

**MATURE COLLECTIVE  
BARGAINING:  
PROSPECTS AND PROBLEMS**

**Proceedings of a Series of Public Lectures  
in (Berkeley and Los Angeles)**

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## **INSTITUTE OF INDUSTRIAL RELATIONS**

**FEW AREAS** in the domestic social life of the nation are vested currently with greater public concern than the field of industrial relations. The development of better relationships between organized labor and organized employers, and the integration of these relationships with the interests of the individual citizens and the nation as a whole, constitute one of the most serious problems facing our economic and social system today.

The Legislature of the State of California expressed its desire to contribute to the solution of this problem when, in 1945, it established an Institute of Industrial Relations at the University of California. The general objective of the Institute is to facilitate a better understanding between labor and management throughout the state, and to equip persons desiring to enter the administrative field of industrial relations with the highest possible standard of qualifications.

The Institute has two headquarters, one located on the Los Angeles campus and the other located on the Berkeley campus. Each headquarters has its own director and its own program, but activities of the two sections are closely integrated through a Coordinating Committee. In addition, each section has a local Faculty Advisory Committee, to assist it in its relations to the University; and a Community Advisory Committee composed of representatives of labor, industry, and the general public, to advise the Institute on how it may best serve the community.

The program of the Institute is not directed toward the special interests of either labor or management, but rather toward the public interest. It is divided into two main activities: investigation of the facts and problems in the field of industrial relations, which includes an active research program and the collection of materials for a research and reference library; and general education on industrial relations, which includes regular University instruction for students, extension courses, conferences, and public lectures for the community.

*Mature Collective Bargaining: Prospects  
and Problems*

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# MATURE COLLECTIVE BARGAINING: PROSPECTS AND PROBLEMS

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*Proceedings of a Series of Public Lectures  
in Berkeley and Los Angeles*

EDITED BY  
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PRESENTED BY  
INSTITUTE OF INDUSTRIAL RELATIONS  
IN COOPERATION WITH THE  
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# FOREWORD

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ONE OF THE OBJECTIVES of the Institute of Industrial Relations is to develop a better understanding of labor-management relations problems. To further this aim, the Institute sponsors lecture series on the Berkeley and Los Angeles campuses for both students and the general public. A preceding series set forth the views of leaders in the field on "The Economics of Collective Bargaining." The addresses presented in this volume on "Mature Collective Bargaining: Prospects and Problems" offer suggestions for the sound development of this procedure.

The opinions expressed herein represent a cross section of thinking among labor, management, and public officials. Mr. Wilson illustrates his point of view by describing the agreement reached between General Motors and the UAW-CIO; Mr. Stephens draws some conclusions about the future of collective bargaining from many years' experience in the steel industry. From the other side of the table, Mr. Hardman, labor educator and editor, and Mr. Carey of the CIO offer observations based on a thorough knowledge of the labor movement. Finally, Senator Humphrey and Mr. Hartley examine the kind of legislation which will best contribute to mature collective bargaining.

A stable national economy depends in large part upon the solution of labor relations problems. Collective bargaining is a basic tool for working out agreements between different elements of our economy. The wise use of this tool is a matter of vital concern to every citizen. It is the Institute's belief that public discussion of the problems involved will increase understanding and aid in solution.

CLARK KERR

Director, Northern Division  
Institute of Industrial Relations

EDGAR L. WARREN

Director, Southern Division  
Institute of Industrial Relations

# Hubert H. Humphrey

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I APPRECIATE the introduction of my good friend, Dr. Prosser, formerly of the University of Minnesota Law School, and now a "displaced person" in California. He has made me feel most welcome, and also most uncomfortable as I realize that I had better perform well for you tonight. You are not listening to an expert in the field of collective bargaining. You are not listening to one who claims to have the answers to complicated and controversial labor-management relationships. You are listening to one who is seeking answers. There are, however, certain principles which must guide our search for mature collective bargaining. To me, the most significant of those is voluntarism.

Our nation must develop techniques of industrial peace. The choice which has to be made is between voluntarism and government compulsion. I do not believe in compelling people to agree. I am much more interested in having people find areas of agreement themselves. My experience as a mayor of a large city and as a senator has strengthened my conviction that this is wise public policy.

Dr. Prosser told you that I was mayor of a city of over five hundred thousand people. I soon learned that the roots of peaceful collective bargaining rested at the local level. I found that a mayor of a community can be of help in labor-management disputes. The principles I learned then guide my approach to national problems today.

I want to bring to your attention that Minneapolis has had a background of blood on the streets in many of its labor-management disputes, and frequently—all too frequently—the mayor was called upon to send out the police. One of my first acts as mayor was to call upon the businessmen and the trade union leaders of the community to learn to live together peacefully. I informed all parties that the police department was not engaged in the business of settling labor disputes; we had something else for it to do. I frankly told them it took two to make a fight; and if I found a fight on the streets of Minneapolis, both parties would be held responsible. I issued a bulletin of what I considered to be the rules of fair play in labor disputes as they pertain to the use of enforcement agencies of the city. I am happy to report that at no time in the five years of my administration, in a city where we have many large industries, where we have a very vigorous labor movement, was it ever necessary to use the police department to maintain order.

Now, anybody can send out the police. And the police can always use

clubs. But it appears to me that mature collective bargaining and mature labor-management relationships require a good deal of perseverance and patience and understanding and calmness on the part of all parties—labor, management, and government.

It is against this sort of background that I have acquired my strong conviction that unions and management can and must work out their problems, with an absolute minimum of government intervention. And throughout my talk tonight, I will be coming back again and again to this theme of voluntary, free collective bargaining as the pillar of wise public policy in industrial relations. There is a curious but understandable inconsistency in the fact that those today who are asking in the loudest tones for free enterprise and are demanding that government ought not to interfere with business are the very people who in the next breath ask that government interfere directly in the field of labor-management relationships.

Now, to achieve this use of voluntarism in industrial relations, the public has some responsibility too. It has a responsibility to understand that the public interest in mature collective bargaining goes beyond the lurid headlines. And that means education.

I am sure that you in this audience have had a better education than the members of my generation had. I am sure that you had a better education at the elementary and secondary levels. I graduated from high school without even knowing that there was such a thing as a labor movement. And I want to submit to this audience tonight that the vast majority of young Americans have gone on through colleges and universities without even knowing that there was a labor movement in America; or if they heard about a free labor movement, they heard about its abuses and not about its accomplishments, they heard about its bad things rather than its noble and grand history. How equipped were we as citizens to form intelligent public opinion on mature collective bargaining?

Mature collective bargaining is impossible until our educators and our educational system orient themselves to the realities and truths of American life. We can start with the teaching of history in our schools instead of the teaching of folklore. It is time we taught the history of the American people, not just of the American armies and navies or of those who are considered captains of industry. American history is incomplete unless it includes the history of the toil and the labor of the pioneers and of the men who worked in the shops and factories.

May I inject at this point a little of the kind of history I have been talking about. Understanding what mature collective bargaining means in the United States is impossible unless we understand also something of the setting.

Trade unionism is part and parcel of the American tradition. Trade unionism was born with this country and it has been a part of it since the first days of the Republic. The Shoemakers' Union in Philadelphia and the Printers' Union of New York City were organized in the 1790's. A host of city central trades councils along the seaboard states in the early days of the Republic is a part of the pattern of American history. We had workers then and we have them now. We did not have an industrialized economy, but we had a growing number of craftsmen.

The record of trade unionism in America was one of constant struggle to gain recognition. Here was a nation dedicated to the welfare of its people, and yet organizations of working people, such as unions, met obstacle after obstacle in attempting to organize. Our laws and courts were frequently used to oppose their activities.

Let us look at the attitude, for example, of the judiciary of this nation toward the trade union movement. The judiciary said in so many words, in decision after decision, for many years that the formation of a trade union was a criminal conspiracy and that to join a trade union was a criminal act. For over 140 years, we had in America a constant hounding of people who joined into free trade unions; we constantly held over their heads the threat of court action, of legal action, and, of course, frequently followed that threat with outright imprisonment. But despite a hostile court system, despite the hostility of state legislatures, trade union membership and influence grew.

It is not my function at this time to go into a detailed analysis and careful tracing of labor history. It is possible for us, however, to declare in summary that organized labor was born in strife; that organized labor met continuous opposition from the agencies of government; that for many years organized labor was considered to be a criminal conspiracy and illegal, even as America became a great industrial nation.

It is interesting to examine the demands of the early trade unions. What were these workers asking for? Their program included the ten-hour work day, the abolition of child labor, a modicum of sanitary conditions in factories and shops, and a few measures which they, as citizens, felt the community ought to adopt in order to prosper.

In this latter connection, we can state as a matter of fact that, were it not for the early trade union movement, free public education systems in America, divorced from the stigma of the pauper's oath, would have been a much more difficult achievement. It was the trade union movement which fought many of the "respectable elements" of the community in favor of free public education. Today, millions of Americans enjoy the benefits which resulted from the pioneer work of that small but active band of union members who saw a free public education as the birthright of every citizen in the American democracy.

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Let us examine further the factors in history which today color the labor-management picture in America. The injunction is an outstanding example of government tyranny, yet the injunction has been used again and again against unions and against workers.

Today, of course, the injunction is less prevalent than it was, but my reading of labor history tells me that in the early days which molded the character of the present labor movement, the use of the injunction was as common to cure the ills of labor-management problems as the use of Ward's liniment for the ills of the family. Such is the history of labor-management relations in America—a history of conflict, a history of brutality. Can we expect the labor movement today easily to forget not only the techniques of government, but the techniques of management in importing all kinds of cheap labor into America for the sole purpose of undermining trade union organizations?

It is today difficult for us to imagine, but it is nevertheless true, that the Railroad Brotherhoods at one time were thought to be revolutionary. Not only was the injunction used against railroad workers, but our government, to its shame, supplied federal troops against them. We might ask ourselves, why did the government go to such drastic lengths? The answer would be, to compel them to go back to work, so that the mails could run. We might ask, in turn, work for whom? For the government? For the nation? No, the answer would be, for a private employer. As we look back upon that era in American history, we should do so with shame. There can be no excuse for compelling any man, against his will, to work for another man for that man's private gain and profit.

Let us explore into history a step further. When we do, we find the courts using the antitrust laws to curb the legitimate activities of trade unions. The Sherman Antitrust Act was passed in 1890. It was passed because we wanted to curb the bigness of big business. It was an anti-trust act, but how was it actually applied? An act designed to control economic monopoly in America was first applied against workers. The Danbury Hatters' Case, which is known formally as *Loewe v. Lawler*, was an application of the Sherman Antitrust Act upon the Hatters' Union. As a result of that case, the Hatters' Union was fined \$252,000 and the payment of the fine was assessed against individual union members. It is an interesting sidelight that when a powerful corporation is today fined under our antimonopoly laws, the fines amount to \$4,000, \$10,000, \$25,000, or some other minor amount when compared to the profits derived from monopoly.

We find the courts not only cooperating in applying the antitrust laws against the labor unions, a practice never intended by the framers of the law, but we also find the courts upholding "yellow-dog" contracts. I refer

to the cases of *Coppage v. Kansas* and *Hitchman v. Mitchell*, where the Supreme Court of the United States upheld the practice of requiring a pledge by a worker not to join a union as a condition of his employment.

It is necessary that we keep this background in mind as we try to understand labor relations in America today, because ancestry has a direct bearing on current attitudes. Many books are being written today demonstrating the direct relationship between the Civil War, and the deep feelings engendered by that conflict, and the present sorry plight of race relations in the South. Having lived in the South, including a year at Louisiana State University, I know the truth of those observations. I would suggest to this audience, however, that if four years of war can leave a bitterness in the South that still lasts in the year 1949, how much more significant is the history of 140 years of unfairness, injunctions, troops, violence, in determining the emotional attitude and the intellectual attitude of men of labor.

The history of many significant strikes in America was a history of violence. Outstanding among these incidents were the steel strikes of 1892, which were characterized by goon squads, Pinkerton Detective Agencies, and hired private militia. It has been said that up until 1937 there were only two private armies: one was in China with the war lords, and the other was in a factory in the United States. The history of labor relations in America is all too frequently one of private armies, machine guns and hand grenades, poisonous gas, and other techniques of violence to interfere with the freedom of workers who organize into unions of their own choosing.

There are many men in the labor movement today who have jail sentences on their records. Jail sentences for what? Because they organized a union; because they picketed a plant; because they wanted better wages so that they could provide better for their wives and their children; because they had the courage to resist the boss, so to speak. No man likes to be in jail. Yet there are hundreds and hundreds of men in the labor movement today who went to jail, who were put in jail by the federal government, by the governor of the state, by the mayor of a city. For what reason? Because they had the courage to stand up and say that they were not going to be exploited.

The labor movement in America opposes injunctions with every fiber of its existence. Students of labor history understand this strong feeling and agree with it. The injunction is an unfair legal tool. It has been abused and it has been abusive. It has been a one-sided legal weapon. If the employers of America continue to insist upon the use of injunctions to settle labor-management disputes, there can never be labor-management peace. So long as employers insist on taking refuge in this legal



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weapon, the labor movement will not trust their expressions of peace and will instead remember the past. Labor-management peace can never grow from a field sown with the seed of injunctions.

We have seen instances in the history of labor of the abuses to which the labor injunction has been put. To those we could add many others. We could add to the cases already mentioned the example of the railway shopmen's strike of 1922, when the Attorney General of the United States went to a Judge of the United States in Chicago, aroused him from bed, and got him to issue a temporary injunction without even hearing the facts or the testimony.

The result of instances such as those we have hurriedly and skimpily reviewed this evening has meant hostility and mistrust within the ranks of organized labor with regard to government and its activities in the labor-management relations field. The noble leaders of the American Federation of Labor—one of the great labor movements of the world, founded by a great American philosopher and man of action, Samuel Gompers—know from bitter experience the effectiveness of government siding with management. In 1922 the American Federation of Labor comprised 5,000,000 members. By 1929 only 2,000,000 were left. This in the face of what we called "prosperity."

Labor could not hold its own in the "prosperity" of the 1920's. The miners are as good a case history of this period as you can find. I urge those of you who have not already been exposed, to investigate the conditions in the mining towns of the 1920's and early 1930's. If you do that, you will witness the shocking sight of misery, poverty, sickness, accidents, and death due to silicosis. Today, those who are ignorant of the history of the United Mine Workers of America, of the crying need for their organization in the 1920's, and of the significant contributions they have made to the morale and to the lives of the hundreds of thousands of miners in America who spend their days in the bowels of the earth so that we may have coal—many who are unaware of this past say: "We ought to be tougher on these coal miners." I say in return: "Life has been tough enough for them. Let us rather understand their past, understand their problems and their perspective, and try to meet them on common ground." If they do not mine the coal, will you? If they do not mine the coal, will our troops? How many in this audience would volunteer tonight to exchange a year of their present life with a year in the life of a coal miner?

The period of the 1920's is characterized by one other interesting development. The "good people," the respectable members of the community, looked upon management and capital as virtues in themselves. They looked at those who had the big houses and the large bank

deposits and they said, "These people must be God's chosen children. Look how they are blessed." They forgot the plain, ordinary people—the working men and women of America. I could get quite religious about this, because if my memory serves me well, there were not many of the high and mighty among those who joined up with the twelve disciples, but there were many fishermen who did.

American labor found itself practically destroyed by 1932. Curiously enough, not only was American labor in that condition, but business and farms and homes and families were also practically destroyed. In 1933, the Government of the United States decided that positive, affirmative action was necessary. Under the enlightened leadership of a great President, who spent his life trying to make the American democratic dream a reality, the American society haltingly, yet courageously, experimented. One of those experiments produced the NIRA, the National Industrial Recovery Act. Section 7(a) of that law gave unions the right to bargain collectively. It became the new Magna Charta of the labor movement. It became the basis for the later Wagner Act which created the National Labor Relations Board.

The National Labor Relations Act has been a controversial subject ever since it was passed in 1935. Many have alleged it was one-sided; that it put the weight of government on the side of the workers; and that it failed. The record is clear, however, that it was both successful and a vivid demonstration of democracy in practice. It produced results in terms of fewer man-days lost through strikes, in terms of benefits to large numbers of American men and women. It was most successful in putting the plans of collective bargaining on a high level, which in turn did much to correct the abuses between labor and management. A university, a place of learning such as this, with its libraries, with its students of economics, should be the vehicle through which these facts of accomplishment can reach the American people. In my judgment, any objective study will reveal that the Wagner Act succeeded in removing many of the causes of strife and tension from industrial relations.

It took a long time for the Wagner Act to get accepted and to begin to gain a foothold within our industrial structure, and yet today it has already been supplanted by a statute whose resemblance to the industrial anarchy and violence of the pre-New Deal days is frightening indeed.

It took two years before the Wagner Act was first upheld by the U. S. Supreme Court. During that period employer associations took it upon themselves to act as judges of the United States and proclaimed its unconstitutionality. In reality what they were proclaiming—those who participated in the American Liberty League and those who hired the fifty-nine attorneys who signed their legal manifestoes—was their devo-

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tion to the chaos and brutality of the labor injunction and defeated unionism. They advised employers that they did not need to abide by the Wagner Act because in their judgment it was unconstitutional. Here was indeed a brazen demonstration of lawlessness in the ultimate. Every American citizen can go to the courts to test the constitutionality of legislation, but no American citizen has a right to take the law into his own hands and refuse to obey any law on the grounds of his own judgment as to its constitutionality. I ask the young men in the audience what they expect would have happened to them if, in connection with the Selective Service Law, any of them had said to the induction officer: "I think the law is unconstitutional. I refuse to go." They were expected to obey the law until the court judged one way or the other. Yet in the labor-management relations field, as the result of employer action, there was complete turmoil and confusion for two years until the courts acted.

During this period, too, the LaFollette Civil Liberties Committee conducted its monumental investigations. The LaFollette Committee Report, as reported in a Brookings Institution study, says:

The strike services which the committee has examined fall into three categories. The first is the provision of so-called strikebreakers, who are commonly understood to be persons who temporarily replace striking workers.

In some industries such temporary replacements have been, in the past, competent and skilled workmen. In most cases, however, strikebreakers are not qualified employees. The agencies engaged in the business of providing such replacements have even advertised that their function was simply to provide industrial shock troops with which to break strikes and cause strikers to return to work.

The second category of strike services is the provision of guards or watchmen. The ostensible purpose of utilizing such guards, who are generally armed, is the protection of the strikebreakers, the loyal workers, or the plant property. Guards provided by the agencies must be distinguished from regular plant police and the local police force of the community. Usually they are strangers to the controversy and the locality in which they serve. In many cases these guards have been deputized as local police officers. An analysis of the commercial strike services reveals that men who offer themselves as guards in strikes form a more or less distinct occupational group, and can be designated as strikeguards.

The history of industrial disputes in this country indicates that the almost inevitable effect of employing outsiders of either of these classes, in an industrial dispute, is to produce resentment, bitterness, violence and bloodshed.

And we find further from the LaFollette Committee:

The utilization of any or all antiunion services, such as espionage, strikeguards, or private policemen, involves the ultimate use of force. In the consideration of such services the committee soon became aware of certain means employed to implement such a policy. Chief among these was the use of firearms and chemical munitions. . . .

The LaFollette Report demonstrated conclusively that right here in the United States in the name of liberty, in the name of free enterprise, even in the name of a free labor movement, we found armed guards, private armies, vast arsenals, tear gas—all being used to disperse men who gathered together for the purpose of organizing themselves into a union so as to attain even a modicum of equality in bargaining power.

To review briefly, ladies and gentlemen, my message tonight is simply to urge you to understand that no discussion of mature collective bargaining can escape a recognition of the past in labor-management relations in America. With such a past, we cannot expect miracles. It takes a long time to bind up wounds and then to go through the healing process.

The Wagner Act did not put the nose of government at the conference table of collective bargaining. It established regulations and it established certain rules of the game. In a sense, we can say that it brought labor and management to the door of the conference room, gave them the key to the door, and then said: "The room is available. Go in and negotiate."

But with the enactment of the Taft-Hartley Act we pushed the pendulum back again in the direction of primitive labor-management relations. The Wagner Act, in establishing the rules of the game for collective bargaining, says to the respective labor and management parties: "We are not going to walk into the conference room with you; we give you freedom to negotiate and what you negotiate about; we encourage you to bargain collectively, since we know that collective bargaining is the essence of mature labor-management relations." Contrast that to the Taft-Hartley law which, under the guise of establishing "equal rights" and "equal restraints," also sets forth a series of "thou shalt nots" for the conference room agenda, most of them against labor unions.

As a member of the Senate Labor and Public Welfare Committee, which held hearings on the Thomas bill to repeal the Taft-Hartley law and heard full testimony on the operation of the Taft-Hartley law, I commend to you the writings of Dr. William Leiserson, Professor Nathan Feinsinger, and Mr. William Davis. Here are three prominent men in America who have had as much experience as representatives of the public interest in labor-management relations as any other men in America.

Let me quote for you, as an example, a portion of Dr. Leiserson's testimony before the committee:

But what are the possible choices? Broadly speaking, there are only the three: (1) individual bargaining; (2) collective bargaining; (3) Government dictation. The first leaves labor relations to be governed by individual contracts of em-

ployment. This means, as the Supreme Court said as far back as 1898, "The proprietors lay down the rules and the laborers are practically constrained to obey them"; in other words, management dictation. The second policy requires the rules to be made jointly by representatives of managements and the workers, and embody them in collective agreements. The third is the policy by which the Government determines the rules or terms of employment, or both.

The Taft-Hartley Act favors this third policy. Although it did not venture to fix wages, it did decide by Congressional fiat vital issues of rules and working conditions involved in labor contracting, under the guise of determining legitimate rights. In doing this it purported to further the policy of collective bargaining, but its concern that strikes and other forms of industrial unrest or concerted activities [shall not] impair the interest of the public led it to prescribe rights which had the effect of determining disputed issues and removing them from the field of bargaining.

