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LABOR PROBLEMS

BY

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PREFACE

THE relations between labor and capital, or between men and management, are changing in the United States with bewildering rapidity. As in the earlier volume entitled *History and Problems of Organized Labor*, it is the purpose of the writer to present to the student of industrial relations and to the general reader (a straightforward study of the forces involved in what are commonly called labor problems.) The aim is not to justify or to condemn the practices and ideals of organized labor, of shop committees, or of employers and employers' associations; (it is to analyze the phenomena of which the practices and ideals are the visible manifestations.) Labor organizations, employers' associations, strikes, boycotts, the demand for the closed shop, restriction of output, and the ideals and point of view of organized labor or of organized capital are evolved through the play of social forces working within the economic field. The modern labor problem cannot be understood, and certainly cannot be solved, until the underlying causative forces, old and new, physical and social, are laid bare.

F. T. C.

CLEVELAND, OHIO

SEPTEMBER, 1932

CONTENTS

CHAPTER	PAGE
PREFACE	iii
I. THE SCIENTIFIC METHOD APPLIED TO INDUSTRIAL RELATIONS Social Mechanics. Industrial Complexity. The Era of Technology. Recent Progress. The Rôle of the Expert.	3
II. HISTORICAL BACKGROUND OF THE LABOR MOVEMENT The Struggle for Life. Institutions and Rights. The Industrial Life of the Ancient World. The Medieval Period.	26
III. EARLY HISTORY OF THE AMERICAN LABOR MOVEMENT The Workers of the Colonial and Revolutionary Periods. Development of the Factory System. Rise of Industrial Cities. Origin of Unionism. Labor Organizations. Labor and Humanitarianism. The Free School System and the Wage Earners. Land Reform and the Wage Earners.	38
IV. THE CIVIL WAR PERIOD AND AFTER Industrial Progress during the War. Labor during the Civil War Period. The Knights of St. Crispin. The Knights of Labor.	64
V. THE LABOR ORGANIZATION What is a Labor Organization? The Purpose of Labor Organizations. Government and Structure. The Classification of Labor Organizations. What Characteristics Indicate Strength in Unions? What are the Characteristics of a Good Union? Leaders in Labor Organizations. American Labor in Politics.	79
VI. THE AMERICAN FEDERATION OF LABOR History. Structure. Antagonism between the Knights of Labor and the American Federation of	102

CHAPTER	PAGE
Labor. The Extent of Unionism in the United States. Whither American Unionism? Trade versus Industrial Unionism.	
VII. MIGRATORY LABOR AND RADICAL GROUPS	119
The Migratory Worker. The Industrial Workers of the World. The Communist. The Socialist Party.	
VIII. EMPLOYERS' ASSOCIATIONS	129
What are Employers' Associations? Types of Employers' Associations. The Labor Spy.	
IX. POLICIES OF LABOR ORGANIZATIONS	135
Admission to Membership. Jurisdictional Disputes. The Introduction of Machinery. Collective Bargaining. The Closed Shop. Restriction of Output. Hours of Labor. Limitation of Apprentices. Benefit Features.	
X. COERCIVE METHODS	162
Strikes and Lockouts. Causes of Strikes. Violence Connected with Strikes and Lockouts. Losses Due to Strikes and Lockouts. New Aspects of Strikes. The General Strike. The Boycott. The Attitude of the Courts toward Strikes and Boycotts. The Blacklist. The Union Label.	
XI. SCIENTIFIC MANAGEMENT	189
What is Scientific Management? The Origin of Scientific Management. The Opposition of Organized Labor. Rationalization.	
XII. INDUSTRIAL PEACE	205
Divergent Points of View. Common Interests. A New Point of View. Definitions. Mediation and Arbitration in the United States. Advantages and Defects of Arbitration. A Formula for Industrial Peace. Can the Strike be Eliminated in Industries Affected with Public Interest?	
XIII. COÖPERATION BETWEEN MANAGEMENT AND MEN	232
Control in Industry. Trade Agreements. Examples of Trade Agreements. The Significance of Trade Agreements.	

CONTENTS

vii

CHAPTER	PAGE
<p>XIV. EMPLOYEE REPRESENTATION</p> <p style="padding-left: 2em;">What is Employee Representation? History and Growth of the Shop Committee. Classification. Future Possibilities. Installing Employee Representation. Examples of Employee Representation. Employee Interviewing.</p>	244
<p>XV. METHODS OF COMPENSATION</p> <p style="padding-left: 2em;">What is a Fair Wage? Methods of Wage Payment. Essentials of a Wage-Payment Plan. The Determination of Basic and of Relative Wage Rates. Profit Sharing. Product Sharing. Advantages of Profit Sharing. Objections to Profit Sharing. Welfare Work.</p>	257
<p>XVI. HUMAN ENGINEERING</p> <p style="padding-left: 2em;">The Human Equation. The Work of the Personnel Department. Methods of Hiring. After the Applicant is Hired. Promotion. Labor Turnover. Leadership in Industry.</p>	277
<p>XVII. MAKING WORK INTERESTING</p> <p style="padding-left: 2em;">Can Work be Made Interesting? Instincts. Factors in Developing Interest in Work.</p>	290
<p>XVIII. PURPOSE IN INDUSTRY</p> <p style="padding-left: 2em;">The Future of Human Engineering. What is the "Business" of Business? What are the Different Groups in Industry? Can the Purposes of Different Groups be Harmonized?</p>	306
<p>XIX. STABILIZATION OF EMPLOYMENT</p> <p style="padding-left: 2em;">What is Unemployment? Statistics of Unemployment and of Irregularity of Employment. The Right to a Job. Causes of Unemployment. How May Unemployment be Reduced?</p>	312
<p>XX. WOMEN AND CHILDREN IN INDUSTRY</p> <p style="padding-left: 2em;">The Child Labor Problem. Child Labor before the Civil War. The Extent of Child Labor in Recent Decades. Early Legislation in England. Legislation in the United States. Opposition to the Prohibition of Child Labor. Woman Labor before the Civil War. Work and Wages of Women. Rea-</p>	335

CHAPTER	PAGE
sons for the Low Wages of Women. Industrial Home Work. Children in the Machine Age.	
XXI. LABOR LEGISLATION	353
Legislative and Constitutional Difficulties in the United States. What is Liberty? Trend of Court Decisions. History of Labor Legislation. The Chief Forms of Labor Legislation. Present Status of Labor Legislation. The Minimum Wage.	
XXII. SOCIAL INSURANCE	384
The American Point of View. Employers' Liability for Industrial Accidents. Workingmen's Compensation Acts. Health Insurance. Old Age Pensions. Unemployment Insurance.	
XXIII. COÖPERATION	407
Types of Coöperative Enterprises. The Coöperative Store. Consumers' Coöperation in Great Britain. Consumers' Coöperation in the United States. Producers' Coöperation. Distributors' Coöperation. Credit Coöperation. The Building and Loan Association. Conclusion.	
XXIV. IMMIGRATION AND POPULATION PROBLEMS	418
What is Immigration? History of Immigration in the United States. Causes. Changes in the Nationality of Immigrants. Early Opposition to Immigration. Immigration Problems. Legislation. Why were Restrictive Laws Passed? What were the Consequences of a Policy of Restriction? Restriction of Immigration and International Problems. Population Trends.	
XXV. NEW ASPECTS OF EDUCATION	437
Education and Industrial Evolution. Educational Ideals. The Training of Apprentices.	
XXVI. TODAY AND TOMORROW	444
The Aftermath of the "New Era." The Traditional and the Actual. After the Depression.	
INDEX	453

LABOR PROBLEMS

CHAPTER I

THE SCIENTIFIC METHOD APPLIED TO INDUSTRIAL RELATIONS

SOCIAL MECHANICS

For indefinite centuries men have been seeking for the solution of various problems relating to the toilers, or, in present-day terminology, relating to industrial relations. Students of ancient history have disclosed the struggles of the plebeian or slave class against the patrician or ruling class, centuries before the Christian era. The labor problem is a problem of all nations, all peoples, and all centuries. The factors in the equation change but the problem remains. History is in reality a story of the struggle of the masses upward; worthwhile history is a chronicle of the relations of man to man in the fierce struggle for existence and for dominance over natural forces. Migrations, wars, changes of dynasties, new social and political alignments are but the outward and visible signs of adjustments of man to his physical and social environment. Our labor problems, past and present, are the growing pains of human society. Social adaptation does not move smoothly in well lubricated grooves. Friction is very apparent in the form of social inertia, custom, laws, and class interests. Slavery and serfdom have disappeared; but traces of these older forms may readily be discovered. The arrogance of employers and of the wealthy and powerful is a survival of what was a much-lauded virtue in the feudal and military age. The docility and unquestioning obedience so frequently expected of workers are the ancient virtues of the slave and serf clothed in the costume of a nominally free wage worker.

Social and political changes are intimately connected with modifications in the methods of doing the world's work. In the last century and a fraction numerous industrial changes have taken place. As a direct consequence problems have arisen which were unknown and unimagined a few generations ago. The problems

which we are to study have developed out of the changes which have followed what is commonly called the Industrial Revolution. This industrial revolution is not the only one in the world's history. The use of bronze or iron tools, for example, precipitated an industrial revolution. The development of agriculture constituted another such revolution. In the eighteenth century the invention of the steam engine marked the opening of a rapid and important transformation in social, political, and industrial affairs. Throughout the history of mankind discoveries, inventions in the ways of getting a living, and new modes of traveling and communicating have ever caused cataclysmic changes in human society. The discovery of the use of fire and of the smelting of metals, the invention of gunpowder, of the mariner's compass, and of the steam engine, each preceded and caused sweeping social and political changes. More recently the steel rail, the copper wire, the electric dynamo, the daily paper, the automobile, the radio, and aircraft have aided in ushering in a new social and industrial era. In order to settle the disturbed human cauldron a new alignment of individuals and of associations of individuals is necessary. Not one of the great reform or progressive movements of history can be adequately explained or clearly understood without turning the attention to the industrial evolution or revolution which preceded it and ushered it upon the spectacular stage of political history.

Human society in recent decades has presented to the student of sociology and of history a bewildering moving picture. It has seemed that nothing is stable or sacred, that everything is undergoing modification, upheaval, or rejection. The typical man or woman is often tempted to cry out passionately against the new and to cling tightly to the old because it is old and familiar. Methods of doing the world's work and of controlling the world's wealth have been changing since the turn of the century with unprecedented rapidity, and, consequently, social, political, legal, and religious readjustments are imperative but also are unfortunately difficult of orderly attainment. A fragile article, subjected to sudden and unusual stresses and strains, is likely to crack; human society subjected to rapid industrial modifications is in imminent danger of an upheaval unless wise and progressive leadership eases the strain by adapting the political, social, educational, and re-

ligious institutions to the new situation. To preserve the *status quo* is impossible; the alternatives are chaos or progress along many lines.

Organizations of wage workers and associations of employers are among the instrumentalities which have arisen out of the complexity and confusion incidental to the industrial changes of the last century. The study of the problems relating to labor organizations and industrial relations should be primarily concerned with causes; it may logically be called a branch of social physics or social mechanics. Thoughtful men and women are beginning to see that the complex of problems which is called "labor problems" or "the labor problem" is something to be carefully re-studied. It is an engineering problem, a problem in human engineering. Perhaps, in due time, a Bureau of Human Standards may be established. The labor problem should not be considered as a matter chiefly for the emotions. A labor problem should be analyzed as one would analyze a problem in mechanics. The human engineer should know how "to organize human labor systematically."

Forces as positive and potent as those disclosed in the mechanical world are acting and reacting in the industrial relations between men and management. These forces are many and varied; they are elusive. Less is known about them than is known about physical forces; but there is gradually emerging a scientific study of human behavior, a study of the ways of man. The road to industrial peace and goodwill, the road to efficiency in industry, must first be paved with the bricks of sympathetic understanding of the desires and longings of men, and of their interests. Unions, shop committees, employers' associations, strikes, boycotts, arbitration hearings, restriction of output, the ideals and points of view of workers and of management, are evolved by the play of forces working within the economic field. Industrial relations today and tomorrow cannot be intelligently studied and directed until the underlying causative forces, old and new, physical, social, and psychological, are laid bare.

INDUSTRIAL COMPLEXITY

The present age is distinctly one of technology. It is an era of industry and social complexity. Feudalism and pioneer society

were comparatively simple. Since the Industrial Revolution, and especially since the turn of the century, economic and business relationships are characterized by interdependence; the pioneer period was one of independence. In pioneer America and in feudal Europe the practical problem of getting an adequate supply of food and fuel was in the main one for the family to solve. Today, in crowded cities and in typical specialized activities, the mass of mankind has been divorced from the direct production of the commodities they consume. Each worker literally produces for the multitude, and each worker, idler, or youth in preparation for future activities, utilizes the joint product of many coöperating individuals widely scattered in time or place.

Modern specialized and interdependent industrial society can only be kept going smoothly while all types of worker — farmer, miner, railway-man, truck-driver, clerk, manager, technical expert, and others — do their parts in an efficient manner and on time. The industry affected with public interest is a product of recent decades. Man in an industrial society is no longer an independent economic unit. The transformation of pioneer society into an industrial and exchange economy spells not only startling changes in methods of getting a living but also in social relationships and the concepts of individual rights and attitudes toward fellowmen. Today's demand is indeed for technical competence; but there are important social and political heritages from the past, hangovers from a simple, rural, and agricultural civilization, that cannot be neglected.

Thanks to science and power, the world has been growing smaller relatively. Persons and goods are transported regularly to and from distant parts of the globe. The telegraph, the cable, the telephone, and radio transmit news around the world almost instantaneously. International trade and world markets are familiar to vast multitudes of people. Local markets, local governments, and local fashions are affected by distant producers and distant purchasers. No dark, unknown continents remain on the business map of today; the world is becoming one vast neighborhood. Nevertheless, business and financial methods have as yet been unable to divest themselves of local and pioneering habits. Business ideas, slogans, and methods, like governmental units, come down to us from the wagon-road era, from the period of

localism in markets and communications. Habit, social inertia, the folkways of our fathers, are difficult to change. The student of economics who points out that a new industrial and scientific world demands new political, social, and economic programs and formulas is called a dreamer or he is labeled as a dangerous and radical innovator. Few, if any, private industries in actual practice have attained the social or community point of view. Indeed, our economic system is based on "principles that emphasize individual ownership and aggrandizement and that seldom correlate with national and international aims." The planlessness and the serious maladjustments in complex industry are not due to a lack of ability to develop a reasonably-well coördinated industrial mechanism, but to the lack of any potent motive to do so and to social inertia.

The American nation with approximately 125,000,000 men, women, and children equipped with needs and desires for necessities, comforts, and luxuries of a bewildering variety, may well be considered to constitute a great market. The forty million plus gainfully employed, together with the housewives of the nation, are the working force for this vast array of consuming human beings. The American business world with its machinery and equipment may be considered as the productive plant for the people of the United States. It is a gigantic plant with a raw materials, a manufacturing, a transportation, and a sales department. It is augmented by a large number of professional workers, personal servants, and governmental employees. The income of the nation is the product of the combined efforts of the gainfully employed.¹

Critics have asserted that Americans only become alert and wide-awake in an emergency — a war, a catastrophe, or a depression. This country was settled, our cities built, and our industries developed without a definite plan or program. Americans have been opportunists. The departments of this giant plant, the United States, incorporated, have been allowed to evolve in a haphazard, or unplanned, way. Individual interest in profits was supposed to bring about harmony and balance between and within departments. As industry has passed out of the pioneer stage, as maturity has come, serious wastes and maladjustments are becoming

¹ Carlton, F. T., *Economics*, p. 67.

so evident that even the ultra-optimists and the super-individualists are occasionally suffering misgivings. Industry after industry — soft coal, farming, automobile, shoe, sugar, rubber — has been over-expanded and suffers from the disease of “excess plant capacity” as the result of optimism born of lack of knowledge and absence of social vision. Anarchy in modern business is becoming as dangerous as it would be in the government of a highly developed industrial nation. Every well-managed plant carefully coördinates the work and the output of the several departments within the organization. Not so to date in industry. We have, however, done something along this line in the case of railways. For example, a new road may not be built without the consent of the Interstate Commerce Commission — a sort of railway planning and coördinating commission. Coördination, rather than ruthless competition and unplanned expansion, is the watchword in the railway world. But as yet no general plan for coördinating railway transportation with water, truck, pipe line, or other means of transportation, has been developed. Industry as it becomes mature, interdependent, and far-flung, needs the same economic statesmanship which has been applied in the mechanical field. And, unless this need is supplied, more and more serious maladjustments and depressions may safely be forecast by unemotional students of economics. Unless industry is looked at from the community point of view — national or even world point of view — coördination seems impracticable.

In the words of Glenn Frank, “the modern business man is a pioneer.” He is too often dominated by the ruthlessness, the individualism, and the wastefulness of the pioneer. As the frontier passed into history, the call for the pathfinder, the scout, and the man with the hoe became weaker and weaker. The agricultural expert, the scientist, and the engineer are needed. Likewise, in business, the coördinators, the men who can get along with others, the industrial statesmen, are today the men who should be placed in control — if we would avoid waste, industrial strife, and political cataclysms. One observer has remarked that “earlier civilizations did not survive their coming-of-age.”¹

The American nation developed out of “a loose collection of isolated provincial communities.” Our business traditions and

¹ Flanders, R. E., in Beard, C. A., *Toward Civilization*, p. 33.

practices, our conceptions of individual and social "rights" have been stamped with the crude coloring of the isolated frontier community familiar only with small-scale business. We are so steeped in the ethics of little industry that great groups of the American people look upon the "right" to strike, to discharge employees arbitrarily, to close down a business in order to bring employees to terms, or to practice sabotage as "fundamental and inalienable." But in these days of big business, wide markets, unions, and employers' associations, is not the right to demand that business function uninterruptedly and efficiently as fundamental as any of the time-honored rights? Let us recall, moreover, that the "fundamental right" to avenge fancied or real insults by means of the feud and the duel has been definitely discarded; and now the fundamental rights of small-scale business are being repeatedly questioned. It seems probable that these are actually in the difficult process of being discarded. The new "right" of consumers to demand uninterrupted and efficient functioning of key or socially important industries is appearing above the ethical and legal horizon. Its appearance tends to dim the glory of the "right" of the individual, employer or employee, to throw a monkey-wrench into the industrial machine every time he becomes disgruntled or wishes to gain concessions.

Business is rapidly becoming a public function; it is no longer to be considered solely a private matter. Americans, and Europeans in a larger degree, are accepting the idea that the owner of a business can no longer operate it exactly as he pleases. Private property rights are being narrowed in several directions. The right of the investor to act as the sole director of industry is being questioned. The workers, technical, skilled, and unskilled, are demanding with increasing vigor a voice in industrial management. The age of isolation, localism, and group independence is now a matter of history in a great industrial country such as the United States. Centuries ago, the feud and the duel began seriously to interfere with the welfare and business affairs of persons and groups not concerned in those quarrels. Presently, public opinion began to deprecate the resort to such crude and violent methods of settling disputes. As a last resort for those who were unable or unwilling amicably to settle their own disputes, the law courts were invented and disputants were forced under coercion to have their quarrels

adjudicated by the court instead of resorting to the ancient practice of private warfare. Likewise, may we hope, industrial warfare is now on the threshold of a new epoch in human history; it may be passing off the stage.¹

Modern complex industrial society may logically be compared to a delicate and intricate animal organism. To stop the functioning of a key industry may entail disastrous results similar to those of cutting an artery in a human body. Wars, international or industrial, may easily ruin modern industrial civilization and usher in a new dark age. Civilization is a guarded area of relative peace in which teamwork is essential. If industrial friction, sabotage, mutual suspicion in industry, autocratic and arbitrary methods on the part of employers, and increasing emphasis upon class consciousness, continue and develop in intensity and scope, a social and industrial breakdown is ahead. If the United States is to avoid a catastrophe in the not distant future, steps must be taken to reduce industrial friction and to enlarge the field of common interests in industry. Men must learn to live and work together peacefully or civilization will inevitably revert to savagery. In a highly developed industrial nation such as the United States or Great Britain, utilizing technology and science, revolutionary procedure, either in the political or the industrial field, with the inevitable sequence of stopping the wheels of industry and clogging the flow of necessary commodities to the great centers of population, would lead to incalculable suffering, sickness, poverty, death, and degeneracy. The disaster would fall upon all alike — rich and poor, privileged and unblest. A society dependent upon technology can be easily disrupted by war and by internal friction.

Unfortunately, the lot of the average worker, even in this country, is not particularly enjoyable. He has a routine job with little chance for advancement; his wages are barely sufficient to afford a comfortable standard of living for his family. In too many instances, he is not well fitted to his job; his working conditions are not comfortable; his job is insecure; his home environment is not attractive; he is often reprimanded and made to feel by his foreman and others that he is of little account; and his working and leisure life is dull. It is in such an unattractive or forbidding atmosphere that unrest, radical propaganda, anti-social

¹ See Carlton, F. T., *Economics*, pp. 12 ff.

conduct, and antagonism are bred. Industrial inefficiency and nagging foremen contribute largely to emotional strains and stresses which make for bad industrial relations. Put a man in the right job, enable him to do it fairly effectively, give him credit for what he accomplishes, give him a sense of job security — and a peaceful industrial world may be reached in the near future.

THE ERA OF TECHNOLOGY

It has been suggested that instead of dividing the history of mankind into such artificial epochs as primitive, ancient, medieval, and modern, only two epochs should be noted — before the machine, and after the invention of power-driven machinery. The machine age should, however, be subdivided into two periods — infancy, extending in this country and in a few other industrially advanced nations to about 1914, and maturity. The characteristics and problems of the maturity of the machine age, or of the new age of technology and automatic machinery, form the subject matter of the remainder of this chapter.

Among the most noteworthy of the characteristics of the present age of technology or of the maturity of the machine, the following may be listed: —

- Great and increasing per capita productivity
- Interdependence of individuals and groups
- Specialization of occupations
- Multiplication of wants
- Large-scale business units
- Improvement in the ease and rapidity of transportation and communication
- Growing importance of cities
- Slowing-up of the rate of increase in population
- Falling birth-rate
- Lengthening of the average span of human life
- Increase of leisure for all
- Emphasis upon research
- United States no longer a land of opportunity for the immigrant
- Use of propaganda

The ages-old quest for food took on new aspects after the Industrial Revolution. The heavenly dream of a sufficiency of food

for mankind gave promise of fulfillment. The potential productivity of the American nation has increased to such an extent that it seems possible to banish poverty from the land. Today, we can produce enough — an abundance — of food; the difficulty confronting the nation is that connected with getting purchasing power into the hands of those who need what is produced. We watch the over-development of certain industries under the control of optimistic competing managements, and we talk about the “menace of plenty.” Our primitive and pioneer ancestors never dreamed of a danger from over-production. Primitive, ancient, and pioneer peoples feared a shortage of food. In the maturity of the power-driven machine age, Americans fear a shortage of jobs and of the counters with which purchases are made. Curiously enough, the primitive man would think, we fear want in the presence of plenty. The age of technology and of automatic machinery has pushed aside the direct quest for bread and butter. It is now a job which gives access to bread and to jam on the bread. The quest for food has become an indirect and round-about process.

