

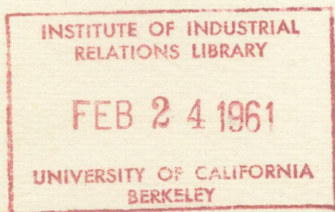
Labor unions
(1960)

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Unionism Reappraised

From Classical Unionism to Union Establishment

By GOETZ/BRIEFS



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BY THE

AMERICAN ENTERPRISE ASSOCIATION
WASHINGTON, D. C.

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April 1960

Library of Congress Catalog No. 60-5910

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Single copy: one dollar
Discounts: 25 to 99 copies—20%; 100 to 299 copies—30%
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Contents

PREFACE.....	vii
THE CHANGING STATUS OF TRADE UNIONS.....	1
CLASSICAL UNIONISM	8
THE TRANSITION TO ESTABLISHED UNIONISM.....	25
THE NEW ESTATE OF THE REALM.....	40
UNION ESTABLISHMENT—AND WHERE FROM HERE?.....	53
* * *	
AEA Publications.....	65

Every institution which grapples with the problem of molding recalcitrant material into a fairer shape—and nothing is more recalcitrant than the passions and interests of men—runs the risk of being defeated by its material. And since the institution which proposes the ideal is itself served by fallible human beings, the danger is not only that the experiment may fail but that the artists themselves, wrestling with such insidious substances as power, responsibility, and material goods, may themselves be caught by these powerful instincts, may appropriate to themselves the power they sought to tame or the riches they had hoped to divert to a nobler cause.

BARBARA WARD, *Faith and Freedom*, New York, 1954, p 104.

Preface

This study, which is part of a forthcoming book, discusses the change in the conditions of labor brought about by the Great Depression and, in Europe, also by the Wars and their train of political ruin and chaos. There is hardly a book or article on labor problems but uses expressions such as "now that labor has been firmly entrenched" or "labor has been safely established" or "labor has secured equal bargaining power" with employers. The change in the conditions of labor is too obvious to be missed. However, what escapes most authors is the qualitative nature of this change. It is interpreted as quantitative: unions have more power, more bargaining strength, more influence, more security—in brief, "more of the same" than prior to, say, 1935.

It is the purpose of these pages to show that these quantitative differences are but expressions of a qualitative change, of the "transmutation" undergone by organized labor. Recently the London *Economist* characterized British labor as the "New Estate of the Realm." American labor too, has attained the power and prestige of a New Estate of the Realm. To put it succinctly: from being a dependent variable in the economic process, organized labor has attained the status of a relatively independent variable.

Because of the emphasis on the mere quantitative aspects of the change, the traditional image of labor has survived unduly. The saga of labor's heroic age, of wounds and defeats suffered in the fight for rights and justice, of glorious victories, is still being chanted, now in the mid-twentieth century. Catching up with a new status is a slow process for any social group and institution; for labor it is more than usually slow. Generations that grew up under the old conditions overlap younger ones who barely remember the past; yet it is the emotions of the past which adumbrate labor's policy.

Unfortunately, institutional interest in prolonging such reminiscences nourishing old emotions is great. They are useful for institutional expansion. They strengthen claims to security and power; provide an effectively dark backdrop for present union light and its achievements; and they bind the workers' loyalty to their unions.

This junctim between emotional climate and institutional interests is a tremendous union asset. Employers, legislatures, and even courts make their decisions and frame their policies in the psychological climate it creates. Nor is this all. In some way, labor itself is captivated by a kind of labor folklore. Under its spell, it automatically violently resists even the slightest modification or limitation of influence and privileges once gained—even when adjustment is essential to the public welfare as well as to labor's own long-run interests.

The shift from a dependent variable in the economic process to a relatively independent variable marks the qualitative difference between labor yesterday and today, between struggling unionism and unionism established as the "New Estate of the Realm." This difference calls for specific terms; I propose classical unionism (unionism based on classical, nineteenth century capitalism, which in turn was based on classical liberalism) and established unionism.

In the following pages we shall try to trace the course of trade union development, to seek an explanation of the change in the unions' nature and *modus operandi*, and to bring out some of the implications which big unionism in its "established" status has for modern society.

I want to express my deep appreciation to my colleague, Dr. Gunther Ruff for many suggestions and for his painstaking editing of this text for publication. I am equally grateful to my wife for all her constructive suggestions.

GOETZ BRIEFS

Washington, D. C.

April 1960

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THE CHANGING STATUS OF TRADE UNIONS

TRADE UNIONS in the Western world have passed through three stages of development: from that of an outlawed institution, to one of mere toleration, to the present one of acceptance and recognition. Though essentially true, such a neat, historical summary overlooks one fundamental fact: Unionism today, in its state of recognition and power, is something qualitatively different from nineteenth century or classical unionism. What is the nature of this change? How did it come about? And how is it related to the unions' changed status?

In order to comprehend trade union development in a changing societal structure, it is necessary to keep in mind the three relationships in which an institution may stand to its environment.

First, an institution may belong "organically" to its particular societal structure or *Gestalt*; that is, it may be essential to it and perform necessary functions within it. The principle of kingship in a feudal society is one example of this; the bipartisan Democratic-Republican political system of American democracy is another. Second, and at the other extreme, are the organizations whose purposes and operations are diametrically opposed to those of the societal structure in which they operate. These are the "alien" bodies, and they are often quite consciously such. They may be composed literally of strangers or aliens, members of a foreign society; or they may differ as to race, color, creed, or status at law.

The "royal masters" (*Maître royal* or *Freimeister*) of the absolutist era are an example of special status at law—guild law. The guild masters might dislike these holders of royal patents, but officially they could do nothing to control their economic conduct. Until the end of the guilds, they remained an alien group within the guild structure. Other examples are the Christian Church in the Roman Empire prior to the Edict of Milan and the Communist Party in various free countries today. Of course, alien bodies are not necessarily inimical to their hosts, nor does the society in which they exist always regard them with hostility; but in structural terms they are alien bodies nonetheless. Such organizations or movements, often newcomers or stragglers from the past, tend to appear or reappear in periods of rapid social change and to occupy an unstable position in society. However, in the course of time these aliens may acquire necessary functions and a corresponding status, whereas formerly dominant groups may be relegated to the alien status.

Between essential and alien status there is a third position, which is filled by spontaneously formed "auxiliary" organizations. Although their functions fit harmoniously into the social structure, and although in many cases they render important services, yet they are not existentially necessary to the working of the whole system nor perhaps even for the respective special groups. Such special organizations are, by nature, voluntary; and a free, democratic society favors a multiplicity of them. It is precisely the existence of a vast private sphere of effective personal responsibility which affords scope for so wide a range of voluntary organizations. Conversely, where the private sphere is narrowed or suppressed, these auxiliary organizations are either suppressed or made compulsory in one way or another and transformed into substructures of the exclusive political pattern.¹ However, insofar as they are truly voluntary organizations, auxiliary groups tend to be essentially private rather than public. They occupy the region between the individual and the state. Their functions are of a social nature,

¹ This, of course, approximates the totalitarian structure and its inherent compulsion to politicize the whole orbit of life. In that system there can exist, on principle, only one type of institution—namely that which is necessary for the maintenance of total power. George Orwell has shown us the details of this pattern when pushed to its logical conclusions.

and they arise and function in direct response to those particular problems which are amenable to voluntary social action.

The status of an institution—whether “necessary,” “auxiliary,” or “alien”—is not a constant. Institutions develop with a changing society. Organizations both shape and are shaped by the structure of their environment. When an organization advances from alien to auxiliary to necessary status, what happens to its functions, to its own structure, and what are the implications for the social “*Gestalt*” in question? No attempt will be made in these pages to develop a general theory of the transmutations involved, if indeed such a theory is possible. Rather, we shall be concerned with a single instance of such change in institutional status, with the case of trade unions.

Unions today have outgrown their former outlawed or alien status and achieved a position of great importance and influence. It is certainly true for every industrial Western democracy that their power is extensive enough to assure unions at least participation in the commanding heights with other powerful groups. They have achieved the status of a relatively autonomous power, a status derived from their substantial control over certain crucial economic variables. They are above the rank of a mere auxiliary organization yet a step below the rank of “existentially necessary.”² It is highly significant that the unions’ advance to a recognized auxiliary position required more than a century, whereas the further advance to their present power was accomplished in a single generation.

The unions’ present role and functions in society have not yet crystallized; they are far from integrated. Their emancipation from former legal and other restraints opened undreamed-of horizons for expansion, power, and policies. Whenever and wherever the economic

² The fact that in all Western countries large, if not the largest segments of workers remain unorganized—sometimes in spite of organizational drives—contradicts the claim to union’s existential necessity; quite apart from the consideration that for their various operations and success they themselves presuppose a free enterprise system. As we shall see later, this system is their existential requirement.

and political environment allowed individual unions to make the most of their pressure power, they did so without compunction. However, precisely by pushing ahead in both economic and political spheres through stratagems and tactics largely based on protest against specific situations, on an *ad hoc* defense and aggression all geared to institutional interest, they discovered (as did legislatures and the public at large) that questionable if not utterly undesirable economic and social consequences ensued, and that a price had to be paid for the full exploitation of chances offered by labor law, by court decisions, and by employers' inability or unwillingness to resist.

Mr. Walter Reuther once observed that inflationary pressures turn wage increases into "wooden nickels," and he held business pricing and profit policies responsible. However, there are many distinguished experts who hold union policies responsible or, at least, co-responsible for the wage improvements that turn out to be wooden nickels. To quote the late Professor Slichter: "In a world of monopolies the inequity is less conspicuous than would be the exploitation by a single monopoly in a world of competition because the fruits of exploitation are so widely distributed. . . . In this process of mutual exploitation some unions fare better than others. The unions that have the least concern over creating non-union competition are able to push up their wages faster than the unions that must guard against non-union competition. . . . As between members of different unions, however, most of the exploitation cancels out and the workers, 'through collective bargaining,' are primarily engaged in exploiting one another."³

A similar observation for the Scandinavian countries is made by Kjeld Philip in "Structural Changes in the Labor Market and the Mobility of the Wage Level."⁴ We may quote also Mr. Allan Sproul:⁵ As things are today "there are times when the central bank system—your Federal Reserve System—has to validate public folly and private greed by supporting increased costs and prices with increased money supply, no matter how reluctant it may be to do so, and no matter how independent it may be of political or private pressures." For the Amer-

³ *Economics and the Policy Maker*, Brookings Institution, 1959, p. 121.

⁴ *International Economic Papers No. 2*, London and New York, 1952.

⁵ Address at the California Bankers Association, May 21, 1957.

ican scene with its wide-spread adoption of escalator clauses and improvement factors plus government responsibility for "maximum employment," some authors are of the opinion that inflationary pressures are built into the very frame-work of collective agreements.

Apart from inflation, there is, in addition, the phenomenon known as the relative stability of the wage share in national income, a stability independent of the existence and power of unions. The evidence presented by economists of high rank⁶ is so striking that British and Swedish labor economists and members of the respective labor parties accept it. If we assume that the thesis of the relatively stable share of labor—union or no union—is correct, then it appears that strongly entrenched unions score at the cost of other unions and their workers, and indeed quite a few experts, Professor Machlup for instance, hold exactly that opinion. As we shall see later, both the British Trade Union Congress and the Swedish Federation of Labor have paid serious attention to the problems here involved for the relationships among unions themselves.

Like big business in matters of finance, production, and pricing, big unions find it increasingly difficult to play their game according to the old and simple rule of exploiting their power to their maximum advantage. Their discretionary power is now too wide, too deep, and too centralized to permit the old claim that they are merely protesting against and correcting certain marginal situations in a system which operates independently of them and whose functioning is the concern of other groups. Increasingly large segments of consumers and employers have had experiences which belie any such claim.

Still the unions find it hard to break the old habit of continual protest against "the enemies of organized labor"—often construed as anyone who fails to praise union policy—and of demanding "more" for their members and more power for themselves to in turn demand more power, etc. And these demands are pressed not only against those firms which can afford to meet them or can shift them to the consumer but also against those which, in the long run, cannot. As labor becomes

⁶ E.g.: Pareto, Douglas, Schumpeter, Bowlie, Stamp, Friedman, Turoni-Bresciani, Gibrat, Weintraub, Gale Johnson, Duesenberry. Joseph Solterer's present study, building up on Gibrat's statistical research, aims at establishing a general theory of the stable shares.

more widely and powerfully organized these behavior patterns create more than merely local discomfort. Wage scales can and have been pushed to levels which are inconsistent with product demand and inconsistent with the requirements of a country's balance of payments, e.g. in Great Britain and Sweden, and today perhaps in this country. Thus there is a direct link between the policies of powerful national unions and the economic difficulties of entire nations. True, this is only one source of the difficulties; still it must be admitted that the unions are implicated in these great economic problems, and that they have often failed to integrate their policies with the requirements of the economy in which they function. Governments, the public, and employers all feel that unions have not fully accepted the fact that their new status as a relatively autonomous power requires the acceptance of far more extensive self-restraints than any admitted by traditional unionism. This is a requirement imposed by the economy itself for the free enterprise system cannot function efficiently if it encounters too many roadblocks. Thus the very nature of the economic organism requires limitations in the exercise of union power—precisely at the moment of “labor’s emancipation.”

Such limitation will be operative, however, only on the basis of a doubtful assumption; namely, that unions will continue to accept the existing system of socially tempered free enterprise. Are there really no alternative forms of economic organization which would give union policies free reign? Is it an indisputable conclusion that trade unions bear loyalty to the system of private property, private enterprise, and largely free markets to such a degree that they will accept the limitations these impose upon the exercise of their power?

Part of their behavior pattern suggests that they will. On the other hand, precisely those habitual policies which are most closely associated with past union success—the habits of continuous demanding and pragmatic struggle through sectional bargaining for special union interests—are some of the causes of the wider economic difficulties mentioned before. Hence there is strong reason for the belief that unions will continue to press their special interests, and will hold others responsible for the adjustments required to meet or at least to postpone any grave consequences.