With regard to the Wagner and Taft-Hartley Acts he says:

The two laws approached the problems of employer-employee relations differently, and they went off in different directions to find solutions. The Wagner Act puts its faith in collective bargaining, but while the Taft-Hartley Act paid lip-service to the principle of collective bargaining, its insistence on "legal" rights encouraged individual bargaining and, to an even greater extent, Government determination of the labor bargain.

I ask you to follow with me portions of the testimony of Professor Feinsinger on a philosophy of labor-management peace. He says:

I would state my conception of a sound labor policy for America as follows: As a nation, we are dedicated to the ideal of a free society, through which individual liberties may be exercised to the highest degree consistent with like liberties for others. We endorse a system of free enterprise because we believe it most conducive to a free society. We seek to promote industrial self-government, through labor-management cooperation and self-discipline, because we believe it to be, in the long run, most consistent with a system of free enterprise. We adopt free, voluntary collective bargaining as the instrumentality best suited to the practice of industrial self-government; to the protection of the liberties of the individual worker; to the attainment of practical democracy within our modern industrial society; to the achievement of industrial peace; to the maintenance and increase of purchasing power; and, through all these, to the safeguarding and advancement of public interest.

If our national policy is to be effectuated through collective bargaining, we cannot simultaneously encourage a competing system of individual bargaining. If collective bargaining is to be free and voluntary, we cannot have governmental intervention, except to insure the conditions under which free bargaining can take place. (I use the term "governmental intervention" advisedly. I have observed that the term used is "government interference" when it helps the other fellow, and "government protecting the public interest" when it helps our side.) If we are to have realistic bargaining, each side must be free in the final analysis to say "Yes" or "No," which means the right to strike or to lock-out if no agreement be reached. The exercise of the right to strike or to lock-out entails the risk of economic injury not only to the adversary but to neutrals. Such risks are inevitable in a democracy. Only a democracy can meet such risks, and take them in stride.

I offer these statements by competent students of the point I emphasized a moment ago: that strikes are a price of freedom, lockouts are a price of freedom. And people in America who think that we have to abolish strikes by government fiat, by government edict, are people who are willing to sell out freedom. I think freedom is more precious than a hundred per cent on-the-job labor-management policy. I think freedom is more precious than the complete elimination of absenteeism and of all the hours and minutes lost in strikes. I want very much to minimize the loss of time and difficulty, but I want that done through free processes, not through edict.

I oppose government seizure of labor, which is implied in the requests of a great many people who say about a strike, "The government had better do something about this," and which is implied in the use of injunctions, just as I oppose government seizure of industry in America. The price of freedom is a high price, but we should be willing to pay it and to go through difficulties and inconveniences if that's what it takes to maintain it.

I believe that the government has some responsibility in seeing that labor-management disputes do not cripple our economy. But we cannot, as the Taft-Hartley law now does, place the weight of government authority completely on the side of management. We cannot permit government to function as a strikebreaker.

The restrictions on unions which the Taft-Hartley law imposes are based on the assumption that there is now bargaining equality between unions and management. They are *not*, as a matter of fact, equals in America today. Let us look at the facts.

There are 300 corporations in America that control over 60 per cent of all the employment in America. Reports of the Federal Trade Commission, which are available in your libraries and with which students should be thoroughly familiar, tell a story that economic concentration in this country is going on at an unbelievably high pace. A recent report of the Federal Trade Commission indicates growing monopoly in the thirteen top industries in America.

Looking at the American labor movement, we find a total of thirty-seven unions in the whole country with a membership of 100,000 or more. There are sixteen unions with less than 1,000 members each. Fifty per cent of all of the trade unions in America have less than 200 locals. Only six of the big internationals in America have 2,000 locals or more. The trade union movement in America is only 15,000,000, spread over a nation of 150,000,000 people and a working force of some 60,000,000.

We are now in the midst of a serious labor-management dispute within the steel industry, and many of you in this audience may be saying: "Yes, all of that is true, but how about unions in the steel industry?"

Let us look at the steel industry and its record. There was a steel strike in 1919 in America over the right to have an eight-hour day. A wage increase was not the dominant issue. It was primarily one of an eight-hour day. Yet in that strike, the government of the United States lined up with the companies and the union was broken.

Those who today talk about a strong steel union are operating under a misconception. If they understand its relative strength compared to the steel industry, they are. Here is a basic industry in America, the heart of our industrial establishment. And yet the steelworkers' union was nothing but a form, a skeleton without membership, until it was organized under the leadership of Mr. Philip Murray in the 1930's. So-called Big Steel, so-called Little Steel have both been subject to anti-trust action by our government. Let those who are today agitated by a steel strike or a threat of a steel strike remember the days of Mr. Girdler and Mr. Weir, the bitter strikes of Republic Steel and Bethlehem Steel and Jones-Laughlin Steel and Inland Steel. Let us remember the reports of the LaFollette Civil Liberties Committee on the strength which the steel industry mobilized to persecute workers interested in forming unions in the 1930's. The United States Steel Corporation is one of the biggest industries in America. Whether we disapprove of its bigness or approve of its efficiency and productivity is immaterial. Whether we have questions about its ability to produce, its profits, or its investments is immaterial. What is relevant to our discussion is the comparative picture of a steelworkers' union, relatively recent in organization, matching up to such a major and vast industry which at every turn, up until recent years, has resisted union activity with every power at its command.

To say that labor is as big as corporate wealth is to perpetuate a myth. To say that the Communication Workers of America is a match for the seven billion dollar American Telephone & Telegraph Company is to perpetuate a myth. It is indeed a wonder, with the background and history of labor-management relations in the steel industry, that that union has produced as statesmanlike and as public-spirited a leader as Mr. Philip Murray.

It is well for us also to look at the facts of economic strength in America. According to the report on the Economic Report of the President transmitted to the Congress in January, 1949, this is the record of corporate profits: Corporate profits, after taxes, in 1940 were \$6.4 billion; in 1941 and 1942 they were \$9.4 billion; in 1943, \$10 billion; in 1944, \$10.8 billion. In 1945, the last year of the war, conditions were becoming bad. The corporations' profits were only \$8.7 billion. Up to 1945, the corporations made a total of \$60 billion profit, after taxes, after reserves, after plant replacement, after business thrifths. After all these things

there were about \$60 billion of profits, and all during that time the American workers were on the job producing.

The labor-management record of American labor during the war was phenomenal, and I think we ought to remember that. Union after union was decorated for heroic service to the country, and I know very few industrial workers who ended up having a seat on the Stock Exchange. I know very few of them who ended up by buying for themselves \$50,000 or \$60,000 homes. As a matter of fact, the record reveals that the workers have spent almost all their war bonds already.

Then comes 1946. Corporation profits, after taxes, in that year were \$12.8 billion. Then we cut off price control. In 1947 corporation profits were \$18.1 billion; in 1948, \$20.8 billion. Add them all up and we have a total of \$106 billion net profits for corporations in eight years.

I submit to you that the hue and cry that has gone up in this nation about what is happening to business and the power of the trade union movement is a hue and cry which cannot be properly substantiated. How many of you know, for example, that General Motors is doubling its dividend payment this year over last year? Take a look at the record. Take a look and see what U. S. Steel is paying even though they have a strike on their hands. Unprecedented dividend payments! Profits in 1949 are as great as in 1948, and in 1948 they were the greatest in human history. And yet they are "losing their liberty," "things are tough." The government is "grinding them down," and labor is "too strong."

In the meantime, what has happened to the industrial worker? Well, the other day I read that the cost of living had gone up another half of one per cent. And when the cost of living goes down, the decline is fractional. The facts are quite clear. I do not want to burden you with any more facts, but I think you ought to read them for yourselves. I think you ought to get the annual economic report to the Congress of the Joint Committee on the Economic Report. I think you ought to get the facts from the Bureau of Labor Statistics, from the Federal Reserve Board, from the Brookings Institution. From those facts, I ask you to make your own decision. I am not attempting to make the decision for you. Just be honest with yourself. Look at the facts in silent meditation for a moment and ask yourself whether or not there is equality in labor-management economics in the United States. My conclusion is that there is not equality.

The working men and women expect a share of the proceeds of industry which they help produce. The American laboring man's only property is his job. Unfortunately, all the law of this land is based upon the forms of tangible property: stocks and bonds, land, houses, factories, shops. But there is another kind of property right. It is the property



right in a job. That may sound a bit idealistic to some people, but all the property that millions of Americans have is their skill and their ability to work. That is why they are conscious about security.

Many a man who has physical property, a building or a shop or factory or a farm, wants to be sure that that property is going to be protected; he wants to be sure that the law of the land protects him. He wants to be sure, for example, that if he has a mortgage on that property, he can't be dispossessed immediately. He wants to be sure that he is given full protection of "due process of law."

What about the worker? What does he have? The only property that he has in this modern America is his ability to work, and yet he can lose his job tomorrow morning. That is why he is interested in seniority, in pensions, health insurance, and job insurance, why he wants an annual wage. That is why mature collective bargaining has to face up to facts.

The modern industrial worker is no longer willing to bargain as a day laborer. He wants to know about tomorrow, he wants to know what he can plan for his children two years from now. If he buys a home, he has to make commitments. He wants to know whether or not he can fulfill those commitments. Industrial management has to be able to give commitments to industrial workers, just as workers have to give them to management. That is what we mean by the collective bargaining agreement—the two-year agreement, the one-year agreement, or the three-year agreement, with a wage reopening clause.

We are maturing, we are developing. Things are much better than they used to be. Ninety-nine per cent of all industrial disputes are settled amicably. The only disputes you hear about are the ones that end up in a strike. Ninety-nine per cent of all the airplanes in the air fly safely. The only ones you ever hear about are the ones that crash. The vast majority of Americans live together in peace and harmony, but every once in a while when someone in Southern California gets a divorce, you see it in the papers. We emphasize the unusual. It is news. Yet all over America people are at work.

I want to point out that the people who are alarmists about strikes and lockouts ought to consider the facts again. You cannot have a \$240 billion a year gross national income and have every worker indolent, apathetic, lazy, nonproductive, and on strike! By the same token, I want to say to the workers: You cannot have plant expansion, you cannot have capital improvements, you cannot have more tools provided for you, unless industry is permitted to make a profit and is able to reinvest that profit in plant expansion.

The time has arrived in this country when we have to make up our mind as to what kind of a system we do want. I know the kind I want. I want the kind of system where management has the right to invest; I

want the kind of system where that investment is assured of a reasonable amount of protection. Today it has all kinds of protection. If it gets into real trouble, it can go to the Reconstruction Finance Corporation. I want to be sure that American management can depend upon labor to fulfill its contract. Then by the same token, I want to be sure that management will permit labor to have the kind of contract that will provide some of the benefits of modern industrial production to labor.

We need the acceptance of unionism in America. We need to have preachers, teachers, doctors, lawyers, and politicians proclaim from the housetops that the trade union movement is part and parcel of the American way of life for once and for all. We should be proud of what it is. We should be proud that the labor movement even at this hour is cleaning its own house. We should be proud that the labor movement is developing its own type of leadership and is producing the kind of leaders who have a great economic and political understanding of the world we live in. It is dangerous to talk about a few, but I wish to commend such men as David Dubinsky of the International Ladies' Garment Workers, Walter Reuther of the United Auto Workers, Emil Rieve of the Textile Workers' Union, and Philip Murray of the Steelworkers' Union. These men are labor statesmen. Labor statesmen of this caliber have no love for the Communists and neither do I. They realize that the Communists are a menace to the American labor movement. I respect that judgment and, in fact, reiterate that we cannot have mature collective bargaining with people of a dictatorial mind. We cannot have mature collective bargaining in a free country with people who have no love for the democratic way of life, but who rather follow a doctrine of expediency toward a totalitarian end.

The American public needs to understand the economic facts of corporate power, and we need to understand that one of the best ways we have for checking the ever-growth of monopoly is by a free trade union movement that has equal bargaining rights and can compete with corporate, concentrated economic power.

What should the role of government be in this picture? The role of government should be to protect the rules of the game—in this case collective bargaining—not to dictate the plays or the score. One of the most important ways of promoting the ground rules of collective bargaining by government is through conciliation and mediation. I want here to pay my respects and congratulations to the Federal Mediation and Conciliation Service for its work over the years. I want to say to the Congress of the United States that we have pauperized, we have bled white, the Mediation and Conciliation Service by reducing its appropriations. We have never given the Service the manpower it needs, the appropriation it needs, or the facilities it needs. Even today we would

rather give that to the General Counsel of the National Labor Relations Board so that he can enforce injunctions. The only thing that the 80th Congress was extravagant with was the enforcement of the Taft-Hartley law. They really increased the budget of the NLRB for that.

There will be bargaining problems in any system of mature collective bargaining. Labor must, of course, obtain for itself an intelligent understanding of the economic interrelationships of profits, prices, and wages. Labor must, of course, in negotiating contracts, concern itself with the relationship of wages to prices in spite of the fact that wages are only one factor in determining prices.

But government also has a responsibility in this economic picture. If we are to expect labor unions to perfect their economic understanding and economic responsibility, the government of the United States has an obligation to ensure the conditions of competition within industry. Too often labor has found in recent years that price increases have no relationship to the wage increases they have received. This is due to the fact that too many prices in America are monopoly-administered prices.

Mature collective bargaining, therefore, must include a vigorous enforcement of our antitrust laws and a strengthening of our Department of Justice. It means we must not legalize basing point operations in America which permit discriminatory price fixing and encourage monopolistic growth. The basing point legislation which the Congress of the United States in the next year will decide upon has a very direct relationship to mature collective bargaining.

There is one other point that I wish to mention with regard to mature collective bargaining. I do so without any intention of being unkind to my friend, the Dean of the Law School, or to the legal profession. A statement I once made in connection with this point was criticized by the Minnesota Bar Association, but I will say it again clearly. Attorneys have a very important role to play in interpreting rights and privileges. The essence of a labor law, however, must not be an insistence on the letter of rights and privileges. It must rather be a conference table procedure.

I have had enough experience in some twenty major labor disputes in the City of Minneapolis to know how disputes are settled. I think it is fine for labor to have its legal counsel. Labor must have it. To be sure, management must have its legal counsel. But I am of the mind that most lawyers are not equipped, either by training, background, mentality, or emotion, to settle economic disputes. In the long run, the collective bargaining agreement must be arrived at by the parties directly involved.

I think the job of legal counsel is, as the name implies, to counsel, to give legal counsel to those who are in the policy-making, decision place.

But I have watched all too often absentee negotiation. I have watched all too often management give its powers of negotiation to its attorneys and the union give its power of negotiation to an attorney. I have seen many major disputes settled, in major industries, where the actual managers of the plant, the people who were entrusted with the responsibilities of operating the plant, and the actual officers of the union got together, and they resolved their conflicts on the basis of understanding. I emphasize the importance of direct labor-management conciliation and collective bargaining.

Mature collective bargaining is not something that can be considered in a vacuum. Mature collective bargaining is but a means of arriving at a decision for a worthy end—in other words, to settle a dispute.

We then need to look at the *causes* of industrial disputes. Frequently in a negotiation we treat only the symptoms, and the causes keep coming back to plague us. The only way we can treat the causes is to go way back into society.

Let me in a very cursory manner just outline the things that I think are the causes of industrial disputes:

The fact that the average worker today does not feel that he is a part of the industrial organization.

The fact that he is lost in the bigness of the plant.

The fact that the grievance machinery procedure in too many plants is not sufficiently intimate and personal to make the worker feel that his "gripe" will be heard.

May I, as an aside, say tonight: Every American should have the right to "gripe." That's a sacred right. Every American should have the right to "tell the boss off." Every American should have the right to "tell the politician off." Those are basic rights for the American people. And not only to tell them off in the darkness of the night, but to tell them off so that somebody hears, or at least they think somebody hears, so that someone is going to do something about it.

What else causes industrial discontent? Poor housing. I want to ask any average American: How do you expect industrial workers to be happy, to be content, to think that they are getting a fair break out of industry or a fair break from their labor, when they live in slums, in tenements, in the blighted areas of the major industrial cities? It is a national disgrace. I do not think we can have industrial peace in America when vast numbers of our workers live in conditions that are totally unfit for human habitation. I think the government of the United States, working with the people and with private industry, must do something about this. Here is a problem for management as well as government.

The social services of this country are important also for mature col-

lective bargaining. When there is a lack of playgrounds and parks, when there is a lack of public health facilities, of medical services, of educational services, the modern American industrial worker becomes discontent; he feels he is not getting a fair break. Let us remember that we all get the Sears, Roebuck catalogue; we all know that there are many nice gadgets in the world; we all see *Collier's*, *The Saturday Evening Post*, *Time*, *Life*, and *Fortune* (at least some people can afford to see *Fortune*); we see the ads, we know what the potentialities and the possibilities of American life are.

The American people have some rather uniform desires. The average industrial worker has a desire to have a new suit of clothes. He has a desire to have his two weeks' vacation. He wants to have his children be a part of things in the local school. He wants that school to be as good as the school where the boys of the supervisors or the foremen go. In America he has a right to expect these things. Poor educational facilities, poor housing facilities, poor health and recreational facilities are part and parcel of the cause of our industrial discontent.

Those of us who are not industrial workers as such likewise have a responsibility. We need to develop a type of social-economic environment in which free collective bargaining can operate. We need to develop in America the type of social insurance system so that men will not worry about their old age, they will not worry about unemployment, so that they can go forth to their job with a desire to perform and with the ability and the capacity to produce.

I think all of this will contribute to mature collective bargaining. Let me tie up what I have been trying to get across. Mature collective bargaining means bargaining between equals, with the role of government reduced to a bare minimum. We have gone a long way toward mature collective bargaining considering the violent history of labor-management relations, but we would have gone much further if the Taft-Hartley Act had not set the clock back to the era of industrial barbarism.

I have been asked: What are the prospects for mature collective bargaining? I think the prospects are good. I am one of those who have confidence in today and faith in tomorrow. I think we are just beginning to learn how to live in America. We have been literally skyrocketed into industrial greatness. We have not learned as yet how to master this great machine age that is a part of us. Many of us are just from the farm; many of us are from a small home town. We did not grow up in the paved streets and the hurly-burly of the modern industrial city, and there are many personal adjustments to make. There is a quality of lonesomeness that many people have—the feeling that they are not important, the fact

that they are not wanted. All of those things have their effect. To be sure, they are minor, but in a real sense they add up to be important.

We know that the American people are learning; they are learning about the processes of democracy; they are learning every day how to take care of themselves; they are learning every day how to use the tools of government and how to use the art of cooperation. The trade union movement and modern industrial management in America have made great strides, considering that the code of the jungles prevailed less than ten years ago.

We have moved a long, long way. I am of the opinion that we are going to prove to the world that we are capable of self-discipline, that we are capable of assuming responsibility in our industrial relations. I hope so, I pray so, because if we should fail, there is only one other way—just one other way—and I am not for it. It is the way of government dictation, it is the way of labor-management peace through compulsion. I do not believe that the American people want that kind of formula. I do not believe they want to use that type of methodology. At least I don't. I prefer to suffer from the abuses of irresponsibility on the part of private individuals rather than to suffer from the abuses of dictation on the part of government.

# Fred A. Hartley, Jr.

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I CONSIDER it quite an honor to be invited to join the many distinguished persons who have had the privilege of speaking to this audience. I am going to discuss a very controversial subject tonight, and at the conclusion of my remarks I understand we are to have an open forum. Having spent some twenty-four years in public office, I am by no means thin-skinned. I recognize an honest difference of opinion; and I hope that anyone who wishes to challenge any statements I make or who wishes to ask any questions, no matter how pointed, will fire away. Let me assure you, I have been heckled by experts.

I want to go back with you for a moment and recall to your mind the fact that organized labor first received its right, by legislative action, to organize for the purpose of collective bargaining under Section 7(a) of the National Industrial Recovery Act. When that Act was declared unconstitutional, the Congress then proceeded to write the Wagner Act, which has been called labor's Magna Charta. At the outset, I want to make it perfectly clear that I have no complaint and I agree completely that labor has the right to organize for the purpose of collective bargaining, and anyone who thinks that that right is ever going to be taken away is just doing so much wishful thinking. I believe, however, that the Wagner Act failed primarily because it was written in a most lopsided manner, a most one-sided manner; and further because it was administered, particularly in the early days, in a very arbitrary manner. As a matter of fact, I recall the legislative representatives of the American Federation of Labor coming to me as a member of the Labor Committee and complaining that the agency was being used as a recruiting agency for the CIO instead of protecting the right of labor to organize for collective bargaining.

It was because of those deficiencies and because of the widespread wave of strikes immediately following the war that there arose a demand on the part of the American people for a reëxamination of our labor laws, and in the 80th Congress we set about to write a new labor relations law. In passing I might point out to you that President Truman's statement during the 1948 election, that the 80th Congress was next to the worst Congress in history, has really been substantiated. I would remind you it was next to the 81st Congress. But be that as it may, and I assure you I do not mean to make a political speech here tonight in spite of my conservatism, we set about to write a new labor relations law. It finally

became known as the Taft-Hartley law. I do not believe there has been a piece of legislation in the last fifty years that has been more grossly misrepresented or misunderstood than this legislation. It has been called a great many things—and I might add, so have its authors. Mr. Green, President of the American Federation of Labor, called it a “slave labor law.” Mr. Murray, President of the CIO, sometimes, in my judgment, given to a little overstatement, called it a “diabolical monstrosity.” Others have called it “punitive” and “drastic,” and some have alleged that in writing this law we were trying to wreck the organized labor movement.