While engineering, invention, science, scientific management, natural resources, the use of power, and the like have made possible great per capita productivity in the United States, one should not be unmindful of the rôle played by a stable government which protects property rights and forces the fulfillment of contracts, and by a credit and banking system. Well-organized financial institutions and stable governments are as essential to productive efficiency as science and engineering. The United States is also a nation peopled by a relatively scanty population. The density of population is much less than that of many other nations. A large influx of immigrants or a high birth-rate, or both, would sooner or later lead to reduced per capita production. In a race between science and technology, and increasing population, the latter will finally win.

Historically and geologically speaking, an old age is ever coming to an end and a new epoch is always in the making; but the unusual elements in today’s shifting scene are the extraordinary rapidity of the change, and the fundamental nature of certain changes which science and the machine have wrought in the working and living conditions of mankind. Science and engineer-

ing have been so successful in recent years that our main problems are no longer in the field of productive activity. The baffling questions are now in the realm of distribution, in the field of the social sciences, in applied economics. America is out of the scarcity period; but maladjustments are transforming Professor Patten's "pleasure economy" into a new and unexpected form of "pain economy," with poverty, unemployment, insecurity, and suffering walking beside science, power, and great productive capacity. Evidently, the power-driven machine, like politics, "makes strange bed-fellows." Einstein, when in California, is reported to have asked: "Why does this magnificent applied science which saves work and makes life easier, bring us so little happiness? In war it serves that we may poison and mutilate each other. In peace it has made our lives hurried and uncertain." This, indeed, is a fascinating problem for a school of applied science. How may the forces set in motion by science and technology be so directed as to make for a reduction of poverty and of unemployment, and for the advancement of culture and of the appreciation of art and literature?

In a depression, the great productive capacity of the nation is held in check, men and machines are idle while men, women, and children are cold, poorly fed, and inadequately clothed and housed. The disease of the machine age, called the business cycle in its periods of chill, paralyzes industry. To cure this disastrous illness of the industrial order, we do not so much need more of machinery or of physical science as we need brain power applied to the economic and business problem of keeping the productive machinery of the United States operating, and the flood of goods flowing to the families of all who are able and willing to work. The problem is to balance specialization with coördination, and to temper interdependence with coöperation and long-time national and international planning. A popular writer paints the picture in this vivid fashion: "Actually we need less industrial and farm labor, and it's up to us to figure out some ingenious and moral way of letting a few farmers feed us and a few mechanics push buttons and pull levers for us, while we make the country over into a place fit for human beings to live, love, drink, and die in." ¹

¹ Franklin, J., *The Forum*, Aug., 1931, p. 69.

Critics of the machine age have pointed to the decline in craftsmanship and to an increase in routine and monotonous work. In industries in which machinery is generally used, the great majority of workers are machine tenders and feeders. The worker, it is asserted, has become an auxiliary to the machine. The machine is becoming "paramount; the worker incidental." As industry approaches the maturity of the machine age, the pessimistic view in regard to the direct effect upon the workers requires certain qualifying statements.

Men and women are inclined when looking back upon past epochs to focus the attention upon the good traits and neglect to dwell upon less desirable relationships. The craftsman of the ancient and medieval periods was not the typical worker of those eras. Too frequently, the slave, the serf, the peasant, and the unskilled worker are overlooked. Were the working and living conditions which the workers of the distant past experienced attractive? Long hours, low pay, low standards of living, insanitary surroundings, hard and monotonous work were unattractive features of the life of the typical worker of the pre-Industrial Revolution epochs. The major part of the history of labor is a story of distasteful jobs reluctantly performed. Manual workers have ever disliked their jobs. Indeed, the glorification of work is practically a new phenomenon. The dislike of work and loafing on the job are not new industrial problems. They are as old as regular industry. The form of routine and monotonous work is different in today's mass-production workshop from what it was when the pyramids were erected, but it is not something new under the light of the sun. Furthermore, the rank and file of workers of earlier days did not have opportunity to develop initiative. The overseer in the gang system was the unscientific forerunner of the planning room. The serf was caught in a stereotyped program which forced the individual worker into the customary groove. The student of today should compare the unskilled worker, the serf, and the slave of the past with the routine worker of the present; he should not compare today's common laborer with the medieval craftsman. And when unskilled are contrasted with unskilled, those who are not dazzled by the fictitious glamour of a "golden past" will find that modern workers are not worse off than those of preceding epochs.

As the machine age approaches maturity, heavy manual labor and purely routine work are being taken off the shoulders of the worker. Mechanical handling, conveyor systems, automatic machinery, "electric eyes," adding machines, push-buttons, and a multitude of ingenious contrivances are taking away from men and women much of the back-breaking and monotonous drudgery of the earlier years of the machine age and of preceding generations. In many an industrial plant the machine has displaced handwork, the worker is now a repairman or a supervisor. The intricate machines, moreover, require much skilled work to produce; and the repair, oiling, and care in case of breakdown will require the services of many workers. Many forms of creative and skilled work are outside, and bid fair to remain outside, the "Empire of the Machine." The worker in the age of automatic machinery, or in the period of maturity, no longer performs the routine work of being the personal servant of the machine. He is being freed for less machine-like work and for greater leisure. Management is beginning to think of the worker in mass production as a "measure of defect in the complete automaticity of machines."¹

The machine has been and is a competitor of man. It has displaced men and it continues to do so. The machine "saves labor"; but it shoulders the worker temporarily or permanently out of industry. It is causing technological unemployment — a new name for an older process. In the last two decades, the exceedingly rapid displacement of men and women by power-driven machinery has produced a fairly continuous grist of displaced and unadjusted workers. The machine is increasing productivity; but it demands consumers (purchasers) of its output. On the contrary, technological unemployment means reduced consumption. Here is the great paradox of modern industry. In mass production the machine has become the central figure; but, for successful operation, mass production must be balanced by consumption by the masses. Will the machine relieve man "of drudgery and abasement, or will it plunge him into futility and extermination"?² The problem is that of making power-driven machinery the tool of men, giving increased productivity and leisure without the pitiful process of

¹ Wissler, W., *Business Administration*, p. 400.

² *Ibid.*, p. 402.

the displacement of individual workers who are left without adequate income and without opportunity to gain an appropriate share of the fruits of the machine age. The machine is a means to an end — increase in productivity, and the reduction of disagreeable, boring, and degrading efforts in getting a living. Skillfully organized, the maturity of the machine age will bring increased comfort and leisure to the mass of humanity.

A new appraisal of conduct in the light of a new day in industry is demanded. Practices which are highly commendable in one epoch of the world's history are often of questionable desirability in another. Frugality and individual savings were prime virtues in a pioneer society of low per capita productivity; the desirability of thrift was a well-established American — Puritanical — doctrine. Today, in an age of machinery and of mass production, it is being proclaimed that too great emphasis upon the virtues of saving may actually menace the regularity of the industrial process. As capital accumulates and is used productively, it becomes less and less difficult to save or to accumulate more capital. The momentum of capital accumulation easily carries saving to higher and higher levels. The supply of capital increases cumulatively, and the sacrifice involved in saving tends downward. Granting that saving was very desirable in the pioneer period of our history and in a time of war, may it not be possible, or probable, that considerable saving in a machine and power age may have, to put the case conservatively, a less desirable effect? What, for example, is the effect of large savings upon the market for the output of mass-production establishments?

Saving results in capital goods; and capital goods aid in producing more goods — consumption and capital. But saving cuts down the direct or immediate demand for consumable goods at the same time that it leads to the increased production of such goods; and, presently, the familiar complaints are heard of over-production, of warehouses full, of machines and workers in idleness. Too many American industries are in need of customers rather than investors, are in need of demand for their output instead of savings which make possible the production of more capital goods. Too much saving spells over-expansion of industry with a reduction in the demand for the output of industrial establishments and the recurrence of crises which have come with the advent of our modern

industrial régime. If the industrial world saves much and pays low wages, it soon possesses the capacity for mass production without a market for its output. The situation is like that of a railway built into the wilderness ahead of industrial and agricultural development. It is ready to serve but has few to serve. Excessive economy will bring industry to a standstill. It seems reasonable to suggest that the exponents of mass production will in the future place less and less emphasis upon the desirability of large savings on the part of individuals, and that a policy of increasing the size of establishments only as markets widen will be advocated.

In the maturity of the machine age, a short working day or week becomes practicable. Under normal conditions, with maladjustments and irregularities reasonably well ironed out, the potential productivity of the machine and power age makes a considerable measure of leisure attainable for all. Under the pathological conditions of a depression or in the case of a large number of men displaced by the rapid introduction of the machine, leisure for many is of the enforced and repulsive variety — unemployment. But the leisure which the machine makes possible in an economy which is not chaotic is leisure with a job; it is leisure growing out of a short working day or week. The power-driven machine and science tend to reduce the emphasis which our pioneers placed upon work and increased productivity, and to increase the insistence upon a shorter work-period and more leisure time for the masses.

That the reduction of the work-period would be unwholesome and increase vice, crime, and degeneracy is not solely a notion of this generation. Every demand for shorter hours, twelve to ten, ten to nine, nine to eight, has been accompanied by pessimistic prophecies. It has been urged that the history of Greece and Rome supports the argument that slavery with the accompaniment of leisure for the slaveowners, sapped the virility of the masters. The influx of gold and silver into Spain after the discovery of America led the Spaniard to look with disdain upon mental and manual toil, and was, it is argued, a factor in the decline in the power and prestige of that nation. Americans in a "new era" of stockmarket speculation, 1927 to 1929, came to believe that watching the ticker tape and playing golf paved the road to affluence and power. This famous period led many to believe that hard

work was no longer necessary for success. It was the epoch noted for "the rise of fools."

L. P. Jacks, the well-known English educator, presents the modern version of the evils accompanying increased leisure. He insists that we are "now threatened by a surplus of leisure time." — "Man was meant for a life of skillful activity; for a life of leisure, man, both rich and poor, is naturally unfitted, and he begins to degenerate biologically. The evils of enforced leisure are almost as bad as the evils of enforced labor, and it is really a new form of slavery."¹

In spite of this array of argument against the increase in leisure which the machine is making possible, the seeker after information should recall that primitive men did not work regularly or perform "hard work" — as we understand the term. The idea that work is a blessing is comparatively new in the world's history; and it is not universally accepted. The emphasis upon regular and strenuous work may possibly be the product of a combination of Puritanism, pioneer conditions, and the infancy of machine civilization. The maturity of the machine and the "menace of over-production" bid fair to cast further doubt upon making work an end in itself. In an enthusiastic attack upon "the gospel of work," Professor Fairchild declares that in the maturity of the machine age "work must not only not be encouraged but not permitted unless there is some positive and demonstrable social good to be derived from it. Work is too potent a thing to be indulged in irresponsibly."² The calm individual may reasonably ask: Cannot work and leisure be combined with a decreasing amount of work as further progress occurs in the development of machinery so that social and individual uplift instead of degeneracy follows? May not leisure for the many be made to mean more of wholesome recreation, more of interest in art, music, and literature, some opportunity for quiet meditation, more of life and less of striving for a living? Leisure does not necessarily spell inactivity or vicious waste; but, in the words of Stuart Chase, "leisure without interest is a boomerang." On the other hand, long hours of monotonous and disagreeable work do lead in a multitude of cases to unlovely or stunted personalities. The patient, industrious man with the hoe, the wheel-

¹ Quoted in *Commerce and Finance*, May 13, 1931, p. 728.

² Fairchild, H. P., *Harper's Magazine*, April, 1931, p. 571.

barrow, or the adding machine is not the high-water mark of civilization. The machine age has also fostered a group of new occupations in which interest bulks large, such as research of many types, the professions of the architect and the engineer, personnel work, and the field of the business executive. Some work for all and considerable leisure for all are not inevitably the forerunners of social degeneracy. Since we are to have so much leisure time, education for active and wholesome leisure, for an avocation as well as for a vocation, becomes imperative.

In the machine age, individuals do little for themselves. Services of a great variety are offered to us — from bankers to shoe polishers, from hairdressers to house furnishers, from professional amusers to hospital clinics. Food, clothing, shelter, amusement, and healing are provided by special groups. Day by day, men are becoming less independent and more interdependent. The American is losing resourcefulness. We cannot entertain ourselves; we must be amused by others, by paid entertainers. It has been suggested that “we are becoming a land of lookers-on.” There are, however, indications that we are becoming more interested in playing games ourselves, and less devoted to sitting on the sidelines watching others play.

Rapid communication and transportation are enlarging the area in which obligation is felt for others, within which mutual aid is imperative. Our neighbors may live at a great distance measured in miles. But it is difficult for our sense of obligation or the willingness to coöperate to expand as rapidly as our contacts increase. Technological achievements seem also to have been accompanied in recent years in the United States by a rise in the tide of lawlessness.

Since the World War the movement toward concentration in industry has progressed rapidly. Mergers of the horizontal, vertical, and circular types are the order of the day. A careful study of the consolidation movement led to the following significant estimate. The two hundred largest non-financial corporations in 1927 controlled over 45 per cent of the assets of such corporations, 40 per cent of the corporate income of the same, 35 per cent of all business wealth, and 15 to 20 per cent of the entire national wealth. If recent rates of growth continue, in 1950, 80 per cent of all non-financial corporate wealth will be in the hands of 200 corporations.¹

¹ Means, G. C., *American Economic Review*, March, 1931, p. 10.

There is also a wide distribution of stock ownership. Corporations boasting of thousands of stockholders are a multitude. Many of these stockholders are inactive, absentee owners who sign proxies and draw dividends, if dividends are declared. They take no part in the management; they make no decisions as to business policies. By means of the proxy system of voting corporate stock, holding corporations, investment trusts of the management type, and other devices, the control of many corporations having a wide distribution of stock is actually in the hands of a small group. The manager of a large corporation is as a rule a man who owns little or no stock in the business he directs. Many of these men are beginning to look upon business as a profession and to be motivated in a degree by other incentives than profit-making, such as the desire for authority and prestige, and for the satisfaction of doing a good job in a skillful fashion. The march toward larger and larger business units has steadily pushed the small independent enterpriser out of business. He has become an employee in a large enterprise. The typical young man of today does not look forward to a career as the owner and manager of a small business; he hopes to obtain a salaried managerial position.

RECENT PROGRESS

Until the epoch-making Industrial Revolution beginning with the invention of textile machinery and the steam engine, progress or change in the methods of getting a living, and in relations with fellowmen went forward at a deliberate pace. One generation saw little modification. Conditions of living, ways of doing things, and methods of getting from one place to another, were nearly the same in old age as in youth. Only a hundred years ago the horse and the swift runner were the accepted means of rapid communication. Solomon could send an order as rapidly as Wellington. Fifty years ago men drove horses slowly over dusty or muddy roads; today they go swiftly by automobile over paved highways, or more swiftly by aircraft. The fathers of men living today never saw an electric light, a telephone, an automobile, a mechanical refrigerator, or a radio. The movement of foodstuffs from any considerable distance is recent; a century ago foodstuffs had a purely local market. Washington's Mount Vernon home was

without stoves. The lighting, heating, and ventilating of buildings have been revolutionized within the memory of many of our citizens. The paved road stretching from ocean to ocean has come within the brief life of the automobile.

In recent decades the tempo of life has been pitched so that a generation sees unprecedented modifications. Men and women of today are living in a rapidly changing environment. The current of events is running swiftly; the moving picture of life is speeded up. Hence the need of flexibility of mind, of adaptability, of a willingness to discard tradition without going off at a tangent. Large-scale industry may mean routine, but it is also coming to signify a flexible and shifting routine. Foresight and forecasts meet unusual obstacles. In a period of ceaseless and precipitous change, the foresight which makes possible worthwhile forecasts in the industrial world is rarely uncovered. The rapidity of change is making worthless much of vocational education. Broad foundations and adaptability are now the important elements in our educational program. Our educational institutions are called upon to do much more than train narrow specialists whose specialties may without warning become of historical importance only. America may be suffering from too rapid growth of a machine and power civilization. Perhaps unemployment and "the menace of plenty" are growing pains due to maladjustments incident to a rapidly developing machine age.

Since mechanical science has outrun social science, since the engineer and the scientist have made possible the production of more goods than we are able or willing to purchase, the world needs applied economics. Our problem revolves around regularization of industry, security of jobs, reduction of unemployment, and the easing of the troubles due to maladjustments evolving out of rapid industrial and social change. It is concerned chiefly with Dean Donham's intangibles — security, leisure, and self-respect.

Within 150 or 200 years the conclusion has been reached that it is possible to direct invention and the increase in physical productivity by means of scientific methods and the exercise of brain power. This age of world markets, railways, radios, electrical power distribution, skyscrapers, automobiles, and gigantic corporations is a testimonial to human inventiveness and genius.

Nature — the primitive and the pioneer methods — has been greatly modified and, nearly all Americans will agree, improved. Is it not easy to reach the same conclusion in regard to prosperity and economic conditions? Is it not feasible to smooth out the business cycle and greatly to reduce unemployment? Yes, but it will require the application of inventiveness and adaptability in an unstable world. The Englishman, Sir Josiah Stamp, is reported to have remarked that “this is the golden age of industrial achievement, but the stone age of economic thought.” The need of the hour is not so much for further accumulation of statistical data, although facts are needed, or an analysis of past events, as it is for a definite planning for modification of economic conditions on the basis of our knowledge of human motives and group reactions.

THE RÔLE OF THE EXPERT

In 1931 and 1932, Americans were in the midst of the ruin caused by the worst industrial depression since 1893. Unemployment, idle and semi-idle plants, bread-lines, and suffering bulked large — the full measure of the disaster was scarcely comprehended. Technical progress had far outrun our leadership in the economic and political field. An emergency, equal in many respects to a war, confronted the nation. To follow the old routes, even with palliative improvements, the voice of history tells us, will lead to another, and possibly worse, depression in the near future. The more intricate our industrial and economic mechanism, the greater the danger of muddling through. America is in dire need of the vigor and the initiative of her pioneers joined with the brain power of experts in technology and economics to blaze a trail to a new era in production and distribution, toward an epoch in which over-production and gaunt want will not live in the same community, toward an era of greater leisure, of closer approximation to equality of opportunity, and of more universal enjoyment of life.

The United States has certain definite assets as a nation — machinery, natural resources, excellent labor power, managerial ability of no mean order, and technical skill. But, recently, we have made a sad mess of it. The nation is in dire need of regular and full employment of all workers who are able and willing to work, of industrial coördination to prevent over-development in

certain lines, of the further reduction of waste, of the reduction of stock-market gambling, of better training of workers in order that they may be more adaptable, of a building program for the elimination of slums and the improvement of housing conditions for the great rank and file. The prime demand of the hour is for human engineers and economic experts with a social vision who can reduce the floods of misery — unemployment and poverty — which periodically overwhelm the nation and the world.

The main roads which may be followed in an emergency like that of 1931 are: (1) Let matters take their course. This undoubtedly means chaos. (2) Business men through organization into some form of trade associations may be able to coördinate industry and check over-development and serious industrial maladjustments. At present, unfortunately, there are no clear indications that business, unaided by governmental assistance and coercion, may with reason be expected to go far toward industrial coördination on a national or an international scale. (3) Accept a dictatorship, — Fascist or Communist. Dictatorships do not appeal to the American people. (4) Accept the remedy of the Socialists — governmental control and operation of important industries. To place all important industrial units in the hands of the government seems likely to the non-Socialist to lead to disaster and inefficiency. (5) The necessary increase in industrial coördination may be obtained by means of pressure — regulation, information, and other means — on the part of governmental authority, by teamwork between industry and government. It is this road leading toward a planned economy which will be given a brief survey. To give detailed consideration to the various items in a projected program for coördinating industrial operations would carry us far beyond the field of this volume.

It is often urged that a planned or coördinated economy is incompatible with democracy. Must a planned economy mean either a Communist or a Fascist dictatorship? If democracy be defined in the terms of the frontier, if it means *laissez faire-ism*, extreme individualism, and much voting, the answer is, doubtless, yes. But society is no longer in the pioneer stage; the frontier has been in a large measure erased. Liberty and democracy must take into account the presence of many persons in the business world and varied contacts with others in the social world. Isolation is

of the past. Liberty no longer means the right to run a business exactly as the management pleases. It does mean running within the grooves fashioned for community safety and well-being. To tell a man that he cannot carry concealed weapons, or drive an automobile in traffic when he is drunk, or run a railway without reference to the Interstate Commerce Commission, is not depriving him of liberty in any sense except that of anarchy and of social chaos. Neither is the city manager plan of municipal government necessarily undemocratic; liberty and democracy do not consist in voting for many officials at frequent intervals. Planning doubtless will bring in its train red tape; it will inevitably place some check upon individual initiative. On the other hand, unplanned capitalism and rugged individualism were spelling business chaos in 1932.

The American industrial edifice is a haphazard product. The country was settled, cities built, and industries developed without a definite plan or program. In pioneer America before the maturity of the machine age, this gave free play to initiative and inventiveness. But as the nation has passed into the maturity of the machine age, as localism and economic independence have given way to national and even to world markets, and to interdependence, the evils of unrestricted competition become more and more apparent. Each unit in industry continues to go ahead producing without adequate regard for what other units are producing or for the total probable demand. As a whole, industry is as planless as in a simpler economy, and business does not seem able or willing to change the situation. The much-needed coördinating element must evidently be supplied, whether we do or do not like it, by governmental action. Industry should, in the interests of economy, be guided by some responsible and expert agency toward the "scientific use of mechanical energy to supply basic economic needs." In the interests of national economy, the engineer instead of the speculator should dominate industry. The problem of planning within a single factory unit, or group of units, has been solved quite satisfactorily. The larger task suggested above is now before us. "What earlier generations left to the whim of the individual, society in the future will decide scientifically in accordance with technical rules."¹ Planning "is a method, a technique. It is the

¹ Siegfried, A., *America Comes of Age*, p. 174.

substitution of research, foresight, and control for ignorance, guess, and particularistic chaos. Scientific management is its name when applied to individual enterprises.”¹

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CHAPTER II

THE HISTORICAL BACKGROUND OF THE LABOR MOVEMENT

THE STRUGGLE FOR LIFE

The story of the slow and often painful progress of mankind from the time of the earliest of primitive men up to the complex and interdependent modern era is a fascinating and instructive tale. The primitive man was scarcely to be distinguished from the higher animals of the period. He obtained his food as did the animals by appropriating whatever nature provided. He gathered nuts and fruit; he attacked small animals and caught fish with his naked hands. All of his food was eaten raw. Weaponless and naked, the primitive man was ever in danger of attacks from animals and other men; famine and extremes of heat and cold were difficult to avoid. He had not learned to cope with nature; it overpowered him. The difference between the first type of human beings and the distinguished, learned, and fastidious of the present generation seems great. Yet, the latter only exists because of the prior existence and effort of countless generations of forgotten primitive men and women. The animals and our primitive ancestors constantly faced the probability of violent death. In the words of President Roosevelt, "death by violence, death by cold, death by starvation — these are the normal endings of the stately and beautiful creatures of the wilderness." In like manner our primitive ancestors met death. Changing conditions and new environments caused types to disappear which were unsuited to the new conditions, and fostered new types. Life was, indeed, a bitter struggle.

