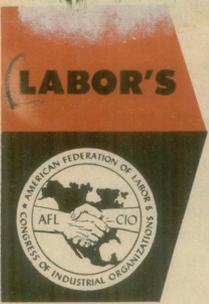


Labor monopoly (1956)

Compliments of



ECONOMIC REVIEW

PUBLISHED BY AFL-CIO

Vol. 1, No. 2



February, 1956

IN BRIEF

Have trade unions become "dangerous labor monopolies,"—as spokesmen for NAM, the Farm Bureau, and others still maintain?

Here is an analysis of the economic factors that have made collective bargaining essential to the welfare of both the worker and the nation and account for the growth of "multi-employer" and "company-wide" bargaining in response to the changing scope and the competitive practices of business.

The reason why neither unionism, the emergence of diverse collective bargaining forms, nor, indeed, the AFL-CIO merger itself can be deemed "dangerous" or "monopolistic" are developed in this issue of the "Review."

The "Labor Monopoly" Myth

Ever since the news of the merger of the American Federation of Labor and the Congress of Industrial Organizations was first announced it has been greeted with almost universal acclaim and optimism.

Leaders from all segments of our national life have joined leaders of labor, speaking for 15 million working men and women, in heralding the newly achieved labor unity as a hopeful forward step—one which will advance the welfare of not only wage and salary earners, but of the entire nation.

Secretary of Labor James P. Mitchell echoed this general enthusiasm when he declared that the AFL-CIO merger "is a high moment in American

history," and that it "will be a great force for good in the land."

Yet, before the merger had even been consummated fear-ridden voices were being raised against it, alleging that American trade unions—which had long been assailed by their enemies as "labor monopolies"—have now achieved a "monopolistic power" which threatens to destroy the economic fabric of the nation.

Of course, those of us who are familiar with the history of trade unionism and the nature of the collective bargaining process are little shaken by these frenzied and fearful forewarnings. We know that for more than a century our labor unions have not only helped to raise American living standards

"THE LABOR OF A HUMAN BEING IS NOT A COMMODITY OR ARTICLE OF COMMERCE"

CONGRESS OF THE UNITED STATES



THE WORKER CANNOT STORE HIS SERVICES WHILE WAITING FOR A BETTER OFFER



... HAS LITTLE CHANCE TO KNOW HIS TRUE MARKET VALUE.



... CANNOT EASILY SHIP HIS SERVICES FROM PLACE TO PLACE



... SUPPLY USUALLY EXCEEDS DEMAND

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MAY 3 1956

LABOR'S ECONOMIC REVIEW
ISSUED MONTHLY BY
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and the effective operation of the free enterprise system, but have consistently defended and advanced all of our country's cherished beliefs and well. For us, the constructive rec-
American trade union movement is
enough to the threadbare labor monopoly charge.

There are, nonetheless, millions of our fellow citizens who are not union members or who are personally unfamiliar with collective bargaining and its economic justification and who are being fed an unvaried diet of anti-labor propaganda. To effectively evaluate the labor monopoly charge, we believe that a brief examination of both the structure and collective bargaining practices of American unions and their impact upon the economy is in order.

Those who declaim against the "dangerous monopoly power of unions" rely on emotion more than logic. Yet, by critically sifting their inflammatory charges, it is possible to identify three major variations of the same theme.

First, there are some who still argue that the basic concept of collective bargaining is, in itself, essentially monopolistic and that all unions should therefore be outlawed as a menace to competitive free enterprise.

Second, there are those who concede that unions are all right as long as they bargain locally only and with but one employer at a time. However, if a contract is negotiated with several employers jointly (multi-employer bargaining) or even on a company-wide basis, this somehow becomes monopolistic.

Third, there are those who argue that the AFL-CIO will now wield economic power of such proportion as to make it a nation-wide monopoly.

Let us examine each of these propositions.*

* For a discussion of restraint of trade charges involving secondary boycotts and "feather bedding," see AFL and CIO statements of June 8th and 13th, 1955, before the Anti-Trust Subcommittee of the House Judiciary Committee.

I. The Ancient "Conspiracy" Doctrine

Ever since the Industrial Revolution, the charge has been advanced that any association of working people to raise wages and improve working conditions is a restraint of trade and should be outlawed as a conspiracy.

Some people still cling to the notion that the price of labor like everything else must be set in the market place through unrestrained competition between buyers and sellers. Since it is illegal for businessmen to combine to fix prices, the same rule must apply to workers who combine to raise their wages, they insist. And so the courts once held, up to slightly more than a century ago.