Western trade unions stand at the crossroads. Having achieved the status of a relatively independent variable in the economic process, they face a decision of truly historic significance: either they must fashion a new economic order in their own image, or they must adjust their programs and policies to those leeways for union action which an efficient free enterprise economy periodically widens and contracts. So far the gravity of the choice has been concealed by inflation and, in numbers of industries, by increases in the rate of productivity. But these only make it possible to postpone the choice, never to escape from it. One day our country will have to choose between a socially tempered private enterprise system and some form of laborism. Laborism is here defined as an economic system in which labor (i.e. unions in contradistinction to Communist central planning boards), rather than "capital" organizes, controls, and runs economic life with exclusive regard for workers' and unions' interests. Such a shift to a laborist economy would indeed be a further "transmutation." Needless to say, it could be achieved only at a price, and the price would be a transmutation of labor itself—of its structure, its functions, its basic policies. With free enterprise gone, unions would have won their battle, but the workingmen and women might discover that they had lost the war.

CLASSICAL UNIONISM

LET US NOW examine somewhat more thoroughly the change in the conditions of trade unions over the past century, and the implications of that change for the unions' attitudes, functions, and structure.

Trade unionism of the classical era must be carefully distinguished from the political labor movements of the nineteenth century, which in European countries were chiefly concerned with altering the economic system along Socialist, in particular Marxist lines. These Socialist labor unions, obsessed as they were by their vision of a new order, naturally rejected the principles of private property, of individual self-determination, of self-interest and competition. Despite their ideological negation, however, in order to survive as unions, they found themselves compelled to face facts, and the facts were private property and individual self-determination. They could not alter the basic system in which they operated; and the more their operations yielded results, the more they were inclined to meet the objections raised by orthodox Marxian intellectuals with a truculent: "So what?" Marx or no Marx, Socialist unions had to face the real issues: wages, hours, and other conditions of work. This confrontation with the real issues brought their policies ever closer to the policies of non-Socialist unions.

For all practical purposes "classical unions" accepted economic liberalism. Economic life seemed to them an independent sphere which functioned in accordance with its own laws. By and large, they agreed with the liberal middle class that government had no right, possibly not even the power, to interfere in economic matters. All they wanted from government was recognition of the unions' right to organize and to strike, improvements of the unions' legal status, and, in Great Britain in particular, legal protection of their funds.

The economic liberalism in which classical unionism operated was, as the term implies, primarily negative. Its chief goal was to root out institutional remnants of the Middle Ages and the mercantilist era and to clear the ground for the establishment of an autonomous economic order. Can a society function without regulation and institutional structures? Can "natural" economic laws supersede social rules? Liberalism said "Yes," and responded to the challenge with the individualism which was its innermost dynamic urge.

In economic matters, individualism meant that each individual was his own exclusive agent. Four principles were to guide his action:

First, the economic freedom and self-determination of the individual agent. He must be free to work or not to work; to invest or not to invest; to trade here, or there; to take up this occupation or that. He must have freedom of contract. His property rights must be secure from government arbitrariness, from fraud, and from breach of contract.

This first principle of self-determination implied a second: individual responsibility. Whether one succeeds or fails, it is his own personal affair. Nobody and no institution stands ready to assume responsibility or liability for him.

These two principles lead to a third—the principle of self-interest. It has more than a merely psychological basis. Action along the line of self-interest is a strict requirement if the economic mechanism is to function with optimum efficiency. If individuals followed motives other than self-interest, the system would lose in productivity. Self-interest is the invisible hand which guides the rational allocation of economic resources. In short, the automatism of the system assumes that self-interest is the supreme principle.

One final principle follows as the corollary of these three. If each individual is a free, individually responsible and self-interested economic agent, competition is inevitable. Like self-interest, it has a vital function within the system itself. Without it, monopolies would develop, costs and prices would get out of bounds, the factors of production would be misapplied, and production and distribution would stray from their most economical level. In sum: Competition is the saving grace of an economy which is geared to individual freedom and self-interest; take it away and the whole mechanism stalls.

What was the unions' attitude toward these four principles of economic liberalism? And how could they, operating within a competitive economy, improve working conditions?

Classical unions subscribed to both private property and to self-determination in economic affairs. They did not object to private property in the means of production, nor to the employer's right to run the plant at his discretion and for profit. The workers accepted

their obligation to seek and hold their jobs. Although their economic and social attitudes were still colored by patterns of the past, the descendants of the "laboring poor" (after some resistance and hesitation) accepted the dynamics of the new economic system. They accepted the insecurity of the labor market, with its varying degrees of employment and unemployment, as a natural rhythm outside human influence; and they realized that the same ups and downs affected the employer and everyone else. And while it is true that Marxist unions rejected the principles of economic self-determination and private property, we have already observed that they turned pragmatic in their day-to-day operations.

Unionism *per se* seems to conflict with the second principle of economic liberalism—the principle of individual responsibility. The very existence of unions contradicts this principle; if they accepted it, they would have no ground to stand on. On this issue, unions appeared to deny the economic laws sacred to contemporary economists and to the middle classes. Of course, to the degree that the local union was small and made its decisions on policy and action democratically, the members felt (and actually were) responsible for themselves. Nevertheless, if the essence of unionism is collective or group responsibility, then unions are an alien body in an individualistic environment; no other conclusion seems possible.

However, an institution may be an alien body in its particular environment and still not affect the essential structure and function of that environment. For example, aristocratic elements may linger on in an otherwise democratic society; Communists may be busy undermining a free society; cartels may flourish in an otherwise competitive economy, and so on. As regards classical unions, they were unable to interfere substantially with the structure and function of their economic environment. Their existence depended on, and their actions were limited by, the prevailing economic system. There was a critical degree of unemployment in its market segment which every union had to watch; when that degree was reached, the union had to watch its step. Consequently, there always remained a degree of individual responsibility which classical unionism could not absorb and replace by collective responsibility. Membership in the union was no guarantee to the worker against personal insecurity. The best the union could

do; it could do only in good times; even then it amounted to not much more than what the French call, "*corriger la fortune.*" The responsibilities which classical unionism absorbed through collective bargaining affected the dynamics of the system only marginally, if at all. Thus, although unions did not conform in principle to an individualistic economy, yet their policies and activities remained limited and conditioned by the functioning of that economy.

Moreover, further analysis reveals that what appeared quite irreconcilable in the realm of principles may be only partly so in the practical realm of union action.

The goals of trades unionism were threefold: First, to represent the workers in the bargaining process and to replace individual with collective bargaining. The wages, hours, and general conditions of work were at stake; and here the economic purpose of the union was realized. The second goal of trade unionism was the establishing of institutions of mutual aid and group welfare within the union itself. The third was to raise the social status of the workers; to give them a sense of dignity and self-respect; to claim for the members that degree of freedom and equal rights which is the foundation of Western civilization.

Not much need be said about the third point (although it was of immense importance), because it has no direct bearing on the market relationships between workers and employers. With respect to the second point, many unions developed mutual aid funds which were designed to meet specific emergencies in the worker's life. However, usually the emergency was such that the worker had withdrawn from the market anyway, for reasons of sickness, accident, incapacity, maternity, or death. Traveling expenses paid from union funds may have had a marginal effect on wages in the local market, but actually they increased mobility of labor and thereby contributed to the competitive leveling of wages. Therefore, the total effect of these policies did not conflict with individualistic principles. This is not true, however, of the dole paid to unemployed able-bodied workers in order to keep them off the labor market. There, a definite marginal effect on wages may be ascribed to union policies. But in providing such doles, as Sidney Webb points out, the unions were merely formalizing a tacit agreement among pre-union craft-workers not to work below

a certain wage level; thus it would be well-nigh impossible to assess the additional effect, if any, of this particular union policy.

The real controversy centers around the first point. If union bargaining absorbs that part of individual responsibility which is implicit in individual bargaining, does this shift of responsibility to the union challenge the principle of individual supply?

The point has been made that, in the early stages of capitalism, the individual worker had no real bargaining power anyway; most of the time he was a job beggar, and beggars are not choosers. Furthermore, as Adam Smith had already noted, the individual worker was "the least mobile luggage." There was some truth in that; in some areas lack of mobility certainly did cause conditions to remain far below the competitive level. Consequently, it has been argued, unions actually provided a degree of bargaining power which would otherwise have been absent.

This argument sounds more convincing than it actually is, for it was precisely in those areas where such submarginal conditions prevailed that the unions could gain no foothold. Their very existence and operation presupposed a varying degree of bargaining strength on the part of their would-be members; and this bargaining strength depended on their members' skill. The privileged market conditions enjoyed by the crafts gave unions their first opportunity for existence and success. Everywhere unionism started from the crafts.

But more decisive are other considerations. In the first place, no union action could reduce individual responsibility to the zero point. To seek and hold his job was the responsibility of the individual worker; union action could affect it only minimally. Relations with employer and foreman were the worker's affair, as were ability and skill on the job. The union could help very little when he was hit by unemployment and layoffs. The union dole by no means made up for lost wages; and to keep going financially, especially if he were married and had children, was *his* problem. He may even have increased his liabilities by joining the union. If the union struck, he lost wages and possibly his job. If the employer insisted on the open shop, job opportunities were closed to him. If violence occurred in labor disputes, he might have suffered.

There is yet another aspect of the classical unions' absorption or attrition of the worker's individual responsibility in the bargaining process. Collective bargaining can achieve effects which individual bargaining, even when based on great skill, cannot. Individual bargaining can raise the wage to the equilibrium point but not beyond. Can collective bargaining transcend the equilibrium level? Since unions are able to raise the wage level *to* the equilibrium point, is there any reason to assume that they cannot raise it *beyond*? Since their strategies and tactics yield the one result, why not also the other? This point is of great importance. Since undoubtedly unions *can* press demands beyond the equilibrium point in their particular market, two types of pro-union arguments collapse.

The first to collapse is the ethical argument which is generally wrapped in a cloud of emotional fog. According to this argument, if unions can do no more than assure the workers of the equilibrium wages to which they are entitled, then the presumption is that they are ethically justified. They become instruments which are needed to assure the workers their "just due" in times when market wages are "unjust." The strength of this argument should not be underestimated. Even today, many well-meaning people look upon unions as institutions designed to secure justice—social justice especially—and therefore as good *per se*. In the eyes of many, unions can do no wrong; when wrongs become too flagrant, they are hastily ascribed to "a few bad people" whom the union either failed to discover, or had not the heart to dismiss.

A second untenable pro-union argument sometimes has been made on economic grounds. On the premise that unions cannot raise the wage level above equilibrium, they have been welcomed as a substitute for failing competition, as an essential institution in an individualistic economy—again, as good *per se*. This argument approximates the ones presented by Lujo Brentano, Alfred Marshall, and J. M. Clark.¹

Both of the foregoing arguments are untenable. In the first place, rarely do unions prosper where wages are chronically below the equilibrium level. On the other hand, in prosperous business sectors the

¹ We omit discussing unions' noneconomic programs, although they are of great importance. For our present purposes we can abstract from them.

same strategy which enables unions to raise the wage level to equilibrium also enables them to push wages beyond equilibrium. The reason for this is clear. The individual union is not concerned with the general wage level, but only with the level in its particular market segment—the one covered by its sectional bargaining. Classical unions rarely included all workers in their particular jurisdiction. They included a more or less controlling percentage which was not necessarily even the majority. Therefore, their wage policy was not necessarily held in check by the general margin of unemployment, or by the margin of unemployment created by their own policies in other market sectors. The unions' primary concern was and is with their members and with their own organizations; it is and always has been a condition of their success that they strictly adhere to this principle. They may claim to represent "labor," and in some regards they do; nevertheless when the chips are down, they represent their members and their particular unions—if need be against other workers and their unions.

Once this is admitted, the conclusion is inescapable that unions are not *per se* "good" institutions designed to realize justice or equilibrium wages. Rather they are instruments designed to substitute their rates for market rates, their labor conditions for plant-controlled labor conditions. Methods efficient enough to push submarginal rates up to the margin are also capable of pushing rates beyond that point. This may have been less obvious in the nineteenth century than today; but, given a powerful craft, it applied to classical unionism as well.

Unions, in short, are no different from other human institutions. From neither a moral nor an economic aspect are they good *per se*. Their worth depends on the moral values and economic judgments and policies of their leaders and members. Justice is a human virtue, not the function of an instrument. Institutions can act virtuously, it is true; but they can just as easily be vicious.

Individual self-interest is the third principle of an individualistic economy. Is unionism compatible with it? The question has already been answered in part: A large amount of the worker's self-interest

cannot be absorbed by the union, either because the union is not a fit instrument or because such self-interest lies outside union competence. But narrow the question down to wages, hours, and general conditions of labor, and we see that under favorable circumstances the classical union actually can promote members' interests. For instance, when, during upswings in business activity, it raises a lagging wage level to equilibrium, or when, having achieved equilibrium conditions in the labor market, the union presses also for better working conditions from employers whose arbitrariness has been somewhat checked by the equilibrium condition of the market.

No union can approach the bargaining table without a notion of what its members' collective interests are under existing circumstances. Naturally there is unanimity that higher wages and shorter hours are desirable. But what rates? What hours? Are they attainable? And if so, at what cost in terms of unemployment? Who among the workers may lose their jobs? For practical purposes, unanimity concerning generally desirable ends is not very useful.

How is a compromise to be reached between the wishes of individual members and the majority opinion? Several things may happen: The decision may rest with the majority, or with a vociferous minority, or with a trusted leader. In any case, it is the union which will have decided that such and such demands must be urged. Individual interests are subordinated to what the union proclaims to be *its* interest; concerted action will be taken to push this line and no other.

Now if, strictly according to the principles of the liberal economic system, individual interests determine supply and demand, prices and wages, then naturally the promotion of collective interests must be a disturbing, dislocating factor in a system otherwise patterned along lines of individual self-interest.

Under the conditions of "classical" nineteenth century capitalism, business conditions determined what union members could reasonably ask. Classical unions were perfectly aware of this. They had learned to sit tight when business was bad, but to press their claims at the first patch of blue on business skies. They realized that the free enterprise system was here to stay; that it was not basically irrational or condemnable, and that periodically it offered margins for union success.

To explore and widen these margins was considered the unions' function. Nor would depressions entirely wipe out gains once made by social legislation or the unions. In slack periods they endeavored to hold the line on wages; with the new upswing, they tried to push upwards from the level formerly achieved.