The characteristics of the primitive man — those deep-seated instincts over which civilization has laid a thin veneer often called culture — were developed under the dangerous conditions of primeval life. This painful and dangerous life tended to develop unlovely personal characteristics. Plants growing in the desert are bitter,

poisonous, or spiny. These are nature's provisions for self-defense. In like manner, cruelty and aggressiveness were essential to survival in the early strenuous life of mankind. A war, the sinking of a ship, or a fire in a crowded theater shows clearly that in modern men are many "savage survivals." The way in which men behave or act in the working or leisure period depends in no small measure upon the more or less instinctive impulses which the race has inherited from the long distant past. To understand the present we must know something about the way the race has climbed to its present position.

The long and fierce struggle for existence in the face of ever-present dangers has thoroughly bred into mankind a fighting spirit. The pugnacious tribes which were able, however, to inhibit fighting among themselves, defeated other groups, survived and passed on their characteristics to succeeding generations. Today, the hope of the world is in building upon the past. It is not in eliminating the pugnacious spirit, the fierce spirit of rivalry; but it is in directing this spirit into channels which make for constructive endeavor rather than for war, slaughter, and destruction. Sport and industry offer opportunities for beneficial rivalry. Can rivalry to produce be made as alluring as rivalry to destroy? Since wild animals have been domesticated, there is hope that men may yet cease to war with each other even as the duel and the feud have practically passed off from the stage of human endeavor.

Modern life rests upon unnumbered generations of human beings. Each new generation steps ahead, if progress be made, by using the results and the contributions of preceding generations. An orator some years ago in speaking to a graduating class, told the story in the following graphic fashion: "It is as if a torch-bearer began millions of years ago running down the ages with his light at first but a feeble spark, which as he fell breathless he passed to another and he in turn to another, the torch growing and flaming more brightly until at last it has been committed to our hands . . ." The orator in his enthusiasm forgot that progress is by no means so constant and smooth as his word picture indicated. Many and many a time in the long life of the old world the torch has flamed lower and lower instead of higher and higher. Progress has been intermittent as well as slow. Nearly all peoples and all generations like the old rather than the new. "We are geared to go round

and round" instead of upward and onward toward a Utopia or a Heaven on earth. Civilization is a hard-won area in the darkness of savagery; and it is easily lost. Eternal vigilance is the price of civilization as well as of liberty. "Civilizations are no new thing. They loom mysteriously, the one behind the other, like mountain peaks which we lose in the mists of history, legend, myth, ruin, and vestige, far beyond the reach of the remotest evidence." Progress has followed a winding and difficult path which many times has led back almost to a place reached generations before.

It is very difficult for us today, possessing a rich social inheritance, to understand the difficulties and dangers which confronted the primitive man. At first, man had few or no tools and weapons; he did not know about fire; and he did not possess a dish or container of any sort except the cocoanut shell and a depression in a stone. The primitive man originally was not blessed or cumbered with anything "that we should recognize as language, religion, conscience and conscience code, government, economic art, superstition," or science. The primitive man had little or no clothing and no shelter except caves, rocks, and trees. By a slow process of discovery and invention under the spur of danger and necessity, mankind after thousands of years lifted itself up to the level of the ancient world of fragmentary historical records.

Women were certainly the first industrial workers and the first agriculturalists. The primitive men hunted, fished, and battled with other men; they also made rudimentary boats and wrought weapons out of metals, stone, and bone. They experienced the unusual; their life was punctuated with climaxes; they were the early inventors. Women led a quieter and more prosaic life; and, as a consequence, they did little experimenting or inventing.

Human beings have been spurred on to new methods of doing work, to inventions of various kinds, by two dissimilar circumstances—wants and dramatic occasions. "Attention is the mother of invention; want is its grandmother." Hunger was a fierce want which often focused the attention of the reluctant primitive individual upon means of satisfaction. Fear led to united activities, to religious ceremonials and sacrifices, and to other institutional practices. Wants finding expression in gregariousness, curiosity, possession, artistic endeavors, and the spirit of adventure have

been potent forces in the evolution of art, music, the collection of trophies display, and so on through a long list.

The modern world is overlaid with much of routine and regularity; but the primitive hunters and fighters knew little of repetition. Their lives were unpleasantly, but picturesquely, punctuated by crises or climaxes. In the words of Professor S. N. Patten, "the climaxes of the primitive world were in the form of bears, lions, famine, earthquakes, disease, and other crude and forceful shocks with which the primitive world was overstocked. Every day had its intense moments when real dangers had to be warded off, and its victories that gave immediate gratification. In these moments of climax the intensity of life gained at the expense of its quantity, and under its influences men were transformed from cowardly brutes into heroes and masters of nature." Occasions of this sort were fertile sources of inventions. In a crisis when life and limb are at stake a man's brain becomes active and the attention is unwaveringly focused upon the ways and means of warding off impending danger, of turning apparent defeat into victory. Changes in climate, growth of population, and migration to new areas also occasioned less spectacular and stirring, but more vital crises in the life of a group. New modes of living, a new diet, different clothes, new ways of hunting, and scores of adjustments and inventions must be forthcoming — if the group survived.

INSTITUTIONS AND RIGHTS

Property rights play an important rôle in the progress of human endeavor. The primitive savage recognized property in certain personal ornaments and weapons. In the pastoral stage or nomadic stage, flocks and herds became the chief kind of property. Property in land did not appear until the agricultural stage. It was difficult for the men of primeval times to differentiate between animals and inanimate objects. Everything that moved was thought to be alive. In like manner, it was probably difficult for primitive man clearly to distinguish between himself and certain of his belongings. "A savage is recognized by his weapons and ornaments as well as by his stature or other bodily traits."

Presently, primitive men began to recognize the right of the man who first found a bunch of bananas, a nut tree, or a store of honey,

to the bananas or the nuts when ripe and to the honey when fully prepared. The savage put a distinguishing mark upon his discovery and this mark came to be respected. Much of property was considered to be communal. A hunter did not regard as belonging to him individually the game he had killed while hunting. The first sort of exchange or trade was doubtless between members of different tribes rather than within a group. In short, foreign commerce is older than domestic trade.

After the cultivation of land began, the family planting seed must maintain control over the ground planted until after the harvest or lose the reward for its work and sacrifice. Good cultivation soon necessitated clearing or draining. More than one season was requisite to reap the full results of one's toil. Consequently, there gradually grew up the custom of considering that the cultivator of a field had special rights thereto. After many vicissitudes, this blossomed out into private ownership of land as we of today understand it. One of the institutions which played a large part in transforming the primitive hunter into the industrial worker of today is slavery. Slavery was as characteristic of ancient times as the wage system is of the modern period. An institution or method of doing a considerable share of the world's work which persists as long as did slavery must have possessed some virtues at certain periods in the history of mankind. In the social world as in the realm of physical forces there is a phenomenon known as inertia. We are all familiar with the fact that a heavy body is difficult to set in motion; but, when once started, it tends to continue in a straight line. Likewise, an institution — slavery, the church, a banking system, a form of government — is difficult to organize; able teachers or social inventors are necessary. But after the institution is well developed and its rules and customs crystallized, it tends to persist after its work is actually accomplished. Institutions which serve a useful purpose in one generation or age may be useless or positively detrimental in another under quite different conditions and circumstances.

An analysis of slavery as an institution leads to the conclusion that when first invented, it constituted a step in human progress toward modern civilization. Slavery is certainly an improvement over cannibalism, which in many instances preceded the enslavement of the vanquished. But such an analysis also shows quite

conclusively that slavery persisted after its usefulness was a matter of history. It is possible that the first form of slavery arose within the family circle. The father, the "old man of the squatting place," was probably an autocrat or a slave driver in his relations with his wives and children. But the form of slavery with which we are historically familiar grew out of war and conquest. At first no captives were taken in tribal battles. The vanquished were slaughtered and frequently their flesh was eaten. A slave would have meant additional mouths to feed; a dead enemy, on the other hand, helped to furnish a food supply. Except possibly within the family slavery was not found in the hunting stage. To force a slave to hunt for the benefit of his captors would have been dangerous because weapons must have been given to the captive. He might suddenly attack his captor, or, while hunting, easily escape. Among the pastoral people, adult male slaves were not especially useful to their masters. In the hunting and in the pastoral stages women and children were sometimes enslaved. The master would have greater control over the women and children of his household.

After the agricultural stage was reached, captives could be put to work tilling the soil and doing other kinds of manual labor. Tools and implements, instead of weapons, were placed in their hands. In some cases the captives were maimed or crippled so that it would be difficult for them successfully to attack their masters or to escape from captivity. Certain captives of exceptional ability were also enslaved. Some of the well-known characters of ancient times were slaves. In the families of the leaders, presently, the women were released from hard labor by the introduction of slave labor. Class demarcations were more and more clearly drawn. The children of slaves were also slaves. Later other methods of enslavement appeared. Debtors were made the slaves of their creditors. Parents could sell their children into slavery. A free man in poverty might sell himself into slavery.

THE INDUSTRIAL LIFE OF THE ANCIENT WORLD

The chief beneficial effects of slavery and serfdom in the Ancient World may be summed up under two heads: it gave to generations of mankind a needed drill and discipline in regular work, and it

allowed certain privileged groups to become a leisure class and to develop art, literature, philosophy, and science in the era before the coming of machinery and the utilization of steam. In turning the attention to the desirable effects of slavery, it is not the aim to obscure the seamy and repulsive side of this ancient institution. Slavery was a harsh system. It did not mete out justice to the heavily burdened, and it did result in giving special advantages to a few. Ancient civilization rested on the backs of slaves. The art, the architecture, and the literature of the Ancient World could not have come into existence except for slavery or some analogous scheme of exploitation. We of today owe much to the despised and mistreated generations of slaves of the Ancient World. Much as twentieth century ideas of justice may condemn the system, we have profited by it.

To change the primeval savage without the faintest concept of regularity or of responsibility into the industrial and agricultural worker of today is a job requiring generations of severe taskmasters. Slavery, serfdom, and allied systems did domesticate the primeval savage. This was accomplished at great cost in suffering; but it was done. And the wage system continued the process. Slavery enabled the conquering or master groups to grasp a modicum of luxury and leisure. The methods of production were so crude that only a small surplus over the absolute necessities of living was produced. This surplus was seized by the slave owners. Certain fortunate members of the privileged groups were enabled to devote their attention to cultural pursuits or to dissipation. They were released from the hard grind of obtaining a living. Out of this leisure class maintained by the efforts of slaves and semi-slaves came the culture and civilization, as well as much of the evil, of the Ancient World. The great mass of the people of ancient times, whether they be called common men, peasants, serfs, or slaves, were ever in poverty; suffering and hardship were the inseparable portions of their daily life, but the glory and magnificence of the Ancient World were the products of the "ceaseless toil, infinite discomfort, and downright grinding misery for the masses."

Human nature and human endurance have changed little. The men of the Ancient World, like those of today, were actuated by the spur of ambition, love, jealousy, hate, love of power, joy of acquisition. The great difference between the Ancient World and

the twentieth century is to be found in material and scientific achievements; it is registered in cities, in corporations and financial institutions, in productive proficiency, in the marvels of modern transportation, and in the accumulating of knowledge. The modern man is much more dependent upon the functioning of distant workers and mechanical contrivances than was the man of the Ancient World, of the Middle Ages, or of pioneer America. The food we eat, the clothing we wear and the necessities, comforts, and luxuries we enjoy are the products of a great and complicated mechanism — modern business. Even in the most highly developed nations of the Ancient World this dependence was much less; but it was doubtless greater in Rome than in the Europe of the Dark Ages or in the case of the isolated pioneer. The overshadowing importance of the general public, the bystander, is a phenomenon of recent decades. The selfishness of the individual and the isolation of nations are perforce being subjected to pressure unknown in preceding ages; and the final results are as yet matters of conjecture.

In Rome and, perhaps, in other countries of the Ancient World, certain groups of working people who were not slaves were organized. These organizations among the ancient lowly bear certain resemblances to the guilds of the Middle Ages or to modern trade unions. In many cases, these organizations of ancient craftsmen seemed to have functioned chiefly for religious or political purposes, for social activities, or for insurance features. These guilds or unions made little or no attempt to raise wages, improve working conditions, limit the number of apprentices, or restrict the output of the worker. According to one authority on Roman history, "the Roman guilds were social fraternities rather than economic units." One explanation for the disuse of economic weapons is connected with the influence of slavery. If freemen demanded too much, slaves could be utilized even in the skilled trades. Authorities differ as to the use of the strike. However, it is quite possible that different writers are concerned with different centuries or places. A spokesman of the American trade unionist, John P. Frey, writes of Rome: "Strikes were frequent, injunctions were issued against strikers; conspiracy laws were enacted; contractors were enabled to use slave and contract convict labor in direct competition with the labor of freemen; strikers

were punished without mercy, the militia being used to break up the strikes; and many unions in time were forced to hide their true character under the guise of fraternal and burial societies, as was done by the early unions in Great Britain." In the long list of Roman guilds or trade unions may be mentioned those of goldsmiths, coppersmiths, blacksmiths, wagon-makers, builders, potters, dyers, leather workers, tanners, plasterers, and pavers. Roman armor and Roman weapons were "union-made"; there were organizations of teamsters, boatmen, sailors, and fishermen. As early "as 43 B.C., the pall-bearers of Rome belonged to a kind of organization" and bitterly resented non-union pall-bearers at funerals — a procedure quite modern. In the ruins of Pompeii were found certain posters — scratches or marks on walls — giving mute testimony to the activities of ancient organizations of workingmen. It is clear that there have been labor problems and class struggles between the working and slave class and the ruling or privileged class for indefinite centuries. The labor problem is not a new problem. But in the Ancient World it was predominately a slave problem; in the modern world it is a wage worker-employer problem.

THE MEDIEVAL PERIOD

Historians generally fix upon the year 476 A.D. as the date of the fall of the Roman Empire and the opening of the Middle Ages. This period was one of chaos. The inrush of barbarian groups threw Western Europe into great confusion. The so-called "Dark Ages" followed. Out of this confusion and terror finally emerged the feudal system. Many writers have idealized the medieval period. It was the age of chivalry and scholasticism, the period of cathedrals and monasteries, the golden age of fixity and contentment; but such accounts overlook the turmoil of petty wars, the localism, the hardships, and the knavery of the period. The feudal and guild systems are the industrial institutions characteristic of the Middle Ages. It is very difficult for us of today to get a clear understanding of systems of getting a living and doing the world's work which are quite dissimilar from those with which we are accustomed. The feudal system, the guilds, governmental conditions, and trade relations within a country and between countries were markedly different from systems which now prevail.

The life and labor under the feudal system as it developed in England were characterized by simplicity. The population was predominantly rural, whereas England today is peopled largely by city dwellers. Even in the United States, according to the Census of 1930, more people live in cities and towns than in the rural districts. Serfs were born, lived, and died in a manorial village. They rarely or never visited another manor or came into touch with any other manner of living than the one customary in their manor. Travel was impracticable. Movement from one class to another was as difficult and infrequent as from one part of the country to another. Rigidity of social status was characteristic of feudalism. Each manor consumed what it produced; trading between manors or between manors and the towns was very little in evidence until after the time of the early Plantagenet kings. Little or no money was used. Presently traders began to make their way to certain towns, and craftsmen took up their residence in these towns.

To these trading centers were brought the surplus products of the neighboring manors. The craftsmen of the towns made cloth, weapons, wood, metal and leather goods. Certain products of Continental Europe and of the East began to be imported into Europe. For the regulation of this trade and for the protection of the home trader from those of other towns or from abroad, an organization called the merchant gild arose. The merchant gild included all the population of the towns engaged in trading. Sometimes merchants living outside of the town were admitted to membership in the gild. Nevertheless, citizenship in the town and membership in the gilds were practically identical. The gild was that portion of the town government which had charge of the regulation of commerce and industry. The gildsman of the medieval period, not unlike the merchant of today, wished to have a monopoly of the trade of his town. Foreigners — merchants from other towns or countries — were either not permitted to do business within the town or were allowed to do so only under strict regulation. The merchants of today, facing a different sort of competition, object strenuously to purchases made in another town or through a mail order house. Patronize your home merchant is today's slogan; the gildsman asked that no outside merchants be allowed to come into his town to sell in competition with him. The cus-

tomers of the early medieval period did not go to other towns to trade. Monopoly of trade looked as good to the medieval tradesmen as it does to the business man today.

At first the merchant was a craftsman as well as a merchant, but as time passed and commerce bulked larger, the merchant and the craftsman function became separated. Consequently, a new form of organization arose — the craft guild. The merchant guild appeared first and decayed before the craft guild. It seems likely that early in the history of the craft guilds, a man may have belonged to both types of guilds. The craft guilds developed as certain men began to devote their entire effort to the work of a trade or craft, leaving the producing and trading functions to other hands — that is, after the producing and trading functions were separated. The weavers were probably the first group of craftsmen to form a guild. These organizations, like the merchant guilds, were formed to give their members monopoly control over their trade in their own town.

To become a full-fledged member of a craft guild, it was necessary to prove ability in a particular craft. The future master craftsman first served as an apprentice. After several years of satisfactory apprenticeship, he became a journeyman, and later he might become a master and participate in all of the activities of the guild. An apprentice was bound to the master for a number of years, lived in the latter's house, and was expected to obey the orders of the master. On the other hand, the master agreed to provide for the apprentice's food, clothing, and shelter, and to teach him the mysteries of the craft. The journeyman worked for wages in the little shop of the master workman. If the journeyman were frugal and saved his earnings, in due time he might open a small shop, hire a few journeymen, and take one or more apprentices. He would thus be a master. The guild regulations protected the members from those who had not gone through the years of apprenticeship, from the recalcitrants who refused to conform to the rules, and from outsiders coming from other towns. Only guildsmen were allowed to set up in business in the town. As the years passed, the guilds became more and more exclusive and monopolistic in character. By the fifteenth and sixteenth centuries the number of the unorganized merchants and craftsmen became considerable, and began to do business outside the town in localities not subject

to the control of the guilds. The strengthening of the powers of the king and of the central government also tended to weaken the guilds. The guilds held considerable property which was devoted chiefly to religious purposes. When Henry VIII and Edward VI confiscated the property of the religious bodies, they also took such property of the guilds as they claimed was used for religious purposes. Under these attacks the guilds weakened and gradually disappeared. Localism in government and in industrial regulation gave way to national control. The signs of a new era appeared on all sides.

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CHAPTER III

EARLY HISTORY OF THE AMERICAN LABOR MOVEMENT

THE WORKERS OF THE COLONIAL AND REVOLUTIONARY PERIODS

Following the sketchy outline of early industrial progress, the attention may now be directed to a brief review of the development of the labor problem in the United States. The history of America unfolds as a rapidly moving panorama the evolution and decline of social and industrial systems similar to those which have been more slowly and obscurely unrolled in the other portions of the globe. The movement of population from a relatively densely populated territory to a vast new country possessing a rich and virgin soil invariably causes the settlers to retrogress in the social and industrial scale. The clock of progress is temporarily turned backward. Necessity forces the newcomers to adopt customs and methods of living and of gaining a livelihood which their ancestors had discarded. The pioneers of New England were obliged to live lives of great simplicity. No other kind of living was possible. Many old and forgotten social and industrial difficulties and problems reappear when a new country is being populated and exploited. As the American pioneers possessed the knowledge and experience of the centuries which had passed since Europeans outgrew primitive barbarism, the march of institutions in the New World did not follow with exactitude the course of development disclosed in European history. New elements were introduced into the problem; the balance of social forces was different.

When the movement of settlers to America began, Europe had for centuries abandoned the system of enslaving white men and women, and was passing out of feudalism. England, the most advanced nation of Europe, had practically emerged from the feudal period. Englishmen and other Europeans upon coming to

America were confronted by a new and peculiar situation. Land was abundant and labor was scarce; but the land could not be exploited and large profits derived without laborers who worked for small returns. Free and uncoerced laborers would demand high wages, or they would become independent laborers upon the land. The demand for controllable manual workers to do the rough and hard work of the pioneer agriculturalist soon became insistent. Old methods of controlling and exploiting laborers were readopted with alacrity. The indentured servant was the nearest approach to slavery for whites which the moral ideals of the period and the legal rights vouchsafed white workers permitted. But in the case of the black and the red man, the pressure of the demand for workers overcame all difficulties; and on the new continent slavery was reintroduced among transplanted European people. The personal characteristics of the Indian prevented any extensive use of the red man as a slave; but the Negro proved to be docile and workable. After slavery was established, one major factor in its continuation was the great racial gulf between blacks and whites. The establishment and continuation of the slave system on the American continent centuries after its disappearance in northern Europe must be attributed to two coöperating causes: the presence of abundant land and the wide racial differences between masters and slaves.

Differences in climatic conditions, the nature of the soil, and the character of the settlers in the various parts of the seaboard district led to significant differences in industrial conditions. The North was peopled by men and women coming from the portion of England which had progressed farthest from the old feudal régime toward modern industrial conditions; and slavery did not prove to be profitable in the North. The South, on the other hand, was populated by men of the older type and slavery was found to be profitable. The plantation system was essentially feudalistic; the small farm and the small manufacturing establishment of the North could not be efficiently worked by the slave or the serf. Two entirely different social and industrial systems were thus planted on American soil. The plantation system and Negro slavery were to hold the South in its grip until the last of the nineteenth century, and were to retard the growth of modern industry in that section. As long as slavery was continued the waves of industrial progress

which swept over the North never reached beyond Mason and Dixon's line. Until its awakening, during the last two or three decades, the South industrially was a belated section.