Tonight I want to try to show you that we had no such intention and, as a matter of fact (and this, in my judgment, was unique in the history of the writing of labor legislation), we had no particular bill before the committee when we started our hearings. It was only after those hearings that we wrote a line of the measure. I might add that my committee alone listened on the House side to over two million words of direct testimony. Because the labor leaders of this nation refused to give us the benefit of any suggestions as to how we might amend the Wagner Act, my committee did something that is rather unusual. I had subcommittees investigate labor disputes which were then current to find out their cause and try to find their cures. In addition to that, as chairman of the committee, I sent individual members of the committee out to interrogate workers at their benches, so that we might find out what the rank-and-file members of labor unions thought about labor legislation.

I want to make it clear at the outset that at no time did I ever take the position that the Taft-Hartley law was perfect or that it never need be amended. We recognized that we were dealing not merely with one but with many complicated problems, that we might write into the law something that might prove to be drastic, might prove to be unworkable. As evidence of that position, may I point out to you that we set up under the law a joint committee, composed of seven members of the House and seven members of the Senate, whose job it was to study this law in actual operation and to make its recommendations to the Congress for whatever changes appeared to be in order. That committee made its study, made its recommendations a year ago last September, and, in my judgment, answered practically all of the legitimate complaints against the law.

I would also like to make it perfectly clear that I am not one of those who contend that we are going to achieve complete industrial peace by legislative action alone. I merely contend that we made a step in the right direction in the Taft-Hartley law by trying to make the rules of the game fair to both sides, fair to labor as well as to management. In



addition to that, I would like to point out to you that for the first time in the history of labor legislation we also tried to take into consideration what was in the public interest.

I make the further contention that as a matter of fact the individual workers, the rank and file in the labor movement, today have more protection under the Taft-Hartley law than they ever had before under the Wagner Act. All we did in writing this law was to curb abuses that have crept into the labor movement and curb the power of some of the labor bosses who have failed to realize their responsibility not only to their own members but to the general public as well.

I should like to recite the main provisions of this law tonight and present to you specific case histories to show you the type of abuse that we tried to correct in the Taft-Hartley law. It is true that I am going to give only one or two instances to illustrate the various abuses that we tried to correct, but if I had the time I could recite them by the dozens, perhaps even by the hundreds of cases. I do not want you to assume that because I am going to select only one or two examples, they are very isolated cases.

I would like to mention in passing that just because this law bears the name of Senator Taft and myself, some have considered it to be a partisan measure. It is by no stretch of the imagination a measure that was adopted through a partisan vote. It became the law of the land by a majority of both of the political parties, and the vote to override the President's veto, which made this the law of the land, was the largest vote in the history of the United States Congress ever to override a Presidential veto.

Now let us look at the law. First of all, we ban the closed shop. I am quite familiar, I believe, with the arguments on both sides of the closed-shop issue, and I readily concede that this issue is by no means a one-sided proposition. There are many good arguments on both sides. But we permit, in the place of the closed shop, a modified union shop under these conditions: when the majority of the employees of any employer vote for a union shop, it may then become the subject of negotiation; and if agreed upon, then the employer does the hiring, and the person employed becomes a member of the union after he has been employed thirty days.

I suggest to those in the labor movement who are critical of our ban on the closed shop that they first stop the practice of having closed unions. Let me give you a specific case to illustrate what I mean by that.

On Long Island there was a news deliverer, a small employer, who had twelve employees who were not members of the news deliverers' union but who wanted to join. He wanted them to join. But they couldn't,

because under the constitution of this particular union its membership was open only to the sons of its members.

I suggest also that should the time come when the ban on the closed shop is removed, you will find the Congress regulating the internal affairs of the unions to such an extent as to require that any person be admitted on the same basis as those who are already members of the union.

Here is something else that the law does. And, by the way, this particular provision is the most restrictive one in the Taft-Hartley law. It bans the jurisdictional strike. Now let me give you a case history on a jurisdictional strike.

In my home state of New Jersey, for eight solid months prior to the passage of the Taft-Hartley law, we had a jurisdictional strike holding up over fifteen million dollars worth of heavy, new construction and interfering with the construction of hundreds of veterans' homes under the federal government's own building program. What was the issue involved? Wages or hours? Not at all. The sole issue that kept all of those skilled craftsmen away from their jobs for eight solid months was a dispute between the laborers and the carpenters as to who would carry the lumber from the truck to the job and who would dismantle the forms.

The men at the local level wanted that strike settled. Some of their local leaders told me that they would like to have the thing settled. They couldn't settle it, solely because Mr. Hutcheson, the international head of the carpenters, and Mr. Moersch, the international head of the laborers, refused to sit across the table in Washington, as they could have, and settle it in twenty-four hours, if they had the will.

When Mr. Green was before my committee, he said, "Let the house of labor alone. We'll settle these problems within the house of labor." Well, may I say, ladies and gentlemen, that was just the trouble. There was illness in the house of labor and it refused to take its own medicine, and so it became necessary for the Congress to administer it in the form of the Taft-Hartley law.

Now, let us see what the result of this most restrictive provision has been. Let us see if it has done some harm to the individual worker. And, by the way, when I think in terms of labor, that is the fellow of whom I think. I am not thinking of the labor boss who wants to throw his weight around, though I have respect for a great many labor leaders.

As a result of the Taft-Hartley law and also as a result of what I consider to be more enlightened labor leadership on the part of Dick Gray and Bates and others in the National Council of the Building Trades, they have set up agreements with contractor associations all over the

United States incorporating machinery for the settlement of jurisdictional strikes without any work stoppages whatsoever—something that was almost totally unheard of prior to the passage of the Taft-Hartley law. And may I add, if it had not been for that law and for that provision, labor would have lost millions of dollars otherwise through these jurisdictional strikes, where labor alone suffers.

You know that they had a jurisdictional strike out here in Hollywood in the movie industry. It lasted some twenty-seven consecutive months. The AFL sent a three-man committee, three vice-presidents, as I recall, out to Hollywood with authority to settle that jurisdictional strike—but to no avail. And I sent a committee out to investigate the cause and find out why it was that this strike lasted twenty-seven consecutive months and had the movie industry in a terrible state of affairs; hundreds arrested because of violence and one thing and another; lots of people injured, and so forth.

While the committee was out there one day, I had lunch with Mr. DeMille at the Paramount Studios. He told me of some practices in the movie industry that I should like to pass on to you, to show you examples of what I consider to be utterly ridiculous situations which we tried to correct.

For example, when a make-up artist comes on the set to make up the characters for a movie, one make-up artist makes up from the forehead to the Adam's apple, and another makes up from the Adam's apple down. When a hook and eye has to be sewed on a dress, one person may sew on the hook and eye, but another person has to come on the set and hook it—believe it or not! He mentioned the following specific incident. And, by the way, he gave his testimony to the committee in Washington under oath. This happened during the making of the film "Unconquered." I ask you to visualize this scene:

Mr. DeMille, his assistants, the technicians, the cameramen, the stars, and the extras are all ready to shoot a scene. He tells the property man to move a bale of alfalfa to another position on the set. The property man starts to move the bale of alfalfa, but the greenhouse man steps forward and says, "No, I move bales of alfalfa." They argued back and forth, back and forth. They could not come to an agreement. Finally, they had to send downtown, over to Los Angeles, for a negotiator. The negotiator arrived on the scene and, after four hours of pulling, hauling, and tugging, he decided that if a bale of alfalfa was green, the greenhouse man would do it; if it was brown, the hothouse man would do it. It is a good thing that bales of alfalfa don't come in technicolor!

Now, that is an utterly ridiculous situation. But the sad part is that it cost Paramount \$8,000 for the delay as the result of that jurisdictional

dispute as to who was going to move a bale of alfalfa. And so we stopped that kind of business under the Taft-Hartley law.

There is something else that this law does. It bans the secondary boycott. We all know the common example of the secondary boycott. We have had examples like this by the thousands in the metropolitan area around the City of New York. Very often the AFL electricians will refuse to install an electrical fixture that has been manufactured in a CIO or a nonunion plant. They have insisted, for example, that the fixture be completely dismantled and then reassembled before they install it. Other very common examples can be cited, but I want to show you just how far the secondary boycott can go. And by the way, it happened right here in California. I am referring to the "hot" milk cases, where the teamsters refused to cart what they called "hot" milk. Why did they refuse to cart it? Why was it "hot" milk? Well, because it came from cows that had been fed feed that the farmer delivered to his farm in his own truck and not by an organized teamsters' truck. And so we banned the secondary boycott. May I add that that section, with one minor exception, is working out, in my judgment, very well and to the advantage of labor as well.

There is something else this law does. It bans strikes against the federal government. It also requires that when labor and management sit down across the table to negotiate a contract and then sign that contract, labor as well as management shall be held responsible for the fulfillment of that contract—something that wasn't so under the Wagner Act.

In addition to that, we also require that any labor organization, to have standing under the law, must have its officers sign statements that they are not members of the Communist Party or any other subversive group. I have been challenged on that section. I have been told that that is a violation of a political right. I deny that the advocacy of the overthrow of this government by force and violence is a political right. But if there is doubt in the mind of some as to the wisdom of that provision in the law, I invite you to drop me a note in Washington; then let me send you the testimony and the history of the Allis-Chalmers strike—a strike that was dictated by Moscow when the company's products were sorely needed in the war effort. If that is not enough, then I ask you to cast your eye across the waters and see what is happening in France, in Italy, and in Czechoslovakia as the result of infiltration of Communists into key positions in the labor movement.

I should like to point out to you that every protection that the individual worker ever had under the Wagner Act against abuses by employer bosses we retain completely intact in the Taft-Hartley law. All we did was to give the individual worker additional protections, and

they are protections against abuses by labor bosses. Maybe that is why some of the labor bosses do not like the Taft-Hartley law. You might say, "What are those protections that they never had before?" First of all, today every member of the union is required to receive a financial statement showing how the money which he has contributed in dues is being spent. In addition, no longer can the head or any official of the union who may dislike one of his members for one reason or another rip up his card, toss it in his face, and say, "Now you're out of the union, and therefore you are out of a job." Because under the Taft-Hartley law a person who has been fired out of the union loses his or her job only if he or she has been fired for nonpayment of dues.

In addition to that, today if a worker has a grievance and he wants it to get to his boss, and the grievance committee will not bring it there, he can take it to the boss himself—something he could not do under the Wagner Act.

In addition to that, no longer can fines and assessments and initiation fees be excessive. You may say, "Well, do they get excessive?" The Labor Committee of the Congress has evidence showing that some labor organizations had charged as high as \$1,500 as an initiation fee. As to fines and assessments, this is a rather extreme case, but nonetheless factual: there was one local that fined seventeen of its members who went back to work during the course of a strike a total of \$277,000, the smallest individual fine being \$10,000 and the largest individual fine being \$20,300. They cannot do that under the Taft-Hartley law, and, in my judgment, that is prolabor and not antilabor.

Here is something else this law does. It prohibits the use of union funds directly in a political campaign. I should like to make it perfectly clear that this provision does not in any way interfere with any labor leader's right to endorse or oppose a candidate for political office, nor is there anything in the provision which interferes with the labor press or prevents the creation of a voluntary fund to be used in a political campaign. All it does is to apply the same restrictions to the union funds as the Corrupt Practices Act already applies to corporate funds in a political campaign.

Another thing the law does is to ban featherbedding, the payment of money for work that is not done. I want to tell you how we first learned about this question of featherbedding. Dr. Joseph Maddy, Professor of Music at the University of Michigan, appeared before the committee. I am sure that you will all recall that Dr. Maddy taught music to students from all over the United States at Camp Interlaken, and every year when they reached a certain degree of proficiency they gave concerts over the radio, concerts which we all enjoyed and which did not take away the

job of a single professional musician. But finally there appeared on the scene Mr. James Caesar Petrillo. And I trust if there are any musicians in the room, they will note that I announced the name with due awe and respect! Mr. Petrillo announced that unless Dr. Maddy paid tribute to the American Federation of Musicians for a stand-by orchestra, which would merely hang around in the studio while the musicians performed, those concerts would have to be discontinued.

Well, Dr. Maddy paid, but finally he had the audacity to announce it over the radio. He wanted to let the American people know he had to pay tribute. Whereupon, although he had been a paid-up member of the AFM for thirty-seven consecutive years, he was tossed out of the union lock, stock, and barrel.

You know, in music, when we say "fortissimo," we speak of loud music; and when we say "pianissimo," we speak of soft music; and when we say "Petrillo," we speak of no music!

I want to be fair to Mr. Petrillo about this subject. To be very frank with you, since the Taft-Hartley law has been written, Mr. Petrillo has become much more reasonable. He has got the "new look," and on him it looks good. I should like to recite to you the controls that this one great labor leader exercises over so many segments of our economy, asking you to keep in mind how excited we get when business grows large and tends toward monopoly and vast controls.

First of all, when mention is made of the makers of phonograph records, we usually think in terms of just a half dozen: RCA, Columbia, Decca, and a few more. Actually, there are over five hundred makers of phonograph records in the United States, employing several hundred thousand workers, nearly all of whom are organized. They stay in business solely by reason of Mr. Petrillo's license. When that license expired a year ago last December 31, he said, "Never again will there be a record made in the United States," because someone had told him that he could not have his welfare program under the Taft-Hartley law. When he found out that he could and he was convinced, they started making records after a delay of some seven or eight months.

In addition to that, we depend on Mr. Petrillo for live music on the radio, and until the Taft-Hartley law was written he refused to permit a live musician to be seen or heard on television. He interfered with FM broadcasting. And I wonder how many here tonight know that until an agreement was arranged by one of the subcommittees of the Labor Committee just about the time of the enactment of the Taft-Hartley law, our own Army, Navy, and Marine bands could not even make records of their own music without his O.K.

You know, when I think of Mr. Petrillo and his controls, my mind

naturally turns to a real czar—a real czar—in the labor movement. Need I mention the name? You obviously know that I am thinking of the No. 1 oil-burner salesman of this nation—John L. Lewis. I have yet to learn what the middle initial stands for, unless it is “layoffs.”

The reason I am concerned about Mr. Lewis, and the reason I bring his name into this picture, is because there may be doubt in the mind of some of you as to whether or not the Taft-Hartley law failed in the recent coal crisis. I do not believe the law failed at all. In the first place, I feel that it should have been invoked at least two to three months prior to the time that it was. But if I am wrong in that and if the law did fail, it only supports the contention that I have made for some time. That is that this provision of the law is not as tough as it should be. Instead of being too tough, it is not as tough as it should be.

Now, let us see just how moderately we handle a strike that affects the national public health and safety in the Taft-Hartley law. We provide that when such a situation prevails, certain procedures must be followed. And, by the way, the reason I said the President should have invoked the law two or three months before he did is because the law does not require that the economy must be in a terrible crisis. It merely provides that when the public health and safety are threatened he is authorized to appoint a Board of Inquiry, that board to report to him within fifteen days; and then he is authorized to direct the Attorney General to seek an injunction in the courts, that injunction lasting sixty days. During those sixty days the representatives of labor and management are to negotiate and try to have a meeting of the minds. If they fail at the end of the sixty days, then the employees of each individual employer vote on their employer's last offer. And if they decline to accept, there is nothing in the Taft-Hartley law or any other law which will enable the President to deal with a situation of such serious consequences. Please keep in mind that I am thinking of a situation that threatens the safety and the security and the health of this nation.

In my judgment, while I do not believe the law has failed up to the moment, it is not as adequate as it should be. I would suggest (and I believe sooner or later we are going to come to this) that we ought to apply the antitrust laws to a labor monopoly in restraint of trade just as we apply them to a business monopoly when that restraint of trade threatens the national public health and safety.

I know there is great disagreement on this proposal. It is not something new. It was in the original House bill. May I suggest to those who may think that that is not adequate or that it is too drastic, let us see what you have got to suggest as to how we can protect the people from that kind of irresponsible leadership.

There is something else the law does. And this is another provision which in my judgment is not as tough as it should be. I am referring to the provision that attempts to deal with mass picketing and the use of force and violence in the conduct of a strike. I am a little sensitive on the subject of this particular provision because on about 75 per cent of the occasions where I have spoken throughout the United States (and I have traveled some 80,000 miles in the last two and a half years or so) I have been picketed by reception committees of anywhere from 6 to 6,000. My home has been picketed; my office has been picketed. I have been picketed by experts. If I am a little bit sensitive, I hope you will understand.

Now let us see what the Taft-Hartley law does about this. It provides that if a worker is going to his job and if there is a mass picket line in front of the place where he works and he has his nose broken and his eyes blackened, he can go into court and get a cease and desist order. "Don't do that again." I do not think that that is adequate, because I think every worker has a right to expect more protection than that.

I should like to give you an example of what I mean, because this question of mass picketing is not just a case of big business versus big labor. I have seen mass picket lines in front of delicatessen stores, haberdashery shops, butcher shops, in an effort to force the workers into the Teamsters' Union, for example. Out in Detroit I saw armed squads going from one service station to another, beating up workers who went back to work during the course of the strike. Also, I saw private citizens abused who had the temerity to go in and purchase a few gallons of gasoline.

In the little town of Clinton, Michigan, at a small plant employing about three hundred people, a strike was called. After four or five days a back-to-work movement started, and all but twenty or thirty of the workers went back to work. Whereupon, the United Automobile Workers called in pickets from Cleveland, from Detroit, and from as far away as Buffalo, until finally they had more pickets in the little town of Clinton than there were inhabitants in that community. And, by the way, not only were they strong-arm men, but strong-arm women, believe it or not! Women who had been trained in the art, if you wish to call it that, of creating violence on the picket line. My committee had sound records of the leader of that picket line demanding that they go in and tear the building apart, brick by brick, and bring out the workers who had to barricade themselves in the plant once they got there.

I do not think that the American people intend to tolerate that sort of situation on the American scene. I am speaking now of the use of



force and violence and mass picketing in the conduct of a strike. And in my judgment the law should be amended and improved to this extent:

1. I think we ought to define in the law what is peaceful picketing.
2. I believe we ought to confine the picketing to those who were employed in a place that is being picketed.
3. And if that does not do the job and provide a little law and order, then I say we ought to give the worker who has been kept from his job the right to sue for the wages that he has lost as a result of mob action.

I know that someone is going to say that is nothing more than an attempt to interfere with every individual worker's right to strike. I recognize the right of the individual worker to strike, but I think that we have confused the right of the worker to strike and the right of the worker to quit his job. In making that proposal, all I am trying to do is to protect what I believe is an equally fundamental right of every worker, and that is his right to work and his right to go to that job free from any harm or threat of harm to himself and the members of his family. What I want to do, furthermore, is to see respect for law and order established—yes, even in the conduct of an industrial dispute.

There are some other things in this law. We have separated the functions of the NLRB, which used to be investigator, prosecutor, jury, and judge, all rolled into one. We have made the General Counsel the investigator who presents the evidence to the NLRB, which acts as a quasi-judicial board.

We have also restored the right of free speech to employers—something they did not have under the Wagner Act. And may I say in passing, in my judgment, there are many employers who have failed to avail themselves of that restored right of free speech. I think they have been entirely too timid.

I want to allow plenty of time for questions tonight. But let me say that those of us who wrote the Taft-Hartley law tried to embody in it such philosophy as was expressed by Abraham Lincoln, who, speaking to a labor organization in New York City, once said: "Property is the fruit of labor. It is desirable; it is a positive good in the world. That some may be rich shows that others may become rich and, hence, is just encouragement for industry and enterprise. Let not him who is houseless pull down the house of another. Rather, let him work diligently and build one for himself, thus assuring that his own will be safe from violence when built."

That is the type of philosophy we tried to write into this law. In other words, what we are trying to tell labor is this: You can have a strong, organized labor movement in this nation, yes, but only as long as you

maintain and conserve a strong system of free enterprise—a system of free enterprise which, I may add, is proving to be the salvation of not only this land of ours but of an entire war-torn world.

You hear a lot coming out of Washington about increasing wages and reducing prices. We have been able to do that in the past. We have been able simultaneously to reduce prices and raise wages, but only so long as we were able to increase the productivity of the individual worker. And, in my judgment, there is no other way. But in recent years there has developed the philosophy among some of our labor leaders which, in so many words, says, "Get as much as you can for doing as little as possible." May I point out that while that philosophy prevails, you cannot increase wages and reduce prices. Whether we are in the labor movement or whatever our calling happens to be, I think we would all be better off if we followed the line of thinking which says, "If you want to get a little more for the dollar you spend, give a little more for the dollar you earn." Now, I do not contend that this law is perfect or that it will not be amended. It will. As conditions change, it will have to be amended from time to time.

Let me say in passing that all the talk about repealing the Taft-Hartley law is just so much wishful thinking. They could not repeal it in this Congress, and, in my judgment, they are not going to repeal it in succeeding Congresses. Oh, they may change the name. The new chairman of the House Labor Committee is Mr. Lesinski of Michigan, and Senator Thomas of Utah is the new chairman of the Senate Education and Labor Committee. They may call it the Thomas-Lesinski law. While I have some pride of authorship, that is all right with me. They changed the name of Hoover Dam to Boulder Dam, but the same structure is out there.

Let me say this in all seriousness: Admitting the law's imperfections (and there are some, though I do not think very important ones) and realizing that all legislation is the result of compromise, a sincere effort was made merely to write equities into the Taft-Hartley law. And in my judgment, if labor and management will just give this law a fair trial and an honest trial, it will contribute toward the greatest era of understanding and industrial peace that we have experienced in this nation in many and many a decade.

# John A. Stephens

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I AM GRATEFUL for the opportunity to present tonight some thoughts on "Mature Collective Bargaining" to men and women interested in labor and business, and to students in industrial relations and the social sciences. I hope that what I say will be consistent with the philosophy of your Institute and help to point a way to better understanding and, hence, solution of some of the problems in the industrial relations area.