Two well-known labor leaders acknowledged the close relationship between profitable business and union success. Samuel Gompers is credited with the statement that "the worst crime of business is to be without profits"; and David Dubinsky confirmed that "unions need capitalism like the fish needs the water." While Dubinsky's observation acknowledges the intimate relationship between free unions and liberal capitalism, Gompers points to the periodicity of union success in connection with the phases of the business cycle; only profitable industries and firms offer chances for union policies.

Now if, following Professor Schumpeter's analysis of the cycle, we ascribe upswing periods to the "bunching" of innovations; moreover, if we assume with him that the innovating acts of the "free agent," the entrepreneur, interrupt the circular flow and break through the static laws, disrupting the symmetry of the economic system, we are bound to conclude: The freedom of the innovating entrepreneur is what opens avenues for a wide range of free union acts. Periodic "bunching" of innovations together with expanding credit volume and net profits are the preconditions for union success. And conversely: Whenever imitating competition absorbs the innovation and destroys net profits, the "law" takes over again, and union chances diminish, perhaps to the vanishing point.

Business conditions determined what unions could reasonably ask or achieve. This fact tied union interests to the interests of their members. For instance, where individual members were anxious to find or keep their jobs, union wage policies were kept in bounds by their workers' concern about employment. The realizable demands of unions were no independent variable; they were dependent upon market conditions. These in turn were determined by job competition among workers. Union policies might soften the impact of these conditions, but they could not absorb them. Classical unions' demands and policies were controlled by the pressure of an actual or threatening margin of unemployment in their respective markets.

To sum up: The state of business forced classical unions to act in conformity with their members' interests. This is more obvious for local crafts than where large regional or national unions determine wage policies—a rarity in the era of classical unionism.

Although individual members' interests were submerged in the collective union interests, the union as an institution accepted the principle of self-interest and the new business ethics which that implied. Since individual self-interest was the dominant *ethos* of liberal capitalism, unions had to adopt it in order to survive.

The self-interested individual (or institution) presumes others to be equally self-interested; consequently, in business, the agents are mutually "aliens." In this context, "alien" means individuals or groups which meet each other outside the realm of their "valid" ethical norms and *ethos* patterns. Standards of community ethics may survive outside business, although the weight and efficiency of business ethics are apt to diminish or undermine community ethics also.

The impact of the *ethos* of self-interest increasingly alienated business ethics from community ethics standards. This alienation is implied in many familiar slogans such as "Business is business," "*Les affaires sont les affaires*," and even, "*Les affaires, c'est l'argent des autres*." The retreat of the government from economic control and the repeal of statutes guaranteeing a degree of community ethics (particularly in master-and-servant relations in the early nineteenth century), enabled alien ethics to dominate the whole sphere of business, labor relations included. The recruitment of the first generation of "factory hands" from a motley crowd gathered from all walks of life did the rest. Employer and worker became mutual strangers, and the workers were strangers to each other. It was an ideal situation for a competitive system; all restraining influences were removed, and self-interest was rid of time-hallowed moral and institutional obstacles. Adam Smith had assigned to self-interest the function of a prime motivation in economic life. However, he assumed that ethical limitations would discourage self-interest from violating justice and equity; it would be held in bounds by the enlightened attitude of the individuals.

What actually occurred under *laissez-faire* competition or the urge for profits was something quite different. In his *English Utilitarians*, Leslie Stephens gives a picture of the mind and practices of the rising

middle classes; they owed nothing to tradition or humanism. The same image of the new business world forced itself upon Honoré de Balzac and Emile Zola. Once self-interest had found ethical sanction because of its supposedly automatic and advantageous effects on economic life, the individual enlightenment in which Adam Smith had put his trust was quickly overrun. The drift of business ethics in relations between business and labor was downward—naturally enough, in view of the discrepancy between capital formation and labor supply during the early phases of the industrial revolution. What had been honored standards and morals one day, were obsolete the next. The process can be described as the transition from community ethics to a new “marginal” ethics, and from these to submarginal standards. In terms of competition, intramarginal ethics were self-defeating. All too frequently, success went with submarginal pressure; the “sharp” dealer or employer set the pace in the periodic decline of business and social ethics.

Classical unions were prepared to play the game according to the same rules. One imagines a nineteenth century union leader engaging somewhat as follows in a monological argument against employers:

You employers say business is business. Fine. We will proceed to look upon the conditions of labor as business and nothing else. We want clear contracts and a definite *quid pro quo*; without that our commodity—labor—will not be for sale if we can help it.

You say labor is a commodity. All right, a commodity it shall be. We shall keep careful account of the quantity and quality of this commodity and demand our price for it.

You say wages are determined by supply and demand. We accept that; but we shall adjust the supply to the demand and thereby improve the level of wages. We shall cut hours, control the work load, and keep various types of labor supply—female and child labor especially—off the market.

You say the government shall not interfere. All right, it shall not interfere with our organizations and policies, nor in our feuds with you. We demand from government the repeal of all laws which inhibit union activities.

You say that profits should be unlimited. All right; wages shall be unlimited too. We shall demand “more and more and ever more” (Samuel Gompers).

You speak of business ethics. Fine: Business ethics it shall be; and whenever *you* practice submarginal standards, we'll deal in the same coin.

We propose to negotiate with you in a business fashion—in *your* business fashion. You say that industrial relations are relations between aliens. All right. But you can't have it both ways. When you apply alien ethics to your workers, they will apply the same to you. Don't count on their loyalty to your firms or to your management. They owe their allegiance primarily to us.

Classical unions adopted alien ethics in order to survive and function. They made no attempt to propagandize Christian or any other integral ethics; they simply conformed to the standards in current use, as applied to themselves. To be sure, some union movements, e.g., the Knights of Labor, tried to preserve community ethics, but they were conspicuous by their failure. The struggle between employers and unions was the clash of an identical *ethos* about conflicting ends. Both employers and unions assumed that the issue between them was their own affair; outside ethics and their representatives had no business to become involved in the struggle. Though inclined to identify their interests with "the interests of society," they were unconcerned about the impact of their *ethos* on the environment or on the economy as a whole.

The conflict centered around the acceptable margin of working conditions. Against the sub-marginal pressure released by competition, the unions aimed at a policy of marginal ethics in labor conditions and, wherever possible, made every effort to raise the prevailing marginal standard. Circumstances determined their success or failure. In up-swing periods they made gains which they might lose in the following depression; but the over-all picture shows a steadily rising curve. This should not be attributed exclusively to union action; in the final analysis, the rate of increase in productivity supplied the material basis for better working conditions as well as for union achievements. Collective bargaining is not a wealth-creating but rather a wealth-distributing process. In real terms better wages are secured not *by* but *through*

bargaining—provided that economic conditions have first made the improvements possible.

By adopting business ethics, unions tried to stem the pressure of what to them appeared to be “sub-marginal” ethics in labor relations and to lift the prevailing marginal standards. Thus they truly acted as a countervailing power. In the absence of established social standards and institutions, they moved into a vacuum. They held their own against the claim that a “rational” or “natural” economic system presupposed the existence of a social *plenum*. Had the assumption of the classical, *laissez-faire* Liberals been correct—i.e., that a competitive economy automatically delivers justice to all—there would have been such a *plenum*, and consequently no opportunity for the insurgence of unions. But there was a vacuum. Apparently mere self-interest and competition could not fill it. Somebody or some institution had to be responsible for certain social minima. Unions accepted this challenge. Whether or not they were intrinsically suited to fill the vacuum is another question.

The final question concerns the compatibility of classical unions and free competition. Again, the very existence of unions seems to contradict this principle. The unions’ basic goal is the exclusion of competition—competition among their members, competition from unorganized workers, and competition from rival unions. The very spirit of unions is anti-competitive because the intensity of competition sets the limits of union power, if not union existence. On the other hand, a free-market, private enterprise system has only one reliable balancing factor: free entry for everybody and free competition among all. It seems a hard and fast case against unions: They are alien bodies in the competitive system. They are a disrupting, dislocating, and disturbing element. There seems to be no two ways about it. And yet there is.

Again, one must distinguish between the order of principles and the practical order. As a rule, classical unions were unable, even in good times, to monopolize their market sectors. When business was slack or depressed, membership dwindled and unemployment destroyed whatever degree of market control the union may have had.

Unions were out of luck whenever a firm or business in general merely “broke even” or operated at a loss for a long period of time. With business on the upswing, unemployment began to drop, prices and profits improved, and employers became interested primarily in the smooth flow of production. A few more pennies could readily be paid to labor out of rising prices or increasing profits. This was indeed a favorable climate for unions; membership increased and funds piled up again. Demands could be made with the threat of strikes or with actual strikes to back them up. As the labor market became tighter, competition for workers replaced competition among them—the perfect condition for union activities.

The conclusion is clear: On principle, it is true, unions *per se* disturb and interrupt the competitive mechanism. But the dynamics of the market mechanism limited union control of competition in the particular market segment. Roughly speaking, classical unionism remained trapped in the competitive process. “To keep labor out of competition” became a union program only later, and only under an entirely different set of circumstances.

Recent economic analysis, with its concepts of imperfect, monopolistic, and working competition has destroyed the previous “either-or” distinction between competition and monopoly. There are various grades of competition, various grades of market imperfections. The particular *locus* of unions is not perfect or pure competition; it is either working or monopolistic competition. Market imperfections, which are most prevalent in the labor market, give a scope to union action which classical economic liberalism did not acknowledge.

Classical unionism in the setting of classical capitalism may be summed up as follows: First, it is true that theoretically, unions were alien bodies, inconsistent with the free-market, private-enterprise system. But it is equally true that actually, the functioning of the private-enterprise system allowed union action a certain scope not inconsistent with the economic realities of the system. Even so, union operation remained dependent on the dynamics of the capitalist system. The capitalist machine opened and closed valves for union action; the

relative strength of unions was a measure of the vitality of the capitalist system. Classical capitalism and classical unionism were like Siamese twins. If they prospered, they prospered together; if they failed, they failed together. Unions and business were locked in an interminable struggle even while sharing a vital mutual interest: business prosperity. Second, since unions were really a by-product of liberal capitalism, their survival interest compelled them to submit to the rhythm of the system. Since the conditions out of which they grew were permanent, brought about by the dynamics of the economy itself, unions also established themselves as permanent institutions rather than as mere agencies organized to meet occasional emergencies.

The conditions within which classical unionism existed and functioned may be summarized as existential *aprioris*, structural *aprioris*, and functional *aprioris*.

Existential *aprioris* are those conditions which must be fulfilled if unions are to exist and survive. There are three of them. The first condition of union existence is the existence of a stratum of workers. This is self-explanatory. Without legally free but economically dependent workers there would be no unions. Slaves do not organize unions, neither do paupers. The second condition is the availability of jobs as a premise for the existence of wage workers. This is equally obvious. No jobs, no workers. An economic system based on slavery or forced labor has no place for jobs and wage earners. Third condition: There must be employers who create jobs and keep them open.

Structural *aprioris* involve the particular structural requirements which classical unions had to meet in order to be operative in a liberal capitalist environment.

First, the structural union basis could not be an individual firm; it had to include a number of firms in a particular market segment. There are several reasons for this. If the union covered only one firm or plant, the employer could take refuge behind the open-shop rule and substitute unorganized workers for organized ones. Furthermore, the union could gain a degree of control only by covering its whole competitive market segment. It adopted a "common rule," an identical wage rate

for identical jobs within the range of competition. Finally, union representatives could escape pressure applied by an individual employer only when the union covered a multiplicity of firms. Union operations were best performed from the outside, from supra-firm headquarters.

A second condition of union success was the coverage of a critical percentage of the labor supply within the union's jurisdiction. It was not necessary to organize the entire labor force. On the other hand, there was a minimum below which the union could not operate successfully. This minimum varied from industry to industry, from craft to craft, and from one state of business to another. The experienced leader knew what the minimum for his union was and when it shifted. Upswing periods offered opportunities even for an organized minority, whereas downswing periods limited the powers even of unions which covered a high percentage of workers in their field.

The third structural *apriori* of unionism—as a permanent institution and not a temporary association—is a hierarchy and bureaucracy.

As time went on and unions grew, they did what all similar organizations do for the sake of efficiency and control. They developed executive, policy-formulating, and consulting bodies within their own structure.

The functional *aprioris* of trade unionism are the basis of union operation and success.

First of all, trade unionism remains healthy only on a diet of continuous demands—"more and more and ever more," as Gompers said. A "success" is only a temporary satisfaction. If a union ever were to grant that it had attained its goal, it would lose its *raison d'être*. No union has ever taken this step; it remains to be seen if any union ever will—whatever status its members might enjoy.

Even if union members were satisfied, unions would protest. They might shift all sorts of responsibilities to government and employers, but never would they agree that their own function could possibly be fulfilled by government or employers. Unions are quick to suspect that any measures taken by employers in favor of their own workers are aimed at undermining the union; hence the frequent insistence, particularly of American unions, that employers' welfare policies be negotiated with the union and presented to the workers as achieved by

the union. Harmonious understanding between individual employers and their workers is acceptable to unions only within the limits and under the terms of the collective agreement; otherwise it is assumed to undermine the workers' loyalty to the union.

The second functional requirement is that the policy of ever-renewed and expanding demands must be directed toward improvements which the workers actually desire or which they may be taught to desire. These demands must appear reasonable and realizable; otherwise the workers would be unwilling to strike for them.

The third functional requirement is prudence. Unions run the risk of losing both the respect of employers and the favor of public opinion if they overplay their hand by urging demands which appear utterly unreasonable or unfeasible. The union must recognize the point beyond which it ought not to press its demands just as ably as it recognizes the emotional climate that favors them.

THE TRANSITION TO ESTABLISHED UNIONISM

CLASSICAL unionism conformed to the general pattern outlined in the last chapter. It agreed that management has the right to manage, that owners have the right to profit, and that management and owners shoulder exclusive responsibility for the firm. To be sure, gradually unionism did enlarge its field of operation and intensify its demands, thereby limiting managerial prerogatives and competences regarding labor conditions. But classical unionism never claimed co-managerial functions or showed willingness to share managerial responsibilities. Strictly limiting its function to the making of demands, it left the employer to decide how these could be fitted into the cost structure and market conditions of his enterprise.