Colonial America was preëminently a land of farmers. In the North, the small farm system and the scarcity of labor caused interdependence and coöperation to become characteristic of the people. In New England the lack of soil fertility caused many to turn their backs upon the farm and to become fishermen, sailors, and merchants. Each colonial farmer of the North was also a mechanic; he made the implements required upon the farm and attended to the necessary repairs. Coöperation between farmers took the form of exchange of services in harvesting or in house or barn "raisings." The latter were important social events in which the spirit of rivalry or of emulation played an important rôle. Meals were served by the women, and the occasion was made a gala day for the neighborhood. Cloth was woven and the clothing for the family was manufactured in the home by the women and the children of the household. Sawmills, gristmills, tanneries, saltworks, and glassworks were early established on a humble scale. The sawmill was used in New England before it was introduced into England or Holland. Opposition to labor-saving machines did not early develop in America because of the scarcity of labor and because each worker hoped soon to become a small farmer or a small manufacturer. In the South a very different situation existed. Each plantation was an isolated and nearly an independent economic unit. Such goods as were purchased came directly from Europe, and were landed on the wharves of the various plantations. Consequently, a merchant class did not develop in the colonial South.

The manual laborers of the colonial period who were employed by employers or owners may be divided into three classes: wage earners, indentured servants, and slaves. The wage earners and indentured servants were found chiefly in the North; the majority of the slaves were located upon the plantations of the South. The Puritan of New England attempted to regulate minutely the private and public life of all the members of the community. The authorities of colonial New England passed regulations minutely prescribing the mode of dress, the method of cutting hair, the entertainment of guests, the nature of amusements, the scale

of prices and of wages, and various other details of social and industrial life.

The Court of Assistants of the Massachusetts Bay Colony, at its first meeting in August, 1630, fixed the wages of artisans, such as carpenters, masons, sawyers. Soon after, these regulations were repealed. In 1633 another attempt was made to fix the wages of various journeymen at not more than two shillings (about fifty cents) per day, exclusive of board. Wages of inferior or unskilled workmen were to be rated by certain local authorities. Penalties were to be applied to both master and men for violating the law. In the same year a sweeping general order was promulgated fixing the price of provisions, clothing, tools, and other commodities. The General Court alleged that "the great extortion used by divers persons of little conscience" made this legislation imperative. In 1634 the penalty imposed upon those who paid more than the wages allowed by the colonial authorities was repealed, and a board of three men for each town was authorized to fix wages in case a dispute arose. This is perhaps the earliest legal provision for the establishment of a court of industrial arbitration on American soil. In 1640 a considerable fall in prices occurred; and the General Court ordered wages reduced in proportion to the fall in prices. In Connecticut certain towns also fixed the wages of laborers. The frequent repetition of similar legislation indicates that it was in a large measure ineffectual, and such attempts finally ceased. During the Revolution, while the country was being flooded with paper money, other brief and ineffectual attempts were also made to fix prices.

At the close of the Revolution wages were low and the price of the necessities of life high. The home of the workman was unadorned and uninviting. "Sand sprinkled on the floor did duty as a carpet. There was no china in his cupboard, there were no prints on his wall. What a stove was he did not know, coal he had never seen, matches he had never heard of. . . . He rarely tasted fresh meat as often as once a week, and paid for it a much higher price than his posterity. . . . If the food of an artisan would now be thought coarse, his clothes would be thought abominable. A pair of yellow buckskin or leathern breeches, a red flannel jacket, a checked shirt, a rusty felt hat cocked up at the corners, shoes of neat's-skin set off by huge buckles of brass, and a leathern apron,

comprised his scanty wardrobe. The leather he smeared with grease to keep it soft and flexible.”¹

These were the conditions in the “good old times.” While the contrast between rich and poor may be more apparent today than a century ago, the average workingman of today can get more of the necessities and comforts of life than his predecessors of three or four generations ago. Absolutely, if not relatively, the workingmen’s position has improved. The workman who got into debt was liable to imprisonment in vile prisons. The conditions in some of the colonial prisons beggar description. McMaster has pointed out that we of today feel more compassion “for a galled horse or a dog run over at a street-crossing than our great-grandfathers felt for a woman beaten for cursing or a man imprisoned for debt.” The workers of the colonial and revolutionary period had little or no intellectual stimulus. Their environment was purely local; little or nothing was known of the outside world; and little opportunity was afforded for united action. The wage earners of this period were not factors in the political world. The wage earner without property was denied the right to vote.

The guild system appeared in the colonies only in a rudimentary way. The first American guild seems to have been organized among the shoemakers of Boston. It was incorporated by the Massachusetts Bay Colony in 1648. The coopers were likewise organized as a guild. The shoemakers formed a guild for the chief purpose of controlling inferior workmen. The guild officers were given certain powers of inspection and of regulation, and they could penalize workers for any violation of the rules and regulations. The colonial authorities, however, retained the power to remedy abuses. The guild was organized during the process of “transition from the stage of the itinerant shoemaker, working up the raw material belonging to his customer in the home of the latter, to the stage of the settled shoemaker, working up his own raw material in his own shop to the order of his customer.”²

In the eighteenth century a few organizations appear which bear the characteristic marks of the local trade union. Early in the century the ship calkers formed a “calkers club”; but the purposes

¹ McMaster, J. B., *History of the People of the United States*, Vol. 1, pp. 96-97.

² Commons, J. R., “American Shoemakers, 1648-1895,” *Quarterly Journal of Economics*, Vol. 23, p. 42.

were primarily political, not economic. Temporary organizations or societies of printers were organized from time to time, beginning in New York City in 1776. "The Typographical Society" of that city was in existence from 1795 to 1797. Professor Commons calls the "Federal Society of Journeymen Cordwainers," organized in Philadelphia in 1794, the first American trade union. This organization was preceded by an employers' association — the "Society of Master Cordwainers of the City of Philadelphia," formed in 1789. The cordwainers held together for twelve years; in 1799 they conducted a strike of about ten weeks' duration. The New York shipwrights formed a society in 1803; the carpenters of that city organized in 1806; and the tailors formed a union in the same year. The organizations of this period were weak, local, ephemeral, and few in number. Not until after the War of 1812 does the real history of American labor organizations actually begin.

DEVELOPMENT OF THE FACTORY SYSTEM

In the colonial and revolutionary period all industry was in the domestic or handicraft stage. Manufacture was carried on in the home or in small shops; it was still, as the derivation of the word indicates, the making of things by hand. The workers were isolated from each other or associated together in small groups. The worker usually owned his tools, and frequently the raw materials and the products of his labor. There was little or no division of labor, or use of power other than human brawn and muscle. In the factory system with which we are familiar today, many workers are associated together who do not own the tools or machines with which they work, the raw material which they form into finished or semi-finished products, or the products of their toil. Division of labor is often minute, and is always present. Organization, systematization, and concentration are characteristic of the modern factory system. The worker is a wage earner; and, with rare exceptions, cannot pass from that rank to the coveted position of employer. Steam, gas, or water power, not human energy, is the motive force which drives the machines assembled in the factory. Since the adoption of the Constitution, the United States has passed through an industrial evolution which has displaced, except in the case of a few "belated" industries, the house-

hold form of industry and substituted in its place a highly organized form of the factory system.

The factory system has not evolved at a uniform pace in all portions of the industrial organism. Cotton manufacture was the first to pass from the household stage; and woollen manufacture followed closely in its footsteps. Certain industries are even now in the transitional stage, as, for example, the clothing industry, laundering, and cooking. England was the leader in the so-called Industrial Revolution. Beginning in the early portion of the second half of the eighteenth century, a series of inventions gave the impetus which led to the utilization of machinery on a large scale. The spinning machine was first invented; and a few years later a power-loom for weaving was perfected. The necessary mechanism for the advent of the factory system in the textile industry was now complete.

England, through the use of this machinery, was given a point of vantage over the remainder of the world. Without the use of machinery, no nation could hope to compete successfully with the island kingdom. In order to retain this advantage, Parliament passed laws which prohibited the exportation of machines, tools, and models, and which made it a criminal offense to try to induce textile operatives to leave England. By means of these mercantilist policies, England was able to retard slightly the development of manufacture on this side of the Atlantic; but irrespective of the governmental policy, the growth of the factory system in the United States would have lagged behind the development in England.

The first factory in the United States was erected for the purpose of manufacturing cotton goods at Beverly, Massachusetts, in the year 1787. This venture, as well as several others made in different places, was unsuccessful. The Slater factory at Pawtucket, Rhode Island, built in 1790, was the first successful venture. Samuel Slater, the "father of American manufacture," had served as an apprentice at cotton spinning in England. Learning of the opportunities in this country, he determined to cross the Atlantic, and to introduce improved spinning machinery on this side of the ocean. Slater was obliged to come without drawings or models; he constructed the machinery used in the Pawtucket mill aided only by his memory of the machines which he had operated in

England. Development in the cotton industry was very slow for many years, as the importation of cotton goods from England was considerable. According to J. L. Bishop, in his *History of American Manufactures*, there were, in 1803, only four cotton mills in the entire United States. The early factories only had machinery for spinning. It was not until 1814 that Francis Lowell, practically independent of English aid, invented a power-loom which was installed in a factory at Waltham, Massachusetts. This was the first complete factory for the conversion of cotton into cloth erected in the United States.

The woolen textile industry was the next to enter the factory stage. The iron industry developed quite slowly in the United States. The Embargo Act and the War of 1812, by reducing the importation of manufactured goods from England, gave a real impetus to the factory system in this country. The infant industries were artificially stimulated. In 1831, it was estimated that not less than 29,000 men were employed in the manufacture of iron products. By 1850, the cotton and woolen factories of the United States gave employment to 140,000 persons. Factories and factory work were of significant industrial importance in the nation before the panic of 1857.

RISE OF THE INDUSTRIAL CITIES

The modern industrial city is a product of the factory system. Parallel with the development in manufacture moved the evolution of modern urban life with its many problems which are due to the dense population, the housing conditions, and the factory environment. During the era of expansion in the development of the factory system the industrial or mill town of the modern type makes its first appearance; and the percentage of the total population living in cities increases. When the period of concentration is reached, the ratio of urban to the total population mounts rapidly upwards. The following table taken from the *Reports of the Twelfth Census* shows this movement very clearly:

PER CENT OF TOTAL POPULATION IN CITIES OF 8000 OR OVER

<i>Census Years</i>	<i>Number of Cities</i>	<i>Per cent Urban of Total</i>
1790	6	3.4
1800	6	4.0
1810	11	4.9
1820	13	4.9
1830	26	5.7
1840	44	8.5
1850	85	12.5
1860	141	16.1

The movement towards the city begins to be very perceptible in the decade 1820-1830; and this period marks the definite and unmistakable opening of the era of expansion in the textile industry. This phenomenon was in a large measure confined to the North Atlantic states, and was the most well defined in Massachusetts, Rhode Island, Connecticut, New York, and Pennsylvania. Exclusive of Maine and, perhaps, Vermont, the population of New England almost ceased to grow by 1816. The farming land had nearly all been occupied, and the surplus population was emigrating to other states. The rise of the new system of manufacture and the recovery from the depression following the War of 1812 saved New England from stagnation. From 1820 to 1850, the population of the mill towns of New England, New York, and Pennsylvania increased much more rapidly than did the total population.

As people long accustomed to rural life were suddenly thrust into barrack-like homes in dreary mushroom factory towns, the now familiar evils of city life began to make their first appearance upon American soil. Pauperism, juvenile crime, woman and child labor in factories became well known. With the inhabitants massed together in the growing cities and towns, opportunities were not lacking for organization and agitation. The long struggle between the conservatives of the Atlantic coast region and the turbulent and individualistic frontiersmen of the uplands and the backwoods had finally forced the abolition in most of the Northern States of the old religious and property qualifications for the exercise of the suffrage. At a propitious time the democratic frontiersman placed the ballot in the hands of the newly created class of factory and town wage earners; and then the American wage earner appeared on the industrial and political horizon.

ORIGIN OF UNIONISM

The modern trade union seems to have originated in England. The craft guild of the Middle Ages is not the forerunner of unionism. There were in the Middle Ages certain combinations of journeymen and laborers working for wages which may reasonably be considered as the predecessors of the trade unions of today. The Webbs find traces of such combinations of hired workers as early as the fourth quarter of the fourteenth century; but as long as nearly all workers hope soon to become masters, these combinations did not flourish or become permanent. The organization of wage workers into "durable combinations" preceded the development of the factory system in England.¹ It may be assumed that the modern labor movement began about the middle of the eighteenth century.

LABOR ORGANIZATIONS

In the United States, before 1825, certain rudimentary labor organizations appeared from time to time, but these were purely local, ephemeral, and confined to members of one trade. The early isolated organizations were called trade societies. "Modern trade-unionism as an industrial and political force," writes Professor Commons, "began with the coming together of previously existing societies from several trades to form a central body on the representative principle." These were called trades' unions, not trade unions. To the then largest city of the United States, Philadelphia, and not to England, as commonly stated, belongs the honor of being the birthplace of the modern trades' union—that is, a union or association of trade unions or labor societies. The Mechanics' Union of Trade Associations was organized in that city in 1827, and antedates by two years the first similar organization in England.

During the succeeding ten years three forms of labor organizations may be noticed: (1) The trades' unions in different towns and cities. (2) The first form went into politics (1827-1831), and formed workingmen's parties in various cities. (3) After the close of the rocket-like career of the workingmen's parties, events moved slowly for a few years. Then, with the era of swiftly rising prices which preceded the panic of 1837, came the rapid growth of trades'

¹ Webb, S. and B., *History of Trade Unionism*, Chap. 1.

unions and the organization of several national trade unions and of the National Trades' Union, which held three annual meetings in 1834, 1835, and 1836, and possibly one more in 1837. Practically nothing was known of this early ephemeral, but pretentious, national organization until its history was laid bare as the result of the labors of Professor John R. Commons.

The inception of the first American labor movement was the natural, or rather inevitable, though direct, result of the aggregation of workers in towns and in factories, and of the partial displacement of the domestic form of industrial organization by the factory and the contract system. The factory workers were not, however, the first organized; the first organizations were formed in the skilled trades. The growth of towns and the gradual improvement of transportation facilities were extending the market area; and wealthy merchants were sending their wares to distant points. The men in the skilled trades were confronted by a new situation. City life and the steadily developing division of labor were modifying social conditions, were exaggerating and exposing to public gaze old evils such as pauperism, intemperance, and juvenile crime, and were producing evils hitherto unknown. Class demarcation was becoming sharper, and the workingmen were in a state of dissatisfaction and unrest. Leaders only were needed to convert this unrest into organized remedial effort. The workingmen were firmly convinced that social and industrial conditions were awry; and every enthusiastic and persuasive would-be reformer was able to obtain a hearing and a following. This transitory period provided the properly prepared ground for the fitful and changeful policies which characterized its many reform movements. The student of mob or crowd psychology may find in this period a fruitful field for study. The workers passed from the trades' union to the political party in a vain endeavor to mitigate the evils which loomed up before them. The frontier forced down the bars which had kept the small and the non-taxpayer from the ballot box; the workmen under the impulse of their leaders turned to political action. They demanded free schools, no imprisonment for debt, mechanics' lien laws, and a ten-hour day; and they opposed special favors in the granting of charters and monopolies, the lottery system, the militia system as then in vogue, the auction system, and the exemption of church property from taxation.

The first workingmen's party appeared in Philadelphia in 1827 or 1828; but the most important political movement occurred in New York City. The New York party was organized in the spring of 1829, elected a state assemblyman in the fall, was split into three fragments within a few months, put three tickets in the field in the fall of 1830, and disappeared from view the following spring. Organized ostensibly to prevent an attempt to lengthen the working day, the party was first committed by an imperious leader to the doctrine of equal distribution of wealth and the abolition of inheritance; this leader was soon ousted, carrying with him only a handful of followers. Next came Robert Dale Owen and G. H. Evans; the latter was the editor of the famous labor paper, *The Working Man's Advocate*. These two enthusiasts committed the party to an educational program. Free education in boarding schools, where all distinctions of rank or class were to be eliminated, was put forward as a panacea for all the evils of which the workers complained. Tammany Hall was then, as now, the powerful democratic organization of that city. The leaders of that political machine were thoroughly frightened by the results of the election of 1829, and proceeded to destroy the workingmen's organization. So successful were they that within a few months Owen and Evans were forced out, carrying with them a considerable fraction of the entire party. Tammany now took up some of the planks in the platform of the conservative and most numerous branch of the party, and in 1831 the entire organization disappeared. The first American labor movement was disrupted by entering the political arena.

This ephemeral labor party was not entirely useless. The chief effects may be briefly summarized as follows: (a) the passage of a mechanics' lien law by the New York legislature. It was clearly for the purpose of placating the workingmen that this measure was supported and pushed through by Tammany. (b) The abolition of imprisonment for debt, by a law passed in the spring of 1831. The stand taken by the workingmen's party hastened legislative action in this matter. (c) The appropriations for educational purposes in New York City increased very noticeably at this time. (d) When, in 1833-1837, the strong trade-union movement arose, the fate of the workingmen's party was accepted as a conclusive argument against direct political effort. Hence the trade unions

kept aloof from party politics and merely questioned candidates as to their position on measures which were regarded as affecting the interests of labor.¹

After the disruption of the workingmen's parties, a period of inaction followed. But with the triumph of Jackson over the second United States Bank came a flood of paper money issued by the rejuvenated state or "wild cat" banks. With the inflation of the currency, prices went up by leaps and bounds; but wages lagged behind. The wage earners were caught like rats in a trap; the rise of prices was so rapid that escape to the frontier was impracticable. Wheat flour rose in New York City from \$5 a barrel in 1834 to \$12 in March, 1837; in Baltimore from \$6.75 on June 4, 1836, to \$10.50 on December 17 of the same year. Edward Atkinson estimated that the cost of living to the average workingman rose 66 per cent from April, 1834, to October, 1836. Organization and strikes were the only available remedies. In 1835 a New York daily newspaper observed that "strikes were all the fashion." The membership of the trades' unions multiplied until the ratio of organized to unorganized wage earners in some cities was as high as or higher than at the present time. "Dues were increased and donations added to dues. Finally, the ominous sign of over-organization appeared. Jurisdictional struggles began. Blacksmiths protested against horseshoers, and hand-loom weavers against factory weavers. These were not settled when the panic of 1837 stopped everything, and the trades' unions disappeared when the wage earners' employment ceased." The labor movement of this period of rising prices was premature. Financial conditions, not industrial evolution, were responsible for the rocket-like rise of the labor organizations.

The period 1834-1837 was one of extraordinary trade-union activity. General Trades' Unions were formed in the large cities. New York and Philadelphia had strong organizations. A contemporary newspaper states that the Trades' Union of Philadelphia consisted in 1836 "of forty-eight trade societies or associations, sovereign and independent in themselves, but bound by ties of honor and interest to support and assist each other in cases of aggression or danger." Two of these societies boasted of a mem-

¹ Carlton, F. T., "The Workingmen's Party of New York," *Political Science Quarterly*, Vol. 22, p. 415.

bership of over nine hundred each, and four of more than seven hundred each. Among the trade unions or labor societies belonging to the Trades' Union were the Society of Journeymen Tailors, the Society of Cordwainers, the Journeymen Printers, the Society of Journeymen Hatters, and the Society of Cotton Spinners. A "Society of Female Operatives," having a membership of about four hundred, is also reported from Philadelphia. This organization was similar to other trade societies. The Boston Trades' Union, on July 4, 1834, had two thousand men in a procession. The printers organized societies in not less than twenty-four cities in the decade of the thirties. Catalogs of "rats" or non-union men are reported to have been published occasionally by the organized printers; and picketing was not unknown. In 1836 the New York General Trades' Union complained that the employing leather dressers had declared for what we now call the "open shop," and were refusing to hire men belonging to a labor organization. This was denounced as "an attempted violation of the constitutional and natural rights of American citizens." Many of the methods used today by organized labor were employed by the ephemeral and premature unions of the thirties.

Employers' associations were formed to counteract the power of these newly organized unions. In New York City the curriers and leather dealers and the employing leather dressers were knit into such organizations. Members of these associations inveighed against labor organizations in a manner quite up to date. The unions were held to "invade the rights of employers" and to "compromise the rights of unorganized labor." "If we desire to alter the whole genius of American society, — to resolve it into classes separated by barriers almost impassable, and to condemn the largest portion to lasting inferiority — we should certainly recommend some such expedient as trade unions." These words sound as if they were written only yesterday by a member of an employers' association hostile to organized labor.

The following analysis of the forces which caused this remarkable outburst of activity on the part of labor organizations is from the pen of Professor Commons. "But it was not the cost of living that first demanded attention — it was the hours of labor and over-work. The feverish prosperity of bank inflation and the taste of unusual profits enticed employers to drive their workmen; and the long

hours of labor which were welcomed as a boon in a time of depression became unbearable in time of prosperity. . . . The struggle centered in Philadelphia, where the trades' union entered upon a career of success and enthusiasm. It had the support of physicians, lawyers, merchants, and politicians, and the year 1835 is memorable as the turning point from which dated the establishment in this country of the ten-hour system."¹ The strikes of 1836 were chiefly for higher wages and were the direct result of rising prices.

The pioneer national organization of wage earners on American soil was the National Trades' Union which first met in the city of New York in August, 1834. At this time it was estimated that there were 26,250 members of American trades' unions.

In New York and Brooklyn	11,500	In Baltimore	3,500
Philadelphia	6,000	Washington	500
Boston	4,000	Newark	750

At the first convention about thirty delegates were present. The second convention also met in New York City, and was attended by forty-eight delegates. The third convention met in 1836 in Philadelphia. A fourth convention was called to meet in 1837, and it is probable that a few delegates attended, but with the panic, the national organization passed out of existence. The National Trades' Union was a union of local unions and of the central trades' unions in different cities. It began merely as an advisory body with no disciplinary powers; but in 1836 the constitution of the body was so changed as to allow it to exercise some authority over the bodies united in the national organization.

The constitution of 1834 stated that the objects of the Union were to advance the moral, intellectual, and pecuniary interests of the workers, to disseminate information, to promote the establishment of trades' unions, and to harmonize the efforts of the productive classes. In 1835 provisions were inserted requiring each subordinate union to contribute to the national body two cents per month per member. Another clause declared all acts of the national body binding upon the various unions accepting the constitution. "In 1834 it had been a convention to promote agitation; in 1836 it had become a federation to support strikes." The extreme pressure of rapidly rising prices caused a rapid evolution

¹ *Documentary History of American Industrial Society*, Vol. 5, pp. 33-34.

of function. In 1834 resolutions were adopted favoring "an Equal, Universal, Republican system of Education," demanding that the public lands be left open to actual settlers, deploring the evil condition of "male and female children employed in the cotton and woolen manufactories in this country," and opposing special privileges for a "favored few." In the convention of 1836 the following committees were appointed: trades' union, education, state prison labor, factory system, female labor, and on unfinished business. The titles of these committees are significant as indicating the topics considered to be of great importance to the wage earners in 1836. A committee was also appointed on the ten-hour system on government works. This committee in a long report declared that the memorials of the ten-hour committee appointed in 1835 were treated contemptuously by Congress. It closed by recommending united action on the part of all trades' unions in requesting the President of the United States to establish a ten-hour day for all government employees. In 1840 President Van Buren issued such an order.