Gradually, however—beginning with the famous decision of Justice Shaw of Massachusetts back in 1842—the courts concluded that the organization of working people into a union should not be viewed as a conspiracy.

Finally, in 1914, as a result of the efforts of Samuel Gompers and the unions of that period, this judicial recognition that unions are not restraints of trade or monopolies was reinforced legislatively by the Congress of the United States itself. In the famous Clayton Act, Congress specifically excluded unions from anti-trust proceedings unless they engaged in collusion with employers in the restraint of trade.

Why did the courts, and finally the Congress, come to this conclusion?

Because it had become clear to all fair-minded people that America could not tolerate the economic doctrine that the lowest possible wage established by supply and demand in a so-called "free" labor market was good for workers and good for the country.

If a humane and prosperous economy were to be achieved, clearly the outmoded concept that the sale of a worker's services is no different from the sale of a load of bricks—that both are mere "commodities" to be bartered in the market place under the same economic rules—had to be rejected.

The reasons are fairly obvious:

(1) Generally a corporation can afford to hold off selling its product if the price is unsatisfactory. The worker, on the other hand, has no such advantage. He is selling a part of himself, his own labor service. When he turns down the employer's job offer because the price (that is, the wage) is too low, what he loses while looking for a better offer is lost forever. Besides, he can't hold out long; his family must eat every day.

(2) Moreover, while the going "market price" of most products is generally well-known to business buyers and sellers, the price of labor—the prevailing wage rate—is often unknown to the worker

looking for a job. Without a union to help him he has little chance of knowing if an offer is below the "market price."

(3) In addition, corporations can and do ship their products to wherever they bring the highest price. The worker, on the other hand, cannot easily move with his family from one city to another even if he has reason to hope that his service will bring a higher price elsewhere.

(4) Finally, in our industrial system there are gradually more and more wage and salary earners who must seek to sell their services, but few employers available as buyers. Except in abnormal circumstances the supply usually exceeds the demand. Without collective bargaining through labor unions, working people would have little choice but to accept whatever price is offered for their services.

Because of these tremendous advantages of the employer over the worker in the absence of unions and collective bargaining, isn't it the sheerest nonsense to talk about the benefits of "pure competition" in a so-called "free" labor market?

At every work place the foreman would merely auction off the jobs and the lowest bidder would set the prevailing "market price." The depressed wages which would result not only would injure working people; they would cause insufferable damage to the national economy, as well.

Collective Bargaining Ends The Employers' Arbitrary Power

It was the injustice of this degrading economic doctrine that moved Congress to declare in the Clayton Act: "**The labor of a human being is not a commodity or article of commerce**" and further, that labor organizations and their members shall **not** "be held or construed to be illegal combinations or conspiracies of restraint of trade under the anti-trust laws."

Twenty-one years later, in 1935, Congress took another great forward step when it recognized:

"the inequality of bargaining power between employees who do not possess full freedom of association or actual liberty of contract, and employers who are organized in the corporate or other forms of ownership association."

This inequality, Congress added:

"tends to aggravate recurrent business depressions, by depressing wage rates and the purchasing power of wage earners in industry and by preventing the stabilization of competitive wage rates and working conditions within and between industries."

This was the original language of the great National Labor Relations Act and it remains intact in the law today, even after the Taft-Hartley Amendments of 1947.

Then, to redress this inequality in the American economic structure, Congress enacted in 1935, specific measures to encourage and to protect the workers' right to organize into unions and to enforce the employers' obligation to bargain collectively with their employees in good faith.

This was the original purpose and the promise of the Act, until modified and weakened by Taft-Hartley.

Oddly enough, as long as employers could practically dictate wages and working conditions—and this state prevailed in most industries and in many trades until only a few months ago—we heard no outcry about a "Monopoly" over the labor market. Were not employers then enjoying a virtual monopoly of their own, much to their advantage?

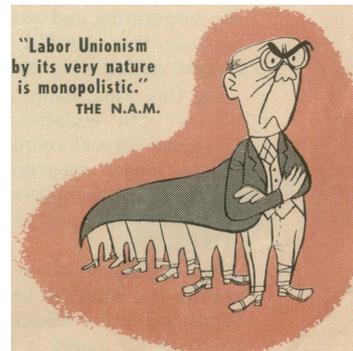
It is precisely because "pure" competition in that kind of "free" labor market gives the employer an unfair advantage that workers are led to join together into unions. Only through genuine collective bargaining is it possible to bring democracy and economic justice into the processes through which the price of labor services is determined in our modern free enterprise system.