Before making any observations as to how we may bargain collectively in a more mature sense, I want to recall some remarks by Dr. Sproul at your March, 1947, conference. All Americans, he said, must be aware of the need to get at basic causes of industrial strife because they are affected by it too frequently. How does one get at basic causes? He suggested that rather than getting all hot and bothered emotionally, we should dig a little, and develop "right" attitudes toward labor and management. How? Well, as a guide to adopting a right attitude, he posed a question: "Do we see the entire picture clearly and draw our conclusions solely from the facts?" On the basis of my experience, I would give pretty long odds that an honest answer would have to be that we see only part of the picture in too many cases—and in many more, if we do see the facts, we fail to understand or properly evaluate them.

It's a good idea to try to see the whole picture—and clearly. It is equally good to base conclusions and actions on facts. Failure to observe these two simple propositions is, in my opinion, one major cause for less than desirable management-labor relations.

Tonight I shall make some assumptions, present some facts, and in closing, offer some suggestions which to me seem important in connection with "Mature Collective Bargaining."

Now to my "assumptions." I believe that those of us who take time to think about it are concerned with the development of mature collective bargaining as a means to some end. What end, or perhaps I should say, ends? Most of us would, I believe, answer that one end is industrial peace, avoidance or minimization of strikes. Undoubtedly, this is a desirable end, but desirable, perhaps, only as the bargain made reflects consideration of the stake of the public and is consistent with its interest. We would, I believe, say that while we engage in collective bargaining because of the particular interests of each of the parties, we really intend that it shall serve as a means by which living standards of all are raised, thus making for a better society. But we might be inclined to add that

collective bargaining would become more mature and, perhaps, serve better its purposes when the parties can, while not forgetting their own particular interests, give more consideration to the broader problems, such as a more determined effort to produce more to divide, as contrasted with mere division of that now available.

I proceed tonight on the basic assumption that we intend mature collective bargaining to serve as a tool in a free society to build those proper structures and relationships which each member of society hopes to erect or achieve.

I assume, also, that there is but little, if any, difference between most of us, be we managers or workers, as to what we want out of life. We are concerned with an opportunity to spend a useful life; to build as we go along; to be able later to conclude, in good conscience, that we have played our part well, whatever it may have been. We seek happiness, a chance to prove our worth, to do that which we can best do, to move ahead on merit.

We hope for good health and as good if not better educational opportunities for our children than were available to us. I take it, too, that we are concerned with working out the right proportion between work and leisure to satisfy our conscience that we are constructive, contributing members of society, holding our heads high with pride in self-dependence, as contrasted with those who may look to others to hold them above the surface in society's stream. And, were we to give much thought to it, we would also want to do our part toward adjustment to others, regardless of race, creed, or color, and thus contribute to the full measure of opportunity for all, a principle rooted deep in the foundation of American society.

We want, you and I, the necessities of life with something left over for those things which are today the natural desire of every family—a car, radio, or some other product of the union of invested savings, labor know-how, and managerial skill. We want to be free to continue to bring dreams to realization. In short, we want “happy lives,” lives of responsibility and relative security.

These are, I believe, common desires consistent with the welfare of society. There can be no real difference as to objective. I wish, however, that I could add that there are no differences as to how to accomplish this objective. It is in this area in which our difficulties arise.

Having made these assumptions, I believe we should move into the area of “facts” with a look first at some definitions. What do we, or should we, mean by “mature collective bargaining”? Webster's Dictionary defines “mature” as “that which is brought by natural process to completeness of growth and development.” This would not permit

describing as "mature" anything forced as to growth, pressured to completion, or developed artificially.

"Bargain" is defined as "the discussion of terms of agreement" or "an agreement between parties settling what each shall give and receive in a transaction between them." A subordinate meaning, now obsolete, is "contest, struggle, fight."

The Labor-Management Relations Act of 1947 defines "collective bargaining" as the performance of the mutual obligation of employers and unions to meet at reasonable times, confer in good faith, negotiate an agreement, execute a written contract incorporating any agreement reached—but as not compelling either party to agree to a proposal or to make a concession which either may in good faith believe should not be made.

A joint committee of the President's Labor-Management Conference in 1945 tried unsuccessfully to agree on a definition of "collective bargaining." Employer members proposed that "collective bargaining" be regarded as the negotiation by an employer and the freely chosen representatives of workers of a transaction—mutually advantageous to the employer, the employees, and the public. Some labor members would not accept the word "freely," offering "duly" instead. There is a difference.

A few years ago, George Taylor, the last Chairman of the War Labor Board during World War II, published a book, *Government Regulation of Industrial Relations*. He wrote that an objective of the Wagner Act, which protected employee organization and bargaining, was assistance to employees in creating an organized strength to take care of their interests in dealing with employers, so as to assure that the determination of employment conditions would be retained in private hands. "Industrial self-government was the ideal that was sought," said Taylor. Congress reasoned collective bargaining a good thing for the country—the Wagner Act was a kind of enabling legislation; employers were subjected to a number of legal restraints, the organizational rights of employees guaranteed—the Wagner Act could be "viewed as a sort of protective tariff to help an infant industry."

It seems to me that while the Wagner Act intended to protect employees by law in the exercise of what should have been a natural right, its passage threw up a bunker on the course of mature collective bargaining and unwittingly diminished the prospect for natural and sound growth. Attainment of industrial self-government by a route marked by legal restraints on employers, government direction and control, and any concept of protection to "an infant industry" could not fail, as I see it now in retrospect, to tend to mire us more and more in the field of

politics, pressures, and government dictation, the direct opposite of the "self-government" sought.

A sensible man confronted with the statement that we are united on an objective, but dissatisfied with progress toward it, might ask: "Do we know for a fact whether or not we are reaching it? Can we learn better to use the tools we are employing to attain it?"

Let's look at the record. Should we be dissatisfied? Are we progressing toward happier lives—better balance between work and leisure, more facile command over necessities with a plus for other things?

A few weeks ago, I scanned an anniversary issue of the *Monthly Labor Review*, the official publication of the Bureau of Labor Statistics of the United States Department of Labor. The first article by Ewan Clague, Commissioner of the Bureau of Labor Statistics, offers an opportunity to make an objective appraisal. It is entitled "The American Worker and American Industry—Milestones of Economic and Technical Progress: Their Effect on the Worker and the Home."

Writing that the first fifty years of this century have been a period of spectacular and far-reaching economic, social, and other changes involving a great expansion in industry's productiveness and a corresponding rise in the standard of living, Clague asks whether these achievements were due to luck and concludes: "... the chief source of national strength in the United States has been and is our industrial power—the wealth and productiveness of American industry."

In 1900, for instance, we produced about 1,500,000 wagons and buggies and 4,200 motor vehicles; but the Census of 1950 does not list any buggy industry and in its place is an automobile industry, employing directly about 800,000 workers and producing about 7,000,000 cars and trucks a year. Few homes had telephones in 1900, but in 1950 there are 40,600,000, with the great majority of American homes equipped and a total of 608,000 persons directly employed.

In 1937, says Clague, "... American labor was supplemented by approximately 40 per cent of the world's available energy." These and other changes "have had a marked effect upon the structure of American industry." Corporations in 1900 produced about 65 per cent of our manufactured output. Today, they produce about 90 per cent of the total. "The corporation," he writes, "has grown in economic significance because it is the form of business organization best equipped to achieve maximum efficiency in production."

The changes, says Clague, in the American economy are apparent. What are the results? "In 1948, the United States, with 6 per cent of the world's population, produced 43 per cent of the world's economic income. The American people have the world's greatest productive ma-

chine, and they have the world's highest income." Why? Because "in constantly increasing ways we have found it possible to use mechanical energy to supplement and extend our limited human resources. As better and newer machines have been devised, our man-hour productivity has risen," with each small annual increase, cumulating to produce great changes, carrying American output per worker and the American standard of living to the highest levels in the world.

In a section captioned "Capital and Labor," he writes, "The enormous savings and profits which have been reinvested in industrial plant and equipment, decade after decade, constitute another factor of great importance to American industry. It is one thing to invent the machines and methods for efficient production; it is something else to raise the large amount of investment funds necessary to purchase and install them . . . it was the high-savings investment economy we actually had which produced the rapid technical progress the United States has achieved. Increasing productivity in the future will depend in large part upon a continued high volume of capital investment."

Turning to the American workers, he appraises the effect of the industrial system upon them. In 1900 average earnings in manufacturing were about 22 cents an hour, approximately \$13 per week. At the beginning of 1950, they were \$1.42, slightly over \$56 per week. "... there is no doubt," says Clague, "that the standard of living of the average American family is vastly higher than it was in 1900. . . . There never has been a comparable period in the history of the United States or of any other country in which the material well-being of the people was advanced so rapidly . . . the American people have today about 36½ million automobiles; on the average, 4 out of every 5 families in the United States own a car."

But, says Clague, "Not all the potential gains of rising productivity have been taken by the American people in the form of more goods and services." In 1900, the average work week in manufacturing industries was fifty-nine hours, in excess of sixty for some workers. Fifty years later, forty hours constitute the standard, with hours substantially lower in many fields.

Elsewhere, gains in health, education, and other areas are detailed, attributable, says Clague, to the fact that greater output per man-hour has permitted the satisfaction of people's needs by a smaller percentage of the working population, thus permitting others to shift their effort into new fields. Ever larger proportions of American youth are attending high school and college. In 1950, for instance, about 1,200,000 young Americans were graduated from high schools, twelve times as many as in 1900, and 500,000 were graduated from colleges—a twentyfold increase in fifty years.

The impressive progress Mr. Clague records is emphasized by reference to another source. Purchasing power of an hour's work, says a National Industrial Conference Board study of last March, almost doubled from 1914 to 1948 because the average factory worker's wages grew twice as much as prices. The factory worker in 1948 had to work only about one-half the number of hours that his counterpart in 1914 did to pay the family bills. In 1914 a worker's earnings had to be supplemented by earnings of some other member of the family to supply the average amount of goods and services needed. But in 1948, a worker needed to work only thirty-four hours to supply his family with a higher living standard than that considered average in 1914.

Looked at another way, if the average hourly earnings of the wage earner in manufacturing industries in 1914 was worth 100 units in terms of the goods it would then buy, it was worth about 150 in 1929, 233 in 1939, and 234 in 1948. These figures of 233 in 1939 and 234 in 1948 make it clear that the increase in purchasing power occurred prior to 1939. Between 1914 and 1929, for instance, the buying power of an hour's work rose about 50 per cent and in 1939 bought over twice as many goods as it did in 1914. From 1939 to 1948, however, the average earnings of an hour's work in terms of the goods it would buy increased less than one per cent.

A few weeks ago the Research and Policy Committee of the Committee for Economic Development released a statement entitled "How to Raise Real Wages." You perhaps know that the Research and Policy Committee, chairmanned by Sumner Slichter, initiates studies "into the principles of business . . . and public policy which will foster the full contribution by industry and commerce to the attainment and maintenance of high and secure standards of living for people in all walks of life through maximum employment and high productivity in the domestic economy." The committee is governed by the requirement that its research shall be objective and from the standpoint of the general welfare as contrasted with any special political or economic group interest.

I can take time for only some high spots, but I commend the report for careful analysis generally as a guide to the kind of comprehension so essential to sound action. Evidence points to the fact, says the report, that a rise in people's earnings has been general and that, particularly, in the last fifteen years small incomes have increased by considerably greater percentages than large ones, and that wages can rise in the future as rapidly as in the past. The great increases in the past are described as attributable exclusively to a large increase in production per man-hour. Output is defined as the joint product of labor and capital, from which come employees' wages, interest, rent, and profits to the providers



of the capital, and taxes for government. The past rise in output is the result of four causes: revolutionary changes in processes of production; much more capital, that is, plant, equipment, and material, available to workers to help them produce; important advances in health, training, and skill of the labor force; and great improvements in methods of management.

After an analysis of these contributing factors, the report concludes that any further substantial rise in real wages can be achieved only through an increase in productivity. National income is described as divided roughly into three parts with a little less than two-thirds going to employees, including executives, as wages and salaries, about one-sixth going to the self-employed, and a little more than one-sixth to owners of property as profit, interest on indebtedness, and rental on real estate. It is obvious from the figures, says the report, that real wages of employees cannot be increased greatly by taking income away from either self-employed or owners of property and, hence, that any large rise in wages can come only from more output per man-hour. To double real wages in the next thirty years, output per man-hour must rise at the average rate of 2.5 per cent per year and can be brought about by the same formula used successfully in the past: better methods, more capital or tools, better trained workers, and better management.

Improved methods are described as dependent largely on technological research and progress. We are well off in these respects with industry equipped with technical employees and laboratories, technological research expenditures rising rapidly, new research areas opening up, competition between industries making for progress, and important and substantial research work done by universities and government agencies. The prognosis, so to speak, is favorable for continued improvements in methods.

As to capital, a rapid increase in the amount available is necessary for further increases in output per man-hour, and to get this needed capital there must be a lot of saving. Over the past fifty years, the nation has saved and invested or risked about one-tenth of its total net product. If this practice is continued, the outlook is favorable. However, current trends and events made prognosis on this point difficult and speculative.

As to capable workers and improved management, the outlook is good. But, says the report, the rising influence of government, the numbers employed therein, and the large quantities of labor and material consumed mean that efficiency in government is a factor too. It recognizes that as society becomes more complex "the functions and responsibilities assumed by government increase," but cautions that "when government undertakes functions which can be conducted more effi-

ciently by private measures, real incomes and the general welfare are adversely affected, and there is need for a more general understanding of this fact."

In concluding my reference to this report, I want to point out that it lists ten areas as worthy of intensive study to help bring about increased output per worker and greater satisfaction of the objectives I earlier defined. Among them are continued growth of industry and jobs, avoidance of recessions and seasonal unemployment, tax reform to make risk-taking more attractive, and improved incentives to encourage employee efficiency. There are also some comments worth noting about straight seniority versus ability and efficiency, how best to draw upon the knowledge and training of the labor force, and how to bring about abolition of make-work rules, featherbedding, and other drags on output.

Perhaps, at this point someone might like to observe, "What has all this to do with mature collective bargaining?" It has a whole lot to do with it, I believe. You will recall that I promised some assumptions and some facts. I made an assumption as to objectives—rising living standards, proper balance between work and leisure, happy lives. And now I have given you some facts, facts as to progress toward those objectives; facts not labeled as such simply because they are opinions which I have developed, but because they are also the conclusions of many, supported by statistics and arrived at by subjecting many influences to critical and objective analysis.

It is because I am concerned with development of mature collective bargaining that I suggest courses of action in light of fact. A few years ago Congress enacted the Employment Act of 1946. Section 2 declares it to be the policy of the federal government to use all practicable means to promote conditions under which opportunities for useful maximum employment, production, and purchasing power may be created and maintained, and in a manner calculated to foster and promote free competitive enterprise and the general welfare. This is sound policy. Its implementation requires understanding as to how this may be done.

Prior to the Korean War the federal government was spending in four days more than it spent for the entire year of 1902, paying out the equivalent of the 1929 budget every twenty-five days. In early 1950, government in the United States was buying \$20 worth of goods and services for each \$100 bought by individuals and private business. In 1929 it bought only \$9 worth per \$100 of private purchases.

In 1900, federal, state, and local governments employed about one million people, and for every government worker there were twenty-two in private industry. Today, there is one public employee to every seven in private industry. Governments, federal, state, and local, now pay out

in wages and salaries and for other purposes such as welfare benefits, pensions, social insurance, and interest about one-sixth of all the personal income of all the people. Forty years ago these payments represented one-twentieth.

Are these facts relevant to mature collective bargaining? Yes, for they define a trend leading ultimately to conditions quite different from those existing during the past half century of progress. They deserve appraisal in light of the fact that what government distributes it takes from you and me and future generations.

I assumed earlier that mature collective bargaining was one tool in a free society by which to reach society's objectives and that if there is dissatisfaction with progress, we must learn better how to improve that tool and to use it to greater advantage. You may recall, too, that from a Conference Board source it was pointed out that the bulk of the increase in purchasing power in the last fifty years occurred prior to 1939. These facts, if properly regarded, should make clear that collective bargaining has no magic power to increase wealth and that if employed in an emotional, pressuring, negative, and political fashion, it may, in fact, retard further expansion of production which might, as in the past, continue to accrue to our benefit. The facts reported also seem to point to the conclusion that if leaders of industry, labor, and government are concerned with raising real wages, reaching the objectives I have assumed, they will plan with foresight and be guided by understanding of facts.

I agree with the statement attributed to Mr. Walter Reuther in proceedings of a lecture series here in 1948 that "economic decisions must be based upon economic facts and not based upon economic power." Both labor and government are in position today to wield great economic power. Understanding of the facts that explain past achievements should receive careful consideration by those whose power (by collective bargaining or otherwise) can be used to alter the course of our future.

Once we grasp the facts and understand the basis for past accomplishment, it cannot but engender sobering thoughts as to our plan to move even farther ahead and use wisely the collective bargaining tool. Of course, we have not yet fully attained the objectives we seek. The CED report makes that clear. But we have made great progress. There remains an almost unlimited future for those who can discriminatingly appraise the route and select the means by which to advance.

My first suggestion, then, is that we try to understand the facts of our system, to find out how it works best toward our material welfare, how its potential may be realized. Mr. Reuther was also reported as saying,

"I think that one of the really serious problems in America is the economic illiteracy that prevails." I agree. We must have the full, impartial truth and understand it, else it would be better to observe Josh Billings' caution, "It is better to know nothing than to know what ain't so."

There is a job to be done in getting the facts to high school and college students and to the public generally. A large part of the job of education, it seems to me, is related to objective presentation of facts. Facts associated with our economic and industrial development and the competitive enterprise system should rank high on the priority list. To the extent that this job is well done, the prospects for mature collective bargaining should brighten because in a democracy an informed people should be qualified to direct their leaders in ways designed to preserve the good, even while they may engage in fashioning the refinements in our system which are calculated to assure even greater responsiveness to need.

Schools and universities and each of us as individuals have the obligation to stimulate thinking to the end that we may continue to progress. Perhaps, for instance, objective consideration and instruction concerning "bigness," the rallying point of some whose purpose is not clear, might be helpful. What makes "bigness" in business? If it results from the satisfaction of customers, is it bad? In this connection, the Secretary of Commerce demonstrates the kind of objective, factual approach which I urge generally. He was reported recently as asserting that while he neither defended nor opposed bigness as such, facts should be determined if it is proposed deliberately to interfere with the process of a corporation's growth. The facts he would look for were set forth in some questions. If concentration of power is interfering with our liberties, what liberties are being destroyed? Is small business being crushed out? If so, where and what businesses are they? Is industry failing to maintain or raise the standard of living? Is it selling its products at a fair price? Is it considering the welfare of its employees? Is it earning money for its shareholders? Is it contributing its fair share of taxes to the support of government? Is it doing its part in time of war?

There is an area in which imagination runs wild in not so mature collective bargaining sessions. What are costs? What are reserves? What is a fair profit? It is surprising how much heat is generated in collective bargaining by some union economists in theorizing as to how management improperly keeps its books. Education can help in this area.

And there is need for better understanding as to what makes jobs. Is it any influence other than demands of customers? Is the corporation, then, or the customer, the employer? Someone has said, "Man's material welfare equals natural resources plus human energy, multiplied by tools." Do we really understand the implications of this? And surely,

there is something worth pondering in the fact that strong nations are those having the biggest stock of tools, that tools come from savings and the pledging of anticipated savings, and that savings taxed away mean fewer tools for productive enterprise and the easier satisfaction of men's needs.

Should we not examine the proposition that history fails to disclose a single instance in which tools have been operated as efficiently by the state as by private individuals? And is there a lesson to be derived from our development as pictured by Mr. Clague, which leads to the conclusion that past economic growth is accounted for by the enterprise of both management and labor, energized by individual initiative?

I suspect that all of us are too prone to look to government to improve living standards and protect us against all hazards. So, it would seem desirable to have our college and high school curricula include studies as to just what is government—its purpose. Does it have anything material to give or if it does give, must it not first take from its people that which it gives?

In the past, perhaps our thinking on how wealth is produced and distributed has been somewhat fuzzy. Some of us may have looked upon "freedom from want" as a right rather than something that has to be earned—something earned by more production and a fair participation therein, not something brought into being through collective bargaining pressure or legislation.

In 1947 your Governor remarked in connection with this Institute that "... we shall never have good industrial relations by choosing up sides and fighting things out to the bitter end. . . . Our relations must be bettered by forums of this kind, where in good spirit we can exchange ideas, philosophies, and aims." And so I suggest, let's bring to forums and to classrooms the facts concerning economics over which many quarrel, in the hope that through better understanding quarrels may be minimized.

So much for my first suggestion. It is directed to all of us, and especially to those who teach others to think, to discriminate, and to assume their responsibilities in the workaday world.

My second suggestion is directed to those in labor and management to whom it may apply. It is—don't call names, don't go around with a chip on your shoulder; instead bone up on how to make friends, not antagonize people.

I mentioned earlier that an obsolete meaning of the word "bargain" was "contest, struggle, or fight." Let's make it obsolete in fact. Much too frequently collective bargaining is conducted as though this subordinate meaning was the specification governing what we were supposed to do.

Long before bargaining conferences start, ballyhoo begins. Promises are made as to what will be demanded from extortionate, greedy employers. Some might call it rabble-rousing and might wonder whether we had not matured to the point at which such approaches are unnecessary, unworthy, and inimical to cooperative action.

Such approaches and some union publications definitely militate against mature collective bargaining. Perhaps the best that can be said for these methods is that they are residual habits carried over from experiences of the past, and that those responsible for them fail to recognize that labor organizations and collective bargaining are a way of life accepted in the country today. And so my suggestion, to those to whom it applies, is, calm down and bring your thinking up to date. Name-calling and exhortations which tend to align class against class are out of place in our society.