In 1836 at least five trades had formed national trade unions — that is, formed national organizations within a single trade. These trades were the cordwainers, the combmakers, the carpenters, the weavers, and the printers. Other organizations recognized the desirability of national organization. The printers held at least two annual meetings, in 1836 and 1837.

The National Trades' Union and the national trade unions of the thirties were national unions at least three decades ahead of their time. The railway and the telegraph had not yet extended the market area. Competition over wide areas was as yet little felt. Only the extraordinary increase in the cost of living in the years immediately preceding the panic of 1837 could bring into life even an ephemeral national organization. As soon as that pressure was removed the national organizations disappeared and were soon forgotten.

Much antagonism between employers and employees and between the rich and the poor was generated during this extraordinary epoch. A class consciousness which is scarcely exceeded in recent decades flashed into view during this spectacular struggle for higher wages. In one address to a labor society in 1835 is found the following gem: "Already has grasping avarice and monopoly

shorn us of many of our rights, already has aristocracy reared its hideous form in our country, and is making rapid strides toward enslaving us forever." *The Working Man's Advocate* had as one of its aims opposition to monopolies and all class exemptions. The associations of employers of the thirties were practically as bitter toward trade unions as any that exist today. For example, one resolved that the methods of the unionists were "most obnoxious, coercive, and detrimental to the peace, prosperity, and best interests of the community." Another resolved "that the Trades' Union is the growth of Monarchical Government, and ill adapted to our Republican Institutions."

A short period of rising prices dates from 1843. A few "sporadic" unions were called into existence, and here and there minor strikes occurred. For the first time in American history the factory and the factory operative began to figure in labor disputes. Soon, however, the level of prices began to move downward, and labor agitations and organization assumed modified forms. From about 1845 to 1851 purely trade-union methods were rarely employed; and the doctrine of class harmony was persistently preached. The main points in the labor demands were not wages and hours. The humanitarian element was in control; labor unionism and humanitarianism were curiously mixed. Various Labor Congresses and Workingmen's Associations were formed, and many organizations of women workers came into being. Certain humanitarian leaders like Horace Greeley, Brisbane, Dana, and Ripley, who were not of the wage-earning class, were prominent in the various organizations. The New England Workingmen's Association was organized in the spring of 1845. Its object was declared to be "union for power, power to bless humanity." In New York the National Reform Association was formed in 1844. This body wished to restore man to his "natural right to land." The first Industrial Congress convened in New York City, October 12, 1845. George H. Evans, editor of *The Working Man's Advocate* of the early thirties, and then joint editor of another paper of the same name, was secretary. The Female Labor Reform Association of Lowell sent a representative. The Congress recommended the formation of three organizations: (1) Of "pure labor," to be called the "Industrial Brotherhood." No employers, overseers, or superintendents were to be admitted to membership. Farmers were to

be eligible. (2) "Young America," all friends of the "just" rights of labor might join. (3) The "Industrial Sisterhood" was to include all females who desired to unite in "the righteous cause." Commenting on the work of this Congress, Greeley said that a true Industrial Congress represented all classes. A second congress was held in 1847, and a third in 1850.

There were few indications, in the period of twenty years between the crises of 1837 and 1857, of a feeling of solidarity among wage earners — much less than in the short period of stress and of rising prices preceding the crises of 1837. In the decade of the fifties, however, indications are not lacking of the divorce of unionism from humanitarianism. "Pure and simple" trade unionism began to appear. A magazine in 1853 stated: "Since our last, the expenses of living have been somewhat increased at nearly every point. The prices of sundry articles of general consumption have, it is true, been somewhat reduced, but most other avenues of expenditures have been widened. Labor of all kinds demands higher rewards, and in almost every branch of industry, organization, combinations, and in some cases 'strikes,' have been resorted to in order to obtain the desired advance."¹ In the autumn of 1853 an attempt was made to federate the unions of New York City. Only workingmen were entitled to act as delegates to the central body.

All the labor movements of the pre-Civil War period were ephemeral and soon disintegrated. The chief reason for the lack of permanence may be summarized under five heads: (a) A strong and permanent labor organization is not to be anticipated while much practically free land can be obtained, and while it is possible for the efficient and ambitious employee to pass readily to the position of employer. Under such conditions class consciousness and the feeling of solidarity of interest among the workers do not readily develop to a sufficient degree to insure strong and permanent union organizations. (b) The attainment of many of the more moderate demands of the labor party and labor press, such as a mechanics' lien law, abolition of imprisonment for debt, and increased taxation for the public schools, naturally reduced the number of active unionists and diminished the ardor of those

¹ *Hunt's Magazine*, April, 1853. See *Documentary History of American Industrial Society*, Vol. 8, p. 335.

remaining in the organizations. (c) Coupled with this was the rising tide of the slavery agitation, which drew the attention from the demands of the workers and absorbed much of the vigor of the humanitarian leaders. (d) The stigma of infidelity which became attached to the workingmen's party was a serious handicap to that form of labor agitation. (e) The communistic movement was also an important factor in weakening and dissipating the strength of the various labor organizations.

LABOR AND HUMANITARIANISM

During the unique and "yeasty" period from 1820 to the panic of 1857, in which factories and industrial cities were developing and the canal and the railway were becoming valued transportation agents, the labor movement was only one of several movements and agitations. During this period the theory of protection was given practical application in several tariffs, particularly those of 1828 and 1832, but the movement toward high tariffs was checked temporarily by the rising tide of free trade, of which the tariff of 1846 was a result; the stream of immigration broadened; the suffrage was extended; imprisonment for debt was practically abolished; and various humanitarian movements of a permanent or an ephemeral nature appeared, ranging from Communism to free tax-supported schools, and from religious revivals and temperance movements to the abolition movement and agitation for prison betterment. In this era the West, the workingmen, the cities, and the manufacturing interests first became important factors in defining the political and economic progress of the nation.

A progressive age, an epoch in which the new is grappling in a death struggle with the old, is ever prolific of peculiar and fantastic movements, creeds, and parties, which soon die out, but which usually leave some lasting imprint upon the dominant characteristics of the time. These movements spring up and run their short course alongside of the great and permanent advance movements of the age. This period of thirty or forty years is characterized by wide-spread agitation for social betterment. Among the significant forces which were at the fountain-head of the labor and other movements were the panics of 1819 and 1837, the gradual introduction of labor-saving devices, the extension of the market area,

and the inherited belief in the equality of men and in the right of all to liberty and the pursuit of happiness.

Like the labor movement of this era, the various concomitant humanitarian agitations may be separated into two groups. In the decade and a half from 1825 to 1840 occur agitations for educational advance, prison reform, abolition of imprisonment for debt, temperance crusades, organization of charitable societies, and the communistic movement led by Robert Owen. This period was preëminently a practical one; the decade of the forties was, on the other hand, in the main idealistic. This characterization fits the labor movements as well as the humanitarian movements of the period. The decade of the forties has been called the "hot air" period and an era of "unbounded loquacity"; it is associated with Fourierism, transcendentalism, abolitionism, and the Brook Farm experiment. The labor movement of the era preceding the Civil War was not an isolated phenomenon; it was very closely related to other agitations. The working people were also important factors in establishing our free school system, in abolishing the practice of imprisoning debtors, and in urging land reform.

Men are prone to overestimate the economic and social evils of the present and to underestimate those of eras which lie behind the civilization of today. We of the present are more or less familiar with the vast amount of suffering and criminality which followed the severe crises of 1873, 1893, 1907-1908, 1921, and 1929-1932; but the relative amount of hardship suffered as the inevitable consequence of those of 1819 and 1837 is scarcely less. During the period of depression from 1819 to 1822, in different cities public-spirited citizens served on committees to relieve distress, soup houses were opened, and an attempt was made to discover the causes of pauperism. The old superficial explanation that intemperance was the source of the evils was quite readily and generally accepted. Professor McMaster summarizes the situation as viewed by the investigators: "A careful examination of the reports on the condition of the poor for the years past (1808-1817) revealed the alarming fact that paupers were increasing more rapidly than population. Fifteen thousand, or one-seventh of the population of the city, were actually living on charity. About one-sixteenth of them were worthy persons reduced to poverty by the depressed state of commerce. Another sixteenth were paupers from

a variety of causes. But seven-eighths were people reduced to poverty by the inordinate use of liquor." *Niles' Register* is the authority for a statement that in the county of Chester, located in a rich and populous section of Pennsylvania, the number of paupers increased from one in every 345 inhabitants in 1810 to one in every 138 in 1820. In Philadelphia in 1820 the ratio between paupers and the total population was estimated at slightly more than one to fifty. In the early twenties the increase of juvenile crime and in the number of child vagrants attracted much attention, and was a factor in causing the demand for free schools.

A New York City paper published in 1835 declared that 6,069 criminals and vagrants were committed to the local jails in 1833. The number of public paupers for the same year was 24,326. About one-eighth of the total population was included in the three classes. The amount raised by taxation for the purpose of maintaining this publicly supported army was estimated to be about \$300,000.

The winter of 1838 was an unusually severe one; and the effects of the panic were such as to cause much unemployment. "There never had been such a time of suffering in New York before, and there has not been since."¹ Horace Greeley was a faithful worker on a citizens' committee appointed to relieve the suffering of the poor during that awful winter. His experience in this connection produced the frame of mind which led to his adoption of the principles of the utopian French Socialist, Fourier. In 1844 Parke Godwin, a Fourierite Socialist, painted a pen picture of the contrast between the luxurious rich and the wretched poor of the cities, which greatly resembles the contrast between the Fifth Avenue of today and the slums of any great city. The presence of vast quantities of unworked, but fertile, land did not insure a decent living for all. The working people drawn into the cities and the factory towns saw and felt the pinch of poverty. Contrasts and evils loomed before them; and with the child-like faith of utopia builders they looked impatiently for a panacea for the ills which afflicted them.

Imprisonment for debt was a practice which fell with peculiar severity upon those who were close to the poverty line, that is, upon the wage earners. In 1830 the estimated number of individuals imprisoned for debt was, in Massachusetts, 3,000; in

¹ Written in 1872.

New York, 10,000; in Pennsylvania, 7,000; and in Maryland, 3,000. At that time the practice had been abolished in two states, Ohio and Kentucky. Persons were imprisoned for small as well as for large debts; for debts which the debtor was unable to pay as well as for debts contracted for the purpose of defrauding the creditor. In one city forty cases were recorded in which the sum total of the debts was only \$23.40 $\frac{1}{4}$, an average of less than sixty cents each. In some states the debtor was not only denied the right to an opportunity to earn wages in order to pay his debts, but he was obliged, if he was an honest debtor, to depend upon charity for the necessities of life — food, clothing, and fuel. Local humane societies often kept debtors from freezing or starving. A criminal was given greater consideration in regard to food and fuel than was accorded the imprisoned debtor. Nearly all the resolutions adopted by the numerous mass meetings of workingmen held in the latter part of the decade of the twenties and the first half of the thirties contain clauses demanding the abolition of imprisonment for debt. The labor journals of that period were uniformly opposed to the practice. The ephemeral labor parties made abolition of imprisonment for debt a plank in their platform. Tammany became interested in this reform as soon as it saw the necessity of getting the labor vote. In 1831 an act was passed in New York, abolishing imprisonment for debt except in cases of fraud. In other Northern states the workingmen carried on an active agitation in regard to this matter. By 1840 imprisonment for debt had been abolished in practically every Northern state. This reform was accomplished by means of the steady, effective pressure of the newly enfranchised and rapidly growing laboring class, aided and led by the humanitarian element. As has been stated, the mechanics' lien law, which made the wage earner a preferred creditor of his employer, was pushed through the New York legislature in order to gain the vote of the workingmen. This legislation soon spread to other states.

THE FREE SCHOOL SYSTEM AND THE WAGE EARNERS

The first great panacea of the organized wage earners was free and equal education. For years influential and learned men had been preaching the doctrine that the uneducated must ever remain in a degraded caste. "Equality among men results only from

education"; "the educated man is a good citizen, the uneducated an undesirable member of the body politic." These were the oft-repeated phrases which came from many sources to the anxious wage earners. Suddenly the disturbed mass of toiling humanity was touched by the monotonous repetition. Free, equal, practical, republican education became the shibboleth of the workers. One of the radical resolutions upon this topic was adopted at a meeting of workingmen held in New York City in November, 1829: "Resolved, that the most grievous species of inequality is that produced by inequality in education, and that a national system of education and guardianship which shall furnish to all children of the land, equal food, clothing, and instruction at the public expense is the only effectual remedy for this and for almost every species of injustice. Resolved, that all other modes of reform are, compared to this particular, inefficient or trifling." Practically every workingmen's meeting, from Albany and Boston on the north to Wilmington and Charleston on the south, took up the cry. Speeches, editorials, and resolutions galore, and planks in local workingmen's party platforms, are recorded of the period from 1828 to about 1833. Horace Mann, Henry Barnard, James G. Carter, Robert Dale Owen, George H. Evans, and others directed the movement; but the potent push came from the firm demand of an aroused and insistent wage-earning class armed with the ballot. The rural districts, employers, and men of wealth were rarely favorable to the tax-supported school; and often their voices were raised against it in bitter protest or stinging invective. A careful study of the development of the public school system in different states — Massachusetts, Connecticut, Vermont, Rhode Island, New York, Pennsylvania, Delaware, Ohio — and the utter lack of a free school system in the slave-holding South, confirm these general statements. The wage earners were touched with the enthusiasm of a utopian dreamer. Given free and universal education and, they firmly believed, all social ills would vanish as the mists before the morning sun. A mistaken idea it has proved to be; but it was, nevertheless, potent and compelling in that formative period of our industrial history.

The direct influence of the wage earners in the establishment of free schools is perhaps most clearly shown in Rhode Island and New York. In that small and unique New England state, Rhode

Island, before 1820, it was held that to compel a citizen to educate his children would be an invasion of his sacred rights as a citizen of the commonwealth. The sentiment of the influential class was distinctly adverse to a tax-supported school system. Rhode Island was suddenly transformed from an agricultural and commercial to a predominantly manufacturing state. A bitter, but successful, struggle for the extension of the suffrage followed; and within a decade after its conclusion the free tax-supported school became a generally accepted institution. The workingman's ballot was in no small measure responsible for this sudden and complete reversal of policy. In New York, after a year's experience with a school system entirely supported by taxation, the legislature, in response to the demands of the opponents of the system, submitted the question of a repeal of the law to the voters of the state. Only seventeen out of a total of fifty-nine counties voted against the repeal of the law and for the free school system; but the majority in these counties was so large that the repeal was defeated. In the seventeen counties were located the more important cities of the state — including New York, Brooklyn, Albany, Buffalo, Schenectady, and Syracuse. The voice of the cities and of the workingmen was unmistakably in favor of the tax-supported school system.

LAND REFORM AND THE WAGE EARNERS

After the panic of 1837 the discontented and suffering workers pushed another panacea into the foreground. Free homesteads for actual settlers became a slogan. If each head of a family is given the right to acquire a quarter section of virgin soil, all will be well, it was confidently asserted. Again, the wage earners play no small part in giving the nation another important piece of legislation — the Homestead Act. Land reformers — humanitarians — blazed the way toward this act; but the workingmen of the cities early looked with favor upon free land for homesteads. *The Working Man's Advocate* gives an account of a meeting held in New York City in January, 1845. One of the resolutions adopted declared "that in our opinion the best method of putting an end to Feudalism and Land Monopoly in this State would be for the Legislature to pass a general law limiting the quantity of land" which one person could own. The land reformer of this period was

not interested in unionism; he looked upon free land as a means of escape from inequitable conditions in the Eastern states. As long as the discontented leaders of labor organizations were drawn westward by the bait of farms for all, no permanent or potent labor organization could arise among the American wage workers. Greeley pointed out two ways in which the city laborer would benefit: (a) Some competitors would be drawn to new lands, thus tending to raise wages, or at least to prevent lowering the rate of wages. (b) There would be an increasing demand for the products of manufactories and workshops, thus increasing the demand for labor.

Employers of labor were favorably impressed by the latter effect, but unfavorably by the former. Their attitude would largely be determined by the relative importance of the two. After the potato famine in Ireland and the revolutionary disturbances of 1848, the rapid influx of immigrants afforded a supply of labor which would not be seriously drained by free homesteads. The gradual development of the factory system and the expansion of the railway network showed the need of wide markets on the one hand, and the possibility of economically reaching distant markets on the other. To carve farms out of the virgin Western wilderness meant the creation of a demand for the products of factory and mine. This shifting of the economic center of gravity caused many of the manufacturers and employers of labor to align themselves with the land reformers and the workingmen in demanding the rapid extension of the small farm system with individual ownership. The South with its plantation system and its slave economy stood as a mighty obstacle. The platform of the Republican party in 1860 contained a plank in favor of "the free homestead policy"; and when the Southern Senators and Representatives left the halls of Congress at the opening of the Civil War, the famous Homestead Act became a law.

"The Republican party . . . was a homestead party. On this point its position was identical with that of the workingmen."¹ A study of the vote in the first election in which the Republican party was a factor shows clearly that it flourished in sections where industrial progress was considerable. Practically all the counties on the line of the Erie Canal and the southern shore of Lake Erie

¹ Commons, J. R., *Political Science Quarterly*, Vol. 24, p. 488.

went Republican in the election of 1856. The important exceptions were Erie County, in which Buffalo is located, and three counties in Ohio bordering on the lake. Allegheny County, including the city of Pittsburgh, was carried by the Republicans. All New England went Republican. The Republican party was strong wherever the New England man had migrated and along the highways of commerce and communication between the upper Mississippi valley and the Atlantic seaboard.

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CHAPTER IV

THE CIVIL WAR PERIOD AND AFTER

INDUSTRIAL PROGRESS DURING THE WAR

The period of the Civil War is unique in American industrial history. It may not inaccurately be termed the epoch of the second American industrial revolution. The period marks as significant a change in our industrial and social history as in our political history. The war caused an unprecedented drain of workers from the productive industries into the army; thousands of workers left the plow and the bench to take up the musket. The demand for goods was deranged as a consequence of hostilities; an abnormal demand arose for army supplies and the munitions of war. The war tariffs and internal revenue acts were also disturbing factors. Soon after the opening of the contest large issues of paper money were made; and, as a consequence, prices rose rapidly and were subject to great fluctuations. The diminution in the supply of adult male labor caused an increased resort to child, woman, immigrant, and convict labor, and led to the rapid introduction of labor-saving machinery. While the tendency toward concentration of industry and wealth began to be apparent during the decade preceding the war, the abnormal conditions existing during the conflict greatly accelerated the movement. A few labor organizations trace their history back to the decade of the fifties; but the Civil War is responsible for the industrial changes which have made labor organizations permanent factors in our industrial life. The growth of the railway network rapidly enlarged the market area, and brought the middle West into direct communication and competition with the seaboard. In short, this abnormal epoch gave an extraordinary impetus toward invention, large-scale industry, and the formation of labor organizations. "The Civil War made iron the king of the American industrial world."

The historian can discern that the decade of the fifties foretold

the downfall of the small-scale industries and the advent of industrial combinations and of the large corporations; but contemporary students saw only the slavery agitation and the events which were hurrying the nation into civil strife. The discovery of gold in California in 1848 quickened the pulse of industry. The migration of people to the far West began; and the population of California increased fourfold in the decade of the fifties. The iron and copper mines of the Lake Superior regions commenced to send shipments to the lake ports; and the iron industry of northeastern Ohio began to give promise of its future magnitude. The year 1859 marked the beginning of the phenomenal growth of the oil industry. Many notable inventions were patented in the years immediately preceding the Civil War, among them the sewing machine, the telegraph, boot and shoe machinery, and the reaper. The wheat and corn production of the middle West was increasing by leaps and bounds. Exports and imports doubled in the decade of the fifties. In 1850 our imports of merchandise were valued at \$173,500,000; in 1860, at \$353,600,000.

“Life at the North during the war,” writes the historian Rhodes, “resembled that of most civilized communities which had full communication with the outside world. Business went on, schools and colleges were full, churches were attended, and men and women had their recreations.” With the exception of the first year, the Civil War period was one of prosperity in manufacture, transportation, mining, and agriculture. Profits were large; and the issuance of enormous amounts of paper money inflated prices and caused much speculation. The war produced an abnormal demand for standardized articles; and such a demand makes large-scale industry particularly advantageous. The woolen industry experienced a phenomenal growth. The supply of cotton was cut off; and the government purchased large supplies of army clothing. New woolen factories were opened; many were operated both day and night. Dividends of ten to twenty per cent were common; and larger returns were not unknown. Not satisfied with unusual profits honestly made, manufacturers resorted to the production of “shoddy” goods. The use of the sewing machine allowed the manufacture of clothing to expand rapidly. “The shoe industry likewise benefited by the sewing machine, in fact was converted from a system of household manufacture to the modern factory

system.”¹ The rise of the iron industry was even more remarkable. The number of establishments for the manufacture of iron doubled in the decade of the sixties, the amount of capital invested multiplied nearly six times, and the value of the product likewise increased nearly six-fold. The American Iron and Steel Association was formed; and the iron manufacturers became a powerful obstacle on the path of the movement for tariff reduction after the war was ended. Pittsburgh was already the great center of the iron and steel business. While the soldiers of the North and the South were fighting on many a battle field, railways were uniting, capitalists were combining to control coal mines and timber lands, and oil refineries and salt mines were being gathered under the control of a few companies. Price agreements, business combinations, and associations of business men were in fashion.

LABOR DURING THE CIVIL WAR PERIOD

The rapidity with which prices rose in the sixties was even more marked than in the thirties. In the earlier period, as was indicated in a previous chapter, an extraordinary outburst of trade-union activity was induced; and the rapidly rising prices of the sixties had the same effect. After 1862 labor agitation became considerable; concerted effort was necessary in order to force increases in wages commensurate with the rise in prices. In the period of the sixties, however, the supply of labor was reduced until the close of the war, then it was suddenly expanded. In the thirties, few labor-saving devices came into use. In the sixties, labor-saving devices multiplied rapidly; and the employing classes were more strongly united than in the earlier period. On the other hand, the wage earner might become a soldier or move to the farming or the mining districts of the West or of the middle West. Thus the growth of organization among the wage earners met certain obstacles which were not important in the thirties.

The decade of the fifties witnessed the organization of several national trade unions and of an indefinite number of local unions. For example, the cigar makers of Cincinnati are reported to have organized a local in 1843; another was formed in Baltimore in 1851. In succeeding years, additional locals were formed in New

¹ Fite, E. D., *Social and Industrial Conditions during the Civil War*, p. 90.