The era of classical unionism was coextensive with the era of classical capitalism. Broadly speaking, both cover the nineteenth century which in socio-economic terms drew to its close in Western Europe in 1918, in the United States with the impact of the Great Depression and the resultant New Deal. The World Wars, the Depression, a series of revolutions and inflations, as well as the rise of the Soviet power, and the final phase of European colonialism, wrought profound changes in the West's economic and social system. Beneficiary of the change was the labor movement, represented in Western Countries by the unions. These became firmly entrenched not only because of the shattering blows dealt to classical capitalism, but also because war economies (with their rationing, pricing, and credit policies) had demonstrated the immense plasticity and flexibility of the capitalist system. To a degree never dreamed of by either business or labor, governments actually directed, manipulated, and controlled what formerly had seemed to be the exclusive province of inexorable economic law.

The tremendous burden which war economies shifted to industrial labor, and the need for labor's cooperation in the war effort gave the unions an unexpected and unparalleled opportunity. Their loyal cooperation appeared to be a condition of national survival; and if their former policies had marked them as radicals (or, more strictly, as an alien body in the social economy), they now seemed to represent a wholesome and conservative force which no nation could afford to do

without. As a result, many new rights and old, often rejected demands were now granted without much ado. The unions did not hesitate to make the most of the situation. Overnight they acquired the only thing they had lacked: the status of a recognized institution in the social structure of the nations. In token of this elevation to recognized status, union leaders, even in traditionally reactionary countries, now became cabinet ministers, governors, and ambassadors.

The development of post-1918 or post-Depression unionism can be appreciated only when considered against this background. In numbers, funds, organization, and influence, union reality far surpassed union dreams. New labor laws entrenched the unions ever more firmly, and on economic, social, and government policies treated them as institutions of vital importance. The unions' new status was strongly reflected in the formulation of their policies, in their self-assurance and in their methods of dealing with governments, employers, and the public.

This new phase of union development demands a name. Era of Established Unionism will do. According to Webster, "to establish" means "to make stable or firm, to gain full recognition, to make a national or state institution" of something, e.g., a church. Present-day unionism is "established" in each one of these several meanings of the word. It certainly has a firm and stable basis. Deeply entrenched and strongly institutionalized, unions in democratic countries today muster tremendous numbers and funds; their influence permeates the whole fabric of the nations. Unions have long since gained legal recognition—in the United States since 1935. (In Great Britain and Germany Established Unionism had come into its own as a consequence of World War I.) Legal recognition of establishment, however, is not enough; actual recognition by employers, by the public, and by the workers is needed; and in this country, as in Western Europe, it has been fully accorded. Today the unions have their recognized place in the hierarchy of public, if not political, institutions. Their claim to represent "the workers" is fully accepted even though in most countries they represent only a minority of all workers. Finally, unions have acquired the stature of quasi-public institutions and are now consulted in matters of national concern far beyond their immediate labor interests.

At this point, a note of caution: Legal recognition and the acceptance of unions by employers and the public, though necessities, are insufficient as conditions of establishment. Genuine establishment requires more than mere legal status. Above all, it requires an economic environment which permits unions to gather the fruits of establishment. Unions operating in highly elastic markets, in firms and industries with a small or zero rate of productivity increase, unions in declining firms and industries may have all the legal criteria of establishment, yet they will be powerless to exploit them. This holds equally for unions in underdeveloped countries, who, after joining the ILO and signing its agreements, still find their hands tied. Their legal status has no effect on their economic frame of reference. On the other hand, some unions operate under next-to-ideal economic conditions—in inelastic markets or in markets subject to monopolistic or administered pricing policies or in industries and firms with a more than average rate of increase in productivity. Still others are settled at particularly neuralgic spots of the body politic—likewise a profitable circumstance. Given such conditions, legal establishment can be fully exploited, provided that aggressive leadership is prepared to press demands to the limit. Naturally, the wide differentiation in the chances of exploiting legal establishment presents a grave problem for national federations of labor. We shall return to this point later.

One result of union establishment is that democratic governments have gone out of their way to encourage unionization, to clear the statutes of restrictive laws, and to legalize all sorts of union action designed to spread unionization. Legal and administrative provisions protect unions against both hostile employers and nonunion-minded workers. This degree of union security is extended to all firmly implanted unions and their federations; governments actually discourage rival unions from encroaching on the claims and jurisdictions of the established union. If the unions are to be made secure because their security is a public concern, it follows that this security must be protected also from the pressure of rival unions; hence the privileged status enjoyed by established unionism.

Another development of unionism—or perhaps it should be called a subtle transformation—coincided with the change in union status.

The monopolistic or cartel element increasingly gained the upper hand over the "labor" element. Unions have always claimed to speak for "labor," although in actual day to day practice they represent and function for *their members*, in their particular jurisdiction. But as unions grew and expanded their organizational structure and arsenals of strategy and tactics, their "labor movement" characteristics diminished. Even in the classical period, craft unions frequently looked askance at the stirrings of unskilled unions in their primordial "movement" stage, doubtful that much good could come of mass unionism. Once they had found their niche and had settled themselves firmly in it, the crafts could do without the emotions and spontaneity which characterized the unions' adolescent phase. Today the "labor movement" at large follows the same pattern: establishment completes its transformation from a "movement" into a well-organized institutional structure.

This development naturally has consequences for the inner life of unions. In the first place, once established, unionism no longer gains its chief impetus from restive groups agitated by common complaints or resentments against common injustices. This no longer fully applies. The present-day union is no vaguely defined restless group; it is a powerful, well-knit organization with the will to act and expand. Its members are registered men and women in good standing. It has its charter of jurisdiction, its hierarchical set-up with leaders, bureaucracy and all. Union discipline extends from top to bottom, enforced by a union judiciary. In brief, nothing is vague or at loose ends, and there is also little spontaneity. Like any other mechanism, the apparatus operates as it is designed to operate. Those in charge of it use their discretion as to which complaints are pressing and worthwhile, which are not. They may raise complaints and discover injustices before the members are aware of them. It is largely the apparatus which chooses the timing and decides the priority of demands. Mass emotions may not be absent, and when present they must be taken into account, but they no longer direct policy; they can be channelled this way or that. Today the restiveness which characterized the former "movement" is largely gone, but leaders sometimes have reasons of their own for renewing it by raising complaints and demands allegedly voiced by members.

Secondly, established unionism does not, or at least not to the same extent as classical unionism, rely on spontaneity. Where unions exercise job control, or where by direct methods they regulate entry into the union itself, there is no need for it. The union shop, the check-off, and the maintenance-of-membership clause, along with other types of pressure used to gain members, indicate the degree to which spontaneity can be dispensed with. Only where established unionism tries to break into unorganized market sectors is it tied to nineteenth century "movement"-type principles.

Thirdly, established unionism no longer has the vague, *ad hoc* approach of classical unionism. It is pragmatic but it also has its schedule of definite policies, often carefully timed in advance and well-synchronized. Union strategy has something of the thoroughness and tactics of a general-staff. Campaigns are planned well ahead of time and aim at concrete goals, and established unions' incomparably greater freedom of action allows them to hit hard. The unpredictability of the nineteenth century "labor movement" is conspicuous by its absence.

Finally, there is a vast difference between the leaders of the typical nineteenth century movement and today's hierarchy and staff. Today leadership is a highly diversified and structured function. There is a top level, somewhat like the board of directors of a great corporation. There is the middle echelon embodied in the bureaucratic administrative apparatus also found in big corporations. And there is the ground-floor of field leaders represented by local dignitaries, business agents, organizers, etc. The differentiation of functions may not be clear-cut throughout, but, as in all large organizations, it is there. It reaches from the top at national union headquarters to the shop steward, the lowest rank of the hierarchy operating in the individual plant or firm. It is no exaggeration to say that the union-directed labor administration has grown on top of and intertwined with, the business-directed labor administration of the firms. Almost no concern of the latter is beyond the union-directed administration's claims. A perusal of the frequently large codices of collective agreements, plus plant rules, union regulations, and practices agreed upon at the plant level, demonstrates the tremendous comprehension of what the late Professor Slichter has aptly called "industrial jurisprudence."

To sum up: Established unionism can no longer be called "the labor movement." A feature already incipient in late nineteenth century crafts has achieved full maturity. Unions today are institutions, not movements. Individually they do not address "labor," but the workers under their jurisdiction. The "movement" feature recovers some of its earlier importance only where yet unorganized sectors begin to stir. Elsewhere unionism is a thoroughly institutionalized, well-ordered, quasi-autonomous realm, empowered with jurisdiction over job-territory and job-holders, and characterized by a tendency to engulf a range of managerial and governmental functions in its jurisdiction.

There is no better proof for the truth of this statement than the one to be found in a brief submitted by the A. F. of L. to the Supreme Court of the United States.²

We quote:

Workers cannot thrive but can only die under competition between themselves. . . . Thus the exercise by workmen of freedom of assembly, to have real meaning, must comprehend the right to eliminate wage competition between individual employees and to require adherence to the common rule through the device of union membership as a condition of employment, whereas in the case of business men it will not include the right to eliminate price competition.

* * *

The worker becomes a member of an economic society when he takes employment. . . . It is the society of his fellow workers in a mine, mill, or shop, or in a craft or calling. The union is the organization or government of this society formed by the exercise of the right of association. It is essential to the nature of this organization that it include every individual who is a member of the society which it governs.

The common rule of collective bargaining carries with it the legal doctrine that the union is the common authority or government of a society of workers. It has in a sense the powers and responsibilities of a government.

We can summarize the nature of union membership as a common condition of employment in an industrial society by again comparing it to citizenship in a political society. Both are compulsory upon individuals.

² Brief for Appellants, *American Federation of Labor, et al. v. American Sash & Door Company, et al.*, October Term, 1948, No. 27, 335 US 538.

The liberty of the individual is not the right to license, but participation in a social organization founded upon equality, justice and law. The union is that organization for employees. It is the product of the exercise of their right of assembly, and it is essential to the exercise of their right to secure equality of bargaining power with employers, that membership in the union be a common condition for all who are in fact members of the group governed by the union.

The author of this brief must have been utterly unaware of the fact that he was reviving an old feudal principle, the principle of *nulle terre sans seigneur* (no land without its overlord). That such a claim could be raised by an organization originally founded by workers in defense of their individual rights is fresh proof of the deep confusion caused by lack of principles. The very fact that such an advocacy of feudal principles could officially be presented by the A. F. of L. to the highest court of the country, highlights once more the whole problem of responsibility.

Business, agriculture, and labor alike are constantly being reminded of their responsibilities and of the need for ethical principles in their everyday actions and long-range policies. This happens in an era in which special-interest organizations have learned to shift responsibilities to government, expecting it to pick up the loose ends brought about by their own policies. On the other hand, government pressed into action for often conflicting group programs, reaches the limits of its own possibilities and power, and in turn, reminds the groups of *their* responsibility, of the need for "fairness" in dealing with one another. Obviously, no government can assume responsibility for chaotic group demands and still remain custodian of the common good, least of all when "by political and nonpolitical means, including influence on, or determination of, legislative decisions the interest associations push their particular demands without accepting responsibility for their own exercise of political power."⁸

The plain fact is that the *loci* of group responsibility are indeterminate. Their shift back and forth registers the relative power of pressure groups, the openness of the democratic process to pressure

⁸ Professor Joseph Kaiser, *The Representation of Organized Interests* (in German), Berlin, 1956, p. 242.

power, and the degree to which economic controls over group pressure power have weakened. In view of this indeterminateness as to where responsibility really belongs, ethical exhortations and appeals usually have little meaning and less response. "Institutionally necessary" or "expedient" policies and tactics overrun a "merely moral" approach. Professor Schoellgen observes that all too frequently programs of survival and life-struggle are confronted with an appeal to conscience and fairness, but "life cannot be compressed into the polarity of good and evil . . . there is something in-between, a tragic element, the down-sucking pull of a moral undertow, of the impersonal, only sociologically understandable dynamics of social life."⁴

There is no denying that at present, with large sectors of the American public, unions have fallen from grace. From all sides they are being urged to accept responsibility for their actions and policies. The American public, however, should ask itself to what extent its own policies cleared the road for the union excesses and abuses which it so vehemently indicts today. The labor law as it stands since 1935, many court decisions and, last but not least, certain policies of the National Labor Relations Board have fostered a dimension of union power which, when duly exploited, was bound to lead to abuses and excesses. The addressee of responsibility should, perhaps, be not so much unions as those legislative, judiciary, and administrative policies which failed to realize that unions too are human institutions, and therefore prone to abuse power.

Let us look into the unions' basic arguments for their claim to be "the government over all jobs."

1. Unions claim to need the union shop because without it the union would be insecure. This argument is void of any foundation in fact, except perhaps at the fringe of the American economic scene where workers' indifference or resistance to unionization allows employers protected by state right-to-work laws to escape union pressure

⁴ Werner Schoellgen, *The Sociological Foundations of Catholic Ethics*, Dusseldorf, 1953, p. 41.

for compulsory organization. Note that within these fringes voluntary unionism enjoys precisely the same legal protection and administrative backing as do unions in their industrial strongholds. No country has enacted such drastic legislation in favor of unions as has the United States; and no administrative agencies of other countries have fostered and endorse unionization as has done the National Labor Relations Board. In the face of these facts to say that unions need the closed or the union shop (the difference between them from the worker's standpoint is more academical than practical) seems absurd. This has been recognized by union leaders themselves, e.g., by the president of the Brotherhood of Railway Clerks, Mr. G. M. Harrison:

No, I do not think it [the union shop] would affect the power of bargaining one way or the other. . . . If I get a majority of the employees to vote for my union as the bargaining agent, I have got as much economic power at that stage of development as I ever will have. . . .⁵

Labor economists of rank agree. We mention Professor John Spielmans, who, by the way, favors compulsory unionism. In his article, "The Dilemma of the Closed Shop"⁶ he states that in 1941 President Roosevelt declared that his government would never compel employees to join a union. President Roosevelt said, "That would be too much like the Hitler methods of forced labor." Spielmans continues:

. . . But actually these are the methods which are in substance and effect being employed today when compulsory union membership is authorized by law and put in force by labor leaders in the exercise of the tremendous powers granted them by law. . . . With the clamor of that battle subsiding, the worker's front, as the unions' chief remaining line of fighting, has moved into clearer view. The closed shop in particular, no longer seriously needed to combat employers' antiunion policies, has thus turned more and more into a weapon to coerce the workers into the unions—not against the will of the employers but against their own will.