The position of the worker is comparable, in some respects, to that of the farmer—both suffer from an inferior position in the market place when they stand alone. It is for this reason that Congress has rightly considered it in the national interest to erect special safeguards for both in order to protect them from the consequences of "pure" competition.

When workers join unions the result is markedly different from the effect of combinations of businessmen who ruthlessly rig prices in the product market.

Corporate monopolies are unscrupulous in purpose and illegal in practice; they aim only to increase profits and enrich the few at the expense of the consuming public.

Unions, on the other hand, have emerged to serve the many—not a privileged minority. Today they are the champion of the millions who wish only to earn a decent livelihood and can do so only by combining the meager strength of each in a common cause for the common good. It is just that simple.



II. Do Multi-Employer and Company-Wide Bargaining "Restrain Trade"?

While most Americans today agree that collective bargaining is essential to successful relations between workers and employers in our modern society, some argue that union bargaining must be restricted to one locality and one employer at a time. Broader forms of bargaining, they maintain, constitute a "labor monopoly."

However, a quick look at the bargaining practices of American unions and their economic justification will expose the fallacy of this conclusion.

The 15 million men and women who make up the AFL-CIO belong to over 60,000 "local" unions located in the countless communities across the nation in which they live and work. Members of a local either work together at a single work place or are engaged in a special craft or trade in a particular locality.

Nearly all local unions are affiliated with a "National" union (or an "International" as it is called, if there are also Canadian members) which corresponds as a rule to the industry or trade with which the members are associated. At the time of the merger 141 national unions came under the banner of AFL-CIO.

Over the years the nature of collective bargaining relationships between local unions and employers has taken on many forms in response to the special economic problems and traditional practices of the various trades and industries.

Today, well over 100,000 separate management-labor agreements are negotiated by AFL-CIO unions and employers throughout the United States. Most of these are locally negotiated by local unions with their separate employers.

When a corporation operates in more than one locality, however, a single contract is sometimes negotiated which covers all, or most, of the locals organized at the various plants of the same corporation. This "companywide" bargaining—in which top corporation and national union officials play a part—is the accepted practice of many of our largest nation-wide enterprises.

On the other hand, many locals now bargain jointly with Associations of employers which represent several competing companies within a city, a larger geographic area, or occasionally within an entire industry. These "multi-employer" agreements cover about one-third of the members of AFL-CIO.

Local multi-employer bargaining sometimes occurs in the printing, brewery, trucking, building, retail, and other trades. Regional agreements of this kind are found in the clothing, paper, truck-

ing, maritime and a few other industries. Industry-wide contracts—which cover a majority of the producers throughout the country—exist only in a handful of industries like pottery, glass, wallpaper, coal mining and the railroads.

Multi-employer bargaining is beneficial to both the unions and employers who practice it. Those who would outlaw it, either fail to understand, or ignore, its frequent economic necessity and its constructive contribution to the general welfare.

Because the structure and operations of business enterprises are constantly changing, unions too must expand the scope of their bargaining activity if they are to efficiently serve their purpose. On the one hand the emergence of huge multiplant corporations that produce and sell over the entire nation has required the development of companywide collective bargaining. On the other, special problems arising among competing employers, and their impact upon wage earners, have given rise in many cases to the necessity for multi-employer bargaining.

In the absence of stabilized wage rates between competing employers in many industries and trades, both the enlightened employer who pays a living wage and his workers face continuous peril. The unfair competition of unscrupulous employers who perpetrate substandard wages and working conditions poses a constant threat to both.

Multi-employer bargaining reflects the inevitable desire and necessity to secure fair and equalized wage rates among competitors in the labor market, a necessity that neither the fair-minded employer nor his workers can ignore.

Raising Competitive Standards

Multi-employer bargaining doesn't restrain competition; in no way does it seek to limit the entry of new firms or to lessen price competition between all of them. It does have the effect, however, of elevating competition to a higher level by reducing the viciously harmful challenge of the kind of employer who seeks to force his workers to subsidize his ability to "compete" by paying them substandard wages.

In one of the few thorough and objective investigations of multi-employer bargaining, Professors Lester and Robie of Princeton declare that the economic interests of small employers and local employers have been well represented in these procedures. They state further that monopolistic or collusive practices have not characterized any of the industries they studied. "Indeed" they conclude, "elimination of wage-cutting has tended to

stress efficiency of management as the most important factor in competition.*

Surely enlightened American business executives no longer argue that the existence of our free enterprise system requires that employers be allowed to pay substandard wages and tax the human endurance of their workers beyond reason in order to compete.