York and other cities. In 1851 a national union of printers was organized. None had existed since the ephemeral national organization of the thirties disappeared amid the chaos of the panic of 1837. The National Trade Association of Hat Finishers was organized in 1854. The iron molders and the machinists and blacksmiths formed national unions in 1859; and the ship carpenters and the coal miners in 1861. The period of the fifties had been marked by little labor legislation except of the humanitarian type.

With the issuance of paper money the workingman awoke to find himself menaced by rising prices and opposed by an alert, capable, and strong employing class. From 1863 to 1865 the working people organized and carried on strikes in much the same manner as from 1834 to 1837. A newspaper dated March 26, 1863, stated that many strikes had occurred "within the last few months." Numerous trade-union organizations were said to have been organized.¹ Evidently strikes were again "the fashion" and organization and agitation the watchwords of the wage earners. Until near the end of the war strikes were usually successful; but they were not sufficiently successful to cause the increase in wages to keep pace with rising prices. "At one mass meeting in New York over fifty different unions, most of which were new, were represented, and by a conservative estimate the total number of new unions in the city may be placed at three hundred."² New national organizations naturally appeared; several were formed before the surrender of Lee. Among those organized were the Brotherhood of the Footboard, the forerunner of the Brotherhood of Locomotive Engineers, the Cigar Makers' International Union, and the Bricklayers and Masons' International Union. Before the close of the year 1865, at least thirty city central unions were organized. "Finally, in September, 1864, when the membership of the unions was estimated at two hundred thousand, the trades' assemblies endeavored to form a national, or, rather, the International, Industrial Assembly of North America. The uppermost questions in this first national gathering were strikes, the store-order or truck system of paying wages, coöperation, prison labor, and woman's work."³ From 1863 to 1866 the insistent demands of

¹ Quoted from Mitchell, W. C., *History of the Greenbacks*, p. 348, footnote.

² Fite, *op. cit.*, p. 205. ³ Commons, J. R., and Andrews, J. B., *Documentary History of American Industrial Society*, Vol. 9, p. 23.

organized labor were for higher wages, a shorter working day, and the right to organize without interference on the part of their employers. The aims of the wage earners at this time were predominantly practical.

With the return of the soldiers looking for employment, the zeal for unionism increased; but the methods and ideals of labor organizations were gradually modified. In 1866 a National Labor Congress was held in Baltimore. The National Labor Union, the second successful attempt to form a national organization of all labor unions, seems to have been an outgrowth of the Congress of 1866. Annual conventions of the National Labor Union were held in 1867, 1868, 1869, 1870, 1871, and 1872. The National Labor Union was a weak federation of local, state, and national organizations. In the first convention at least, delegates were received from organizations other than pure and simple trade unions. The constitution of the Union declared that it "shall be composed of such labor organizations as may now or hereafter exist, having for their object the amelioration of the condition of those who labor for a living. . . . Every international or national organization shall be entitled to three representatives; state organizations to two; trades' unions and all other (labor) organizations to one representative in the National Labor Congress."¹ The officers consisted of a president, two vice-presidents, a recording secretary, a treasurer, and one corresponding representative in each state. The annual dues varied from \$1.00 for organizations numbering fifty members or less, to \$6.00 for all unions having more than five hundred members.

One of the measures favored from the outset was an eight-hour day for all wage earners. This demand was taken up by organized workers from the Atlantic to the Pacific. In June, 1868, on the eve of a presidential election, Congress passed a soon-to-be-emasculated eight-hour law applying to all laborers and mechanics "employed by or on behalf of the United States government." The National Labor Union loudly proclaimed that it had been a potent factor in securing the passage of this act. The prestige thus given to it made the 1868 meeting by far the most important of the six conventions of this organization. In 1868 William H. Sylvius, who was the leader of the iron molders' union, and one of the

¹ The word "labor" was inserted in 1868.

ablest workingmen of this period, was elected president, but he died a few weeks before the next annual meeting. The meeting held in 1872 closed the career of this weak advisory national body. Only seven delegates attended the last meeting. One well-known authority decided that this organization died "from the disease known as politics";¹ but its chief purpose and aim seems to have been political rather than economic. It came into being because of a desire to influence legislation.

The important demands and recommendations in the platform adopted in 1868 by the National Labor Union were: (1) Since the money monopoly was the parent of all monopolies, the national banking system should be abolished, and the capital stock of banks and government bonds should not be exempted from taxation. (2) The establishment of coöperative stores and workshops was favored. (3) The organization pledged itself to aid women wage earners. (4) The abolition of the contract system of convict labor was demanded. (5) The platform asserted that poverty, vice, and crime invariably accompanied bad housing conditions, and it asked for better dwellings for workers. (6) The establishment of mechanics' institutes, lyceums, and reading rooms for the education and enjoyment of the wage earners was recommended. (7) As a remedy for unemployment, emigration to Western lands was advocated.

Other demands made by organized labor during the latter half of the sixties were (1) for an eight-hour day, (2) that no land grants be made except to actual settlers, (3) for the establishment of a national labor bureau, (4) that the importation of cheap labor be restricted, (5) for the reduction or abolition of tariff duties on the necessities of life, (6) that only a small standing army be maintained, and (7) for the early payment of the national debt. The demands of labor at this time were primarily political and required the passage of legislation by the national and state governments. The demands which could be obtained by purely trade-union methods were few. Unionism in the period 1866 to 1870 was political rather than business unionism.

Finally in 1869, at the close of the period under consideration, a so-called labor-reform party was organized in Massachusetts. In the first year of its existence, the party elected twenty-one

¹ Ely, R. T., *The Labor Movement in America*, pp. 69-70.

representatives to the State Assembly and one State senator. The state ticket polled 13,000 votes, or about one in every ten votes cast.¹ At the second convention, held in 1870, Wendell Phillips was nominated for governor. The prohibition party also placed Mr. Phillips at the head of its ticket. The labor party advocated the separation of industrial from political questions. The planks in the platform of 1870 were similar to the recommendations of the National Labor Union. Two or three new demands were made, however, which indicate the appearance of new evils. The regulation of railway rates and the abolition of the importation of laborers, particularly from China, under contract, were advocated. In 1871 the resolutions presented by Phillips and adopted by the labor-reform party were tinged with Socialism. It was affirmed that labor is the creator of all wealth; the abolition of special privileges was demanded; and it was asserted that the capitalistic system was making the rich richer and the poor poorer. In 1872 a labor congress was held at Cincinnati to organize a national party for the election of that year. David Davis was nominated, but he finally refused to accept the nomination. No further nominations were made.

During the last years of the period, coöperation vied with political action as a solution of the difficulties confronting labor organizations. William H. Sylvis, as early as 1864, advocated the establishment of coöperative foundries. According to this labor leader, "coöperation is the only true remedy for low wages, strikes, lockouts, and a thousand other impositions and annoyances to which workingmen are subjected."² It is known that a number of coöperative foundries were established during the latter years of this period.

The most significant demand made by the wage earners in this period was for an eight-hour day. The basic principles of the new philosophy of the short working day were formulated by Ira Steward, a mechanic of Boston. Steward boldly cast the time-honored wage-fund doctrine overboard. The short working day, by increasing the amount of the workers' leisure, would raise the standard of living of the workers. As the standard of living rises, wages, it was argued, would also rise, and more and more ma-

¹ *American Workman*, November 20, 1869.

² Quoted in Ely's *The Labor Movement in America*, p. 183.

chinery would be used in production. "To employ muscular labor," wrote Steward, "instead of the great forces of nature, not only means poverty, but the physical abuse, deformity, and premature decay of the laborer. . . . Natural forces never grow tired; are always ready when the conditions necessary to employ them are ready; and to their power to produce wealth abundantly there is no conceivable limit.") If labor were made expensive by shortening the working day and increasing the wants of the wage earner, natural forces would multiply indefinitely the total amount of production. Wages are thus made indirectly to depend upon the standard of living. This optimistic program aimed at the final elimination of the capitalist. "For wages will continue to increase until the capitalist and laborer are one," and therefore it follows that coöperation will replace the wage system.) But the presence of wage earners satisfied with a low standard of living was considered to be a constant menace to all who clung to a higher standard. In the era of wide markets, high standards of living in America are menaced by the low standards of the men in China and India. "The world-wide power of the lowest over the highest paid labor can no longer be disregarded," declared this spokesman of the wage-earning class of two generations ago. ("Although Steward failed to secure general legislation in all states, the trade unions made his doctrine their basic one; and today, among American wage earners, whether organized or unorganized, as distinguished from immigrant wage earners, Steward's doctrine is the instinctive philosophy." ¹

The era of rising prices in the thirties caused a flash of class consciousness. Again, from 1862 to 1866, bitter antagonism between employer and employee was not lacking. On June 30, 1863, preceding the battle of Gettysburg by three days, an organization of Philadelphia employers decided to run the establishments of their members only half-time, paying half-time wages, "in order that the men may organize and drill in the afternoon." This patriotic ardor was not displayed until Lee's army menaced Pennsylvania. *Fincher's Trade Review* declared that the employers "mean to combine for the purpose of forcing their hundreds and thousands of employees to defend their (the employers') property,

¹ Commons, J. R., and Andrews, J. B., *Documentary History of American Industrial Society*, Vol. 9, p. 26. †The quotations from the writings of Ira Steward are taken from articles reprinted in this volume.

at their (the employees') own expense." The editor of another labor paper antedated by nearly forty years the opening words of John Mitchell's *Organized Labor* when he stated that the workingmen no longer expect to become capitalists. He declared that an exclusive caste based upon wealth was in the process of formation. "The hope that the workingman may enter this circle is a glittering delusion held up before him to distract his attention from the real object of his interest."¹ William H. Sylvis, in a speech delivered in the latter part of the sixties, spoke of "a money aristocracy — proud, imperious, and dishonest. . . . This power is blasting and blistering everything it comes in contact with."²

The influx of immigrants during the last years of the war and the occasional use of Negroes as strike breakers intensified the antagonism between the employers and the union men. And the coming of the immigrant increased the divisive force of race prejudice and antagonism which has retarded the development of unionism in this country. It was feared that when the workingmen who had enlisted returned they would find their places filled by immigrants from foreign lands and by the emancipated slaves. As early as 1863 a spokesman of the wage workers demanded "proper restriction upon the ingress of emancipated slaves." Owing to his low standards of living, it was said that the black man could not be a "fair competitor of the white worker."³

In the Civil War period, labor was never strongly organized. No clear vision of the solidarity of the laboring classes had as yet caught and held the attention of the wage earners. But the Civil War made permanent labor organization inevitable. The Civil War marks a transition period in our labor history. Concentrated capital, the extensive use of subdivided labor, the influx of the cheap labor of southern Europe, and the peopling of the West have given organized labor its big problems. Henceforward, the United States was destined to be "an industrial community which organized its industries on a large scale."

The panic of 1873 checked the growth of unionism temporarily. Many unions disbanded. Since the dues paid by the members of these early trade unions were low and no adequate system of

¹ *The Workingman's Advocate* (Chicago), Sept. 1, 1866.

² Sylvis, J. C., *The Life, Speeches, Labors, and Essays of William H. Sylvis*, p. 280.

³ *Fincher's Trade Review*, June 13, 1853.

benefits was provided, many organizations could not stand the pressure of hard times. The membership of the International Typographical Union, for example, fell from 9,797 in 1873 to 4,260 in 1878; and the number of locals in the organization decreased from 105 to 60. In addition to the orthodox unions which made up the bulk of the National Labor Union, many ephemeral labor organizations had been formed. These bodies were grand in conception and were secret associations rather than trade unions. They were characterized by strange blends of unionism and politics, and of individualism and socialism. Their leaders as a rule were middle class liberals and reformers. In the seventies and eighties of last century, life was much simpler than in the first third of the present century. The automobile, the movies, and a multitude of other forms of amusement and distraction were of the future. A secret organization with ritualistic ceremonies and a private meeting place offered a form of adventure which was welcomed by many. Of this type of organization two only will be briefly considered — The Knights of St. Crispin and the Knights of Labor.

THE KNIGHTS OF ST. CRISPIN

This organization of shoemakers arose during the period of transition of the shoemaking industry from the small-scale or handicraft stage to the large-scale or factory stage, and near the close of the Civil War period. During the early fifties many inventions were made which "were aids to the journeyman rather than substitutes for his skill." But with the introduction of the pegging machine in 1857 and the sole-sewing machine five years later, the journeyman shoemaker faced the danger of the loss of his trade and the competition of unskilled labor or "green hands." With these machines the shoemaking industry was ripe for the factory stage, and the Civil War with its demands for soldiers' shoes caused the evolution to be almost a revolution. By 1870 or 1875 the factory system was well developed. The Knights of St. Crispin were first organized in 1867; the first meeting of the Grand Lodge was held in 1868. In form it was a secret organization with a ritual. Within five or six years it became the most powerful labor organization formed up to that time; and then it quickly melted away. "It made and unmade politicians; it established a monthly journal; it started coöperative stores; it fought, often

successfully, for better returns to its members for labor performed; it grew rapidly in numbers, and became international in scope.”¹ A New York newspaper in 1869 stated that the first lodge of St. Crispin in that city was organized in 1868 in an attic room; but the union had grown until it was said to include in its membership nearly all the skilled shoemakers and to control practically all the shops of the city. At the height of its power the order had a membership of at least 40,000, about four times as many workers as any other labor organization then in existence. The order practically disappeared soon after the panic of 1873.

The shoemakers were confronted by two dangers. Either one of the two alone would have been sufficient to call forth organized protests; the two united forced craftsmen with an almost unparalleled spontaneity into a powerful labor organization. In the first place, the effect of rising prices directly pinched the shoemaker as it did other workers; and, secondly, the employers in the factories were substituting green hands — cheap labor — for the skilled journeymen. As a consequence unemployment increased and the employers were actively trying to reduce wages. The St. Crispins were primarily organized as a national body, not so much to protest against the use of the machine as against the introduction of cheap labor which seemed to the journeymen to be the abuse of the machine. They attempted to establish a monopoly in the shoemaking industry by refusing to teach apprentices and green hands. One of their important rules read: “No member of the order shall teach or aid in teaching any part or parts of boot or shoe making unless the lodge shall give permission.” The St. Crispins utilized the strike, but they considered coöperation to be an efficient remedy “for many of the evils of the present iniquitous system of wages.” “The Knights of St. Crispin was the first great protest of America’s workmen against the abuse of the machine. Fantastic in some of its superficial features, crude in its methods, and loose in its organization, it yet embodied an essential demand for justice. The shoemakers insisted, and rightly, that the benefits of machinery should be to those who toil with it as well as to those who own it or buy its products.”²

¹ McNeill, G. E., *The Labor Movement*, p. 200.

² Lescohier, D. D., *Bulletin of the University of Wisconsin*, No. 355, p. 59. See also Commons, J. R., *Quarterly Journal of Economics*, Vol. 24, pp. 72-75.

Such a powerful labor movement could not fail to develop opposing associations of employers and dealers. One of these, a Shoe and Leather Association, protested against the methods of labor organizations. Using words similar to those employed by employers' associations of today, this body declared that "nothing will improve the condition of journeymen but mental and moral culture." A vigorous protest was made against what is now called the closed shop policy. This policy was held to be a violation of the rights of both employer and employee. Wages should be determined by the familiar law of demand and supply without interference on the part of organized labor.¹

THE KNIGHTS OF LABOR

The Noble Order of the Knights of Labor was organized by U. S. Stevens, a tailor of Philadelphia, on Thanksgiving Day of 1869. It was at first a secret organization. Even its name was kept secret, and the order had a somewhat elaborate ritual. Later the element of secrecy was eliminated. The first local assembly of the Knights was composed solely of garment workers. The original intention seems to have been the formation of a trade union to advance the interests of the garment workers. Within a year, however, a man who was not a garment worker was initiated. The ideal of trade unionism was replaced by the hope of successfully amalgamating all workers into one coherent and centrally managed body. The first general assembly of the order was held in 1878, at which time the membership was reported to be 80,000. The membership increased gradually until 1885, at which time it numbered over 100,000; then suddenly the order grew in strength until in 1886 about 700,000 members acknowledged the supremacy of the general assembly. This was the high-water mark in the history of the order. Mr. T. V. Powderly, the grand master workman, said: "The officers were taken up in the vain attempt to assimilate and educate the incoming tide of humanity which looked to the organization for relief, rather than to their own efforts in the organization in the behalf of all." The symptoms of over-organization appeared; many strikes occurred; political entanglements followed; coöperative experiments were costly; difficulties with trade unions became serious; and frequent

¹ *The American Workman*, Aug. 13, 1870.

internal dissensions arose. The tide set definitely toward the formation of national trade unions and the membership of the Knights decreased. Federation rather than amalgamation became the accepted method of unification among labor organizations. The Knights of Labor lived for many years as an impotent organization.

The government of the Knights of Labor was in theory highly centralized. The executive officers and the annual General Assembly were given much power over the subordinate bodies — national, trade, state, district, and local assemblies. These local assemblies were usually composed of men of one trade but some locals were mixed assemblies composed of men of various trades. The latter sought “to gather into one association all branches of honorable toil, without regard to nationality, sex, creed, or color.” Men of nearly all classes were admitted. “At the option of each local assembly any person over the age of sixteen years is eligible to become a member of the order, except employers in the manufacture or sale of intoxicating liquors, and no banker, professional gambler, or lawyer can be admitted.” Many farmers were members in the years of its greatest strength. A local might be directly attached to the general assembly; but it was usually subordinate to a district, a state, or a national trade assembly. A district assembly was composed of representatives of the local in a given locality. It might include only workers in one trade or it might be a “mixed assembly.” “A state assembly, when formed, has jurisdiction over all the territory of its State which is not assigned to mixed district assemblies already existing, together with such territory as may be surrendered by any such district assembly.”¹ The national trade assemblies were, as the name indicates, made up of representatives from the locals composed of workers in one trade.

The Knights of Labor proposed to improve the conditions of the laboring class as a whole, not merely to better the conditions of a fraction of the mass, that is, of one trade. “An injury to one is the concern of all,” was a favorite motto. Solidarity was a “major idea or sentiment” of the organization. The ultimate aim of the leaders of this organization in the early part of its career was some form of a coöperative commonwealth. In the days of its prosperity it had a fine conception of the solidarity of the work-

¹ *Report of the Industrial Commission*, Vol. 17, p. 17.

ing class; but the time had not yet arrived when an organization which aimed at the amalgamation of all workers could be effectively maintained.

The declaration of principles adopted by the first general assembly indicates that the Knights of Labor expected the betterment of the working class to come through political action or coöperation rather than through strikes, boycott, and the other customary methods of trade unions. Among the reforms demanded by the first general assembly were the referendum, the establishment of a bureau of labor statistics, that occupancy and use should furnish the only valid title to land, the prohibition of child labor, the levying of graduated income and inheritance taxes, the establishment of a postal savings bank system, government ownership of the railways and of the telegraph lines, the introduction of the system of coöperation to supersede the wage system, the use of arbitration in labor disputes, and the gradual introduction of the eight-hour day. One of their aims was "to make industrial and moral worth, not wealth, the true standard of individual and national greatness." This peculiar hotch-potch of idealism, political reform, and quasi-socialism could not form a firm basis upon which to erect permanent union of men from many trades. Too many of these demands did not relate definitely and specifically to the immediate interests of the wage earners. The rank and file of the members could not be expected "to discuss patiently, adopt calmly, and execute bravely, plans for the amelioration" of all wage earners, skilled and unskilled, black and white. Consequently, the Knights of Labor gave way to another organization whose eyes were fixed on more immediate goals, whose ideal of government was confederation rather than centralization, and which emphasized the division of workers along craft lines instead of attempting to unite all workers and friends of the working class into one mass organization.

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CHAPTER V

THE LABOR ORGANIZATION

WHAT IS A LABOR ORGANIZATION?

“A continuous association of wage earners for the purpose of maintaining or improving the conditions of employment” is one definition of a labor organization. Slaves, serfs, men working for themselves, and employers cannot form labor organizations. The forms, ideals, and methods of organized labor change with modifications in industrial methods and equipment, and also vary in different occupations, industries, and environments. Remembering the variability and mutability of unionism, a search may be made for the essential institutions or social forces which have welded wage earners into the stable and aggressive unions of today. Reduced to the simplest terms, these are two in number: (1) the separation of the workers from the means of production, and (2) the extraordinary increase in the powers of production due to the use of natural forces and machinery.

As long as the workers owned the tools with which they worked, or owned both the tools and the products of their labor, the worker was not a wage earner. Before the modern trade union could arise the cleavage between employer and employee, between capitalist and wage earner, must become quite distinct. The rise of unionism is coincident with a horizontal cleavage within what had been one industrial class. With the growth of the factory system the cost of the tools and machinery and of the workshop increased; and, consequently, the line of demarcation between employer and employed grew more distinct. Unions appeared before the factory became an important industrial factor; but the factory is primarily responsible for the widespread and coherent form of modern labor organizations. The increasing use of machinery and of natural forces in manufacturing and in transportation multiplied the amount of capital necessary to carry on an industrial enterprise efficiently. This circumstance still further widened the breach

between the employer and his employee, and reduced the capillarity of the wage-earning class. Meanwhile the limits of the market area were being rapidly pushed further and further, and people were becoming interdependent. Unionism, at first purely local and intra-trade, has become national and international and inter-trade. But the central strand in this intricate web of cause and effect is the transformation of the worker into a mere purveyor of labor power.

THE PURPOSE OF LABOR ORGANIZATIONS

Preceding the nineteenth century and the use of natural power and machinery, leisure and comfort, were considered to be the birthright of only a few. Hard and almost continuous toil on the part of the multitude was necessary to eke out an existence. With the enormous increase in the productive capacity of the world has come the possibility of a shorter working day and of a rising standard of living for the mass of toilers. Unionism has for its primary purpose higher wages, a shorter working day or week, and better working conditions; it is a means to an end. Gains in these three directions have been possible because of the technological advances achieved in recent decades. The early labor organizations were exclusive and monopolistic; they aimed to improve the status of a group of workers in a given trade. Little or no attention was paid to toilers in other crafts or occupations. Up to the present time indeed the tendency toward more inclusive organization in order to secure for wage workers as a class a portion of the benefits of industrial progress, is not well defined. Indeed, a widespread and inclusive labor organization could not long survive until the painful era of scarcity was succeeded by one in which a sufficiency is possible for all. The spectacular rise and fall of the Knights of Labor in the eighties indicate that the solidarity of labor was then an insufficient foundation for a labor organization. Such organizations do not become important and permanent factors in the community until the problems centering around the distribution of wealth rival in interest those connected with production. In a democracy labor organizations may utilize two major forms of activity in order to accomplish their purposes — economic and political. Up to the present time the chief reliance of American unionists has been placed upon economic activities.