Professor Selwyn H. Torff summarizes his opinion:

If the union-survival theory were to be accepted as the motivating basis for the demand for compulsory union membership today, there

⁵ *Hearings* before the Committee on Interstate and Foreign Commerce of the House, H.R. 7789, 81st Congress, Second Session, pp. 20-1 (1950).

⁶ *The Journal of Political Economy*, Vol. LI, pp. 113-1.

would be little support in reality for such a demand. The American labor movement has not been feeble for a long time; it is vigorous, aggressive and effective. It is protected by law and fortified by strength. It is one of the most dominating economic, political, and social institutions in the nation. It is beyond the capability of employers to destroy it, even if they so desired or attempted. And the day of attempts by employers to destroy unions as such seems long past; "union-busting" exists today largely as a propaganda term. For the great majority of employers, labor unions and the collective bargaining process are established facts of economic life. Whatever the compulsory union membership issue may once have involved, it is no longer an issue that involves the survival of labor unionism in the United States.⁷

Finally, we quote another labor economist of high reputation and certainly a friend of unionism. Professor Joseph Shister analyzed the arguments for the union shop as presented by the unions. Here is what he says:

By and large, employers are opposed to union security clauses. . . . It is to be expected, therefore, that employers will strongly resist union demands for security provisions. And from this it follows that where unions have been successful in obtaining union security, notably the closed or union shop, they must have possessed a great deal of bargaining power; otherwise the employer never would have yielded. A union is therefore strong before it obtains a security clause in its contract. . . . We must conclude therefore that a union which succeeds in obtaining a union shop clause, e.g., does not really need this clause to insure the survival and growth of the institution with an eye to the welfare of the membership.⁸

2. Let us turn to the second argument in favor of the union shop. This is the so-called "free rider" argument. Its meaning is that nobody should enjoy benefits without having joined the benefit-securing institution. The implications of this principle become clear when it is universally applied. It would mean that all churches, civic societies, the Red Cross, trade associations, farm associations, in short, all voluntary associations working towards some self-defined group good, would

⁷ *Collective Bargaining*, McGraw-Hill, 1953, p. 35.

⁸ *Economics of the Labor Market*, J. B. Lippincott Co., 1949, p. 360.

be entitled to the identical claim of compulsory membership. There would no longer be fields of operation for free and independent men and women. Universal coercion would kill all spontaneous endeavor and desire to band together for a good cause. Drab compulsion would destroy the most valuable impulses of our free society. And the end? Partial collectives claiming primacy over human rights would pave the road for total collectivization.

For pragmatic reasons unions may ignore these considerations. Given the closed or union shop they are exempt from competition and enjoy a more or less monopolistic stature. Thus, the last chink in the union armor would be closed. Workers would have to belong to unions, to submit to their rules, regulations, and policies or lose their jobs. Unions pressed hard for the statutory right to represent all workers of a plant or industry; once they got it, they turned it into an argument for compulsory membership.

But let us look more closely into the "free rider" argument. At first glance it seems to have some justification—provided the free rider is really clamoring for a free ride. Now the very fact that unions demand the right to represent all employees of a firm or industry (after union certification) proves that there are many workers who do not want a so-called free ride, that the union forces an expensive ride on them. Workers must forfeit their individual bargaining rights to the union's right to exclusive representation. This may sound very academic but it is not, as certain American, British, and Swedish workers as well as unions have already discovered. Some highly skilled crafts, above all in manufacturing industries, have lost bargaining strength through the specific wage policies of industrial unions. Under individual bargaining, their wages would be higher. Limited as this range may be, it does exist. It is a fact that the equalizing tendencies of union wage policies reduce the differential between the top level and the middle and lower wage levels. Swedish and British authors and labor leaders have complained that the recruitment of workers for higher skills suffered from the insufficient wage differentials caused by union policies. From this it is clear that the highly skilled workers in mass industries certainly cannot be called "free riders" who, while remaining outside, enjoy union benefits.

But most important is the following consideration. The free-rider argument implies that collective bargaining is a creative power in economic terms. It carries with it the implication that the union gains better wages, shorter hours and fringe benefits for its members *from* collective bargaining. But this is a mistake. No improvement of wages and other benefits accrue to the workers from collective bargaining. Collective bargaining is only a device for tapping the sources from which higher wages and all sorts of benefits finally can be secured. At this point we face the real issue: Which are the sources of improvements mediated *through* collective bargaining? There are only three, no more. Improvements of wages mediated through collective bargaining can derive first, from shifting increased costs to consumers; secondly, from unions cutting the profit margin; and thirdly, from an increase in the rate of productivity.

a. There were and are firms and industries where competition in the labor market leaves the wage level below equilibrium, although higher rates could be paid. This is the appointed range for union operations. Other industries operate in inelastic markets; there, of course, the firms can shift increased labor unit costs to the consumer. The fund from which improvements then are paid is consumer's income. Who are the consumers? Dependent on the particular market, they may be only workers, as, for instance, in the market for working clothes, tools, etc., or they may be mostly workers, or a sizable group of workers, or only a few workers. To the extent that workers are the consumers (and a great majority of consumers are workers and their families) they pay—whether organized or not—for the union-secured improvements in working conditions; thus, there are no free riders. What if the workers are not consumers of the commodities whose costs have been increased through union pressure? In such situations the impact of increasing labor costs still may hit workers in a roundabout way, whether they are organized or not.

b. Has the free rider argument more basis in fact when collective bargaining cuts into the profit margin? We assume intra-marginal firms and industries, that is, enterprises doing better than breaking even. (Firms which over a period of time fail to break even offer no chances for union pressure anyway.) Now intra-marginal firms show

a wide variety of net returns: some earn large profits, some average, some operate close to margin. It is obvious that these last are least amenable to union pressure; nevertheless, unions may raise demands anyway when business in general booms and government backs up full employment. Then workers in the close-to-margin firms and industries may feel the results of union pressure in lay-offs, unemployment, unfavorable job classification, and loss of seniority rights and pensions. Organized, as well as unorganized workers must accept the risk entailed in union activities. Where bargaining is industry-wide, the bargaining agency may disregard, or pay insufficient attention to, the many differentials in conditions among firms. There, workers—whether organized or not—may suffer. The free rider argument again fails to apply.

What about firms earning large profits? They, of course, are a promising target for union demands. Their profits may be due to a monopolistic condition, which is a rare case; or to an oligopolistic position; or to cartel arrangements. Monopolistic conditions disallow shifting of increased costs to consumers, provided the firms have been maximizing their profits. Wherever that happens, unions are able to secure their cut from the monopoly profits. To a lesser extent, the same may apply in the case of oligopolistic firms. In these cases, is the free rider argument justified? Even if we would subscribe to the Marxian surplus value theory, no case can be made for the free rider argument; the profits tapped by union pressure derive either from the exploitation of organized and unorganized workers or from consumer prices. If, on the other hand, we assume that profits are the result of specific entrepreneurial innovations, there is again no place for the free rider argument—one might just as well call the union the free rider.

c. Finally, does the free rider argument apply in the case of improvements derived from increased rates of productivity? These increases result from the combination of all factors engaged in production; and the contribution made by labor cannot be imputed to organized labor alone. Here again there is no room for the free rider argument.

Indeed, the whole argument has no foundation in economic fact. Yet the argument may be raised that unorganized workers enjoying union-mediated benefits owe the union a contribution on moral grounds. Under the proviso that such contribution is strictly voluntary, no objection could be raised—as little as objections can be raised to contributions to, say, the Red Cross. It is, however, an entirely different story if, by agency agreements, unions force such contributions on workers desirous of remaining unorganized. Workers may do so for highly respectable reasons of, for instance, religious or conscientious nature; others may prefer to stay outside union jurisdiction for merely utilitarian motives. In the latter case, if enforced contributions are equal or close to current union dues, agency agreements are but a back-door to compulsory unionization. If the dues provided in agency agreements are substantially smaller than current union dues, the union may lose interest in such agreements because there might be a premium on remaining outside of union jurisdiction for those workers who fail to join the union for merely utilitarian motives.

A third argument for compulsory unionism is based on the claim of majority rule. It is maintained that if a majority of the workers favors the closed or union shop, it is “unjust” and “undemocratic” of the minority to oppose this demand.

The argument is fallacious. It is the very essence of a genuine democracy to protect minority rights. No democratic rule forces the minority to join the majority. Indeed, it is the hallmark of *totalitarian regimes* to sacrifice minorities to the unity of the one party. Moreover, the claim would imply revival of the feudal principle already mentioned—*nulle terre sans seigneur*. The freedom of yeomanry and peasants was submerged when feudal lords applied the principle of compulsory overlordship: No landholding was to be free from submission and dues-payment to the lord. It is a feature of neo-feudalism that the same principle is applied with no thought to the moral and social consequences. The consequences may not be immediately apparent; people may believe—and union leaders may be perfectly sincere in this belief—that the democratic process in union administration would prevent the rise of ruling oligarchies. But they would be mistaken. The democratic process can function only when the balance of democratic forces

is maintained, and minority rights are scrupulously respected. It is folly to believe that unions can preserve their character as defenders of workers' rights and dignity when organization is compulsory and exclusive.

What happens, what always has happened and always will, when a highly exclusive institution covers jobs and jobholders all around without rival, without countervailing forces—in short, without competition? . . . Naturally, institutions, once they are established, must prove that they are necessary. They want to grow, expand, entrench themselves behind the fullness of privilege and power. Every powerful institution will scan the horizon for ever more and larger fields of action and self-expression; and even governments may find themselves forced to connive. If abuses went with the power of the Church and anointed Christian kings—how much more abuse must we expect from institutions of a purely secular nature *designed* to “get more!”

It is one of history's wry twists that unions, which have always gloried in protecting the workers against the autocracy of the “masters” now, themselves well entrenched and backed by government, make every effort to enforce yellow-dog contracts in reverse and establish their own “government” over their members.

THE NEW ESTATE OF THE REALM

TRADE UNIONS in the established state are powerful and influential on three counts: the law granting them quasi-public status; their unshakable entrenchment; and their claim to represent "the working people." The transmutation from the classical condition to the one of establishment may be summed up in a series of contrapositions.

1. Nineteenth century unionism was struggling for survival and toleration; mid-twentieth century unionism has "arrived" and is firmly entrenched.

2. Nineteenth century unionism had only a precarious foothold in law and court decisions; mid-twentieth century unionism is encouraged, fostered, and promoted by law, by administrative agencies, and court decisions.

3. Nineteenth century unionism fought long and bitter battles to compel employers to the bargaining table; mid-twentieth century unionism finds the employer both required and willing to bargain in good faith and to haggle over an ever-widening range of union claims and demands.

4. Generally speaking, nineteenth century unionism covered the crafts; mid-twentieth century unionism covers also highly concentrated mass industries located at the neuralgic spots of the nation's economy.

5. Nineteenth century unionism had to plead for recognition and favors with legislators and employers; mid-twentieth century unionism frequently lays down the law for both.

6. Nineteenth century unionism could rarely create more than local disturbances; mid-twentieth century unionism can cripple the life centers of the nation.

7. Nineteenth century unionism was caught in the limits drawn by monetary policies based on the gold standard; mid-twentieth century unionism operates in an economic climate largely free from the fetters of the gold standard, of rigid credit policies, and, sometimes, even of balance-of-payments considerations.

8. Finally: Nineteenth-century unionism had no economic theory to lean on; mid-twentieth century unionism embraced Keynesianism

and exploits it as the macro-economic justification of its demands and policies.

To sum up: Nineteenth century unionism moved within the rules and dynamics of liberal capitalism; mid-twentieth century unionism dominates the second phase of economic liberalism—the phase in which organized groups claim the individual's rights and responsibilities as their rights and their domain.

Thus we arrive at a re-interpretation of what we termed the *aprioris* of classical unionism. There were three of them: existential, structural, and functional. Now if our thesis is correct that unions underwent a transmutation by changing from their classical condition to that of establishment, it must follow that the classical *aprioris* are no longer valid. (We shall narrow our discussion to the changes in the existential *aprioris* since in our context the others apply only to a very limited degree.)

To repeat: The existential *apriori* was that the very existence of unions presupposes the worker; the worker in turn presupposes the job; the job presupposes the employer who procures jobs and keeps them open. Thus in classical unionism there is a specific relationship between union, worker, and employer.

How does establishment affect this relationship?

First, under establishment, job procurement in private enterprise is no longer the exclusive task and responsibility of private firms; the government has accepted a subsidiary responsibility for periods when unemployment reaches a critical percentage. It follows that a worker is no longer exclusively dependent on jobs currently provided by private employers; the less so since he has a right to unemployment benefits. The supply of enough jobs now depends on both private employers and government. Hence, profit and profit expectations *alone* no longer determine labor demand. The government fulfills its obligation by tackling the problem of unemployment in a variety of ways: By providing employment directly at government expense, or indirectly by pursuing budgetary, tax, and monetary policies designed to encourage private business and thereby employment.

Attention must be called to a particular circumstance affecting the supply of labor. Since the government is responsible for maximum employment and since certain benefits go with even temporary employment, a new motive for claiming jobs emerges. Men and women who in the absence of these benefits would not consider seeking jobs, find it advantageous to take jobs temporarily in order to secure such benefits. In all countries, experience with unemployment insurance and benefits has proven that the labor supply is often affected by this motivation. The point to stress here, however, is that the worker's dependence on the job supply of the private employer is weakened. Broadly speaking, if everyone has a legal right to *seek* a job and to enjoy the benefit thereof, the existence of the job follows the worker rather than the other way around. Now, however, the essence of the principle of full employment is that the worker, both actual and would-be, has a *claim* to a job. Thus by a long detour we find ourselves subscribing to the nineteenth-century reformer's principle that there exists a natural right to work, i.e., the natural right to a job.