As a result of multi-employer bargaining, the real qualities of effective management are encouraged to operate—the ability to compete on the basis of better production methods, a better product, and superior salesmanship.

It is important to remember that **uniform wage rates**, where they may exist between competitors, are not the same thing as **uniform labor costs**. Under multi-employer bargaining, although wage rates may tend toward a uniform pattern, there still remain unlimited opportunities to compete for lower labor costs by increasing labor productivity through the development of better supervision, improved production planning, and the more efficient use of machines.

Here is the area in which American management can further develop its competitive genius—as well as in planning better products and in finding more efficient ways of distributing and selling them.

*“Wages Under National and Regional Bargaining” by Richard Lester and Edward Robie.

Weak Local Unions—Preferred

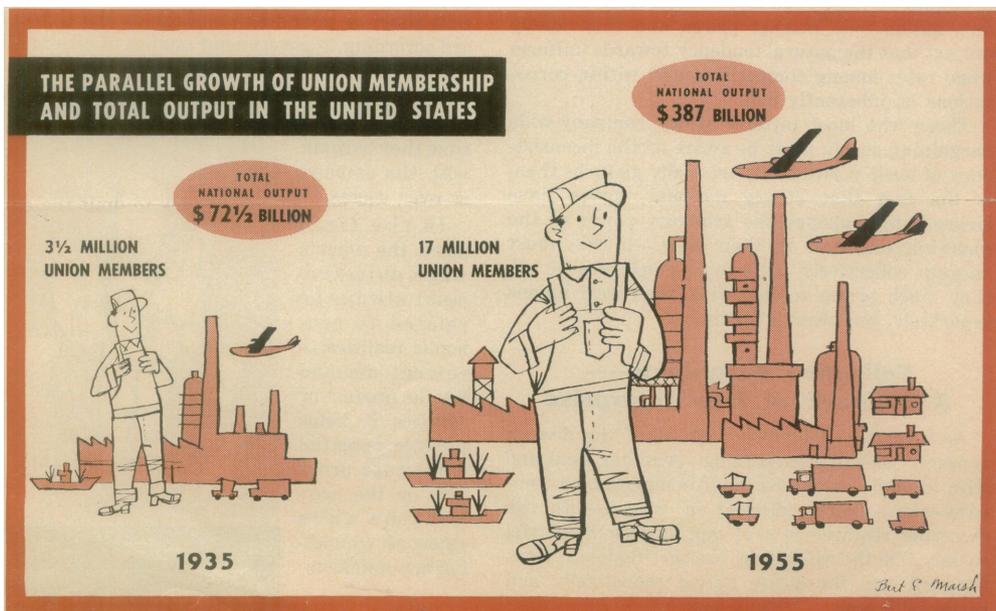
The charge that company-wide bargaining also leads to a labor monopoly is likewise unsupported by fact.

Experience has demonstrated conclusively that substandard wages in any of the operations of a multi-plant company undermine fair wages and working conditions at other work places. In the absence of uniform wage rates, production tends to flow towards the lower paying plants if other factors are equal.

For this reason unions naturally seek to organize and obtain a uniform wage structure for all the employees of the large multi-plant corporations, as well as for the employees of competing companies.

This problem has become more critical for unions as corporate enterprise has become more and more concentrated. In 1955, “Fortune,” the business magazine, pointed out that our 500 largest corporations already employed 44% of all the workers and owned 56% of all the assets in manufacturing and mining in the United States.

Before there were unions in the highly concentrated industries many of the major corporations were enjoying an unchallenged power to dictate the terms of employment to millions of workers. Only strong national unions and company-wide bargaining have succeeded in eliminating this



monopoly power which the employers had exercised for so many years.

Is it not a strange coincidence that at the very time when business mergers and internal financing are expanding the size and power of the corporate giants at an alarming rate, we are still righteously told by reactionary employer spokesmen that unions should bargain separately at each plant of these nation-wide enterprises?

“Appropriate competitive wage levels” can only be maintained in the various “local labor markets” in which these corporations operate, they maintain, by putting an end to companywide bargaining.

The selfish motivation of this position is all too obvious.

Across the country don't our major corporations increasingly sell their products at exactly the same price? There is just no bargaining in the “local market” over the “administered” prices of thousands of so-called “fair-traded” nationally branded articles.