The labor organization grows out of unrest and group conflict. The workers with slavery and serfdom as a background are struggling upward in the social and economic scale. Along with advantages which have come to the worker as a result of science and technology have also come the great disadvantages and dangers of economic insecurity. Every invention, every new process, and every new fashion modify conditions and make for uncertainty. The worker of today, facing insecurity and the disadvantageous position assigned to him by the traditions rising out of the past, almost instinctively turns toward some form of organization. (1) Unrest, prodding workers into unionism, may come out of economic conditions, and be concerned chiefly with wages, hours of labor, unemployment, and working conditions. (2) It may develop because of bargaining about wages and working conditions, or because of opposition on the part of employers and employers' associations. (3) Unrest may grow out of governmental policies as exhibited in legislative acts, court decisions, and injunctions. (4) It may be generated as the result of elimination of craftsmanship or certain modifications in workers' "rights" in consequence of industrial progress. Workers hope to obtain greater security and an improvement of status through labor organizations. Because unionism has confronted fierce opposition, the psychology of the orthodox labor organization has been that of conflict or of an armed truce.

The propertyless individual has little bargaining power. *Laissez faire-ism*, or individualism, means defeat for the weaker members of a competitive society. Workingmen unite into a group for the purpose of gaining the advantages due to collective or coöperative action. It seems clear that the great majority of men today can accomplish little by struggling single-handed and alone; coöperation, teamwork, and united effort are the slogans of groups which are pushing upward toward a higher economic and social status. A labor organization is trying to get away from precedent and the traditions of the past; it endeavors to make the days to be better than the days which are passed. "Membership in a union means for the individual discipline, a surrender of self-interest, conformity to the standards of his fellows";¹ but it also leads to more considerate treatment by hard-boiled foremen and arrogant executives.

¹ Furniss, E. S., *Labor Problems*, p. 226.

Unionism, or any other important form of organization, takes from the individual member more or less of his freedom of action; but he receives greater income, is treated more considerately, or gains in self-respect, as a result of being one of a group. The preferences and idiosyncrasies of the individual are modified by being pressed into a group mold. Especially in times of stress, the loyal member of the union will be ready to bow to the will of the group, as formulated in its rules and regulations, and by its leaders. The union aims to take from the employer his "monopoly on authority" in industry; it wishes to take from the employer the right of arbitrary discharge, and the complete control over many other incidents of employment.

In past decades the union has been in some degree a workingmen's club. In the meeting places members came into contact with each other in a friendly way, news of the craft was obtained, and many other social attractions were found. Today, the automobile, the movie, the radio, and a multitude of other commercialized amusement opportunities present so many counter attractions that the union as a club for workingmen has lost much of its drawing power.

Passing by the broad aspects of unionism, such as are presented by capable and far-seeing labor leaders, or are often analyzed by academic students of industrial relations, it may be informative to ask about the motives which led individuals in the ranks of organized labor to become unionists. These reasons are specific and devoid as a rule of glittering generalities. One joined the union because in this way he hoped to receive higher wages; a second joined in order to keep his job, or to get one, in a union shop; a third stressed better working conditions and more regularity of work; another joined because his friends were members and he hoped to have a good time at meetings; another had an ambition to become an official in a union; a radical worker joined to help bring about the social revolution; and another became a member in order to obtain the benefits of insurance features.¹ Again a worker may become a member of the union because of an inferiority complex. He feels that in this way and only in this way may workers hope to stand upon, or approximately upon,

¹ For an excellent statement of the motives of individual unionists, see Atkins, W. E., and Lasswell, H. D., *Labor Attitudes and Problems*, p. 308.

a plane of equality with their employers. Furthermore, the motives which cause men to take certain steps are often irrational or subconscious. Little irritating episodes, or almost forgotten events, may lead an individual to adopt a line of action without a logical formulation of motives or a conscious weighing of the advantages or disadvantages likely to follow as consequences of the decision.

GOVERNMENT AND STRUCTURE

The methods and governmental policies of American labor organizations of the business type have been developed to meet the exigencies of an opportunist program. Immediate results, results here and now, and results which are of service to the little group directly concerned, are desired rather than indefinite, postponed, and generally participated-in benefits. The more capable labor leaders may envisage high ideals as to the betterment of the wage-earning class as a unit; but the rank and file from time to time demand immediate action in the hope of benefiting particular groups of workers. The successful labor leader in the United States has been an exponent of business unionism; he is the man who gets higher wages, a shorter working day, and the like, for his followers even though the price of success must be paid by other unionists as consumers of the products made by the members of the first group. A new unionism which actually as well as theoretically emphasizes the solidarity of labor and which looks to the more distant as well as to the immediate effects of a policy, may be rising above the horizon; but the structure of American unions of today and the way in which they function are the products of selfish groups which do not look far into the future.

Political government in the United States has progressed from the local and decentralized control of colonial times through a period of loose confederation, to a form of federal government in which the central authority is growing more and more powerful, absolutely and relatively. Originally the federal government was created by the states, but today the majority of the states of the Union owe their existence to direct federal action. A striking and significant parallel can be drawn between the evolution of government in the American nation and the evolution of control in the strong American labor organizations of today. In the government of labor

organizations, the original governmental unit was the autonomous local society or union. A local is usually composed of workers of the same trade or subdivision of a trade working in one shop or in several shops in one locality. It is the basal unit in the structure of unionism. Locals are, as a rule, quite democratic; the town meeting form of government will work well when the members of a local are approximately on a plane of equality in regard to education, income, and social position. Difficulties often arise in locals containing different nationalities, Negroes and whites, or men and women. Admission to a local is by vote of the members in attendance. The average size of a local in the national unions affiliated with the American Federation of Labor is approximately 100. The regular meetings of a local are held frequently, but in the ordinary times of industrial peace many members fail to attend. As a consequence, a small group of officials and their friends often dominate a local. The officials of the typical local are a president, a vice-president, a secretary, and a treasurer. These are unpaid. Some locals, however, have business agents or walking delegates who receive salaries. There are usually standing committees such as grievance, finance, and executive. The only office in connection with a local union which requires special skill is that of business agent or walking delegate. This officer is found most frequently in the building trades. The business agent is the representative of the union in dealing with employers in regard to wages, the redress of grievances, and the enforcement of union rules. The national union is a federation of local unions in a given trade or industry. The United Mine Workers is a national union of the industrial type. The International Association of Machinists is one composed of trade unionists. District unions subordinate to the national unions are also found in certain organizations.¹

The history of the evolution of governmental power in trade and industrial unions has been that of the growth of a national organization representing centralized power. Originally the locals were knit together into loose federations. Annual conventions were held to which delegates from the federated locals were sent, and at which the national officers were chosen to serve for the ensuing year. At first the delegate convention was chiefly for the purpose of dis-

¹ City and state federations will be explained in connection with the American Federation of Labor.

cussion and to bring about unanimity of action among the workers in a particular trade. In the early stages of growth, the national officers were given little power, and the funds placed at the disposal of the national bodies were small in amount. The locals were extremely jealous of their prerogatives. But out of these loose and decentralized federations of locals, proud of their autonomy, have gradually emerged powerful national bodies with considerable incomes at their disposal; and their strength is still increasing. The delegate convention is no longer an impotent advisory body; it has become in many national organizations a true legislative body. In turn, the national organizations have become propagandists and have instituted new locals under their jurisdiction, and the new locals are more readily controlled than were the older ones. However, the increase in the power and dignity of the national unions has not come into being without encountering friction and determined opposition. The states' rights doctrine, so famous in American history, has its counterpart in the evolution of trade-union government.

Among the forces causing reluctant locals to recognize the necessity or the desirability of subordination to the central governmental authority of a national union are: 1. *The Growth of Wider Market Areas.* As long as a small business located in A. had only a local market in A., and as long as a similar business located in B. had only the inhabitants of B. as purchasers of its product, common union rules among organized workers in the industry were of little significance. Each local might get the best bargain it could from the employers in its locality. After the market area widens, and producers in A. and B. sell competitively in C. and elsewhere, a new situation obtains. Low wages and long working hours for the workers at B. may adversely affect competitors in A., and lead to a demand for reduction of wages, and the like. Similar wage levels and similar working rules are now desirable for all workers in a particular trade within the competitive area. As the market area has expanded, locals have reluctantly seen the wisdom of giving to the national organization authority to enforce general rules and regulations upon the locals under their jurisdiction. In the building trades or in the trade of the barber, competition over a wide market area does not as yet take place. Within reasonable limits, local increases of wages may be passed

on to the consumer in terms of higher prices. The national unions in these trades have not as yet been able to become as powerful as those in the men's clothing industry or that controlling the printing pressmen.

2. *Concentration and Integration in Industry.* As the business unit grows, it is obviously difficult for local unions to bargain effectively. A national union acting for locals in all parts of the nation will be more effective. 3. *Persistent Opposition on the Part of Employers* will help local groups to forget their insistence upon home rule, and lead them to rally around the common standard of a national union. It is similar to the tendencies within a nation threatened by external foes. Domestic differences are in a large measure forgotten, and power is freely granted to the central governmental authorities. 4. *The Use of the Union Label and the Boycott.* These weapons of labor organizations are of little significance unless fostered by a large, rather than a local, group. 5. *The Use of Beneficiary Funds for Aiding Sick or Striking Members.* As in the case of insurance, national funds are much safer than local. 6. *The Shifting or Drifting of Workers from one Place to Another* is also a factor in leading the locals to demand uniform rules which can be obtained expeditiously only through an authoritative national union.

A group of forces presses in the opposite direction, tending to strengthen or to maintain the authority of the locals: 1. *The Desire for Local Autonomy.* The demand for "home rule" in governmental units and in labor organizations is quite persistent. The national or central government is farther away from the individual citizen or member. Control or regulation by the national government often seems not unlike meddling by an outsider in the affairs of an individual and his associates. 2. *Local Leaders Fear the Loss of Authority* as the national organization gains in strength. Local governmental officials almost invariably constitute a group in active opposition to projects for strengthening the central government. The same is, in general, true in labor organizations. The petty officers look upon the local offices as their vested rights. 3. *Inertia.* It is not difficult to uphold the *status quo*. To stand for a different order of things requires more of initiative; it is disturbing. Except in times of stress, the rank and file usually follow the famous line of least resistance. It is easy to get into a

rut. Inertia induces us to do things as we have been accustomed to do them, and to accept as proper the institutions with which we are familiar.

The movement toward unification has gone farther in some unions than in others. The details of the structures of different labor organizations exhibit great variations. The International Typographical Union presents a fairly clear picture of progress away from a decentralized form of government. The establishment of the printers' home, provisions for insurance benefits, and the power to supervise collective bargaining, have greatly increased the dignity and authority of the national body. A "legal" strike must be sanctioned by the national officers. On the other hand, unions in the building trades, the Journeyman Barbers' International Union, and the American Federation of Musicians exhibit less of centralization of authority. Public opinion as to labor organizations has been formed in no small degree through experience with the building trades. As a matter of fact, these trades constitute rather exceptional forms of trade unionism. The building trades are skilled trades, performing work which must be done in a particular place. A building cannot be constructed — bricks laid, wood and iron strips placed in position, plaster spread, and painting done — in New York for a building to be used in Chicago. The finished product cannot be transported from one city to another; and to date no substitute for housing has been found. These facts localize, in a large measure, the interests of the members of a building trade. The different trades keep their trade autonomy, but since many trades are engaged upon one building, their interests are interrelated. The building trades in one city may be affiliated together in a Building Trades' Council. This constitutes a sort of confederated system of government. Their common interests also find concrete expression in the frequent resort to the sympathetic strike. This insistence upon the sympathetic strike marks an approach toward the policies of industrial unionism. The use of the sympathetic strike does not, however, reach beyond the building trades.

Practically all national labor organizations at the present time exercise legislative, executive, and judicial functions in regard to many matters which affect the subordinate locals. Usually, however, important matters are subject to a referendum to the entire

membership or to the portion of the membership directly concerned with the proposed legislation or policy. The annual convention composed of delegates from the locals is the legislature or congress of the national body; the president and an executive council exercise executive powers; and the judicial function is placed in the hands of the president or some other executive officer, usually with the right of appeal to the council or to the annual convention in case a local or some group of members is dissatisfied with the settlement of some disputed question or with the interpretation of some rule or regulation. The militant activities in connection with strikes, boycotts, and picketing of the larger and more responsible unions at least, are directed by the national officers.

THE CLASSIFICATION OF LABOR ORGANIZATIONS

Organizations of wage earners may be technically classified as labor unions, trade or craft unions, and industrial unions. The significance of the labor union is chiefly historical. Into the labor union all classes of wage earners were gathered; and employers and professional men were often admitted. The labor union was idealistic or humanitarian in its aims. The strike and the boycott were rarely used; but reliance was placed upon land reform, education, coöperation, the direction of public opinion, and political activity. The leaders of the labor unions were wont to make much of the point that the interests of labor and capital were fundamentally harmonious; and that betterment came through the united efforts of all classes. The labor congresses of the forties were excellent examples of this type of labor organization. The Knights of Labor might also be classified as a labor union. The existence of this form of organization indicates the lack of class consciousness and an absence of any clear idea of the solidarity of the working class or of any section of it. The trade or craft union is an organization among the workers in a given trade. Its members demand collective bargaining and have a concept of a "fair wage." The trade union is essentially a business organization formed to make the best possible bargain with employers for the commodity — labor power — which its members desire to sell for a price — wages. Each group or trade bargains independently of other groups or trades. The trade union stands for group action rather than for

united action on the part of all wage earners irrespective of occupational lines. It accepts the strike and the boycott as valuable weapons; and it usually considers political activity as something to be avoided. The International Molders' Union of North America and the International Typographical Union are examples of trade unions. An amalgamated union is an extended form of trade or craft unionism. Nearly all trade unions are in some degree amalgamated. The Amalgamated Clothing Workers include all types of workers in the men's clothing industry who are directly connected with the manufacture of clothing, such as cutters and pressers. The United Brotherhood of Carpenters and Joiners is an amalgamated organization. It now includes machine wood workers and furniture workers as well as the workers normally known as carpenters. The name of another labor organization offers an illustration of amalgamation — the International Association of Marble, Stone, and Slate Polishers, Rubbers, and Sawyers, Tile and Marble Setters' Helpers and Terrazzo Workers' Helpers. Many unions today are in a twilight zone between the trade and the industrial form of organization. These may be classified as amalgamated unions.

The most recent type of labor organization is the industrial union. It cuts across craft lines and aims to unite all workers in one industry into a coherent and centrally controlled organization. In this variety of union, the friction due to overlapping craft jurisdictions is in a large measure obviated. When an industrial union orders a strike, all the workers in an establishment go out together and share in the expenses and the benefits. The United Mine Workers of America is an example of an industrial union. This organization claims jurisdiction over all persons working in or around a union coal mine. A carpenter or a stationary engineer working in a union coal mine must join the United Mine Workers. The skilled and the unskilled are knit together. The advocates of industrial unionism urge that it is more important to unite all in an industrial group than to organize all in a given trade but scattered far and wide throughout the nation. The most radical form of industrial unionism, such as the Industrial Workers of the World represents, declares that labor and capital have nothing in common. The advocates of industrial unionism assert that concentration and integration of industry have made trade or craft unionism obsolete.

The older form of labor unions was too broad in its scope. It laid too much stress upon the humanitarian aspect of labor problems; it was too altruistic and visionary, and not sufficiently practical. A successful and permanent labor movement must be nourished on the immediate, the practical, and the tangible — that is, on the hope of higher wages, shorter working days or weeks, better shop conditions, and better homes, rather than upon high ideals of the brotherhood of man and the greatest good to the greatest number. In the long run, altruism, without a generous admixture of egoism, does not provide a practical foundation for a labor organization or for an employers' association. On the other hand, the growth in the number of the unskilled and the increasing use of subdivision of labor have forced the trade unionists in some industries to unite with the unskilled and to aid the latter in fighting his battles. The skilled man fears the encroachment of the cheap and unorganized workers. He believes in organization and higher wages for the unskilled because he in turn will be benefited. Even the trade union is becoming the union of the unskilled and semi-skilled as well as of the skilled. The egoism of the skilled man is assuming the garb of altruism; aid rendered the unskilled in the end often benefits the skilled.

Labor organizations may also be classified according to "functions," or more accurately according to methods employed. The late Professor R. F. Hoxie distinguished three main forms — business, uplift, and revolutionary unionism. The trade unions affiliated in the American Federation of Labor are business unions. The members of business unions are trade-conscious or job-conscious; they emphasize wage bargaining and immediate results. The business unionist is conservative and practical. He is anxious to obtain higher wages and better working conditions here and now. This conservative type of unionist is little concerned about the effect of such militant policies as strikes, boycotts, or restriction of output upon the general public. The business union is not unlike, in its policies and outlook, a business operated primarily for immediate profits. When increased profits may temporarily be made by closing down or reducing output, such a program is almost invariably followed. Unfortunately, it is also true that the indefinite entity called the general public is rarely genuinely solicitous about the welfare of the wage workers. Uplift unionism is an

idealistic type of organization; it is likely to stress insurance and coöperation. The Knights of Labor may be classified as an uplift union. It has been suggested that uplift unionism is merely a young and weak form of unionism. Revolutionary unionism represents an extreme type of a class-conscious group. The Industrial Workers of the World is a revolutionary union. A fourth type may be termed predatory unionism. It is business unionism gone wrong. The predatory union is corrupt and boss-ridden; in some forms it may resort to terrorism, as have on occasion a distressingly large number of labor organizations.

Organized labor is a social phenomenon; it is a form of institution. The form, methods, ideals, and immediate purposes of labor organizations may be studied in the same way as political parties or fraternal organizations may be analyzed. A union consciously or unconsciously adopts a certain form or structure as an aid in accomplishing its aims. No institution would come into being were it not intended, deliberately or fortuitously, to effect certain changes in the course of human affairs. And no form of organized labor would exist unless wage workers hoped to obtain through its agency some improvement in living and working conditions. These statements are little short of axiomatic. In short, both the structure and the methods of a labor organization or of any other institution are the visible and tangible results of underlying forces and causes which spring out of the physical and social environment: The analysis of a labor organization is a study in social mechanics. To classify labor organizations according to structure or according to methods may be desirable; but the classifier should remember that he is dealing only with outward manifestations and results, not with causes and fundamental motives.

The union — a social structure or organization — is a grouping of wage workers for the purpose of accomplishing certain results. The union is a tool; it is a means to an end. The form of organization is not of primary significance. Labor organizations vary greatly in form, ideals, and programs. Students of government realize that the term — “a democratic government,” for example — will be translated differently in Haiti and in the United States. Nevertheless, classification of governments into republics, constitutional monarchies, and so on, is of value to students of political science. It is doubtless true in a broad way that democratic forms

of government are the products of the change known as the Industrial Revolution; but the presence of danger from outside foes may retard progress toward a democracy, as witness Germany before the World War. Again, tradition may keep the shell of a government long after its reality has vanished, as is the case in England. In like manner, opposition from without, tradition, or the pressure of leaders, may greatly modify the course taken in evolving the structure and methods of a labor organization.

In the great majority of cases, a given structure or form of government or of a labor organization more truly represents a past than a present balance of forces; but it is also a factor in determining the present-time attitude of those adhering to the government or labor organization in question. After an institution has been developed and has crystallized into certain forms, this somewhat inelastic structure usually serves as a modifying and conserving force or influence. Group and institutional inertia must be reckoned with in any study of social and institutional forms. American legal and constitutional forms have greatly modified the course of events in American national life. The prevalence of social customs and habits also tends to prevent rapid changes in ideals. The psychology of the American has undoubtedly lagged behind the unusually rapid changes which have taken place in industry during recent decades. The American workman has been too individualistic to cope effectively with the great and steadily growing aggregations of capital; to many of the wage workers there yet clings the restless and impatient vitality and self-assurance of the frontier. The effect of social inertia is also plainly visible in the ideals, the concepts, and the psychology of the unionist. The psychology of the typical unionist is still measurably affected and modified by ideals and concepts crystallized during the outgrown era of small-scale, non-integrated industry. Again, overworked and under-trained workers will have a narrower vision than more efficient and better trained ones. A union composed of the former will be more erratic and less calculating than one composed of the latter type.

No two types of workers have been subjected to exactly the same economic pressure, the relations between workers and their employers vary greatly in different lines of business, the possibility of displacement by other workers or by machines likewise varies from

trade to trade and from occupation to occupation, and price levels and standards of living are subject to rapid modifications. This complex situation is further complicated by the institutional lag exhibited by organizations of labor. And the influence, conservative or radical, of the capable and aggressive leader must not be neglected. Samuel Gompers, for example, is a factor which cannot safely be overlooked in any careful consideration of the evolution of the American Federation of Labor. The autocratic and imperious leader has played an important rôle in labor organizations as well as in the affairs of nations. The appeal to the passions and emotions figures in union matters as well as in party politics.

The trade union is the fundamental and most natural grouping of workers for betterment. In the trade union are associated workers engaged in similar work and interested in similar matters. Carpenters have more in common with other carpenters than with boilermakers or molders. But as the machine process undermines trade after trade and threatens to reduce multitudes of laborers to a common denominator, trade or craft becomes of less and less importance. As carpenters, molders, and boilermakers become united as employees of the same corporation, trade lines yield to the unity of interests of employees of one big business organization. As a consequence, the tendency to organize by trades begins to be replaced by organization in which trade lines are less prominent. The structure of unions changes and the specific methods employed may undergo modification; but the prime purposes for which unions are formed are not transformed.

It may therefore safely be asserted that the prime factors in a study of labor organizations are not: Is the union a trade or an industrial union; or, Is its purpose bargaining or bringing about a social revolution? The important questions are: Why has this particular union adopted the ideals, form, and methods which are now associated with it? What are the internal and external, present and past, forces which determine its path today? Any classification whether according to structure or methods is of value only in making clear the factors in the labor problem. A study of industrial and social forces is essential in an investigation of labor organizations.

WHAT CHARACTERISTICS INDICATE STRENGTH
IN UNIONS?

The following tentative list for scoring the strength of unions is presented for discussion:

Numbers	Inclusiveness
Solidarity	Leadership
Aggressiveness	Finances
Pension and Insurance Systems	

Obviously, a union which ranks high in all of these characteristics will be a powerful and virile organization. A particular union may score well in regard to certain traits and low as to others. A labor organization with a large membership but lacking in solidarity or in aggressiveness will be weak. A union with a small membership but one which includes all or nearly all of the workers in that trade or occupation may be powerful. Solidarity, or a feeling of unity or a consciousness of like interests, is a trait which lends strength to an otherwise weak aggregation of individuals. The members of an organization exhibit solidarity when they are willing to sacrifice individually for the good of the group. A union with funds in its treasury will be stronger than one possessing other traits in the same measure but without funds in its treasury. A labor organization having a pension or insurance system will find it helpful in uniting its membership and giving them common aims. Capable and loyal leaders are important factors in the growth and virility of any type of organization.