Secondly, if the worker is the *apriori* of the job, the unions' dependence on the worker and on the job-creating private firm loses force. Even in the past, unions at the bargaining table usually assumed inelasticity of demand for labor; now, under establishment and government responsibility for maximum employment, they have a basis for this assumption; at least, a better one. This fact has special bearing on unions' functional *apriori*: the range of unions' wage policies is no longer narrowly held in check by unemployment, not even by unemployment in their own market, as has been demonstrated in bituminous coal, the railroads, and other industries.

Thirdly, the result of these changes is a substantial increase in union pressure power. An array of favorable circumstances (rearmament, war economy, overhang of purchasing power from 1945 to 1949, monetary and credit flexibility, etc.) permit unions easy exploitation of their legal rights in order to establish themselves *actually* in nationally leading industries. The coincidence of a long period of extraordinary achievements backed by governmental policies left union power with only one uncertain element: the willingness or unwillingness of workers to join and to remain in good standing. Hence the

union's attempts to close that gap in its fortress by organizational drives, by closed or union-shop agreements. But note that wherever the gap is closed, the worker is no longer the precondition for the union, but the union is the precondition for the worker's getting and holding his job. The workingman's job opportunity now depends on his membership and standing in the union. This then is the background against which the union's claim to be "the government over all jobs" must be understood.

Fourthly, the claim of unions to job-territorial sovereignty is bound to raise the issue of split loyalty: To whom does the worker owe primary loyalty? To the job-providing firm or to the union? This issue has been declared irrelevant if not meaningless, the argument being that the worker owes his loyalty to both. And he does, provided peace and harmony rule in the relationship between union and firm. There was a time when collective bargaining was hailed as the harbinger of social peace; meanwhile we have grown skeptical. In reality, collective agreements, rather than documents of social peace, are documents of an armistice. While it lasts (and if no difficulties in the interpretation of its terms arise) there are no grounds for split loyalty.

This is true, but why? Because the worker's loyalty to the firm carries a union guarantee. Note, however, that the guarantee is conditioned by the terms negotiated. At once a new aspect of the nature of collective agreements appears: it is the union's lease of its members' loyalty to the firm *on the terms of the agreement*. What if union members disapprove of union policies towards the firm? What if they find union demands incompatible with their loyalty to the firm? The answer is precut and dried: functional loyalty to the union has precedence over any personal loyalty feelings the worker may harbor. Regardless of his personal wishes or conscience, he has to conform, so he does. His loyalty is split. Behavior out of step with the union's required conformity means the loss of "good standing," hence of his job. Under such circumstances, if his loyalty is not split, what is it?

It is obvious that the transition from classical to established unionism brings with it a decisive shift in the mutual relations between firms, workmen, and unions. It is no longer true that the union presupposes the worker, the worker the job, and the job the private employer. Whenever legal establishment is actualized in union job control, the union does not unequivocally presuppose the worker, nor the worker the job, nor the job the employer. The balance has been shifted in favor of union power over worker and employer alike.

This is indeed a transmutation. The striking potential of established unions is immensely widened and union pressure tactics and strategies are incomparably greater than under classical conditions. There is no need to elaborate. It is only natural that such accumulations of power are difficult to hold in leash. Like heavy artillery, established unions constantly scan their range for suitable targets. Those attainable by classical unions' potential are not worth the powder—they can be had for the asking, hence sights must be raised higher. In serious minds both in and out of unions, questions begin to stir. What objects *should* be aimed at? How do they affect private enterprise and the national economy? How would a full hit reverberate against the unions themselves? There seems to be an undercurrent of doubt and bewilderment: Is this vast accumulation of union power really a blessing for the workingman and working woman, for the union itself and its permanent survival?

The copious literature on the unions' impact on the American economy testifies to the all but revolutionary change caused by their ascendance to the rank and power of the "New Estate of the Realm." Research in this field, however, has not yielded unequivocal results. There are neutralists like Professor Milton Friedman, who attribute to unions a merely marginal effect on the economy, while others hold them accountable for a distorted cost structure and inflation (Slichter, Chamberlin, Haberler, Harrod, Weintraub) if not for the drift toward a syndicalist economy (Lindblom). Statistical analysis, though often undertaken with admirable ingenuity and effort, still leaves the student baffled by its dubious or ambiguous answers. Is it that the technical trickiness of the highly refined methods brush only the surface

of the problem? Are we overcharging the statistical approach by expecting it to deliver what it cannot, either because of insufficient material or because that material permits contradictory interpretation, or because the analysis itself has blind spots, e.g., with regard to the qualitative aspects? I really do not know, and must leave that issue to experts.

What I do know, is that on top of direct labor cost there has emerged a pyramid of neglected or ignored costs, a pyramid that is growing fast. It results from firms' (and industries') labor administration and industrial relations policies, as well as from government expenditure in the area of labor law administration. This cost item was negligible, regrettably so, in the era of classical unionism; today it has assumed frightening proportions. No realistic assessment of total labor cost can overlook this cost-offshoot of established unionism. The amount and rapid growth of this type of labor cost raises the question as to its returns in terms of welfare for workingmen and women, returns which may well be diminishing while investment in this field grows by leaps and bounds.

On the other hand, a realistic appreciation of its new status by labor itself is befogged by old memories. Forgetting actual or alleged injustices of the past is a slow process with all social groups; the more so with unions because their institutional interests feed on reminiscences of rights previously curtailed and injustices suffered. Thus, labor's past adumbrates its present mind and policies; hence the distorted appreciation of its present status. In this brief study we cannot begin to penetrate this psychological complex, or to join the battle royal over the economic and legal impact of unions; particularly since Professors Edward H. Chamberlin and Roscoe Pound have discussed these problems in the present American Enterprise Association series of publications, to which Professor Gottfried Haberler's study on inflation will be another most valuable contribution.

We must focus our attention on those economic implications which derive from establishment. The transmutation in status was summed up by saying that through establishment, unions emerged as a rela-

tively independent variable in the socio-economic process. In this limited space we are forced to concentrate our attention on a few basic issues.

1. Establishment intensifies and widens union pressure power on employers and the government to a degree never before within union reach. Governments now fully recognize, encourage, and foster unions; they assign to them social and economic objectives, thereby granting them a quasi-public status. Occasionally, government and powerful unions pull together for the purpose of pushing union demands against business. Since unions' basic objectives were assumed to be in the public interest, it was only logical to abolish or soften legal and other restrictions on their operation and policies. Thus unions acquired a privileged position denied to any other social group, a position which cannot be appreciated in terms of mere quantitative improvements, for establishment has produced a qualitative change.

Once establishment had been secured, the unions' prime concern became the expansion of their jurisdiction over job territory and their condominium over jobs. Some unions are powerful enough unilaterally to lay down veritable codices of work rules and regulations; all of them have larger or lesser condominium rights through collective bargaining and grievance procedure. Union-controlled job territory is tightened by union-shop enforcement, checkoff, and maintenance clauses.

2. The history of labor proves that unemployment once was a real check on union policies. Under conditions of establishment, responsibility for maximum employment (over and above a certain percentage) has been shifted to the government; hence unemployment has lost the sharp edge of control it used to have. However, precisely a critical margin of unemployment now supplies an argument in favor of government deficit spending, of higher wages and more fringe benefits—for the purpose of creating "efficient demand" or accelerating growth. Escalator clauses close one more chink in the union armor, and the improvement factor guarantees millions of workers a share in the increase of productivity. Similarly, except in cases of collusion with the employer, unions are legally privileged to "stabilize" prices in product markets through their specific methods; thus they can monop-

olize product markets and enjoy, together with the respective firms, the fruits of restraints of trade.

Recessions with their varying margin of unemployment may dampen union demands, although as a rule some improvements are pressed for anyway, if not in rates, then in fringe benefits. Downward adjustments of wages during a recession are infrequent, and even when they occur, they are small and provisional. The public appreciates it as a sign of responsible union behavior when they accept a downward revision of rates or agree to hold the line. Wage reductions are sometimes accepted where business setbacks threaten individual unions with unemployment and loss of membership in their own ranks. In such situations, market forces come into their own again, and establishment loses significance. In the Congressional Hearings on union power, union representatives have referred to such cases as evidence that labor is still hard pressed and weak. If, during a recession, unemployment grows to assumedly critical proportions, the cry goes up for prompt and decisive government action; little chance is allowed the self-adjusting processes of the market. The late Professor Slichter's observations on the "distorted wage structure" were well taken; as was his further statement that the already highly paid workers profit more from union strategy than the ill-paid.

There is common agreement that the price of labor can be disproportionate to that of other factor prices. If government then is held responsible for maximum employment, the taxpayer foots the bill either through direct or excise taxes or through inflation. This is an anomalous situation, and indicative of the extent to which organized action, undertaken by any economic group, is divorced from that group's responsibility. To be sure, for large segments of workers and farmers, nineteenth century liberal capitalism tied responsibility too closely to individual action and omission; but the present divorce of concerted action from group liability is even less acceptable, since it shrouds the consequences of concerted action in a veil of anonymity; the next thing that happens is the cry for government intervention. In this phase of a pluralistic society, government finds itself in the unenviable position of having to bite off more than it can chew. "The overvaluation of political activity" and "the popular propensity to be-

lieve that every social problem can be solved, every desideratum attained by making a law about it"¹ that is the plague on both our houses, government's and the economy's.

Since William Beveridge's book,² attention has been called to the consequences of sectional bargaining's pressure differentials. Professor Kjeld Philip presents a new angle to this problem. Some industries can "take" union's hard pushing ahead, while others, above all the service trades, have no way out. But workers in these latter industries have their costs of living affected both by cost push and demand pull. Therefore, they attempt to lift their own wages by organizing and by control of entry or other means. Where they succeed, the purchasing power of the higher wages in the more productive and prosperous industries is eroded; therefore, in order to keep ahead in real terms, unions in the more productive industries, in turn, screw the level of their demands still higher. Professor Philip states for the Scandinavian countries: "formerly, if it was considered that the increase in real wages should e.g., be 3% in order to justify the trouble and risk involved in negotiation, a 3% wage increase was demanded; nowadays, if r (real wage factor) equals 0.7, 10% must be demanded in order to gain a 3% increase in real income." Professor Philip concludes: "movement of r towards unity must create two opposing tendencies: either they (unions) must obtain a large increase in money wages in order to get some real wage increase, or they must resign themselves to the fact that the old method of gaining a higher real wage has become ineffective."³

3. Jorgen Pedersen discusses⁴ the procedure adopted in the Netherlands for keeping the wage structure adjusted to monetary stability and the balance of payments. The Netherlands' policy has an obvious advantage: "Responsibility for wage policy and, with it, monetary policy rests with the government, which is responsible for economic

¹ William A. Orton, *The Economic Role of the State*, University of Chicago Press, 1950, p. 11.

² *Full Employment in a Free Society*, New York, 1945.

³ "Structural Changes in the Labor Market and Mobility of the Wage Level," *International Economic Papers* No. 2, London and New York, 1952, p. 203.

⁴ "Wage Fixing According to the Price Index," *International Economic Papers* No. 4, 1954, p. 106.

policy generally; whereas an arrangement which leaves wage fixing entirely to organizations of the labor market, in fact gives these organizations sovereign control over the development of the monetary system. Under the latter arrangement it should at least be declared openly that these organizations have the responsibility. This has never been done; we continue to delude ourselves in believing that the responsibility rests, as it should, with the central bank although the bank lacks the powers to make itself solely responsible."

Implicitly Pedersen accepts the distinction between classical and established unionism: "It is a delusion to imagine that before that time (when government accepted increased responsibilities for the people's economic welfare) the organization held absolute power with regard to wage fixing."⁵ They met with two impediments: The gold standard and balance of payments considerations. A wage level not in line with the gold standard caused unemployment, which promptly kept union demands in check. But that situation—the typical one faced by classical unions—holds no longer: "Nowadays [with the gold standard gone] if the monetary system is to be controlled at all, we should supplement or replace" controls through the gold standard "with what we call fiscal policy." However, Pedersen, speaking of Denmark, observes that government control would not be acceptable to unions and, therefore, would not be acceptable to Parliament. So he suggests a policy which would remove any doubt as to the impact of union demands on the monetary policy of Denmark: Let unions go ahead fixing wages without government interference, let them apply escalator clauses and other systems of automatic adjustments—"then we shall have gained a good deal if it is openly established that the organizations have thereby assumed responsibility for the welfare of the monetary system and all that it implies; that the government can have no obligation to conceal the consequences by subsidies and price controls, and that in fact this cannot in the long run be to anybody's interest, since the attempt to do so would serve only to reduce the national product on which depends the welfare and prosperity of all concerned."⁶

⁵ *Ibid.*, p. 107.

⁶ *Ibid.*, p. 108.

4. The reference made by Pedersen to the relationship between union policies and the "responsibility for the welfare of the monetary system and all that it implies" points to union's condominium role in the national monetary and credit policy. The same point has been made by Allan Sproul in his May 1957 address before the California Bankers Association. He pointedly remarks: as things are today "there are times when the central banking system . . . has to validate public folly and private greed by supporting increased costs and prices with an increased money supply, no matter how independent it may be of political and private pressures."

Further reference may be made to the truly Socratic dialogue between Dr. Blair, Chief Economist to the Subcommittee on Antitrust and Monopoly of the Senate Committee on the Judiciary, and Dr. Gardiner Means.⁷

MR. BLAIR: The last question is just to clarify my own thinking. On page 9 (of your testimony) you say:

"I have been unable to discover purely economic forces which will insure that this discretion (pricing decisions) will be used in a manner that will serve the public interest."

The point, as I understand it, which you are making there, is, that in an administered price industry there is no unseen hand that you know of which would insure that the use of the discretionary power to establish levels of prices and production within the zone of discretion would in fact be exercised in the public interest. There is, in short, no automatic mechanism?

MR. MEANS: No automatic mechanism.

MR. BLAIR: Then, on page 10 . . . you are also referring to the lack of any automatic control mechanism when you are referring to the possibility that we may have rises in the price level resulting from price increases in administered price industries, which might then be followed by the use of monetary and fiscal measures to effect relatively full employment at that higher level, then further price increases. . . .