Buyers of even semi-finished products like steel and cement find they enjoy no bargaining in the local market with the giant companies that produce and sell them. What is more, in a dozen industries price competition seems almost to have disappeared entirely.

In no sense do we make reference with approval to the general decline of price competition in the product market. On the contrary, we cite it merely to highlight the hypocrisy of those who fix their own nation-wide market prices and then loudly protest that the natural tendency towards uniform wage rates among competitors and within corporations is, inherently evil.

Those who most bitterly attack company-wide bargaining surely must be aware of the inconsistency of their position. What really disturbs them is the fact that strong national unions have emerged to challenge the arbitrary power of the giant corporations. In their view,—if they must bargain collectively with their employees at all, they much prefer to deal with weak local unions separately, one plant at a time.

Collective Bargaining— A Bulwark of Free Enterprise

As a matter of historic fact, all of the diverse types of collective bargaining—whether local and with a single enterprise, multi-employer, or company-wide—have emerged in response to the changing requirements of our modern industrial society. On the whole they are serving labor, management and the entire nation realistically and remarkably well.

It just is not true that the trade unions have secured a monopolistic stranglehold over the American economy.

Everyone recognizes that monopolies hurt the nation; they encourage (1) the destruction of competition, (2) the restriction of output, and (3) extortionate prices.

We have seen how collective bargaining operates to destroy the employers' monopoly over the labor market rather than to create one. We have seen that far from restraining trade, it encourages a higher type of American competition,—based on better production methods, improved products and superior salesmanship instead of on worker speed-up and substandard wages and salaries.

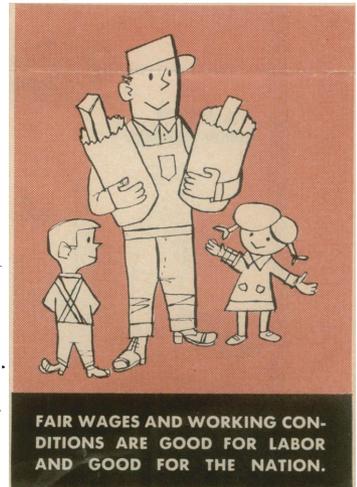
Furthermore, collective bargaining does not lead to restricted output. On the contrary, the greatest production growth in the history of the nation and its greatest union growth have both been achieved simultaneously. American labor knows that only greater production can bring higher living standards and it knows too that fairly paid men and women, secure in their jobs, under union conditions of employment, work productively and well.

Finally, it just can't be reasonably charged that prevailing prices reflect “extortionate” wages paid to American workers.

In 1955, the average before tax factory wages were about \$1.88 an hour, and the earnings of non-factory workers were about the same. Projected over a full year of employment, this still falls short of providing an adequate living standard according to government studies of city family needs.

It should always be remembered that unions are subjected to a variety of powerful restraints every time they bargain with the employer over wages.

In the first place, the union's wage objective must always be related to economic realities,—current demand for the product or services it helps produce, potential substitute products on the market, the wage rates of competing non-union em-



ployers, the condition of business generally and of the employer particularly.

This above all,—no union can afford to be indifferent to the reasonable profit requirement of the employer. **Its objective is to improve the jobs of its members; not to destroy them.**

In addition, the union faces the formidable task of obtaining and maintaining unity of decision and action from all of its members—sometimes thousands—of varying nationalities, personalities and outlooks. Sometimes this effort must be undertaken in a hostile community where all the instruments of public opinion are ranged against union objectives. In contrast, management speaks with one undisputed voice for all of the investors in the enterprise, a voice which traditionally enjoys authority and respect throughout the community.

Furthermore, the union is only one of the parties to the bargaining process; ultimately it must always reach a **mutual** agreement with the employer or his association, and in the process it cannot be shown that union responsibility declines with the growth of the size or increase in the scope of the bargaining unit. On the whole, exactly the opposite is true.

Finally, even when union members find that just demands are rejected, they are always aware that all strikes are hazardous. Unionists know too well the hardship a strike may bring and more, they know that strikes are often lost. Besides, the staying power of unions is relatively limited because neither the members nor their organizations have the great resources of industry.

The Westinghouse Electric Company, for example, is reported to have had about \$350 million on hand in cash and United States bonds alone when the strike of 55,000 of its employees began. The International Union of Electrical Workers, in contrast, had less than \$500 thousand in its national treasury.

Even the million member United Steelworkers of America, for example, has total assets of only \$20 million in its national treasury compared to the \$3 billion in assets of U. S. Steel alone.

