialog can commence so that this most pervasive national problem can be given the attention at the highest levels that it so rightly deserves.

The bill I have introduced today would require every employer whose employees are presently covered by the social security laws to give that employee a cost-of-living increase each year comparable to the Government-determined inflation rate for the previous 12 months. Presently there are approximately 54 million organized workers who have contract provisions for a cost-of-living increase.

However, there are 85 million other workers in the United States and they, too, are affected by inflation. It was through the social security definition that I felt we could reach the work force we hope to cover.

At present there is a cost-of-living increase for social security beneficiaries and Government pensioners. Provisions of this bill would also include a cost-of-living increase and adjustment in the minimum wage.

I had contemplated including a similar indexing and cost-of-living increase in U.S. Government savings bonds and Government securities. I think that this would be a mechanism whereby there would be an inflation-free return of principal on these Government securities. It was my thought that this feature would provide a source of investment for private pension funds or other people who would rely upon the fixed income to have a similar compensation for an inflationary rate. However, I think such a provision would under the existing climate offer such an attractive investment that it would dry up the already almost non-existent available funds in the marketplace and add to our economic woes rather than solve them. I believe it is almost impossible now to get mortgage money and as a result homebuilding is grinding to a halt and aggravating the economic ills of this country.

For this reason, I deferred inclusion of such a provision in this bill.

There have been other bills introduced. Senator Buckley has introduced a bill which would adjust the tax rate to compensate for a rise in inflation thereby providing a comparable spending income to those who pay taxes. I think that that approach should be considered along with this particular approach so that our energies can be devoted to this most serious and potentially disastrous economic and worldwide problem. I am hopeful that the appropriate committees—Banking, Housing and Urban Affairs, the Labor Committee, and perhaps the Joint Economic Committee—will give immediate consideration and hopefully it can provide the vehicle for a most needed national dialog.

In conclusion, Mr. President, may I say that the bill I am introducing today is not offered as a panacea, but only as a base from which other thinking can develop and, perhaps, some cures for inflation found.

I ask unanimous consent that the text of the bill and the statement I made in the Senate on May 30 be inserted at the conclusion of my remarks.

There being no objection, the text of the bill and the statement were ordered to be printed in the Record, as follows:

S. 3600.

ANNUAL WAGE INCREASE

Sec. 2. Each employer shall increase the wages of each individual employed by him not less frequently than annually by a percentage at least equal to the percentage by which the price index for the most recently
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ended calendar year exceeds the price index for the base period. Each employer shall increase the minimum rate of pay for each position in which a vacancy occurs at the same time that the minimum wage for the base period is increased. Any such increase shall be incorporated in the wage assignment filed under the provisions of section 2.

Suit for Damages or Other Relief

Section 7. (a) Any person suffering legal wrong because of any act or practice arising out of the implementation of this Act, or any order or regulation issued pursuant thereto, may bring an action in any district court of the United States, without regard to the amount in controversy, for appropriate relief, including an action for a declaratory judgment, writ of injunction, or any other equitable or legal relief.

(b) In any action brought under subsection (a) against any employer who is found to have failed to increase the plaintiff's wage under section 2, the court may, in its discretion, award the plaintiff reasonable attorneys' fees and costs, plus whichever of the following sums is greater:

(1) an amount not more than three times the monthly amount of the increase upon which the action is based; or

(2) not less than $100 or more than $1,000; except that in any case where the defendant establishes that his action was not intentional and resulted from a bona fide error notwithstanding the maintenance of procedures reasonably adapted to the avoidance of such error the liability of the defendant shall be limited to the amount of the increase.

Inflation

Mr. Mansfield. Mr. President, Inflation is the No. 1 economic problem confronting this Nation and the world today.

Inflation was not caused by Watergate; it is worldwide.

Offhand, the inflation figures for the United Kingdom, as I recall them, is around 26 percent per annum. United States, 8 percent. France, 18 percent. Denmark, may be 20 percent; Japan, around 25 percent, and so forth.

In the United States:

Inflation is around 12 percent;

Production is declining around 6 percent;

Wages are lagging behind prices for the 13th consecutive months;

Workers families have approximately 6 percent less to spend than a year ago;

The stock market is down;

Prime interest rates are up to 1¼ percent.

If present trends continue, we will have to make twice as much in 1980 as we are making today, just to keep even.

What are we doing about the situation? The answer is nothing.

That applies to Congress and the executive branch of the Government.

What is the answer? I do not know definitively but I believe consideration should be given to a proposal known as indexing.

It would provide for annual adjustments to reflect increases in the cost of living. The basis for adjustments would be the cost of living index.

It has been estimated that taking all social security payments into consideration, about 50 million Americans have incomes directly tied to the Consumer Price Index; and the increases are automatic as the cost of living goes up.

Add wage escalator agreements in union contracts now in being and they cover, as I understand it, around 8 million workers.

Furthermore, almost every new wage agreement covers this particular escalator clause since the present time. Add Government pensioners, both civilian and military, and that must include several million more who are "indigent."

Will it stop inflation? I do not know, but it will at least allow millions to keep even.

If we cannot stop or reduce inflation—and the Government, the administration, and the Congress, are unwilling to do so—then let us try to propose at least an endeavor to keep even.

It is my intention, Mr. President, some time next week, to introduce legislation seeking to establish an index on wages and salaries so that something at least can be attempted to bring about a halt or at least an alleviation to the high cost of living which is rampant throughout the Nation and throughout the world today.

Mr. Allen. Mr. President, will the Senator yield to me after the distinguished minority leader has spoken?

Mr. Mansfield. I will be glad to yield now, on my time.

Mr. Allen. I thank the Senator very much. I should like to ask the distinguished majority leader if it would not also be helpful in the battle against inflation to balance the Federal budget?

Mr. Mansfield. It certainly would.

Mr. Allen. Are any efforts being made in that regard by the Congress?

Mr. Mansfield. By neither the Congress nor the administration. We are both to blame. I think, in large part, for the fix in which we find ourselves today.

The only stabilizing element is, in my opinion, the Federal Reserve Bank where Arthur Burns is trying to do a job and has been a Cassandra for months trying to warn us that something must be done before the economic situation becomes more horrible than it is now.

Mr. Allen. Does the Senator think there is any hope of a line in the Federal budget for the next fiscal year, starting in July?

Mr. Mansfield. I would not say. That would be up to Congress and the administration.

I would point out, so far as Congress is concerned, in the first 4 years of the present administration, if my memory serves me correctly, that we reduced the requests of the President by about $22 billion to $23 billion.

During that period, the deficit was increasing, but only by, approximately speaking, by $100 billion. The House just the other day, by a one-vote margin, passed a substantial increase in the budget which is now approaching the $500 billion mark.