MR. MEANS: That is right.

MR. BLAIR: Then, further use of fiscal and monetary policy to bring about full employment at that higher price level and so on, more or less *ad infinitum*. You see no built-in ceiling to this process?

⁷ *Administered Prices*, Hearings before the Subcommittee on Antitrust and Monopoly of the Senate Committee on the Judiciary. Part I, p. 122 (1957).

MR. MEANS: That is right.

MR. BLAIR: No ceiling which would hold in check what we might term this leapfrogging of administered price increases, followed by expanded fiscal and monetary policies?

MR. MEANS: This is what Sumner Slichter is referring to. The essential difference between us is the emphasis he puts on wage rates as the initiating factor and I think it can come either way, and does come both ways.

The quotation highlights an essential truth snatched from a fleeting moment of the protracted Hearings on Administered Prices. Government responsibility for maximum employment is the law of the land; but there is another law of the land which recognizes the autonomy of pressure groups in the pursuit of "justice for us" as defined by themselves.

Defined in terms of what? Well, very frequently in terms of "our power to press our claims." Of course, nobody would phrase it exactly that way; it is good policy to observe the amenities. In addition, there is always a travesty of Keynesian economics to fall back upon. It is sometimes phrased: "justice 'for us' increases aggregate demand and thereby employment and prosperity all around."

Still, the stark facts are there for everyone to see: the nineteenth century competitive market struggle has been widely replaced by the struggle among organized pressure groups and their competition for government backing. Briefly, "justice for us" has been shifted dangerously close to the definition: "The radius of our pressure power defines the meaning of justice for us."

Finally we quote from the British White Paper:

In order to maintain full employment the Government must ensure that the level of demand for goods and services is high and rises steadily as productive capacity grows. This means a strong demand for labour, and good opportunities to sell goods and services profitably. In these conditions it is open to employees to insist on large wage increases and it is often possible for employers to grant them and pass on the cost to the consumer, so maintaining their profit margins. This is the dilemma which confronts the country. If the prosperous economic conditions necessary to maintain full employment are exploited by

trade unions and business men, price stability and full employment become incompatible.⁸

In sum: In contradiction to classical unionism, established unionism wields condominium power over the national monetary and credit volume; together with conniving or harassed business it can establish cost structures and price levels which the monetary authorities must take as *data*. The stability of the dollar is a trust of the Federal Reserve System; but it is subject to the push and pull of pluralistic forces whose institutional interests may run counter to the very objectives for which the central monetary authorities were established.

5. Finally, there is one more range of condominium power acquired by established unions. It concerns their relationships to innovations. Under nineteenth century conditions, entrepreneurial action opened the avenues for improved technology and other types of unit-cost reducing methods. The bunching of such innovations with their concomitant credit expansion and profits allowed unions to press for "more." Here again, however, establishment has brought about a remarkable change. To the extent that union demands outrun the increase in the rate of productivity or cut deep into profit margins, firms and industries are compelled to scan the horizon for possible innovations in order to meet increased labor costs or to preserve profit margins. It is probably no exaggeration to say that automation received a partial impetus from established unions' wage policies in the widest sense of the term. Thus, here too, unions have acquired a condominium role. Their pressure sets the pace at which innovations become necessary or advised. The slogans so prevalent among American labor leaders that "wages must be taken out of competition" (which in a measure is not without moral merit, but where is that measure when the issue is in the hands of powerful interest organizations?), and that "no employer has the right to be in business unless he meets union demands," best illustrate the change from classical to established unionism.

⁸ *Economic Implications of Full Employment*, Her Majesty's Stationery Office, 1956, p. 11.

UNION ESTABLISHMENT — AND WHERE FROM HERE?

IN THEIR STATE of establishment unions are confronted with a choice of basic policies. They may use their power to agitate for improved working conditions along traditional lines, exploiting more fully the opportunities open to them under private enterprise, but utilizing state intervention in their favor more than before. Such a policy is pursued, for instance by unions in Switzerland, Belgium, and the Netherlands. Behind this pattern are, as a rule, sensitive economic conditions such as the threat of unemployment and a precarious balance of payment with the danger of inflation and currency depreciation.

Secondly, established unions may try to break out of the private enterprise system by adopting Socialist policies. To some extent this course was adopted by British Labour between 1945 and 1951 when it nationalized selected industries and the Bank of England, in addition to export-import controls, price controls, and subsidies to stabilize the cost of living. In Sweden the pattern is somewhat different. There, nationalization of industry is a secondary issue; some industries of a more or less "public utility" nature are nationalized, but for practical rather than ideological reasons. In some enterprises government and private interests share ownership and management. Many Swedish workers, union leaders and the rank and file, think their country has gone far enough along the path of nationalization; others advocate further nationalization where private industries are not expanding or adopting innovations, or where depressed areas show pockets of unemployment. On the whole, however, Swedish Labor is pragmatic; its emphasis is on improving the living conditions of the workers, chiefly by extracting as much as possible from employers; and the government backs it up by legal and administrative intervention. Sweden, pursuing a vigorous full-employment policy, has periodically been plagued by inflationary pressures and balance-of-payments problems which sometimes have forced the Federation of Labor and the Social Democratic government to institute wage stops and import and export controls in order to supplement counter-cyclical fiscal policies in the fight to keep the price level in bounds.

Thirdly, established unionism may pursue a policy of "industrial democracy," not indeed in the limited sense once proposed by Sidney Webb, but in the wider one of labor's "codetermination" in plant, firm, industry and, finally, on a national scale. The goal here is what may be termed a condominium of labor and management with strong labor influence on the over-all economic policy of the country. Some of the promoters of codetermination envision it as the first revolutionary step toward a change in the economic system; to others it merely means labor's participation in the control of business policies, in particular the policies of large corporations. These last argue that practically no important decision of management is without implications for workers; hence the whole range of business policies should be subject to condominiumal control.

Quite in line with the German faith in the "State," the German Federation of Labor demanded condominium (codetermination) by legal enactment, and in 1951, under threat of a general strike, secured it for the coal mining and iron and steel industries. In 1952 a limited degree of labor representation on the board of directors was granted for all corporations.

A fourth approach is typified by the policies of many large unions in the United States. They combine several features which, in other variations, are found also in some foreign countries: Government responsibility for full employment, easy credit policies, increased minimum wages, extended union jurisdiction, and all-round union security. Backed by favorable legislative and administrative policies, the unions follow their traditional line of ever higher wages, shorter hours, and better general working conditions, in addition to pressing for an ever-widening range of fringe benefits. On top of all that, condominiumal jurisdiction over industrial relations and work processes is widely extended through collective bargaining and grievance procedure. Nationalization in the formal sense is not an issue, nor are the rights of private property and management, although some union activities reach deep into that zone of rights which functionally belongs to management. These developments do not derive from any ideological or doctrinal motives; they are simply the result of the determination to make the most of the powers granted to, and accumulated by,

unions. Not much attention is devoted to a consideration of where this policy may lead; what matters is that the power, so used, "works"—for the unions and for their workers.

Whatever one may think of this variety of (chiefly pragmatic) approaches which appear under union establishment, certainly one conclusion is inescapable, namely, that no union blue-print for a union-controlled "laborist" system exists. In fact, where unions did break into the vitals of an existing system, as in Great Britain, they found themselves confronted by unexpected consequences which so far they have not been able to master.

Union establishment has repercussions upon conditions within the unions and upon relationships between the various unions.

Classical unionism was spontaneous and fraternal. By contrast, mass unionism under establishment enjoys legal status, encouragement from governments, and actual recognition from employers and public opinion; this naturally enough reduces union reliance on its inner cohesion and on the fellowship of the members. The bureaucratic administration posited by mass unionism is in any event bound to weaken the personal links between leader and followers, and among the members themselves. Personal loyalty yields to functional loyalty: members must conform to union rules, to regulations and policies. And union judiciary institutions, exempt as they were up to the passage of the Landrum-Griffin bill, from appeal to courts of justice, enforce conformity wherever it wavers. This was only to be expected; from the established unions' policy standpoint, conformity is a must. Wherever it can be secured by legislative enactment or by joint employer-union job control, the union need not be too much concerned about the weakening of fraternal ties; in fact it may even prefer mere conformity to a spontaneous but potentially wavering loyalty.

Furthermore, the status of establishment affects the mutual relationships of unions. The fraternal ties and the fellowship in arms which naturally emerged during the unions' struggle for existence and survival weaken, once establishment provides security and status to the

individual unions. In the union world, certain powerful units have attained the standing and prestige of job-territorial duchies; others just struggle along, while still others are clearly underprivileged because of their poor economic placement. For these and other reasons inter-union relationships lose much of their former emotional drive and unity. Strong unions may stake their claims with little concern for their "poor relations"; forays may be waged into contested zones, even into other unions' jurisdictions in order to expand one's own realm.

This is not to deny the existence of an inter-union sphere of "common cause" and common endeavor; nor should its value and importance be minimized. Still, there is no gainsaying the fact that the parameter of the common cause has been substantially narrowed. Yet occasions still arise which stir all unions to an emotional frenzy and to the proclamation of an urgent common cause. One is reminded of labor's outcry against the Taft-Hartley "slave act" and against the recent Landrum-Griffin bill. However, quite apart from the presumption that the degree of union unanimity concerning the oppressive character of these acts differs widely, there is no doubt that the violence of the protest and the commonness of the cause are not of the same order and justification as classical unions' unanimity in their fight for bare existence and survival.

But not only the climate and structure of the union, and with it the leader's position within that structure, have changed, the union leader's task has changed as well. There was a time when Socialists and unions alike cursed the workers' indifference; understandably so, for the labor movement could get under way only if workers were dissatisfied and restless. The leaders of the labor movement did a thorough job of arousing the workers to a consciousness of their condition and to the possibilities of improving it. Determined to extract all they could from the existing system, they pictured market wages as inherently less than fair and fostered the habit among the working class in general of demanding more and more. Under the "classical" conditions of the nineteenth century, both the unions and their leaders could afford to propagate this habit because employers, public opinion, and business conditions were in a position to draw the ultimate line.

Today the scene has changed. If formerly union leaders' problems were how to overcome many workers' indifference to their living and

working conditions, today it is frequently how to check exaggerated demands, since the habit of demanding, now almost instinctive, no longer encounters many of the former checks.

Establishment has brought a shift of emphasis from voluntarism to acceptance of government intervention. Not only did this lead, initially, to the enactment of favorable labor laws and social security legislation, but today the unions concern themselves actively with national economic policy, especially full-employment policy. Whatever their human consequences, deflation and unemployment were the last serious check on union power. Now that the governments of practically all Western democracies have assumed responsibility for maintaining full employment, that check has been weakened.

Equally important in this shift was the slow attrition of the belief in "natural" or rational economic laws which operated through individual self-interest and competition. Two world wars and a severe depression not only destroyed the belief in a self-adjusting economy, but left a deep conviction that economic life is more manageable than had hitherto been thought possible. This is not to say that the definition of economics as the rational disposal of scarce means was discarded; but ideas of rational disposal began to differ from what economists (and capitalist practice) had taken them to mean. They had assumed that self-interest and competition guaranteed equilibrium prices and incomes with full factor employment. Now it began to be argued that full employment could be attained only by conscious policy, and that economic rationality meant above all avoiding the wastage of unemployed resources. Aggregate demand became the center of interest, a truly revolutionary departure from nineteenth century economic liberalism. Where Victorian economists and businessmen had honestly believed that what is good for business is good for labor and for everybody else, many labor economists, occasionally with the tacit approval of management, now hold the opposite position: What is good for labor as the most reliable consumer group, is good for business and for everybody.

This new set of circumstances places a novel responsibility upon the shoulders of labor leaders. Aware of this, cool-headed leaders have in

many instances made strenuous efforts to hold the line against excessive demands. This has been true especially of post-World War II Europe, above all in countries where labor's political arm formally controls the government, or at least shares control; for there it is no longer possible to accept the power of establishment without the responsibility. The record has been by no means uniformly good, and such efforts as have been made have at best decelerated rather than arrested the drift into price inflation and balance-of-payments difficulties. But it is fair to say that some high-ranking labor leaders—in Switzerland, Germany, Holland, Sweden—have become soberly aware of the implications of labor's pressure power and consider it their task to restrain rather than to incite their rank and file.

This task of level-headed leaders is complicated by the loose confederal structure of unionism. Constituent unions jealously guard their independence from the national federation; national leaders may counsel moderation but they cannot impose it. Moreover, rivalry frequently enters into relations between individual unions. This is not merely a matter of jurisdictional disputes; even among unions which are not likely to encroach on each other's territory there is competition in terms of prestige, power, and success. Hence it is not surprising to discover that much of the drive for ever higher wages has its origin in what Professor A. M. Ross has aptly termed "comparative wages policy."¹ A favorable agreement reached between a key union and a key industry becomes an invitation to unions in neighboring fields or to rival unions to press for a matching or even better agreement. Whatever benefits in wages or fringe items may be gained by one union are promptly added to other unions' roster of minimum demands; both rivalry among leaders and the restlessness of the rank and file see to that. What results from such competitive demand resembles nothing so much as a never-ending game of leap-frog. And there is little that the individual union leader can do about it. He is and must be concerned with the union's survival and growth; quite aside from the natural wish to see the cause of his organization and its members prosper, he cannot help being aware that also his own future is involved. He is exposed to pressure from all sides, from a militant group within the

¹ *Trade Unions Wage Policy*, University of California Press, 1953.

union, from employers, from other unions, from government. His job is to find a compromise which will be acceptable to all and profitable to himself and his union. Clearly the leadership function is eminently a political function; therefore union operations must be explained primarily in political rather than economic terms.