I have spoken much tonight about facts versus emotional reactions. An example of emotion versus fact is reaction to the Labor-Management Relations Act of 1947, known as Taft-Hartley. It was, in my opinion, inevitable that once government took the step of control over industrial relations represented by the Wagner Act, that regulation would be extended. From that day on, collective bargaining, unions, closed shops, and all that comes within the expansive term "conditions of employment" were in politics, and an attempt to redress the balance, to make the law two-sided, not one, was inevitable. What are the facts regarding this controversial law? *Business Week* some weeks ago carried an interesting comparison of the facts of three years of operation under Taft-Hartley as contrasted with predictions made by the President in his veto message in 1947.

Most major provisions are working better than was anticipated. Strikes are fewer; unions, and this is highly important, have been spurred to eliminate Communists, not hindered; union membership is only slightly less and losses are in industries where employment is down. Union organizing appears as vigorous as ever. Unions have not been deluged with lawsuits for contract violations; in fact, suits have been few. While the closed shop has been ruled out as a matter of public policy, more union members are covered by some form of union security than ever before. However, there has been increasing government intervention in labor-management affairs. In summary, *Business Week* concluded, and I believe the facts justify it, that the Act has by no means proved as bad as it was declared to be, nor as good as extremists predicted it might be. It hasn't settled all labor problems, it never could, but it also hasn't crushed organization, collective bargaining, nor moved in any perceptible way to the destruction of unions.

In contrast, an Assistant Secretary of Labor, in a recent address before a State Federation of Labor, called the Taft-Hartley law the "most vicious of the hatred-born children of the 80th Congress" and declared that "President Truman and Secretary of Labor Tobin will continue resolutely to fight for its repeal . . . to remove this millstone from the neck of labor. It is not necessary to tell you how this law has operated so as to weaken you and your organizations. No details need to be gone into because you know about this abominable law." This, to me, is a classic example of avoidance of facts.

May I suggest next that maturity requires that agreements made be observed. This obligation must be accepted by employees and those who in their capacity as the legally designated collective bargaining representative make an agreement. It just does not make sense to spend hours negotiating and drafting precisely what has been agreed to, providing carefully defined procedures for grievances with arbitration as a terminal point, and then have strikes pop like firecrackers whenever an individual or a group of workers feels aggrieved. Mature collective bargaining will be enhanced when union members learn that having selected a union and conveyed to it the right under the law to speak and contract for them, they are bound by the agreement made, and for the period it covers.

I should like now to offer a suggestion, not exclusively but perhaps primarily, to management. It is that while facts are important in determining any course of action, don't overlook one of the most important facts of all—that men don't react to fact or logic alone. Men by nature are emotional creatures. They have likes and dislikes. Most men, however, will accept fact and logic when it is made clear to them that the course dictated is in their interest and calculated to help them satisfy their desires. Alert managements will recognize and take into account, in the conduct of their affairs, the fact that one powerful influence toward efficient performance will be the degree to which an enterprise can, in addition to turning out tangible production, provide for the individual the opportunity, security, and dignity he wants.

Another suggestion for all of us is to bring more intimately into our daily lives the practice of Christian principles. In the past, too often, religion has been confined within the walls of our church or temple. Somehow we must realize that selfishness in an individual sense should be superseded by unselfishness; that regard for others must influence and guide our individual actions. Principles of human relations and old-fashioned values must receive more attention even in collective bargaining. There is always a place for such qualities as sympathy and kindness. It would be well to give thought more frequently to the desirability and

virtue of resistance to evil, shunning avarice, dishonesty, and falsehood, and encouraging tolerance and humility, principles which through the years have been recognized as the attributes of great men. So I suggest that one guiding principle in the operation of business and labor organizations be conscious adherence to and sympathy with a practical code of Christian principles with reliance on God for guidance in our relationships between men.

Another suggestion to both labor and management might be avoidance of mental rigidity. Leaders in management and labor have joint responsibility to be aware of the ambitions and objectives of all society, and to let a far-range point of view and a clear perspective work toward the satisfaction of these desires. Unfamiliar suggestions must be considered on merit, without recourse to preconceived notions or prejudice.

The labor agreements in the steel-producing subsidiaries of United States Steel set forth the intent of both union and company managements essentially as follows: The company and the union encourage the highest possible degree of friendly cooperative relationships between their respective representatives at all levels and with and between all employees. They recognize that this goal depends not on words in a labor agreement but primarily on attitudes between people at all levels in their respective organizations, and that these attitudes can best be encouraged when it is made clear that company and union officials are neither antiunion nor anticompany but are instead sincerely concerned with the best interests and well-being of the business and all employees.

Following recital of procedures to bring the parties together from time to time to appraise their problems, the agreements conclude that, by acting as set forth, both management and labor will be giving evidence of a sincere attempt to accomplish cooperative good industrial relations, and thus, "as men of good will with sound purpose, may best protect private enterprise and its efficiency in the interests of all, as well as the legitimate interests of their respective organizations within the framework of a democratic society in which regard for fact and fairness is essential."

Are we making progress generally toward mature collective bargaining? I think we are. We certainly will in United States Steel if we can find what those words describe. The past fifteen years have been hectic, fast moving, bringing rapid growth and organizational activities among unions, great expansion of government influence, and, by government edict, vastly increased areas in which unions may bargain. In view of these happenings and the antipathy of human nature to violent change and restriction of freedom and initiative, progress could not have been other than uneven and turbulent. But with it all we have moved ahead.



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Will we attain still greater maturity in the future? Yes—and for at least two primary reasons: First, our standards of intelligence are rising, and as we become better informed we will more readily recognize facts and be governed to a greater degree than now by them. Second, because we must, for mature collective bargaining is a tool to use in working together in a free competitive enterprise system, not only to increase output and apportion it equitably, but to keep the system free.

# James B. Carey

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I AM GRATIFIED that you, as students of labor and the relations of labor to the nation as a whole, have invited me to address you at this critical stage in world affairs. As young folks, you for the second time in ten years face a world of uncertainty, a world made perilous by the march of another would-be Hitler. This time it is Joseph Stalin. And, as students of labor, I know you are interested in the views of the trade union movement on the crisis that has developed in the American mobilization program, a program that must succeed so that we can contain this Communist aggression for all time.

No one can deny that the mobilization program is in a crisis. When the representatives of 95 per cent of organized workers, who with their families comprise nearly 50,000,000 persons, decide they cannot further be associated with the running of the program, you have a crisis—you do indeed have a crisis. And we are well aware that the stand taken by American labor does have a profound influence on the masses of people in other nations of the free world, and among those particularly who are subjected to Communist propaganda. We are well aware of the fact that any criticism we of free American labor might voice of this program will be echoed abroad.

But we of American labor had to make an honest decision. We had become profoundly concerned about the drift in the mobilization program. As persons responsible to our nation and to our millions of members, we came to the logical conclusion that the action we took would cause less damage than to have the present drift continue and require more drastic action a year later or even a few months later.

Yes, we are responsible people. We are not only fully behind our nation's determination to meet the menace of Communist imperialist aggression, but we have been in action all over the world fighting that aggression. Labor in America is neither a Johnny-come-lately to the fight against Communism, nor are we armchair warriors. I was one of those who participated in breaking the strangle hold that Communism was attempting to establish over the world labor movement, and I helped to break up the World Federation of Trade Unions, which had become Moscow's instrument for that domination. The legitimate American trade unions participated in founding a new world labor organization, the International Confederation of Free Trade Unions, which is fighting the Communists in every shop, every mill, every mine, every factory,

every dock, and every farm—and that is where the conflict is most intense.

I was instrumental in helping to blueprint the Marshall Plan through the Harriman Committee, and today I serve as a member of the Presidential Public Advisory Board which helps direct ECA's work. And in every mission of ECA, representatives of American labor are working with the non-Communist labor groups to help provide the economic conditions and encouragement that will keep their nations free.

In this connection, although the arrangements with regard to labor's role in ECA were not fully up to our hopes, they never provoked the kind of crisis that we have had in the mobilization effort. For there was the understanding on the part of those who led ECA's destiny—Paul Hoffman, Averell Harriman, and now William Foster—that the menace of Communism abroad came chiefly in its appeal to workers and the underprivileged generally. Therefore, it was indispensable to have in key ECA positions representatives of American labor, who could interpret our policies to European labor, get their viewpoint and problems, and help formulate ECA policies that would provide the maximum effectiveness in our joint aims.

Now that sounds like a pretty common-sense approach to an important and complex problem. Yet we will see in a few minutes how key figures in our mobilization setup either had no understanding of it or were opposed to it in basic principle.

I thought it important to deal with labor's basic approach to this whole problem of defense against Communism, because there has been a widespread, rather crude attempt to charge that labor "walked out" on the mobilization effort. There is also an inference that somehow labor has walked out on the fight against Communism. What American labor, through the United Labor Policy Committee, did was to say that so long as the present policies of the mobilization effort continued, American labor could bear no responsibility for them. Therefore, it was withdrawing from any official positions that we occupied. This did not affect the production of defense materials, our determination to fight inflation, or our basic support of the foreign policy of this nation.

The Bible says, "Let him who is without sin cast the first stone." I would paraphrase that by saying, "Let him who has fought international Communism as vigorously as has American labor step forward to judge our actions."

Basically, the United Labor Policy Committee withdrew because it saw a type of leadership of the mobilization effort and a type of policy that to us spelled complete "big business domination" and the very reverse of the equality of sacrifice on which the program was to be based.

It was our view that if this type of leadership and policies continued, the program would lose public support and eventually break down, with incalculable damage to our whole defense effort. And that breakdown might come at some critical period when we were engaged in a vast global war.

We realized, of course, that the character of the leadership and policies was simply the result of mismanagement. We knew our advice would be sought and given due weight. We were certain that just as reactionary political forces are seeking to use the present emergency to throttle freedom of thought and speech, so reactionary business leaders might attempt to use this emergency to throttle American labor and spread their domination over the American people.

So we had two things to do. First, we had to weigh the actions and policies and, second, we had to analyze their end effects. Labor's withdrawal was the result of this sober weighing of the implications of what was happening in Washington.

Now let me be specific about these two major questions—the question of leadership and that of policies—and the dangers to the nation that they posed. It seems obvious, I think, to any freshman at college that a football team to be successful had to have competent players who could fill all the places on the team, and that any squad trained only to be quarterbacks would quickly fold up. It is obvious, too, that for the team to be successful there had to be confidence in the leadership and its purposes. It is obvious that if the members of the team felt that the captain was, for example, a grandstand player who wanted to hog this show, it would be difficult to stir team enthusiasm.

Elementary common sense would have required that our mobilization team be recruited from the best people to be found from all walks of life. The idea would be to present to the nation a team that in its totality represented the best streams of our national heritage, and composed of people of unquestioned reputations. In that team each element—labor, agriculture, business, and the general public—would have its due place, but only its due place.

But let's look at the team that emerged. I think anyone who does look at it impartially cannot help but feel that it violates every element of common sense, of practical judgment, and of the desperate needs of the task before us. It is a closed shop, an exclusive club of interlocked big business executives, that forms the top team to run our mobilization effort and appeal to the American people for sacrifices.

Neither labor nor farmers were asked to join this exclusive club. Labor's request for a single place was rejected by Charles E. Wilson on the grounds that he did not want "pressure groups" to be represented.

And it was only when he was ordered by the White House, and when labor had already made its decision to withdraw from the agencies, that Wilson reluctantly agreed to offer to hire a man from labor.

In the major operating agency of production, the National Production Authority, I know that whereas literally dozens of meetings of industry advisory committees have been held, where the major policies regarding allocation of materials were discussed, labor people were permitted to attend exactly three meetings—but our invitation said we were to be only observers. In dozens of other meetings, questions vital to production, employment, the life of small business, the kinds of products to be produced, were all discussed. Yet labor was excluded to all intents and purposes.

Yes, we were offered a few jobs with various agencies, but in our opinion these jobs were meaningless unless behind it all there was a basic teamwork in running the show. We refused to engage in “window dressing.” We took the view that just as business had its contribution to make, so had labor, agriculture, and people from public life. Together we could inspire and lead America, together we could develop policies that would establish support and confidence. Yet the very opposite took place, and we had a right to weigh and evaluate what this meant to the direction in which the whole mobilization effort would move.

We maintain that in the ranks of labor we have people with the ability, patriotism, vision, and integrity to match anyone in any other field—even surpass in many cases. And in addition we have two things that the Wall Streeter does not possess—we have a real understanding of the nature of the Communist beast, and we have a grass-roots knowledge of the desires, needs, and goals of the American people. That’s because we are part of the people.

Our concern over the question of leadership was reinforced by the type of policies we saw emanating. To us they smacked of the same big business, Wall Street club type of thinking. They were in direct conflict with the concept of equality of sacrifice called for by President Truman.

Let me give a few examples. We saw the attempt to fasten a rigid, unrealistic wage formula upon American wage and white-collar workers that would necessitate the tearing up of hundreds of contracts affecting millions of workers. This formula—the so-called Regulation 6, the 10 per cent wage formula—was in defiance of simple justice, of industrial peace, of contracts negotiated in good faith. In effect it would have frozen workers at a standard actually below that of January, 1950, at the same time that prices were virtually uncontrolled, and the price of foodstuffs could hardly be controlled by the Defense Production Act. We saw many groups being exempted from price controls and we saw

the retail trade given a built-in inflation through the automatic snow-balling effect of sales margins as prices increased.

We saw the great corporations of America piling up unheard of profits, but the kind of taxes proposed would leave them with the major share of their profits at the same time the wage earner and white-collar worker would bear the major burden of paying for defense. That is not equality of sacrifice. We saw great corporations being bribed by the government to increase production by the grant of billions of dollars of tax amortization privileges, while small companies were being forced to the wall because they could obtain neither this tax privilege nor even the basic materials to keep their current operations going.

I think the best way to illustrate what was at issue is to cite some facts. During the four war years of 1942-1945 the profits of American corporations averaged \$22.5 billion a year. But in the fourth quarter of 1950 their profits were equal to \$48 billion on a yearly basis. Reflect on that for just a moment—corporation profits soared to more than 113 per cent over what they were during the peak war years!

The picture of profits after taxes is even more disgraceful. During the same four war years net profits averaged slightly less than \$10 billion a year. But with the fourth quarter of 1950 net profits were on a basis of more than \$26.5 billion a year. That means that net profits had skyrocketed to more than 165 per cent above the war years! Yet during this same period our national income increased by only 50 per cent and wages rose by only 48 per cent. Clearly, corporate profits were racing far ahead and gobbling up an enormously disproportionate share of the national income.

Let's take it from that viewpoint and see how the national pie was divided. During the war years the "take" of the U. S. corporations, before taxes, was 13.5 per cent of the total national income. But in the fourth quarter of 1950 the "take" had boomed to 19 per cent. After taxes the corporation "take" nearly doubled from 5.9 per cent of the national income during the war years to 11.5 per cent in the fourth quarter of 1950.

But in that same period the share of the national income spent on wages dropped from 62 per cent to 61.5 per cent. In other words, while corporations were grabbing a 50 per cent larger slice of the national pie, the wage earners' share of that pie actually decreased. And that occurred despite the fact that our civilian labor force increased by nearly 7,000,000 since the war years.

Let's view the picture from another angle—that of the periods before and after Korea. These are the periods used for determining wage, price, and profit change by the Stabilization Agency. Between the first three

months of 1950—the period before Korea—and the last three months of 1950 the average wage in manufacturing increased by 10 cents an hour. In the same period the profits made by manufacturing corporations on each hour of work by each production worker increased by 40 cents an hour, rising to an estimated \$1.10 an hour for each hour worked. In other words, the corporation profits on each hour worked increased by four times as much as the workers increased their hourly wages.

If we consider the picture after taxes and after increased living costs for both corporations and workers, we find that in the last quarter of 1950 the workers had 3.5 cents less to spend for each hour worked than in the first quarter, while the corporations had over 10 cents more to spend for that same hour of work by every production worker.

I think these simple facts are a clear indication that it was not wage increases that were causing inflation and rising prices, but rather the gouging of the public by speculators and greedy corporations. Yet the first act of the Wall Street mobilization setup was to attempt to impose an unjust wage strait jacket on wage and white-collar workers. It was this type of economic lunacy against which we were protesting.

I have already mentioned the matter of tax amortization privileges. But it is important to call to your attention the fact that in the whole of World War II only \$7 billion of such privileges were granted. But in the few months we have been engaged in this mobilization program already \$3.5 billion have been granted and some \$10 billion more requested. Mind you, that's in a few short months.

I think you realize how valuable these privileges are. They permit a company building a new plant to charge it off in five years instead of twenty or twenty-five years. The result is that it is the government, or I should say taxpayers, who contributed two-thirds of the cost of the plant, but it remains the property of the corporation that built it. That \$3.5 billion of privileges already granted will cost the American people perhaps \$2.5 billion in lost taxes.

As students of industrial relations you must be interested in the present struggle over the powers of the Wage Stabilization Board and its relationship to disputes. It would seem to be common sense that in this period of national emergency industrial disputes must be settled as far as possible by agreement rather than by the use of economic power. It would appear from the newspaper stories that labor, having gone on a so-called "strike" against the defense program, is the party that is holding out on this issue. Yet do you know the situation is exactly the reverse?

Organized business does not want the Board to handle disputes and thus arrive at agreements through a tripartite board. Organized business prefers that the dispute erupt into a strike and then the government

clamp down on labor through the injunctive power of the Taft-Hartley Act! Yet I wonder how many of your newspapers in California have told you the truth about that startling situation—that it is the employer groups who want to risk the danger of strikes, and it is labor that wants to avoid that danger. That it is the employer groups and not labor that is holding up the reconstitution of the Wage Stabilization Board.

There is one other important matter concerned with what I have called the economic lunacy in the way the defense program is being administered. I refer to credit controls. Probably you remember that when Congress passed the Defense Act it gave the Federal Reserve Board the power to regulate consumer credit and bank credit, but no power to regulate the commodity exchanges. What has been the result?

The Federal Reserve Board's first act was to clamp controls on the purchase of a house, a refrigerator, a washing machine, an auto. The down payments were increased tremendously and the time for repayment sharply reduced. This was done because we were told that the credit used to buy these essentials would cause inflation; and we were told that inflation had to be stopped right at the source.

So today, if you want to buy a \$10,000 house—which is not very much of a house—you have to put down 23 per cent of the cost or about \$2,300 in cash. Presumably that would help stop inflation. But if you happen to be a large contractor and own 100 houses, you can increase the cost of each house by 23 per cent or 33 per cent, and that will be only the law of supply and demand operating!

If you should want to buy a house with only a 10 per cent down payment, because that's all the money you have, you are accused of wanting to create more inflation. But you can take that same \$1,000 and walk into a brokerage house and buy, for 10 per cent down, \$10,000 worth of cotton or corn or wheat or tin or lead or copper or soybeans. You may never have seen these products, never even wanted to raise them. You simply make a down payment and wait for the prices to go up.

It is a fact that because of this sort of economic horseplay there have been times since the start of the Korean war when the entire annual crop of a foodstuff or of cotton, for example, would be traded back and forth for profits of 100 to 400 per cent. If you engaged in that sort of vicious speculation you weren't aiding inflation! Oh no, you were a good citizen simply assisting the law of supply and demand!

If you bought a refrigerator in which to preserve your food, you had to pay for it within eighteen months. But by paying only 10 per cent down you could buy huge carloads of food, such as corn, wheat, and soybeans, and they would be held for you as long as you wanted them held. The money to finance you came from the banks. You didn't have to be a



professional speculator, either, to do that. You could be the head of a powerful and respectable corporation using bank credit to buy up large stocks of critically scarce materials in order to hold them for a price rise. And the very fact that these stocks were being purchased in itself helped to boost the prices higher.

The Federal Reserve Board's own records show that whereas consumer credit increased by \$3.5 billion in the last year, the amount extended by banks on loans increased by more than \$10 billion. A great part of this was to finance the speculation and hoarding of scarce materials and food-stuffs. Now on top of everything we have the Secretary of the Treasury proposing an excise tax of 25 per cent on essentials already under credit control, such as refrigerators, washing machines, radios, and cars. The consequences are obvious: fewer and fewer people of low and middle incomes will be able to afford them.

That is the picture of Washington today in terms of profits and credits. Clearly we of labor would have betrayed the trust the American people have placed in us had we failed to separate ourselves from the policies that make these iniquitous things possible.

We owe it to the American people, to the wage earner, to the consumer, to the people living on small pensions, to the men fighting in Korea, to let the truth be known. If we are forced to, we will let the big business boys run the show—but without us. We will do our job on the outside, loyally and militantly, to protect our nation not only against the menace of Communist savagery but also against the forces of greed and special privilege that would weaken our democratic strength from within.

Organized labor in America eagerly awaits a sign from the defense mobilization chiefs indicating they really want some teamwork. We are willing to play our part. We know also that while many of the problems are the result of a narrow leadership and bad policies, others are the result of a Defense Production Act that simply cannot work if equality of sacrifice is to have any meaning.

Therefore, we are undertaking a nation-wide campaign to have the Defense Production Act revised in several important respects:

First, to permit effective price controls on a dollars and cents basis, and quality control over the things the American people buy.

Second, to permit the farmer to get a fair return and yet hold prices down through a subsidies program for foodstuffs.

Third, to regulate and cut down speculation in the essential commodities of defense and the cost of living.

Fourth, to control rents adequately.

Fifth, to have an equitable tax program based on the ability to pay.

Under our program we know sacrifices must be made. We of labor are prepared to bear our share, but we insist that every other group do likewise. The defense program is designed to help preserve our nation and its people and our way of life. It is our contribution to help preserve the freedom of like-minded people all over the world. As such, that defense program must be the property of all the people and not of a few. And it is to that end that the 15,000,000 wage and white-collar workers we represent are dedicating themselves. And because we are fighting the fight of all the people, I know we will win.