Total assets of all American unions add up, according to a liberal estimate, to hardly \$60 per member, or less than one week's earnings. The assets of American corporations, on the other hand, now exceed \$185 billion.

For all these reasons, some of which are not fully comprehended by the public, the bargaining power of even the strongest unions is subject to great restraints and real limitations.

Unionism certainly enjoys no "monopoly power." However, the economic impact of whatever "col-

lective bargaining power" unions do enjoy has brought great benefits to members and non-members alike. By helping to raise the living standards of American wage and salary earners, unions have served the entire nation, since the well-being of all—employers, professionals, farmers and workers alike—depend upon improving the welfare of the mass of the families of the United States.

In the words of Professor E. E. Witte of the University of Wisconsin and President of The American Economics Association:

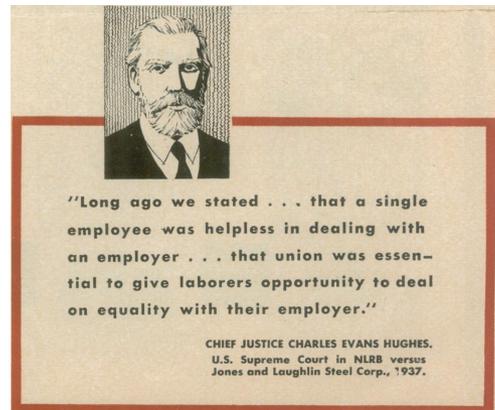
"Labor can properly claim that it more sincerely favors free enterprise than do many of those who try to pin the charge of monopoly on it. What labor insists upon is that human beings are more than commodities and that the welfare of the workers should not be determined solely by market considerations. It challenges absolutism on the part of management in dealing with workers, not free enterprise. Rather it is the strongest bulwark we have against the replacement of free enterprise by some form of socialism or communism."

III. AFL-CIO—A Great Force for Good

Let us finally consider the newest charge—that the AFL-CIO will now wield so great an economic power that it will constitute a virtual monopoly.

This conclusion, of course, is completely false and without foundation.

First, it must be understood that AFL-CIO is not a collective bargaining agency at all but a federation of autonomous national unions. It issues no wage demands. It has neither voice nor vote at any bargaining table. It can order no strikes. These matters are within the scope of the national unions alone and the locals affiliated with



them. It was so when AFL and CIO were separate federations and so it has remained after merger.

In important respects, on the other hand, AFL-CIO will contribute much to the further improvement of management-labor relations.

Procedures established to resolve jurisdictional disputes between unions—heretofore a cause of waste and public inconvenience—will now be vigorously administered by AFL-CIO. Similarly, the evils of communism, racketeering, and discrimination will be vigorously fought—wherever and—whenever they may arise, inside or outside the trade union movement. The responsibility of the new organization to act quickly and decisively on these matters is the mandate of the merger convention. In addition, with whatever resources are at its command, the AFL-CIO will encourage the efforts of all wage and salary earners to achieve the benefits of union organization.

In areas of broad public interest—beyond the scope of collective bargaining—AFL-CIO also seeks to take an effective stand. Not for its members alone does labor seek to improve education, social security, conservation and resource development, housing, and national security. Today, labor's millions are inseparable both in concept and in fact, from the great community of the American people.

The emergence of a strong and effective voice, which champions the interests of the great mass of American families at places where public opinion is moulded and policies are debated, is

viewed by many as the greatest contribution of organized labor to the nation's welfare.

Yet, realistically speaking, the AFL-CIO has comparatively little means of "monopolizing" public opinion or of even insuring that its own views are broadly heard. We publish no daily newspapers. Our total resources, to educate, conduct economic research, and to convey our views to the public and to Congress—comes exclusively from an income of four cents per member per month to the national AFL-CIO. Annually it amounts to no more than is now spent in one year by a single cosmetic firm to advertise its product on television.

Finally, in most of the industrialized free nations of the world—England, Western Germany, Australia, Norway, Sweden and Denmark, for example, unions have long been united in one central federation. France and Italy are exceptions, but there it is ideological and religious conflict which keeps the unions apart. We should be thankful indeed that no similar dissension divides labor in the United States.

Recently AFL-CIO President George Meany had this to say:

"The inference of the word monopoly is the gathering together of a few to profit at the expense of the many. . . . The record over the years shows that, in every activity in which we have been engaged, whatever benefits have come from success have spread to all the people of the country. . . . Whatever power comes to this merged organization, in my way of thinking, is a power to do good."