Recognition of these facts has driven many to the conclusion that individual union leaders cannot reasonably be expected to be "economically responsible"—i.e., to shoulder responsibility for the macro-economic consequences of their wage bargains—as long as bargaining is sectional rather than national. Sir William Beveridge has made this point strongly and so has Professor Ross. To quote the latter: "A small bargain cannot be responsible. It cannot answer for its consequences, since they are impossible to isolate. It cannot control the decisions of others, and it cannot afford to set an example. The particular interest of those immediately concerned is inevitably paramount; the general interest of the economy at large cannot be influential."²

If one accepts this argument, the solution to this vexing problem seems obvious: there needs to be instituted a national wages policy which will relate increases in wages and other benefits to what the economy can afford out of rising productivity, and will divide the gains equitably among the various sections and grades of wage earners. Several Swedish and British authors have pointed this out, and Professor Ross arrives at the same conclusion: "What is needed is a wage bargain of sufficient magnitude to reflect the true significance of wages and salaries in the national income and to permit the larger questions of economic policy to be considered."³

Ross finds that there are indeed certain gropings in this direction: E.g., company-wide agreements, multi-union bargaining, the influence of key bargains and precedents, and in some industries uniform adjustments of wages over the whole sector, be it through formal bargaining organizations or informal wage comparisons. "But this is still a far

² A. M. Ross, *loc. cit.*, p. 97.

³ *Ibid.*, p. 97.

cry from the master wage bargain, which alone could imply responsibility for the volume of employment or other economic objectives." The government "could not avoid becoming a party" to this master wage bargain. Ross concedes that such a master wage bargain would be "in many ways the antithesis of free collective bargaining"—an understatement indeed; for this master bargain might be the end of unionism altogether. The name and certain institutional features might survive, but the essence of unionism would have vanished.

Suggestions for a national wages policy have been considered and rejected by British as well as by Swedish unions. Writers such as Jan Mikardo,⁴ R. Meidner, and G. Rehn⁵ were probably right in blaming the unions' rejection of a central wage board on apathy, lack of understanding, and vested interest in the present union structure. Still, the question remains: Is this an adequate explanation of their resistance to the scrapping of the present union structure and the mediatization of its sovereign policies in collective bargaining? I do not believe it is.

Unions were born and matured during the era of liberal capitalism; they adopted the prevailing *ethos* of the day and exploited it for the benefit of their members. Their solidarity was always *ad hoc*: they needed it for their many battles against legislatures, employers, and public opinion. They lost battles and won them, defeat and victory alike leaving deep impressions on the union mind. Moreover, they had to defend the union principle against the utopias of Socialists and Syndicalists, and they glory in having "known better." They grew strong in independence and autonomy, firmly convinced that they were fighting for "labor"—as, in a sense they were.

Now they are told that they have to change their very nature, to forget their tradition, their independence, and autonomy. They are asked to strip themselves of their past in order to undergo "the next mutation in the evolutionary process" (Crossman). Purely from an instinct of self-preservation—quite apart from any vested interest—they recoil from what to them must seem like plain suicide. Even when

⁴ *New Fabian Essays* (Crossman ed.), London, 1952.

⁵ *Wages Policy Under Full Employment*, edited by Ralph Turvey, London, 1952.

they support socialism, like the British unions, it must be a socialism which leaves the unions intact, autonomous, and ready for action.

An observer cannot help being struck by the incongruity of this attitude. British unions claim to be in favor of socialism; but when told that they must submit to "the next mutation in the evolutionary process," they refuse. Why? Because precisely on this point centers *the latent crisis of both unionism and socialism*. Already the tentative steps toward socialism which have been taken by British labor have sufficed to teach the British unions an unexpected lesson, namely, that socialization tends to limit union autonomy and independent action, and that it shifts power and influence to remote boards and ruling bureaucrats. True, there are representatives on these boards and in these bureaucracies who have been chosen from unions—with the proviso that they quit their union. What else can this mean but that the *union* is not represented? It is told that "labor" is represented on the board. But who is this "labor" if it is not "our" union?

The first impact of a tentative socialism woke British unions up to the fact that a Socialist economy is hardly compatible with the unions' independence and autonomy; and this same impact has clearly demonstrated to Socialists that their "mutation of the economy" is hardly compatible with independent and autonomous unions. Unionism as well as socialism finds itself in a dilemma. The one chose an ideology alien to its nature, the other an institutional instrument incongruous with the design of the New Society. The one awoke to the fact that it is existentially tied to a private-enterprise economy; the other, to the fact that unions, being what they are, are hardly fit instruments for Socialist reconstruction.

The British as well as the Swedish experiment has brought home the historical fact that unionism has its basis in a private enterprise economy. The two may struggle with each other; but the one cannot live without the other. They are like Siamese twins; if either goes its own way, both die.

There may be a still deeper reason for the unions' resistance to the "transmutation" demanded of them "in the evolutionary process." Unions have always gloried in defending the rights and dignity of

the workingman. Their truly great achievement lies in the fact that they helped transform the anonymous masses of the "laboring poor" into the self-respecting workers and citizens of today. They did their part in shaping the environment and climate which raised the wage earner to the dignity of a person both in the plant and in public life. To that extent, they have been fully in the tradition of Christian Western civilization. This, too, is in keeping with the law of their origin; this, too, should therefore inspire their resistance to "master planning" under whatever guise it may be proposed. In the very term "democratic socialism" rings an undertone of protest against depersonalization: Collectivism must not sacrifice human rights and dignity. There may be a contradiction in the term "democratic socialism," and very probably there is; but the point is that workers are aware of the danger that collectivism may absorb their rights and dignity—unless it is democratic. Their stubborn resistance to "the next mutation in the evolutionary process" may well imply an instinctive reaction against the erosion of human rights and dignity which is latent in all collectivism. Having defended the rights of the workingman against *laissez-faire* capitalism, unions could not fail to perceive the danger to the same rights which is implicit in even the potential collectivism of "master planning" and "master bargaining."

This is not to deny that a trend towards planning does exist; indeed, some aspects of union policy seem to tend ultimately toward collectivism. Unions may realize perfectly well the dangers inherent in communism and fascism and still be blind to the consequences of their own policies.

The very security of unions under fully consummated establishment may pave the way to planning and collectivism. It is often argued that powerful unions, because they are secure, are exempt from the temptations of power; their very power, so it seems, would make them act responsibly. Yet from Aristotle to Lord Acton and Professor Boulding runs the conviction that power corrupts; and there is nothing to justify the hope that unions would prove an exception. I am not speaking now of what are usually called "corrupt union practices"; these are not necessarily connected with unions as such; unions may only furnish the temptation, the facilities, and the occasion for racketeering. Still,

they may be open to refined and more subtle patterns of corruption—such as frequently go with established bureaucracies and oligarchies. Be that as it may, the issue here is the potential effect of union power and security on the unions' members, on the economic system itself, and finally on the democratic institutions of the Western nations.

Securely established unions are free from the obstacles and limitations which classical unions confronted on all sides. The close fraternal and democratic tie is weakened; so are the spontaneity and personal loyalty of the members. The union apparatus, formerly small and flexible, has grown to huge dimensions. It has acquired its own logic and *raison d'être*. Formerly designed to protect members, the large union of today is equally if not primarily concerned with its institutional survival and expansion. The two concerns may go together and, again, they may not. In the latter case the institution may become the primary concern; rationalizations in defense of such a policy can easily be devised.

More important is the ascendancy of the institution over the rights of the individual worker. He may feel compelled to join, or to consent to union policies which he considers wrong. He may or may not welcome the expansion of union activity into all facets of his work and existence; but he will have to accept it. He may feel toward his job and his firm a degree of loyalty which the union does not countenance, but the union claims primary loyalty. He may consider certain union demands and tactics unfair, but nobody appreciates his opinion, and to vent it may be dangerous. He may dislike the national union's muscling in on the affairs of his local unit; but who is he to protest? He may have to submit to union working rules and regulations which he thinks unfair; but there they are. He may heartily disapprove of unions mixing into politics; but what can he do about it? The list could go on almost indefinitely. The larger the mass organization, the more closely knit it is, the more ambitious its program, the less attention it can possibly pay to what individual workers feel or think. Conformity is demanded of them, so they conform. Of course, all human organizations demand a varying degree of conformity; and there can be virtue in conformity as well as degradation. But there is a degree of required conformity which eats into the vitals of man's dignity.

The McClellan hearings present ample evidence that shockingly often, regard for man's dignity was brutally brushed aside.

Labor literature abounds with paeans on the blessings of union security. It is a curious commentary on the present state of our civilization that we so often willingly forget the blessings and virtues of man's personal rights and freedom, and of the responsibility which accompanies them. We assign to a collective entity—and this is what unions are—the right to control tremendous job territories, in other words, power over the means of livelihood of millions of men and women. Never does it occur to us that in so doing we are surrendering a degree of control over the individual rights and liberties of human beings to a collective institution whose responsibility is allegedly conditioned by its all-round security. The reader must carefully weigh the implications which the requirements of union security carry for human rights, for citizenship, for government obligations, for employers' business considerations, and for the rights and competence of other unions.

Is it a case of lagging consciousness that our generation still thinks of unions in terms of the past? Or is it simply blind faith in the "next mutation in the evolutionary process?" Probably it is a mixture of both. In any event, it suggests a lack of attention to basic principles. If we mean what we say about the rights and liberties of men and citizens, and about the democratic process, we ought to circumscribe clearly the rights and duties of such large organizations as well as of their actual and potential members. We must try to find a balance that would do justice to the conflicting claims and interests of both sides. In the long view we would be rendering these organizations and their members a vital service, but the main service would be to the nation as a whole—by stopping one of the currents which may easily cause it to drift dumbly into the sargasso of collectivism.

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86th Congress, First Session, 1959

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Unionism Reappraised

From Classical Unionism to Union Establishment

By GOETZ A. BRIEFS

American labor has attained the power and prestige of "a new estate of the realm." As Professor Briefs succinctly puts it, "from being a dependent variable in the economic process, organized labor has attained the status of a relatively independent variable."

In the accompanying study entitled *UNIONISM REAPPRAISED: From Classical Unionism to Union Establishment*, the author traces the course of trade union development from the nineteenth century, both in Europe and in the United States, explains the change in the unions' nature and *modus operandi* and brings out the implications which unionism in its "established" status has for modern society. He feels that the change in the conditions and status of labor is too often interpreted as *quantitative* in nature—unions have more power, more bargaining strength, more influence, and more security than in previous decades. What escapes most observers, he maintains, is the *qualitative* nature of this change. In this study he shows that the *quantitative* differences are but expressions of the *qualitative* change, which has obtained for organized labor an "established" status.

Dr. Goetz Briefs is Professor Emeritus of Labor Economics at Georgetown University. Professor Briefs has many publications to his credit; among the more recent are *Between Capitalism and Syndicalism* (Berne and Munich, 1952) and *Unionism Past and Present* (Cologne University Economic Studies, 1955). In January 1959, Professor Briefs was awarded the Grand Cross of Merit of the Federal Republic of Germany in recognition of his advice on West German economic and social problems during the post-war years. The honor was personally presented by Theodor Heuss, President of the West German Federal Republic.

Professor Briefs points out that historically unionism had its basis in a private enterprise economy. Classical unionism was spontaneous and fraternal, and its demands and policies were controlled by the pressure of an actual or threatening margin of unemployment.

By contrast, unions today are institutions, not movements. Individually, they do not address "labor" but the workers under their jurisdiction. The "movement" feature recovers some of its earlier importance only where yet unorganized sectors begin to stir. Elsewhere unionism is a thoroughly institutionalized, well-ordered, autonomous realm, empowered with jurisdiction over job territory and job holders and characterized by a tendency to engulf a range of managerial and governmental functions within its jurisdiction. Unionism today, in its state of recognition and power, is something qualitatively different from nineteenth century or classical unionism.

Professor Briefs points out:

Trade Unions in the established state are powerful and influential on three counts: the law granting them quasi-public status; their unshakable entrenchment; and their claim to represent "the working people." The transmutation from the classical condition

to the one of establishment may be summed up in a series of contrapositions.

1. Nineteenth century unionism was struggling for survival and toleration; mid-twentieth century unionism has "arrived" and is firmly entrenched.

2. Nineteenth century unionism had only a precarious foothold in law and court decisions; mid-twentieth century unionism is encouraged, fostered, and promoted by law, by administrative agencies, and court decisions.

3. Nineteenth century unionism fought long and bitter battles to compel employers to the bargaining table; mid-twentieth century unionism finds the employer both required and willing to bargain in good faith and to haggle over an ever-widening range of union claims and demands.

4. Generally speaking, nineteenth century unionism covered the crafts; mid-twentieth century unionism covers also highly concentrated mass industries located at the neuralgic spots of the nation's economy.

5. Nineteenth century unionism had to plead for recognition and favors with legislators and employers; mid-twentieth century unionism frequently lays down the law for both.

6. Nineteenth century unionism could rarely create more than local disturbances; mid-twentieth century unionism can cripple the life centers of the nation.

7. Nineteenth century unionism was caught in the limits drawn by monetary policies based on the gold standard; mid-twentieth century unionism operates in an economic climate largely free from the fetters of the gold standard, of rigid credit policies, and, sometimes, even of balance-of-payments considerations.

8. Finally: Nineteenth century unionism had no economic theory to lean on; mid-twentieth century unionism embraced Keynesianism and exploits it as the macro-economic justification of its demands and policies.

To sum up: Nineteenth century unionism moved within the rules and dynamics of liberal capitalism; mid-twentieth century unionism dominates the second phase of economic liberalism—the phase in which organized groups claim the individual's rights and responsibilities as their rights and their domain.

It is one of history's wry twists that unions which have always gloried in protecting the workers against the autocracy of the "masters," now that they themselves are entrenched and backed by the government, make every effort to enforce "yellow-dog" contracts in reverse and establish their own "government" over members.

Western trade unions stand at the crossroads, the author believes. Having achieved establishment, they face a decision of truly historical significance: either they must fashion a new economic order in their own image, or they must adjust their programs and policies to those leeways for union actions which an efficient free-enterprise economy periodically widens and contracts. One day the country will have to choose between a private enterprise system and some form of laborism; laborism being defined as an economic system in which labor rather than "capital" organizes, controls, and runs economic life with exclusive regard for unions' and workers' interests. Such a shift to a laborist economy could be achieved only at a price; and the price would be a transmutation of labor itself, of its structure, its functions, its basic policies. With free enterprise gone, unions would have won their battle but the workingman and woman may discover they have lost the war.

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86th Congress, Second Session, 1960

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