# Charles E. Wilson

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IT IS A PLEASURE to have the opportunity to speak to such a fine group of men and women under the sponsorship of the University of California. The subject assigned to me—"Mature Collective Bargaining: Prospects and Problems"—is a big and important one. Big because of the many problems, the millions of men and women affected, the lack of accepted criteria, the conflict of selfish interests, the clash of personal and group ambitions. Important because it will determine whether our country is to have full production or be harassed by strikes, labor disputes, and continued shortages—whether we are to achieve national unity and successfully meet the challenge of a combined peace and war economy, or whether we are to have labor-industry strife that will weaken our nation in this critical emergency.

When our country adopted collective bargaining as a national policy, the stated purpose of the Wagner Act was a very laudable one, but the conception of collective bargaining, imported from Europe, was a most unsatisfactory one. As a result of this Old World conception of collective bargaining as a means for righting ancient social wrongs, many individuals with such a background and point of view promoted collective bargaining as a class conflict, as a clash of economic and political power, even as a social revolution.

Labor leaders suddenly were given great responsibility and power. Union policies and objectives were confused with the policies and objectives of those who advocated various forms of state socialism, and even outright Communists achieved positions of leadership in some labor unions. Such men and women advocated Communist doctrine as union policy and used labor unions to promote Communism. Even the Auto Workers and the Newspaper Guild, along with some other CIO unions, went on record publicly as favoring the so-called Loyalists in the Civil War in Spain. I remember thinking at the time that they were going a long way looking for trouble.

Employers and businessmen resented this new law that apparently took away, at least in part, their constitutional rights of free speech as affecting their relationships with their employees. The law was interpreted as meaning that employers had to bargain with anyone who popped up and claimed he represented some of the employees of that particular employer. Some of these labor union leaders, in addition to presenting legitimate demands of labor, advocated radical social doctrines that added to the confusion of employers.

This condition certainly did not contribute to sound and responsible collective bargaining. Looking back fifteen years, one realizes that progress has been made toward more mature collective bargaining and more practical labor-industry agreements.

I remember my first experience with what might be called organized labor. It was not, of course, my first experience with employees. After the sit-down strikes in General Motors (this was early in 1937) Mr. W. S. Knudsen called me into his office. He was Executive Vice-President of General Motors, and I was his assistant at the time. He said to me: "The men have gone back to work. We are going to negotiate an agreement now, and I want you to take charge of it for the Corporation."

I said: "Mr. Knudsen, I will do whatever you want me to do. But why don't you be the chairman? And I will help you."

And he said, "To be perfectly frank, you talk more than I do and you have more patience."

And that is about where collective bargaining was in those days.

Stable and sound industry-labor relations and agreements are increasingly important today because the Korean war and our defense program require that the nation must have maximum and efficient production. Today great masses of people in many parts of the world are being subjected to hardship and violence to advance the principles of collectivism and to further the ambitions of a few dictators. Through the centuries of recorded history dictators, no matter how they may have achieved their power, have been responsible for most of the world's disastrous wars. I am convinced that the peoples of the world want peace, not war. But it is becoming increasingly clear that since there are dictators abroad in the world we must keep our nation strong in a military sense and we must avoid dissension and labor-industry strife at home.

The promises made in the name of Communism by dictators especially appeal to people living in poverty and misery, whose pressing animal needs seem to be more important than their spiritual welfare. Since the dawn of civilization man has had to struggle against nature for food, clothing, and shelter. And even in our time, not more than 20 per cent of the population of the world have regularly had all they wanted to eat, and most of this 20 per cent live in our western world.

Wages must be low and hours of work long and the standard of living low when productivity is low. And productivity is low when tools and equipment are poor, when horsepower per worker is low, and when the work is not well organized. Under such circumstances, human backs have to do what slaves of iron and steel do here in America.

Just why are the people of the United States so much better off than the people of the rest of the world? Our high standard of living cannot be explained on the grounds of natural resources, important as they are.

Others, too, have great natural resources. Nor can it be explained by claims of racial superiority. We have a common racial background with many other nations, since most of our ancestors came from Europe. We must look elsewhere for the answer to this important question.

The answer lies in the simple fact that Americans have accepted the obligation of individual competition as a responsibility that comes with personal freedom and for more than 150 years have had the opportunities to educate themselves, choose their own religions, select their own occupations, compete for better jobs, accumulate capital, and invent better ways of doing things. Thus, they have developed their individual talents, energies, and initiative to the maximum, and through striving to improve their own welfare they have raised the level of prosperity for all Americans.

Therefore, our political system that permits and promotes individual enterprises, personal responsibility, free competition, respect for the rights of others, freedom of choice and decision, freedom itself, is the final and important factor that makes the difference between our country and others.

In my fifty years of experience and memory I have seen the most amazing increase in the standard of living of a people ever achieved anywhere in the world. I cannot understand how anyone who has witnessed all of these developments, starting with the great improvements in modern plumbing and electric lights and followed by the automobile, airplane, household appliances, radio and television, the things that have added so much to our standard of living both in cities and on farms, could believe that our American free competitive system is fundamentally wrong. Nor can I understand how anyone can feel that industrial progress has been made at the expense of social progress. Look at our churches, colleges, schools, hospitals, theaters, art centers, and recreational parks. No American should suffer from the great delusion that any form of Communism or Socialism which promotes the dictatorship of the few instead of the initiative of the millions can produce a happier or more prosperous society.

To continue this marvelous progress, labor and management must work together. An American solution for the problems of labor and industry must be found consistent with the basic principles on which our country was founded.

We in General Motors hope that our recent five-year labor agreements amount to fundamental progress in this direction, since they are based upon experience, logic, and principle rather than on pressure, propaganda, and force. The principles are important and, we believe, can be applied generally. They are:

1. That it is logical, fair, and reasonable to maintain the purchasing power of an hour's work in terms of goods and services the employee must purchase in his daily living.
2. That all Americans look forward to improving their conditions; that workmen along with all other citizens are entitled to share in the advancing prosperity of the nation. We call this the "annual improvement factor" or the "productivity incentive factor."
3. That productivity is the only road to an economy of plenty; that machines are the friends of man, and that to produce more with the same amount of human effort is a sound economic and social objective.
4. That insecurity worries people and that it is reasonable for employers to assist employees in acquiring life insurance, sickness and accident benefits, hospitalization, surgical coverage, and pensions, to protect them to the degree possible against the individual hazards of life.
5. That cooperation and peace rather than industrial strife and strikes will best promote the prosperity of the employees, the company, and all the people of our nation.

The cost-of-living formula by which wages are adjusted each three months in line with changes in the Bureau of Labor Statistics Consumers' Price Index is a continuation of the principle first adopted in our 1948 agreements and applied in the same way. This provision protects our employees against inflation and to some extent protects the Corporation against deflation. In itself it is neither inflationary nor deflationary. It simply adjusts the wages of our employees after the fact to what inflationary pressures have forced on the national economy. Inflation depends upon money supply, the tax and other fiscal policies of our federal government, lack of production created by wars, strikes, export policies, speculation, stock-piling and hoarding, or partial crop failures, little of which can be controlled or even directly influenced by the Corporation or its employees.

A study of the history of wages back through the years indicates clearly that when the cost of living rises rapidly, wages have been adjusted upward also. As a matter of fact, through the years wages on the average have risen faster than the cost of living. However, where there are organized groups and frozen wage contracts are involved, crises are always created if the cost of living rises rapidly during the period of such a contract. Under such circumstances dissatisfaction and unrest mount, efficiency declines, and a big issue develops when the contract expires. In such situations wages are adjusted by pressure of bargaining, with a great deal of antagonism in the process and frequently resulting in bitter strikes.

No one should be so naive as to think that wages among organized

groups will not be increased, under pressure if necessary, to make up for increases in the cost of living, nor should anyone ordinarily object to such adjustments. Our formula is designed to accomplish this inevitable adjustment smoothly, in a manner which avoids the friction inherent in the old method. We find that this method of adjusting wages in line with the cost of living appeals greatly to our employees.

Some commentators and financial writers, conservative businessmen, and radical labor leaders have criticized General Motors and UAW-CIO for this cost-of-living agreement. It has been dubbed "built-in inflation," which of course it is not. Under the formula wages were reduced a total of five cents an hour in the fall of 1949 and in the early spring of 1950, when the cost of living was declining. It works both ways. And now that the cost of living has been rising, some of these people are especially critical. If they would take the position that they believe the standard of living of American workmen should be held down and even reduced, and then criticize General Motors and the Auto Workers for maintaining and improving the standard of living of workmen, they at least would be logical and I would better understand the criticism.

The annual improvement factor of four cents an hour is approximately 2.5 per cent of average wages. Perhaps it does not seem like much, but it is a little like compound interest and really means that in a generation on the average every man will have twice as much as his father. It is somewhat less than the nation's manufacturers have been able to achieve on the average in the last fifty years. Furthermore, in those same fifty years the standard work week has been reduced in our country from sixty to forty hours.

The annual improvement in real wages to which we have subscribed is about what we think is the average improvement the country can make, and it is about what we have done in the past. Of course, we in General Motors hope to do better than the 2.5 per cent in our operations, so that in addition to raising real wages we can continue our policy of improving our products and giving the public more for their money year by year.

Small businesses have just as great an opportunity to improve their efficiency in their operations and take advantage of modern knowledge and technology as large businesses have. The principle of annual improvement in real wages based on technology we also hold to be neither inflationary nor deflationary. It does share promptly with workmen part of the fruits of technology. Unit costs are not supposed to increase since productivity is assumed to increase at least as fast as hourly wages. (I am talking about the part that is the annual improvement.) Therefore, no price increases should result from such wage increases. On the other

hand, the purchasing power of the dollar would tend to be stabilized instead of increased, as would be the case if wages were held down and prices reduced and there were no inflationary pressures. Furthermore, there is no good ethical or economic reason for asking workmen and current producers to forego all economic gain in order to increase the purchasing power of all the wealth accumulated in past years.

General Motors and the unions with which it has these five-year agreements have been criticized for recognizing an annual improvement based on technology. Businessmen, bankers, financiers, and some economists have taken the position that instead of increasing wages, prices should be reduced, claiming that thus the benefits of technology are spread more broadly.

Most students of the matter agree that the benefits of technology should be spread three ways: (1) a part for the owners of the business to compensate them for their initiative and their investment; (2) a part for the employees to develop their willing cooperation in the venture, for most people know that industry cannot exist without both capital and labor; and (3) a third part in the form of a price reduction or a product improvement to expand the business and obtain more satisfied customers.

Most of those who criticize the General Motors wage formula do not quite understand it. For it separates wages into two parts. Most people think of a dollar as a definite thing, but this separates the wage dollar into these two parts: (1) an adjustment which may be up or down, depending on the cost of living; (2) an adjustment which is always upward and which is based on progress and increasing knowledge.

This division and analysis of the factors affecting each part place collective bargaining pressures on wages on a logical basis for the first time in labor-management history. This is a rather simple idea. The principle has been used many, many times for many, many years by engineers or students of any problem when they try to analyze an end result and they find that they can understand it only by breaking it down into the factors that determine that result and then examining each of those factors separately.

The union leaders who understood these principles and had the courage to make a five-year agreement based upon them, and who in addition were willing to make a positive statement favoring better methods and labor-saving machinery, deserve a great deal of credit. As far as I know, no union ever before went on record publicly and before all its members favoring labor-saving machinery and the accomplishment of more with the same amount of human effort, and subscribing to cooperation in the process.



The costs of manufactured articles depend upon the cost of raw materials as well as labor. The prices of many raw materials do not fluctuate directly with the labor cost of producing them but mainly depend on immediate supply and demand. Witness the recent price increase in nonferrous metals, cotton, wool, and rubber, which have risen not 2.5 per cent or 5 per cent but from 25 to 100 per cent.

The benefits of technology in raising the standard of living of a country can be dissipated through strikes, work restrictions, featherbedding, absenteeism, excessive military expenditures, inefficient government, or an artificially short work week. You can always examine the influence of important factors that affect any result by taking them to extremes. For instance, if we went to an eighty-hour work week or more we would all be working ourselves to death, and if we went to a ten-hour work week we would all starve because we did not produce enough to support the population.

These things about which I have been talking that dissipate the benefits of technology are all negative and inflationary and must be avoided. But if the people of our country really understand this principle of progress through technology and are willing to work for the things that they would like to have, I have no worries about our country being able to stand the cost of pensions, insurance, high wages, and even a reasonable rearmament program.

Both the insurance package and the pension plan were worked out in order to assist employees in protecting themselves against the individual hazards of life. Many people forget how hard it is for the average workman to save money for a rainy day or for his old age. We have millions of salesmen abroad in our land trying to entice these same workmen and their wives to spend every last dollar they can get their hands on and go into debt besides. It is important that the nation's workmen should spend for what they need or feel they should have and still have reasonable security. Basically they are the customers as well as the producers. In a progressive and prosperous society such as exists in our United States, a diminishing portion of the national income is spent for subsistence living. The balance is spent for the other things that make up a higher standard of living, and the purchase and, hence, the production of these other things depend on the desire, the confidence, and the ability to buy.

If American workmen and other producers had been frozen in their standard of living of fifty years ago, we would have had no mass market, we would have been producing automobiles by the thousands instead of the millions, and home appliances, radios, and television sets, if they existed at all, would be great luxuries. Fortunately real wages have in-

creased as Americans in their ingenuity invented new and better products and the means for producing them. Mechanical horsepower per worker was greatly increased, and workmen as well as others were able to purchase these products and make possible the mass market and our American standard of living.

We put a great deal of value on the noneconomic provisions of our agreements. They are very important in maintaining efficiency and order in our plants and avoiding misunderstandings and work stoppages. They provide for the establishment of fair work standards and for fair treatment of employees. They recognize the basic principle that all individuals have a right to a hearing over any grievance they may have regarding their work.

I heard a story not long ago that could be used to illustrate the point of how difficult it is for executives to find out what is really going on in the thinking of the men of what might be called the working level of the organization. The president of one of the large oil companies, whose company was very large in the retail end of the business, with many filling stations, realized how important that was to his company, and he got the idea that if he would go around incognito to the different filling stations he would find out more about what was really going on. So he would drive into a filling station and ask to have his oil checked, and while the owner or the station attendant was checking the oil he would talk about the company's products and its policies. And he found out a number of things that he did not like very well. He tried to correct them from higher levels in the organization. He kept this up for two or three months, and he started to get quite encouraged and thought he noticed quite a difference and improvement. Then one day he happened to raise the hood of his own car and he found a notice pasted inside, and it said: "Be careful of what you say or do. This so-and-so is president of the company!"

After we completed this five-year agreement last May, we received many letters regarding it. Most of them were quite favorable. I should like to read one of them to you.

As the wife of one of your employees I am writing to thank you for the wonderful thing you have done. I am glad you realize men don't want to strike and that they do have to provide for their families and that insecurity worries people. My husband said the next day after the good news the men were happy and worked hard and well.

Incidentally, last year General Motors broke all production records in all phases of its business. More than 3,800,000 cars and trucks were produced in the United States and Canada and enough more in Germany, England, and Australia to make 4,000,000. And this could not

have been done without the willing cooperation of approximately 500,000 employees. Many people forget that it is quite easy to define a wage in so many cents per hour, but it is very difficult to define what you get for that money, and unless the workmen in modern industry are willing to cooperate with the management and work intelligently and well it is very difficult to accomplish much.

I heard a story that came out of Denmark that illustrates the extreme of that. When the Germans overran Denmark they took over the General Motors plant at Copenhagen. They decided that they would make airplane engine parts in the plant, and then shortly they decided they would also make completed aircraft engines. And the record is that in three years they never made one good engine in that plant. Those Danes got "dumber" and "dumber." They spoiled the work. All kinds of things happened. And finally the powerhouse blew up. That is just an extreme, of course, when men are pressed hard by a war condition. Not only Danes can operate that way either.

The question has been raised as to whether these five-year contracts which provide for increasing or decreasing wage rates every three months in line with changes in the cost of living and which provide for an annual improvement factor, are sound in a period when our nation will have to make substantial and even huge expenditures for military materials. We believe they are. If workmen as well as all other citizens have to temporarily accept some reduction in their living standards, they will do so more willingly if their share of the nation's tax load forces them to do so than if they are forced to the same condition by their employers holding down their wages in the face of rising living costs. When workmen pay increased taxes, they at least have the satisfaction of feeling that they are doing their share to defend their country and are not just having their living standards reduced to the apparent advantage of their employers. I think that is a very strong psychological point.

We recognize the difficulties inherent in stabilizing the cost of food, clothing, and shelter—the basic cost-of-living items—but it must be done in order to remove the pressure of wage adjustments. If it is done, the cost-of-living provision for wage adjustments in these contracts is no problem; and if the cost of living cannot be completely stabilized and should continue to creep upward, we still believe that these agreements provide the best solution for the problem.

Historically, wars and threats of war have always developed inflationary pressures that have been hard to resist in any country. This is because under such circumstances there is a great need for products and services of all kinds, but a big part of these goods and services

are required for the war effort and are not available for civilian living. In the emergency the great need is for increased production and increased efficiency of production so that human effort is not wasted. Therefore, any sound agreements that lay a foundation for continued industrial peace have enormous values to the community and the nation.

The details of our five-year labor agreements and the factual data we developed in analyzing the problem of how to determine fair wages are too voluminous for me to present to you this evening. If any of you wish copies of our labor agreements, together with other pertinent data, I shall be pleased to send them to you, along with a copy of this talk, if you will write to me at the General Motors Building, Detroit 2, Michigan.

Americans want industrial peace on the home front just as they want international peace, and I am sure that an expansion of violent, antagonistic collective bargaining to all industries on the pattern of the past, with strikes in coal, steel, and on the railroads about every year or every other year, one after the other, interfering with all industry, certainly will not contribute to the prosperity of our country and in the emergency will weaken our military effort. I am also sure that good Americans cannot accept the philosophy of class conflict imported from Europe.

Certainly General Motors believes in free enterprise. We believe in producing more and better things for more people and in serving our customers well. We also believe in fair treatment of our employees, and we hold that this is not in conflict with treating customers right. Any business, large or small, that expects to show good profits should expect to earn them through efficiency and progress and not by paying substandard wages.

We do not expect our labor agreements to set a pattern of so many cents per hour or of so many dollars a month in the form of a pension, or in the form of certain insurance benefits intended to improve the health of the worker and his family. But it is our hope that these agreements will set a pattern for bargaining based on principles that are fair to all, that will minimize industrial strife, and that will insure industrial peace and prosperity not only for General Motors and its employees but for our whole country.

As an example of procedures in collective bargaining I thought you men and women would be interested in the letter that laid the foundation and established the principles that made possible the first two-year agreement. This agreement was reached Tuesday, May 25, 1948 (it seems like a long time ago now) as a result of the following proposal made to the UAW-CIO the preceding Friday afternoon. And this is the letter:

We have had thirty-seven bargaining sessions with your committee in an effort to resolve our differences and agree on a contract that would improve the relations between your union and General Motors. We have frankly presented our point of view and discussed the problems as we see them. We have also listened to your presentation of your demands and the situation as you men who represent labor see the problem from your point of view. You have ably presented labor's case. We have carefully gone over and reviewed all of your presentations and demands.

We realize that time is running out, that you have dates that must be met.

Due to the developments in our country in the last few months it is now clear that this group (you men representing labor on one side and the General Motors management on the other) face some very important decisions not only as they affect the equities of General Motors and the employees you represent, but through example, the effect of our action on other industries and labor groups, in fact, on the economics of the whole nation. This is true whether the next few days' deliberations result in agreement or disagreement.

All of us have had first-hand experience with strikes and the effect and aftermath of strikes. We know that you men have the power and responsibility to authorize a strike of General Motors employees if you think that this is the right and necessary thing to do. Likewise, you men know, as we know, that big strikes have many of the same aspects as a war. Some day the conflict will be over, and one party or the other may feel that they have won. This is only a relative matter as both the employees and the employer lose. And what is more important, the whole country loses along with them. Strikes create additional shortages and result in more inflation.

During recent months in various bargaining sessions throughout the country, either labor's economic demands have been refused, no solution reached, and work is continuing under a more or less temporary basis with labor dissatisfied, or large and important strikes have been authorized and are now going on. It is clear that the men who represent industry are risking much in their efforts to prevent further inflation—in some cases reducing prices and saying "No" to labor on their demands for increased wages. We subscribe to the importance of this point of view. At the same time we realize the very real problems the employees face in the increased cost of living. We also know that the negotiations just starting between the United Mine Workers and the mine owners, if not peacefully concluded during the next six weeks, will affect adversely all industry and the nation. Perhaps this group here has about the last chance to reach a fair and realistic agreement of the right thing to do and prevent another round of disastrous strikes such as occurred in the fall of 1945 and the spring of 1946. Perhaps the easiest thing for us to do would be to say "No" to your economic demands following the position generally taken by many other important employers and hope that with better crops this summer the cost of living would go down, that in the meantime your union and its members would be patient and would not precipitate a disastrous series of strikes. This would be leaving all of the responsibility with you. We believe that we should share this responsibility, and after a careful review of the whole situation we have some ideas that we think might be helpful.

The union now and in the past has interpreted the worker's problem as a dual one: (a) the problem of maintaining the purchasing power of an hour of work—in other words, protecting the worker from increases in consumer

prices; (b) the problem of assuring the worker that the buying power of his hour of work will increase as the nation's industrial efficiency improves. The union has indicated that its economic demands were designed to deal with both of these objectives.

The facts, as reviewed, may be interpreted to support the union's contention that General Motors workers have been placed at a disadvantage by the fact that consumer prices have advanced more rapidly than their hourly earnings.

It has been the record of the past that workers share in the nation's gains of productive efficiency. That is how the standard of living of workers has been brought to new and higher levels over the years. This trend has given American workers the highest standard of living enjoyed by workers anywhere. His hour of work buys more things than an hour of work buys anywhere else in the world.

What must be questioned and weighed quite carefully in the best interests of all concerned—workers as well as other economic groups—is the approach to a realization of these objectives. We have given careful consideration to this problem and have reached certain conclusions on how it might be resolved. A broad outline of these conclusions follows:

The war and its aftermath have made our economy extremely sensitive to influences of all types. What we need to work towards now is greater stability as a foundation for future progress. The suggestions we have to offer for a realistic and practical approach to the problem as it affects our employees take into account both the need for stability and the desirability of future progress. Specifically, we propose:

1. Reestablish the buying power of an hour of work on a fair basis—in other words, what the worker has lost through increases in consumer prices during and since the war to be made up on a sound basis.

2. Protect the buying power of an hour of work against changes in consumer prices, by making cost-of-living adjustments periodically during the life of the contract.

3. Improve the buying power of an hour of work so that over a period of years the worker is assured of an improved standard of living.

4. That the relations between management and labor be stabilized over a substantial period of time.

These proposals are a real step forward. They would strengthen and improve the General Motors worker's economic position by: (a) making up losses in the buying power of an hour's work; (b) protecting that standard against fluctuations in consumer prices; and (c) holding out assurance to him of a higher standard over the years.

These proposals are an effective guarantee of steadily increasing hourly buying power for General Motors employees. We make them with the full knowledge that we are placing our faith in the future stability and progress of America.

What we propose can only succeed if we can be assured of stable and co-operative relations with our employees. For this reason our proposals must hinge upon your willingness to enter into an Agreement to remain in force for a long-term period. Assurance of cooperation and stability over this period is essential if our employees are to realize the benefits our proposals represent.

We sincerely feel that if General Motors and the UAW-CIO can reach agree-

ment based on these objectives, it would not only be a tremendous forward step in industrial relations but would also be a great force in promoting economic stability and progress in the nation. It would be the type of industrial statesmanship needed now when, in an uncertain world, it is the responsibility of all citizens to help build the prosperity and strength of America.

In order to expedite exploration of these ideas as a possible solution of our problems, we suggest that your group approve a much smaller committee to frankly examine into these proposals as well as other matters, with an equivalent small committee representing General Motors, to see if they provide the basis for a fair and honorable settlement. If this suggestion is adopted, the committee representing General Motors will consist of four people.

During the two days' negotiation that resulted from this letter, we offered to make a five-year agreement based on these principles, but the union leaders said, "This is an entirely new plan and we don't believe we can safely take it for more than two years, until we see how it works out." The experience under the two-year agreement made the present five-year agreement possible, and that statement about an uncertain world has not changed except for the worse.

Following the outbreak of the Korean war and especially at the time of the wage and price freeze last winter, there has been some questioning of the soundness of the escalator-type labor agreements.

I recently wrote a letter giving my point of view regarding the problem of wages, prices, and inflation to one of my friends. Since I took the effort to do that, I thought I would just quote that letter to you this evening. And here it is:

I think the controversy over the General Motors contracts and the question of inflation comes about:

1. Because people cannot or do not agree on what really causes inflation and wish to shift the inflationary pressures or effects from one segment of the population to another.

2. Because we argue over who is responsible for inflation and over whose responsibility it is to control it. Basically, the fiscal policies of the government, especially its tax and budget-balancing policies and what it may permit banks and all other credit institutions to do, have the greatest responsibility for inflation and controlling it. At least these institutions are responsible for the money supply per se, while producers are responsible for the goods and services in total available for purchase. The desires, habits, and ambitions of individuals determine the turnover. The savings habits of individuals and corporations as well as other institutions are also a factor.

3. The problem is further complicated by the argument over how fair wages should be determined, since fair wages and the attitude of workmen influence production and prices. Wages to a considerable degree determine the portion of the sales dollar available to labor. We still have collective bargaining as a national policy and, unfortunately, no generally accepted criteria for guiding such bargaining.

It is very clear to me that to either reduce wages or reduce profits tends to

be deflationary. Therefore it must also tend to be inflationary to increase wages or profits, if all other factors remain the same. The cost-of-living provision in our labor contracts subscribes to the principle that wages will be adjusted in line with changes in the cost of living and provides an orderly method for doing it after the fact. Therefore I claim that this provision in itself is neither inflationary nor deflationary. As a matter of fact it tends to resist inflation to some extent since wages are only adjusted upward several months after the cost of living has increased and the facts are known.

How the cost-of-living escalator functions in the event of a war still depends on the tax and credit policies of the government more than it does on anything else. I am sure your friend would agree that if the resulting increase in wages were all taken out of profits and the dividends to stockholders were correspondingly reduced, there would be no change in the total inflationary effect on purchasing power. Also, the cost of living depends more definitely on the cost of food, clothing, and shelter, and the war economy does not affect these things directly as rapidly as it does the prices of commodities used directly in the war.

I was thinking of rubber, wool, cotton, copper, and so forth.

Witness the recent rapid rise of nonferrous metals, rubber, cotton, and wool at a more rapid rate than the cost of food. Basically, all wars and preparation for war are inflationary, and no nation in the history of the world has ever fought a war and avoided inflation, that is, a reduced purchasing power of its currency. This is a fact worth noting.

What actually occurs in time of war is that there is a shift in equities between producers (those who have the health and strength to fight or work) and those who have accumulated wealth in the past and who are dependent on those who can fight and work for the protection of their accumulated property. Perhaps this may seem to be an oversimplification of the matter and not entirely clear, but in a general way it explains, at least for me, the phenomenon of inflation in wartime.

Most people will agree that if productivity increases with wages, then the increased wages are not considered inflationary. This is considered to be true because the increased production would supply the increased goods that those who have the increased purchasing power, that is, the increased wages, might want to buy. However, I suppose it really depends on what is going on in other segments of the economy. For instance, if workmen were paid increased wages on piecework in a shell loading plant, when they loaded more ammunition, their increased wages, even though they had earned them through increased production, would give them increased purchasing power for other things which they wanted to live on, while the increased number of shells they loaded would not supply any more material for the consumer market.

One of the great advantages of the General Motors escalator-type contract is that it does provide for the fair compensation of employees. It does not itself contribute to either inflation or deflation but goes with the trend, whatever it may be, resisting to some extent but not to the point of disrupting industrial relations. It is not nearly as inflationary as contracts, like some of those recently negotiated, that provide for a substantial increase in wages in anticipation of more inflation.

One interesting result of the General Motors type of agreement is that it has



greatly improved employee morale and attitude toward work. We did achieve an improvement last year in labor efficiency, as best we can measure it, that somewhat exceeded the two and a half per cent we were committed to pay the employees. We have a very satisfied working force and have not increased wages any more in proportion on the average than have other corporations and other industries. Due to the fact that we have done this in an orderly manner, without strikes and threats of strikes, without loss of wages, General Motors employees are better satisfied than the employees of some other corporations seem to be, even though under pressure and in many cases after strikes and loss of wages their unions have gotten even a little greater increase in wages for them.

There is another important psychological point I thought about, and that is this: The contract gives to the workman as a matter of right this maintenance of the purchasing power of his hour's work. It also gives him as a matter of right an improvement every year in his real standard of living. It is not something that the Corporation doles out in a paternalistic kind of way; it is not something that was obtained the hard way, by strikes; and the fact that the workman's equities in these two important regards were recognized has had a wonderfully good effect on the General Motors employees.

When we signed the five-year agreement eight or ten months ago, some of us discussed the question of whether or not we should put in a provision setting aside the contract in case of war. It was our considered opinion that we should not. I think our contract only provides for doing in an orderly way what others will find they will have to do finally anyway, and after a great deal of friction, loss of efficiency and leadership, and loss of wages and production in case strikes occur.

I am quite certain that the General Motors labor contracts had a very stabilizing influence in 1949 and 1950, and that it will finally be found that they have also had a stabilizing influence in 1951, even though there is a great deal of controversy about them both in industry and labor circles.

I am personally convinced that if there were no unions and no labor contracts like General Motors has in the automotive industry, the increase in wages would already have greatly exceeded what has occurred.

Some of you may be surprised to hear me say that.

This increase to my mind would be much more comparable with the increase that has occurred in commodities. For if we had a completely free labor market with no unions and no contracts, labor on an individual basis would have been able to sell its services at a rapidly increasing price just like the owners of commodities have been able to do. If this had occurred there would have to be a big deflation in wages some day, as there will have to be in commodities and as occurred after World War I.

That brought on a depression in 1920-21.

To specifically answer your friend's point that in wartime, since 25 per cent of the national product may have to be diverted for war purposes, the cost of living is bound to rise, and therefore to pay increased wages to workers based

on cost of living would be inflationary because it would increase their purchasing power which would put more pressure on prices, my answer to that is that your friend is correct if nothing else happened. However, what actually happens is that taxes are increased, workmen's savings increase, there is usually some increase in total production, so that whether in total such action results in more inflation depends on what happens in other segments of the economy. Actually, whether in total there is an inflation depends on the tax and budget-balancing policies of the federal government, and wages, profits, exemptions, and taxes determine the distribution of the war burden. From my point of view this is why there is so much controversy over the matter and why there is so much disunity in Washington at the present time over what is the right policy regarding wages, prices, profits, taxes, and inflation.

I thought this letter probably was the best presentation of what I thought about the whole matter

Since the General Motors-UAW-CIO five-year agreement was announced on May 23, 1950, a number of similar wage agreements have been made by others, and such agreements are now practically standard throughout the automobile industry.

It was interesting to see what happened last summer after the first settlements with the two big labor unions: the Auto Workers and the Electrical and Radio Workers. Mr. Anderson, Vice-President of General Motors in Charge of Personnel, and his staff had the job of working out agreements with a number of other units. We call them splinter units: small craft units like die sinkers, pattern makers, small unions in some of our branches. Altogether, I think that Mr. Anderson said there were forty-seven different small agreements that had to be worked out. Many of them were AFL unions which did not understand this agreement of ours and did not want any truck with it. Their business agents said: "Oh, we don't want that agreement like you have made with the Auto Workers." And Mr. Anderson said: "Well, you go back and talk to your members." And they did, and by September every one of them had signed a five-year agreement based on these same principles.

That encouraged me very much. It meant that the workmen in our plants understood quite well what we had done. They understood better than some of my business acquaintances outside of General Motors. Some of them were quite critical about what we did. Some of our competitors said: "Oh, we will never do that." But before the summer was over they suddenly changed their minds.

Another interesting thing happened in Canada. In Canada they have a forty-four hour week officially in the nation. Some of the manufacturers up there had already adopted a forty-hour week, and our employees at Oshawa, as one of their demands, wanted the forty-hour week with forty-four hours' pay. The negotiation up there was a completely

separate one from the one down here. It is a separate corporation in another country.

Forty-four hours' pay for a forty-hour week is quite a trick to do in one big jump. As a matter of fact, you can really take this annual improvement of approximately 2.5 per cent that we in General Motors have subscribed to and expect to achieve through the use of better tools, better methods, better ways of doing things, better organization, better information on how we all can cooperate together, in more leisure time or you can take it in a little more real wages every year.

We reached an agreement for the Canadian plants for the next five years, the same as we did over here, and with an increase in hourly wages, but dropping an hour off each year. So that the men have the same take-home pay as the work week decreases year by year, but they do not have any real improvement in total earnings as long as they have the same job. They are taking their improvement in greater leisure time. That is an interesting thing, too, to get established. Really, you can only pay more real wages if your product output permits you to do it, and you cannot do it artificially by working less.

I am sure that the principles established in these five-year agreements and the fact that we now have some criteria in determining fair wages will be found to be a very constructive thing, not only for General Motors, the employees, and the unions that represent them, but for the whole country as the principles are better understood and followed.

As a matter of fact, the recent labor walkout in Washington fundamentally resulted from a failure to recognize principles in wage stabilization. There were other difficulties, of course, but I am sure that this was the major one. The sooner sound principles for the determination of fair wages are recognized and we make the effort to control inflation by more fundamental means than trying to put the burden on the workmen, the better off the nation will be.

# J. B. S. Hardman

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IN THIS CONCLUDING session of a series of presentations by several eminent gentlemen, each of whom was able to report on an important area of activity and personal experience in collective bargaining, it is perhaps fair that I make a try at a bit of "theorizing" on the matter. In fact, I am not a practitioner of collective bargaining, and my part has been only that of watching the performance and trying, as would any other lay person, to seek out the sense of the whole of this most significant phase of human relations. What I bring is no more than the observations of a student, perhaps a critical student, of management-labor relations and of their relevancy to the evolving American social order.

Another qualifying circumstance attending my review this evening is the fact that I am prolabor; that is, I generally incline toward giving the labor side in a basic conflict the benefit of the doubt. That disposition has come to me in consequence of a good deal of experience, direct and through personal observation, and of thoughtful analysis of that experience. This orientation, far from precluding, indeed animates a keen appreciation of the task of working out, in our social order, a give-and-take arrangement of political and economic relations. As the interplay of social forces at this stage in our history indicates, our chances of continuing whole and healthy as a free nation will be none too good if we fail in that endeavor.

Industrial relations are much more than a within-plant matter. They reflect and they involve the economic, the political, and the vitally human aspects of the dominant civilization, and significantly tend to make or to break the democratic potential of twentieth-century society. They are that important.

Consequently, I view the current practices of collective bargaining as the proving ground of the survival potential of our American industrial and, in the last analysis, our political democracy. In what the collective bargaining process turns out to be, or fails to be, lies an indicator of the direction in which we are moving.

These observations will not, I hope, be construed as expressing a lack of full appreciation of the immediate and tangible interests and realities involved in each and every industry-labor dispute, and hence the great momentary significance of the decisions arrived at via collective bargaining by the parties at issue. The practical needs of the day must be met.

But even so the theoretic implications of the day's work need not be overlooked.

The series of reviews coming to a close this evening is headed: "Mature Collective Bargaining: Prospects and Problems." What does the word "mature" imply? Presumably, "mature" expresses that which is arrived at and is guided by experience; in other words, an ordering of the present by what the past teaches. The words of the late Mr. Justice Benjamin N. Cardozo, inscribed over the entrance to the nearby Law School building, express that thought eloquently: "You will study the wisdom of the past, for in the wilderness of conflicts a trail has been blazed." These are wise words. But wisdom is not absolute. In this instance, it is delimited by the enjoiner of the other eminent member of the great liberal team on the United States Supreme Court, Mr. Justice Oliver Wendell Holmes, against "smiting the living with the bones of the dead." This would seem to be the right frame of reference in analyzing collective bargaining maturity: falling back upon experience without getting inextricably stuck in it.

Collective bargaining is carried on by the bargainers, the representatives of the sides. And there is the presiding chairman, sometimes representative of the public interest. The mental equipment which the practitioners must bring to the performance of the task is rather substantial. What is it to be?

A few years ago, Mr. Louis Stark, a very competent writer on industrial relations, formulated, in an article in the *New York Times Sunday Magazine*, the recipe for a good conciliator in a labor-industry dispute. The man, said Mr. Stark, should have knowledge of "how labor feels; how management feels; what the law of the land is; how human nature operates." Although so modestly stated, it is a formidable bill of *hows*, for involved in the operation are, as Professor John Maurice Clark put it in his *Guideposts in Time of Change*—that's our time—the following: in addition to equity interests, applied psychology, diplomacy, power politics, and—poker. The latter is a grievously neglected discipline, except in an extracurricular way, in extant college programs of education in industrial relations. Certainly this idea administers the *coup de grâce* to the still remaining airtight between-faculties partitions separating economics, industrial relations, politics, psychology, sociology, and that is all to the good. But collective bargaining is not altogether an intramural exercise. Professor Clark also includes in his description of the bargainers' equipment "an accidental dose of violent coercion." And that belongs there too, as is testified by Professor George W. Taylor, a successful theorist and practitioner of the art of collective bargaining, held in much esteem by labor, management, and govern-

ment: "The collective bargaining function of strikes and lockouts—to be allowed to run their course—is that of bringing about a meeting of minds." Ours is not a society of angels. Collective bargaining is a tough business. It is so much tougher because not the "wisdom of the past" but the prejudices of the past have most of us in their grip.

Maturity in collective bargaining implies, on the part of the participants, a decent respect for the realities involved in the dispute to be composed, and that relates to the eventual consequences likely to follow a decision even as it does to the specific interests immediately at issue. To be sure, the sense of any and all collective bargaining is to bring about as quickly as possible peace in industry—the end of a strike if one is in progress, or the alleviation of tension because a breach of the peace is threatened. But in a great many instances more is at stake insofar as the participants are concerned: it may be a matter of peace with honor, of a just peace, and of a peace certain to last. And back of that lurks the issue of the bearing the adjustment to be made may have upon the public good: its economic and political consequences. The maturity which collective bargaining attains in a given situation is determinable by the attention which the bargainers pay to these consequences. A bad peace may be preferable to a good war but a good peace is still better.

The national economic setting and the political climate very largely determine the character of industry-labor relations and hence condition the immediate character and the eventual shaping of the collective bargaining process. The present state of affairs, in this respect, is a far cry from what it was but a decade and a half back. Over these years the economy has expanded enormously and the old trend of concentration of economic power in a relatively small group, a handful of industrial concerns, has taken a new leap onward. Also in these years labor unionism has made great strides. Indeed, percentage-wise, the growth of labor organization and strength has been even faster: the nation's labor force has grown to be a national social power. To be sure, that power is no match, on a unit-per-unit basis, for the power of the industrial giants; yet the coefficient of labor's political weight in the nation is very considerable. It is good to see that the expansion of power resting in things and property has not tended to depress the growth of social weight represented by and deriving from the free wills of men to secure rights and keep them alive. The expansion of unionism in face of the onmarch of power of the industrial and financial monoliths is eloquent testimony to the vitality of American democracy.

The concentration of controlling economic power of business reached a new high by 1947, as the latest ready data show, and the rise has continued since. In that year, the 113 largest industrial corporations, each

with assets of \$100 million or more, owned together \$16,093 million in net capital assets (property, plant, and equipment), or 46 per cent of the total for all manufacturing enterprises. These corporations, constituting not even one per cent of all corporate and noncorporate manufacturing concerns, owned almost one-half of the nation's industrial plant. The concentration of economic power is even more formidable in many single, highly strategic and most vital units of national industry. Thus in aluminum, three companies in 1947 owned the assets of the entire industry (100 per cent). In tinware and in copper, three companies in each accounted for 95.3 per cent and for 88.5 per cent respectively. In agricultural machinery, four companies owned over three-quarters (75.4 per cent) of the industry's assets; and four companies in each of the following industries owned the indicated assets in the respective industry: in cigarettes, 77.6 per cent; in plumbing equipment, 71.3 per cent; in distilled liquors, 72.4 per cent; and in rubber tires and tubes, 70.3 per cent. By comparison, ownership would appear to have been "decentralized" in motor vehicles—only 68.7 per cent; in meat products, 64 per cent; and in basic or primary steel, 49.2 per cent. However, in dairy products, in case you remember that farming was always the bulwark of small ownership, three companies owned 55.8 per cent of the total assets of the dairy products industry, according to the Federal Trade Commission's report on the *Concentration of Productive Facilities 1947* (U. S. Government Printing Office, 1949) from which these and the above figures were obtained.

Union membership has grown from about 3,000,000 in 1935 to about 16,000,000 in 1951. As estimated for 1946, close to one-half (48 per cent) of the total eligible 31,000,000 workers, or 15,000,000, were employed under collective bargaining agreements. Of these, 50 per cent were employed under closed or union shop agreements, and 25 per cent under the maintenance of membership type of agreement; the rest under other forms of hiring and employment.

An impressive phase of the growth of labor unionism is the rise of a number of unions counting membership from over half a million to a million and more. But what matters most is that in significant segments of national industry unionization is the dominant and not infrequently the exclusive state. Unionization of from 80 to 100 per cent of the workers is the case in agricultural equipment, aircraft and parts, aluminum, motor vehicles, cement, electrical machinery, meat packing, coal and metal mining, longshoring, newspaper printing and publishing, basic steel, maritime, railroads, telegraph, and so on. To indicate in a very general way the extent of unionization: in eighty-four designations of manufacturing and nonmanufacturing industry the percentages of union area are:

In 4—from 1 to 19 per cent  
In 14—from 20 to 39 per cent  
In 17—from 40 to 59 per cent  
In 15—from 60 to 79 per cent  
In 34—from 80 to 100 per cent

Thus, in a way, Big Business has seen the rise of Big Labor. Several aspects of the drastically altered state of labor since the early 'thirties are notable. One is that unions are now taken for granted in the major national industries. They are bargained with as harshly as ever, efforts to weaken them are not uncommon, but they are recognized as a fact. Another phase of the enhanced state of unionism is that there is no longer any serious doubt that most workers want to be union members. That has been demonstrated in numerous NLRB elections held under the Taft-Hartley Act on the issue of the union shop, the vote almost invariably favorable and with but insignificant negative percentages. Still another consequence of the change is remarkable: strikebreaking has reached the vanishing point, and strike-time violence has become a lost art.

Concomitant with the expanded economic power of business and the expanding economic strength and political power of unionism is the rise of Big Government. There is no need to produce proof of that fact at this time.

Collective bargaining is the process involving Big Business, Big Government, and Big Labor; however different, unequal, and variously concerned each of these may be, they are all contiguous, often overlapping segments of the nation's democratic unfoldment, the Big American Life. I suggest that in these circumstances mature collective bargaining must be Big Collective Bargaining, big in concept and perception of objective, without impinging in any material way upon men's basic liberties, civil and constitutional.

Let us take a close look at what goes on when the bargainers meet.

The representatives of both sides, workers and management, have definite stakes to pursue. Each side, however, has to play the game, to use Professor Clark's poker metaphor, not only against the opponent but also against their own people, those whom they represent.

The employer, trying to maximize his return on the business or to solidify and stabilize its position in the market, is also obliged, more often than not, to consider many political aspects of his enterprise: its status in the competitive field and in the local and sometimes national community may be dominated by factors beyond price and cost considerations.

The labor bargainers, on the other hand, trying as they are to secure



the best obtainable bargain, are simultaneously concerned not to squeeze the employer to the point where it might endanger his business solvency. Thus they may be willing to make a compromise on some points, but they must at the same time be mindful of a possible internal opposition ready to exploit such compromise for what it may be worth politically. The leader's mandate is nearly always challenged: someone is looking out for a chance to displace the man in charge, or at least to trade silence or acquiescence for an advance in power and position.

Thus it has lately become the fashion for labor bargainers to demand a "substantial wage increase" rather than to specify from the outset just what they are asking for. This less than specific approach is motivated at least in part by fear of arousing confidence that a certain improvement may be achieved and causing disillusionment when less is received. Also, there is the desire to maintain members' readiness to wage battle, if it comes to that, for a reasonable aim; most men will not fight willingly nor very long for what they think cannot, under certain circumstances, be secured. The labor representative seeks a safe way between arousing too much confidence and not enough; even as he endeavors to improve his own side's position without undermining the economic vitality of the other side: they must live together if they are to live.

It is a fairly complicated task, as you can see.

In every industrial dispute, the central issue is at what price, on what terms will the contenders settle. An impartial chairman of national standing once observed: "As the spokesmen argue before me, I am not listening to what they are saying, but try to figure out what it is that they have on their minds and how much they will actually take without getting into a scrap or prolonging the one in progress." The condition of peace is the determination of how much one will give and the other take. That involves more than arithmetic, however. Issues of prestige, political considerations, the market and competitive outlook, union jurisdictional motives, and other points of moment to one side or the other enter into play. A "meeting of minds" may be brought about with or without recourse to an "accidental dose of violent coercion." In the last analysis, the decision that is achieved is in line with the power core-lationship of the sides in conflict; power, of course, is a more complex entity than the punch-potential of a pair of fists. However pertinent and logical the decision may be to one side or the other or to both, it is not *eo ipso* necessarily the best decision for the community or the national good, and the measure of the latter is in the long run the measure of the essential wisdom of the decision. No one has blasted more mercilessly the absurdity of the current processes by which wage settlements are made under collective bargaining than Professor Arthur M. Ross of this

University who referred to them as "a maze of distinctions and differences . . . the results poor and the lacunae manifold . . . the national wage structure seems to consist of little islands of rationality in a sea of anarchy."

We thus come to what is, I believe, crucial to the broad assignment of the collective bargaining venture in our industry-labor relationship: its incompleteness; it is not the tripartite industry-labor-public relationship which it should be. And even when the public is involved, in most instances only one aspect of the public interest is given consideration: continuity of production or of service. Important as that aspect is, it is not the whole matter, for the question still remains: continuity on what terms, with what consequences to the public interest? This question looms ever larger. Peace is not all, indeed; the public good is vital.

Whether or not the bargaining process pays heed to that invisible yet ever-present question, and the extent to which bargainers grant it consideration, measures the degree of that maturity for which we are here tonight seeking a determination. The pragmatic bent of the American mind and the creative impatience of the national type which account for many impulsive and successful plunges toward discovery and invention—along with an occasional unscheduled meeting with good luck—militate against preoccupation with remote objectives and tend toward concern with only the immediate, with "getting things done," "getting it over with." But in the turbulent circumstances of our time a quick decision is not necessarily a wise decision.

In a recent piece in the *Harvard Business Review*, Mr. Frank Abrams, Chairman of the Board of the Standard Oil Company of New Jersey, writing, it seems, his carefully thought out ideas rather than voicing the hired inspiration of a public relations expert, urges his colleagues in the world of business to remember that a workable composition of conflicting interests is achievable when they "recognize long-term interests as distinguished from interests that may seem real because they are more immediate." The advanced labor man of our time and circumstances cannot help knowing that. If he does not know that much, he is less fit for his assignment than he should be. And the modern business leader, likewise, needs to know that there are no hard and fast partitions between today and tomorrow, and that investment of energy and resources for momentary gain only is not always prudent business policy.

The scope of issues involved in collective bargaining is expanding rapidly and greatly. Jobs, security, and better pay are, of course, as important as ever, but a great deal more is involved today. The program of negotiations includes expectancies on the part of the unions and concessions on management's part which twenty-five years ago were un-

thinkable. That is largely the product of broad democratization of American life. Ortega y Gasset's "revolt of the masses" is a factor: ever more people have become convinced that the better things of life belong to them by right, and they no longer hesitate to try to get them by whatever means they know.

The "revolution of our time" is not merely the broadcaster's, the commentator's, or the armchair philosopher's invention. Nor, for that matter, is it that old firearms proposition that a sufficient bloodletting and shifting of frontiers would settle, at least for a time. The present revolution is more often than not a bloodless revolution, and perhaps because of that it is farther reaching, continuous, and expanding. Its sphere of influence and operation is as close to industry as it is to legislative halls and other political power centers. The ups and downs of industry and productivity are by far more crucial to the destinies of this revolution of our time than were the barricades, the mass demonstrations, and the other old means of achieving power shifts to the progress of the revolutions of yesterday. The bearing of the "collective bargainers" and of their progressive performance upon an orderly and prosperous democratic society is particularly significant in the United States, where political and economic democracy has a broader mass basis than anywhere else.

Can the bargaining enterprise, then, be administered by the bargainers alone with their, perhaps of necessity, unbreakable commitment to their immediate concerns? And are these immediate concerns, the only matters which seem to the bargainers to be real, to be the sole determinants of the end-results?

Two arguments are advanced against active government participation in the collective bargaining process. One is that the bargainers' readiness to "bargain in good faith" is thereby hindered: anticipation of an eventual decision by the arbitrator or impartial chairman indisposes either side to make a real effort to achieve free agreement. The other argument is that granting government ever more elbow space and opportunity for throwing its weight about only leads to the deterioration of democracy and free venture. There is merit in both points, but hardly enough to make out a convincing case for the unconditional acceptance of a "sea of anarchy" as a satisfactory continuing arrangement.

The vital interests of all in the industrial process are interrelated: the man who works in the plant; the man who manages the plant; the man who runs the bus or the streetcar that brings the worker to the plant; the office manager; the chemist, the engineer who works in industry's research laboratories; and the scientist, outside of the immediate industrial setup, but upon whose labors much of our technological advance

depends. Life, liberty, and the pursuit of happiness are really dependent upon the uninterrupted, effective operation of the productive process. Collective bargaining is the social lubricant in that process. Keeping the government out of it means, however, keeping ourselves out, leaving our interests unrepresented.

I submit that the view of the role of government in collective bargaining as that of nothing more than a traffic officer is archaic and does not belong to the social system of which we are a part. We are undoubtedly moving away from piecemeal collective bargaining, even as we are leaving behind everything that is two-by-four. Big is the adjective of our time, whether we like it that way or not.

Business, labor, agriculture, government, each and all have grown big, continue to grow ever bigger. But is bigness in itself a misfortune? And can we stop the process, redirect it backwards?

Bigness is no more a misfortune than smallness is meritorious. What matters is not the fact of bigness but the problem of how to operate it. The task which democratic statecraft faces is to develop the right way to deal with and live in a big, growing world. The democratic system by which we all say we stand, and which we consider preferable to anything else so far known, must grow big enough intellectually to match Big Government, Big Business, and Big Labor. We cannot escape bigness, but we should make it tractable. That historic commission is our obligation and challenge.

Our American economy is expanding and maturing. But Gopher Prairie economic reasoning is not all dead. Some of our elder statesmen love to keep to old verbalisms. It is so easy to dwell on the unbreakable vitality of free competition, on the self-correcting genius of the market economy, and on the old dependable law of supply and demand—but one step removed from the verities “a penny saved is a penny earned,” or “a bird in hand is better than two in the clouds.” But we beat the birds in flight capacity, and saving makes sense only when equated with investment.

The logic of our maturing national economy leads to ever greater intervention by government into the intra- and interindustry relationships, collective bargaining not excepted. This intervention alters the conditions of bargaining, considerably undercuts its independence from the “outside,” its self-sufficiency.

Time was when bargaining was in a sort of sporting relationship to the over-all economy of the nation. A union leader could come into his research office and say: “Look, this is what we have and this is what we want. You go ahead and doctor up the statistics for the session.” The man on the other side advised his researchers accordingly, and the bicker-

ing and maneuvering that followed was largely eyewash. And the end-result that emerged from the settlement, if at all, settled matters for but a short time. That manner of negotiation is becoming extinct, but that is not true of its basic quality. The conduct of bargaining still remains "cumbersome and crude" as a War Labor Board member characterized "that excessively praised process of fumbling, bluffing and bulldozing toward an adjustment which should be made with hairbreadth precision." If the process is getting to be different in some outstanding instances, as for example in the latest General Motors-UAW-CIO agreement with its cost-of-living escalator and productivity-improvement provisions, which denote an improvement in approach, the old pattern still holds more or less generally.

Characteristic of bargaining most anywhere is the attitude of non-concern with where the chips may fall: if peace is achieved, that is good enough; the public good will take care of itself. It is a rare settlement where the cost is not passed on to the ultimate consumer, the selfsame immediate recipient of the "gains" won in the settlement. But, as a starting point in progress, bargaining is ever more frequently moving on from local and trade operational bases toward industry-wide scope, and pattern wage settlements are coming into practice. Both deviations from what was good for grandfather are strenuously objected to by some who find no reason for displeasure in pattern price setting. Consistency, of course, is not a universally acclaimed virtue.

The logical way out of the "sea of anarchy" is in the direction of a national wage bargain. That goes beyond a wage structure set by all labor and all management of an industry, arrived at by themselves for themselves. Such an arrangement, more sensible than what we now have, would still be short of implementing the structure of the "peace" with the protection of the "public good," the two basic conditions of economic sanity. A national wage bargain, to clinch the matter, needs to be a general, and over-all, wage bargain. It would not be uniform, would not and need not be—in fact, could not be—the same wage for all workers everywhere, in all occupations. However, its deviations and differentials would be directed toward a healthy measure of workable consonance with the considerations and the abiding logic of the economy of the nation as a whole.

In the measure that union recognition becomes ever less a point of contention in bargaining, the wage structure emerges as its cardinal point, and hence its reform is of prime importance. What is more, labor men are no longer content to judge wages merely by the number of dollars they are offered; they want to know what the dollar is worth in the commodities, rent, and services market. And they seek to translate

also into realistic dollars the equivalent of their newly grown sense of social justice. If "fair shares" is a British Laborite slogan, "fairer shares than heretofore" is the essence of the old Gompersian "more"—except that now we have it minus the social inferiority complex that lined the formula in the prehistoric days of labor, up to some thirty or forty years ago. As time moves on we are bound to hear more of a realistic national wage bargain that holds water—really one that is free of water—and particularly so if our vocabulary and our daily thinking should be somewhat relieved of "cold war," "defense emergency," "inflationary spiral," and similar words and facts. Hope springs eternal.

Such an eventuality, tying the collective bargaining process to the changing intricacies of the national economy, would in turn bring government into the picture as the keeper of essential and relevant economic information and hence competent and capable of rendering advisory service. The reference is not alone to such data as the Bureau of Labor Statistics possesses—these are easily available—but to all that government has at its disposal: the facts as assembled and the facts in the making. Government policies, fiscal and monetary, and considerations of foreign trade and domestic taxing realities are all relevant to the national wage bargain. Only the government has these facts. There is no escape from government.

I am not suggesting that all this is around the corner, nor that it will arrive on a take-it-or-leave-it perspective. Our living realities are no respecters of absolutes, except death and taxes, and there is considerable leeway regarding the latter if one knows the right agent. That, however, is the logic of our development.

In sum, the very complexity and the rapid maturing of our economy compel, thus far primarily in theory, that our collective bargaining practices break through their isolationist prejudice against "the cops." As I see it, the essential features of collective bargaining—moving as it is toward maturity, if slowly, haltingly, reluctantly—include:

1. Uninhibited postulation, by each side to the other, of unconditional recognition of status of organization, with no *sub rosa* attempts to undermine it or to impede advance.

2. Noninterference by either side with pyramiding of authority, thus moving the level of wage bargaining toward the international union on labor's side, versus the nation-wide trade association or its equivalent on the side of business.

3. Appreciation on both sides of the bargaining table of the fact that closing one's eyes to the reality of the expanding role of the state in our expanding national economy and international commitments is no part of wisdom. "The cops" are with us and for more than merely to watch

and keep the collective bargaining traffic moving. Cohering the contests of economic interests with the lay of the economic land will give the bargaining process a realistic rationale.

4. Clear-cut safeguards in law and in practice against "involuntary servitude": the right of concerted union action and the right to strike unimpeded within the law.

If I seem to be willing to assign so significant a place to government in the operation of the nation's labor-industry relationship, so vital a part of our civilization, it is not because I assume that government can do no wrong. It can and it does. And the more power it gets the greater likelihood that it will do more wrong. But powerful government is part of our reality. What is most important and bears considerably upon the issue before us is that in our time, under our eyes, the nature of government has undergone much change and has greatly altered the individual citizen's position in the Republic with regard to government. This fact will bear examination in these closing remarks of my presentation.

American society has largely ceased to be the democracy of old, governed by a majority of the voters, a system in which power would be determined by the counting up of 51 per cent or, in certain circumstances, by a plurality vote. We have gradually become, in effect though not in theory, a confederation of groups or power blocs, each with specific interests and each seeking to impress its political, economic, or social weight upon the government, which of course functions under the voters' exercise of their electoral franchise. The groups or power blocs coalesce or act singly in pursuit of their respective interests, and the process of government is the motion resulting from the algebraic sum of the power behind these contending pressures.

The duly elected officials of government, whether legislators or executives, take their mandates as general credentials to action; and some of them also take them as a general, not very clear indication of what they are expected to do with regard to a limited number of matters that happened to be particularly stressed in preëlection discussions. In the actual operation of government business and in the solving of government problems the voters are just so many forgotten men and women. To be sure, many a voter may at a later date seek to assert himself by joining with others in pressuring legislators or executives, but generally he is then acting under the influence of a power bloc or group which gives him stimulation, direction, and, in some instances when it is essential, also the fare to the capital of the state or nation. Our national legislature and most of the state legislatures have an extralegal Third House, as it were, of blocs and pressure groups, spokesmen who never meet as a body, take no votes, have no standing committees or presiding officers, and yet count in the nation's government process.

The power blocs with which we are concerned include: business, or rather certain groups within the general concept of business; labor, or again to be realistic, the various alert and assertive groups of organized labor; agriculture, if that is not considered a unit under the designation business; and lastly and importantly, government itself, not only an unincorporated, quite numerous aggregation of servants of the people, but also a power bloc, indeed a number of power blocs for the sake of what power is and brings—and that goes too for the political parties of the government in office or those who intend to become the government. These are the power components that form the superstructure upon the body of our democracy, and it is perhaps not impossible that our constitutional system may some day take cognizance of the facts of our political evolution and actually furnish this Third House with formal power—and democratic responsibility.

It has been noted by a political philosopher that “each generation must think out anew the conditions of its freedom,” and that goes for democracy as well. We have not yet the most perfect union.

There is the fear that, power being the breeding area of tyranny, giving further recognition to government in an area in which at least it has no constitutional standing, that is, in industrial relations, would simply be an invitation to the undoing of democracy.

To which I suggest, first, that government is already thoroughly implanted in that area, whether invited or wanted or not, only its presence is not properly utilized; and, second, that our having evolved into a nation of groups, representatives of ascertainable interests, is not the worst thing that could have befallen us—if we do not stand by and do nothing about it. It would be tragically bad indeed if, in consequence of our inattention to this event in our economic and political evolution, we should neglect to stand up for our effective continuance as a nation of free and political sovereign individuals. Should that occur the fault would be ours, for it is not unavoidably implicit in the nature of the functional interest groups and their power blocs that they must destroy democracy. In fact, coexistence is possible and, in certain circumstances, constructive: if democracy asserts itself realistic and alert.

These interest groups and power blocs did not come out of a clear sky. They have evolved as the remedy—rough and surcharged with self-seeking—to the incapacities that pure-and-simple political institutions developed under the encroaching aggression of the technological revolution. A corrective has been wanted, for under that revolutionary impact upon our ways of living and our economic relations, the individual citizen is not able to affect and does not know how to adjust favorably the conditions of his well-being. The instrumentality of voting



for candidates for office every two or four years does not bring relief. The congressman or the senator does not have the means of knowing what his multi-interest constituents need, how to reconcile or coordinate their oft-conflicting needs, and there is not much within the reach of his powers and within his competence that he could bring to bear upon their problems. Indeed, he does not represent their interest in any determinable way. The engineers, scientists, industrial workers, teachers, grocers, every category of people in his constituency, all vote in the same district, but their interests run across precinct lines and beyond congressional districts, and often beyond city limits and state boundaries.

The professional association, the business groups, the farmers' alliances, the political contrivances of labor unions, each arose in response to the need for adequate representation of special interests. These organizations moved into the power vacuums created by the demonstrated inability or unwillingness of the purely political agents-representatives to do the job of service to the constituents and meet their functional requirements. The groups around the special interests have been rendering service, at a price of course. They have taken over representation; and the numerous quasi-legislative and administrative agencies of our representative democracy all too often eat out of their hands. The machinery of representative government has largely surrendered the democratic birthright rather than work overtime to implement representative institutions so that it may continue effective in a new era of complex, exacting living. Certainly our political representative democracy is not in a state of exuberant health. But only the citizenry can prevent the dissolution or the dilution of our democratic liberties and institutions. That requires a coordinated effort to bring democracy up to date and weave the socially positive functions of the power blocs into a coherent and constitutionally responsible framework of operation.

There is a major task for a generation. It is more than preparation of a draft. It is collective bargaining with unfolding history. It is education—big education, too.

This note on education—about 1935 or so, a group of New York liberals and radicals, disturbed that the legislation promulgated in 1933, particularly the famous Section 7(a) of the NIRA which provided the right of workers to organize and choose their own representatives in collective bargaining, was not working well, went to see the President. They wished to talk with him about the possibility of issuing supplementary, more elaborate, and clarifying statements on the point in the law. The President said to them that conceivably a pamphlet could be written about each one of the Ten Commandments, ampli-

fying what is suggested in each, but, he added, more clarifications do not of themselves make for compliance. Education is the tool, telling people, advising people, arguing with people, presenting convincing statement and proof. Democracy is an educative process. The American people are not a timid people. They are not afraid to reach for things when they want them badly, no matter what the obstacles, but they want to be advised of what's up.

It may, at first blush, appear uncertain why all this is of significance to the process of collective bargaining. Well, as long as that process is viewed merely as an exercise in logrolling, and long-pull considerations are cold-stored, the answer is negative. But that, I have urged, is a wrong concept of the place of collective bargaining in our society. It has a distinct function in the national task of preserving a free, dynamic society. And may I consider here the union's, the labor, part in the issue. The standard phrase in use is that the union is the machinery for collective bargaining. This is not entirely true. The purpose of a union is to expand the opportunities and fortify the chances of the people who constitute it. Collective bargaining is a means to that end. Democracy is another means to that end of securing a better life, more intelligent, more satisfying. Collective bargaining is in this sense parallel action with democracy. It does not develop where there is no democracy. It dies when democracy is dead. In turn, the survival of a free society is conditional upon the interrelation which the union and its members see between the immediate pocket-gain and the purpose of securing a worthy, dignified living place in a community of free men. The union has long ceased to be, indeed it never was, a pure and simple economic institution. Its political and social proclivities are neither secret nor inconsequential. The subversion of its broader interests by the overstressing of a point of immediate uneasy advantage is possible, but it rarely enjoys a long life. The subversion fails to last for, in the words of Professor Paul Meadows in *Industry and Culture*, "perhaps the most ignoble illusion in the history of industrialism was the myth that industrial men are only concerned with the satisfaction of economic status." Collective bargaining that sidetracks the public good for the attainment of "peace in our time" can succeed only in gaining a truce, is no fighter for enduring, creative peace.

Am I overstating the case for the union? Even as overstatement is a likely human error, there is the danger of fragmentizing a big thing. Certainly, a close look at a union in a single instance, outside of the broader context of which it is a part, will bring into view, here and there, petty jealousies, undignified competition for jobs, for power, and sometimes dishonesty. But that is not viewing the whole. For it is

part of a great processional progress which brings improved living to millions and relates them to the broad destinies of the world, even as they are being cohered, often without their active will, for the attainment of small objectives. Fragmentizing is no better than overgeneralizing. We need to see things and men in their entirety. We would find little pleasure in seeing ourselves only in terms of what the microscope discloses. The chemist or the bacteriologist when he arrives home does not look at his wife or his children or his friends and see in them the cellular structures he has examined through his scientific exploratory instruments. He sees them as whole beings, life, without spelling it out and translating it into the smaller bits of things.

And that applies to looking at social phenomena. The practitioner of collective bargaining can choose one of two ways of looking at the task. He can view only the details, the specific economic minutiae which are part of the day's business, and to that extent lose sight of the forest for the trees. Or he can look at his work in the perspective of the whole process of evolving human relations, to which he is contributing a part. In the latter sense, the practitioner becomes a social engineer; the student, a social thinker. The practitioner pays heed to precedent and past, but he simultaneously writes the text of the history of the future, for, to quote again the words of Mr. Justice Benjamin Cardozo, "in the wilderness of conflicts a trail has been blazed." Collective bargaining, maturing, becomes an ever more important and more far-reaching part of the human performance.

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