Traditionally, it has been asserted,¹ American trade unions have possessed two outstanding elements of strength — skill, and a certain amount of physical force, the menace of an aggressive membership, which puts fear into the hearts of other workers ready to take the jobs of unionists in the case of an industrial dispute. The old conflict psychology, characteristic of business unionism in the era of Samuel Gompers, is becoming out-of-date and, in an increasing degree, futile. Many of the old and familiar crafts are being broken down by machinery and scientific management into elements which require dexterity rather than skill or craftsmanship. For example, the skill of the glass-bottle blower is not needed by

¹ Atkins, W. E., and others, *Economic Behavior*, Vol. 2, p. 211.

the operator of the bottle-blowing machine. As the craft is broken up into simpler elements or rendered obsolete, the size of the business unit tends to increase. As a consequence, it has become more and more difficult in many industries to prevent outsiders from taking the jobs of strikers and other dissatisfied workers. As will be noted again, American unionism today is not strong in those industries in which the machine, scientific management, and large industrial units dominate the situation. The traditional weapons of business unionism, the strike, the boycott, and picketing are practically useless when a trade union confronts a large corporation or nest of inter-related, large-scale business units.

WHAT ARE THE CHARACTERISTICS OF A “GOOD” UNION?

Excellence in unionism depends largely upon the point of view. To the unionist, a good union is one which aids its members in getting a better bargain with employers than can the non-union man obtain who bargains individually. A good union spells higher wages, more leisure, and better working conditions than would be obtained without such an organization. To the typical employer, a good union is one which is not aggressive or is without teeth. From the point of view of the majority of employers, a good union will accept the leadership of the management. If one attempts to look at the question from a neutral or impartial point of view, perhaps three factors may be mentioned in a score-sheet for goodness in unionism:

- Attitude toward production
- Attitude toward violence
- Willingness to use conference methods

A union which emphasizes workmanship and does not consciously restrict output except to prevent overdriving may be considered as possessing certain elements of desirability. It is difficult for the bystander to give the crown of goodness to a union which uses strong-arm methods. The neutral is also inclined to stress the desirability of substituting conference methods — trade agreements, mediation, and arbitration — for strikes and boycotts. The question of excellence in unionism depends largely

upon one's concept of the legitimate aims of a labor organization; it hinges in no small degree upon what one considers to be justifiable demands for higher wages, shorter hours, and the like. The locomotive engineers are often pointed to as having a "good" union because its members are skilled men who have rarely resorted to violence. It should, however, not be overlooked that, in case of a strike, their places cannot easily be filled. The engineers might merely go home; they would not be replaced by green hands. If, however, their places could easily be filled from the lists of unemployed in our employment agencies, it is possible that picketing and open and veiled threats of violence might be adopted as the tactics of the locomotive engineers. Are unions "good" because their members do not confront dangerous competition, because the membership is not tempted to resort to violence by the sight of "scabs" taking the jobs in which they feel a vested right? A powerful union, one which would receive a high score for strength, rarely needs to use violence; it can obtain its reasonable demands by conference methods.

LEADERS IN LABOR ORGANIZATIONS

During the early history of American labor organizations, capable and discontented workers expected to rise out of their group and become small employers, or they moved West and became pioneer farmers. America was confidently advertised to be a land of opportunity, of extraordinary gains. The man with initiative and ability craved the unusual opportunity gains which a new country blessed with great undeveloped resources offered to the fortunate and the aggressive. The leadership which comes through remaining in a particular class and helping to lift the entire group was in a large measure absent. The individualism fostered by the presence of the westward-moving frontier militated against strong and permanent leadership in the American labor movement. With the disappearance of the frontier and with the concentration of wealth and of the control of business affairs in the hands of a comparatively small number of persons, and with the increasing prevalence of routine and regularity in industry, not only were the traditional outlets for the ambitious wage workers closed, but many who under a more crude economy would have been small business

men found a place in the ranks of the employed. The potential labor leader was more interested in his own welfare than he was in group betterment or solidarity. Sagacious industrial managers soon recognized that unless a substitute outlet was provided, they would soon confront unions directed by talented, devoted, and class-conscious leaders. Promotion and political preferment offer important outlets for the ambitious and the radical. The man who is being gradually promoted, or who sees dangling before his eyes a political job, is furnished with a potent incentive for conservatism. "Thus it is that a wise system of promotion becomes another branch of industrial psychology. If scientifically managed, as is done by the great corporations, it produces a steady evaporation of class feeling. I have often come upon fiery socialists and ardent trade unionists thus vaporized and transformed by this elevating process."¹

In spite of these obstacles union leadership in the United States has exhibited a considerable degree of stability. As the national and international unions became more and more powerful, the increased responsibilities placed upon union officials have been accompanied by longer tenure of office and larger salaries. With the exception of one year, beginning November, 1894, Samuel Gompers was President of the American Federation of Labor from its inception in 1886 to the date of his death in 1924, which occurred soon after he was again re-elected. The present president (1932), William Green, who had been a union official for many years, succeeded Gompers. Adolph Strasser was President of the Cigar Makers' Union from 1877 to 1891, at which time he refused a re-nomination. He then became financier of the organization. P. M. Arthur died in 1903 after serving thirty years as the chief executive of the Brotherhood of Locomotive Engineers. His successor, Warren S. Stone, held the office until the time of his death in 1925. Sidney Hillman has been President of the Amalgamated Clothing Workers since 1915. In many local and national organizations, seniority prevails; new blood is rarely introduced into labor leadership.

A well-known phenomenon in American politics has been the loss of confidence in legislative bodies and the growth of interest in forceful executives. The American people are inclined to worship

¹ Commons, J. R., *American Journal of Sociology*, Vol. 13, p. 761.

strong leaders, such as Theodore Roosevelt and Andrew Jackson. This characteristic has been reflected in a measure into the affairs of labor organizations. If a leader "delivers the goods" unionists are not prone to inquire about the methods employed. In a democracy it is necessary to get things done; and getting results means leadership and organization — perhaps a political machine. It is not otherwise in labor organizations. It is inevitable that a group which is credited with worthwhile accomplishments will have conspicuous leadership. It is generally conceded by the friends and foes of organized labor that the officers of the national bodies are, as a rule, men of good character and unusual ability. As has been frequently noticed in the case of radical and "unsafe" men who have been elected to positions of great power in the political field, the exercise of authority and the weight of heavy responsibilities seem to bring conservatism and sobriety of action. On the other hand, labor leaders who accept a salaried office and no longer work at their trade are in danger of getting out of touch with the rank and file. The points at issue no longer directly concern the salaried official. As in the political arena, the greatest official inefficiency is usually found in the local organization. The "labor boss" and the "labor grafter" are not unknown; but wholesale condemnation of labor officials and "walking delegates" is not justified. Absentee control of labor organizations like absentee control of corporations has certain disadvantages; but the employer who stands ready to penalize an aggressive local leader must expect absentee leadership.

When labor leaders remain in office year after year it becomes easy to build up a machine through the power of appointing officers and committees. The control of the convention by union machine gives much strength to the existing régime. The insurgents in labor conventions, or in Congress, are at a disadvantage. In the old-line conservative unions many of the leaders have been in office a long time and are well advanced in years. In 1925, of the twenty national officers of the International Molders' Union the youngest was born in 1881. In the past, because of the bitter opposition of employers, unions have been forced to function as war machines. As an inevitable result, when internal conflicts arise or demands are made to displace the leaders now in power, the officers appeal to war psychology. It is vehemently asserted that the union must be preserved; and the opponents of the existing

régime are called disrupters. Opposition to the administration becomes treachery and treason; the insurgents are said to be opposing the will of the people. It is urged that they are fighting the great rank and file. The leaders always assume that in order to save the union it is necessary to keep the control of the organization in the hands of the present leadership.

AMERICAN LABOR IN POLITICS

In recent decades, labor parties have played a significant rôle in several European countries; but in the United States no similar phenomenon can be observed. A labor party is not a substitute for unionism; but it may supplement unions. The political activities of American labor organizations have not been outstanding; such activities as they have indulged in seem to have been chiefly directed toward the achievement of two purposes. (1) The foremost purpose has been to secure legislation removing the hindrances to the bargaining activities of labor organizations and improving the working conditions in factories. This is the ordinary form of labor legislation. (2) Legislation has been demanded which will improve the living conditions of the workers and which will tend to reduce inequalities of opportunity.

The causes of the weakness of American labor in the political field are a multitude. The traditional two-party system in the United States has placed obstacles in the way of a labor party. Prestige, patronage, and power go with membership in one of the two old parties. Loyalty to a party is in a discouraging number of cases passed from father to son, from one generation to another. A third party finds many proud of their old party labels. Those who attempt to organize a new national labor party must fight a long up-hill struggle without any taste of the fruits of victory. Many cling tenaciously to the old parties anticipating the getting of some political plums when patronage is passed around. The American constitutional system with its famous scheme of checks and balances, and the dual form of government, state and national, also add greatly to the difficulties which a new progressive or radical party must overcome before it can actually obtain tangible advantages for its adherents. Labor organizations have found their work to be in securing immediate benefits from their employer in

the shape of higher wages and better working conditions. For a labor organization to enter the political field signifies that it must turn aside from the work in which its successes have been scored and enter a new field. Political action brings in slower returns and benefits which are more widely distributed. The presence of large numbers of immigrants, many of whom were non-voters, has also militated against the organization of a strong and coherent labor party. In recent years, this difficulty is becoming of less importance.

Since the organization of a local labor party in Philadelphia in 1827 to the present time, numerous attempts have been made to form labor and farmer parties. None of these have achieved more than local and temporary successes. Nearly all have made uninspiring failures. The labor movement of the twenties of last century was wrecked by the workingmen's parties of 1828 to 1831. The labor parties of the early seventies were not notably successful. The Knights of Labor suffered because of dabbling in politics. The business unionists of the bodies affiliated in the American Federation of Labor have not dissipated their energies in attempting to organize labor parties. An organization stressing an opportunist policy cannot be expected to look with favor upon the formation of a labor party. Local victories by a labor group in a city, for example, would, however, give advantages to the union man. He would no longer be discriminated against by the city government, and many public jobs would go to the workers. The police and the local judges would be more friendly to workers and to organized labor.

While the American Federation of Labor advised its members, in a perfunctory manner, to vote for their friends regardless of party lines, it did not, before 1906, take any significant part in political activities. In that year, the executive council issued a campaign program for the purpose of removing "all forms of political servitude and party slavery." The executive council demanded the defeat of all candidates who were hostile or indifferent to the interests of labor. In case both parties nominated such men, it was urged that a third candidate be placed in the field. In the Presidential campaign of 1908 President Gompers actively endeavored to induce the workingmen to support the Democratic ticket, and he estimated that about eighty per cent of the votes of organized labor

were cast as recommended by the Federation. In 1924, organized labor generally supported LaFollette's independent candidacy for the Presidential chair; but after the campaign was over the American Federation of Labor again affirmed its adherence to the old policy of voting for its friends, of being partizan to principles rather than to parties. In 1932, there was no immediate probability of the organization of a labor party in the United States. The Workers' (Communist) Party and the Socialist Party claim to represent labor as a class; but only a small percentage of the rank and file of American workers have joined either of those parties.

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CHAPTER VI

THE AMERICAN FEDERATION OF LABOR

HISTORY

In 1881, a successful attempt was made to unite into a federation a group of national unions of skilled workers. This organization was given an awkward name — the Federation of Organized Trade and Labor Unions of the United States and Canada. In 1886, out of a re-organization came the American Federation of Labor. A few years later the American Federation began to count 1881 instead of 1886 as the date of its birth. The Federation grew slowly during the first years of its existence; the number of members recorded at the time of the annual meeting in 1890 was 190,000. The figures in the table below are the official statistics representing the membership upon which the per capita tax was paid by the affiliated unions into the treasury of the American Federation of Labor. The United States Bureau of Labor Statistics reports the membership of the affiliated national and local unions of the American Federation as 3,383,597 in 1926, and 3,510,427 in 1929.¹

<i>Year</i>	<i>Membership</i>	<i>Unions Affiliated</i>
1897	264,825	55
1900	548,321	82
1903	1,465,800	113
1904	1,676,200	120
1905	1,494,300	118
1908	1,586,885	115
1914	2,020,671	110
1918	2,726,478	111
1919	3,260,068	111
1920	4,078,940	110
1922	3,195,651	110
1924	2,865,979	107
1926	2,803,966	107
1928	2,812,526	107

¹ Bulletin Nos. 420 and 506.

<i>Year</i>	<i>Membership</i>	<i>Unions Affiliated</i>
1929	2,933,545	105
1930	2,961,096	104
1931	2,889,550	105
1932	2,532,261	106

The official figures may not be entirely trustworthy. In the earlier years of the history of the Federation some locals were supposed to be tax-dodgers. In recent years, however, several organizations pay dues upon the same number of members year after year. It appears to be a reasonable assumption that the official figures represent the number of members that the national officers see fit to pay dues for, instead of the exact number of members. For example, the statistics presented by the American Federation of Labor show that the United Mine Workers had a membership of 400,000 each year from 1925 to 1930, inclusive; but there are ample reasons for believing that the actual membership did not remain unchanged during the period.¹ By paying dues upon 400,000 members the miners retained their voting strength in the annual meeting of the Federation. The Electrical Workers are credited with 142,000 members during the entire period, 1922–1930, inclusive. Members engaged in strikes and lockouts do not pay dues; and they are not included in the official figures. In recent years, at least, it may be questioned whether the American Federation of Labor figures of membership present accurately the actual membership of the affiliated unions.²

During the five-year period, 1900–1904, the growth of membership was considerable. For example, the gain between 1902 and 1904 was greater than the membership in 1900. After 1904 came a temporary check; not until 1911 did the membership equal that recorded in 1904. In 1914, the two million mark was passed; but a slump the following year left the membership less than two millions. In 1920, union membership reached its high-water mark. With the depression, the return of the railways to private opera-

¹ The Bureau of Labor Statistics estimated the membership of the United Mine Workers as 500,000 in June, 1926, and 450,000 in June, 1929. A considerable reduction in membership doubtless occurred in 1929–1932.

² J. E. Kucher in *American Labor Dynamics* makes the following pertinent comment upon certain national unions: "Farsighted investments assure a permanent income sufficient to meet the pay-roll of the official family, enabling them to exist, to pay per capita, and retain A. F. of L. status." (p. 305)

tion, and re-adjustments due to the return to peace basis, the reported membership of the American Federation of Labor dropped from 4,078,740 in 1920 to 2,803,966 in 1926. In the five-year period, 1926-1930, the rebound was very slight — less than 160,000. A small fraction of the membership of the Federation is located in Canada. In 1930, practically all of the important labor organizations of the United States were affiliated in the Federation except the four brotherhoods of engineers, firemen, conductors, and trainmen, and the Amalgamated Clothing Workers. The Industrial Workers of the World and a few communistic organizations are antagonistic to the American Federation of Labor; but their membership is small. The Bureau of Labor Statistics in 1929 found 40 national labor organizations outside the Federation. The following table gives the total membership of American labor organizations as estimated by Dr. Leo Wolman of the National Bureau for Economic Research.¹

<i>Year</i>	<i>Membership</i>	<i>Year</i>	<i>Membership</i>
1897	447,000	1915	2,607,700
1900	868,500	1920	5,110,800
1904	2,072,700	1923	3,780,000
1910	2,184,200	1929	4,139,934 ²

The growth in membership has proceeded at a very irregular pace. There have been two periods of marked advance in membership in the history of the American Federation of Labor, 1900-1904, and 1917-1920. Before 1900, from 1904 to 1917, and since 1926, the growth of the Federation was very deliberate. The periods, 1904 to 1906 and especially 1920 to 1926, registered considerable losses in membership. The first period of rapid growth followed upon the heels of an era noted for the rapid growth of large business aggregations; the second covered the latter portion of the war period and the opening years of reconstruction. In the years intervening between 1904 and 1907, the policy of antagonism on the part of great corporations and powerful employers' associations, and the hostile attitude of the courts as evidenced by certain important decisions, were factors which retarded the growth of organized labor in the United States. About 1910 certain students of the labor situation reached pessimistic conclusions as to the

¹ *Growth of American Trade Unions, 1880-1923*, p. 33.

² Estimated by the Bureau of Labor Statistics, *Bulletin* No. 506, p. 4.

immediate future of organized labor in this country. Professor Commons declared that "the unions have practically disappeared from the trusts, and are disappearing from the large corporations as they grow large enough to specialize minutely their labor." The attitude of certain large employers of labor has changed but little in the years which have elapsed since this statement was made.¹

STRUCTURE

The American Federation of Labor is a federation of unions; it is an organization of labor organizations. It represents a confederation of unions of wage earners. There is no side door through which employers and other non-wage earners may enter. The Knights of Labor was not exclusively a wage worker's organization; the constituent bodies of the American Federation are. It is an organization of job-conscious men and women. The individual members have little or no direct relation to it. The basic unit in the organization is the local union, which includes only members who live and work in one town. The locals are required to join the national union in their trade. A local is also expected, but not required, to affiliate with the central labor union of the town or city in which it is located and the state federation, if one is organized in that state; and the latter bodies may not admit delegates from unions not affiliated with the Federation. A local union of machinists in Chicago, for example, is affiliated with the International Association of Machinists, the Chicago Federation of Labor, and the Illinois Federation of Labor. The national trade union, the city central union or city federation of labor, and the state federation are each in turn affiliated with the American Federation of Labor. With few exceptions local unions are affiliated with the Federation only indirectly through a national union. If no national union in the trade or occupation exists, the local may be directly affiliated with the Federation. A "federal labor union" is a mixed local union; such bodies are sometimes formed where local trade unions are impracticable for lack of numbers. These unions are "recruiting stations." As soon as a sufficient number of workers of one trade or occupation are gathered into a federal

¹ The reasons for the marked tendency of American unions to mark time in recent years will be discussed later.

union they are expected to organize a separate local. The federal unions are affiliated directly with the Federation. National or international unions are federations composed of locals in a given trade or industry. As was indicated in the preceding chapter, the authority and duties of national bodies vary greatly. Some national bodies exercise strict control over the subordinate locals; others have little more than advisory power. The chief purpose of state federations is political. They aim to secure the passage of legislation deemed to be favorable to the interests of wage earners, and to defeat hostile legislation. City central labor unions are founded for the purpose of enabling "all organized labor in the city to act promptly in emergencies, and thus mutually help each other in labor difficulties by bringing to bear at once the combined influence of all labor organizations to effect a settlement." No city central labor union, however, has the right to inaugurate a strike until the proper authorities of the national body or bodies concerned have given their consent. City central labor unions frequently exert considerable political influence in municipal politics and government; and they aid in molding public sentiment in favor of unions and unionism. Departments may be established subordinate to the Federation. The Building Trades Department attempts to iron out difficulties which may arise from time to time between different unions in the building industry, and "to create a more harmonious feeling between employer and employee." Departments are only advisory bodies.

In 1931, the American Federation of Labor included 105 national and international¹ unions, 49 state federations, 728 city central labor bodies, 334 "local trade and federal labor unions" unaffiliated with a national or international union, and four departments. The Federation is an advisory body. It recognizes the autonomy of each national and international union. Practically the only disciplinary measure which the Federation is able to use is to threaten, and finally, to take away the membership privilege in the organization from a recalcitrant affiliated member. Since there are several labor organizations voluntarily outside the Federation, evidently deprivation of membership is not particularly effective as a disciplinary or regulatory measure. The ultimate

¹ There is no marked difference between a national and an international union. The latter has locals in Canada as well as in the United States.

source of authority in the Federation is found in the affiliated national and international bodies. At the annual convention of the American Federation each national union is allowed one delegate for each four thousand paid-up members, or for any fraction of that number. For example, a national union having three thousand members would be allowed one delegate; if the membership were seven thousand five hundred, it would be allowed two. State federations, city central unions, departments, federal labor unions, and local unions having no national union may send one delegate each. Each delegate of a national union or of a local trade or federal labor union is allowed one vote for every hundred members, or major fraction thereof, who have paid the per capita dues to the Federation. City central bodies, state federations, and departments are allowed one vote each. At the 1930 convention, out of a total of 29,524 votes, 29,349 were cast by delegates of the national and international unions. These national bodies constitute the backbone of the American Federation of Labor; the other affiliated organizations exercise little influence in the affairs of that body. The officers are elected at the annual convention. They consist of a president, eight vice-presidents, a secretary, and a treasurer. These officers also constitute the executive committee. The term of office is one year; but re-election year after year is the usual order of events. The headquarters of the Federation are located in Washington, D. C.

According to its constitution, the chief purposes of the American Federation of Labor are to knit the national and international unions together for mutual assistance, to encourage the sale of union-label articles, to secure legislation favorable to the interests of the working people, to influence public opinion in favor of organized labor, to aid and encourage the labor press, and to assist in the formation of local unions. The revenue of the Federation is derived from a per capita assessment upon the members of affiliated bodies. International and national unions pay one cent per member per month; local trade unions and federal labor unions pay thirty-five cents per member per month, but twelve and one-half cents of this amount must be set aside to be used only in case of a strike or lockout; city central unions and state federations pay ten dollars per year. The executive council of the Federation has the power to levy one cent per member per week on all affiliated

unions, for a period of not more than ten weeks, for the support of an affiliated national union engaged in a strike. During the period 1881 to 1886 inclusive, the annual income of the Federation varied from \$125 to \$690. In 1890, it was \$23,849; in 1900, \$71,126; in 1909, \$232,378; and, in 1930, \$560,603. The total expenditures for 1930 were \$531,443.

The aims, ideals, and government of the Federation are almost opposite to those of the Knights of Labor. The former is a federation of trade unions, although some industrial unions are now included. Theoretically the Federation favors trade unionism rather than an industrial unionism; but in practice its policy has been opportunist. If a strong organization like the United Mine Workers or the Brewery, Flour, Cereal, and Soft Drink Workers has demanded that it be allowed to organize all workers in the industry, the Federation has yielded to the pressure. The authority of the Federation officials is not great. A highly centralized organization like the Knights of Labor can exert political influence more effectively than a decentralized federation of trade unions. With few exceptions, the Federation has refrained from partizan political activity. It has not manifested much interest in the coöperative movement. An industrial union or such an organization as the Knights of Labor, including many different kinds of craftsmen, is structurally well qualified to start coöperative enterprises; but a weak federation of labor organizations is not.

In principle, the Knights of Labor opposed the use of the strike and favored the resort to arbitration. In 1880 it was officially declared that "strikes are as a rule productive of more injury than benefit to the working people, consequently all attempts to foment strikes will be discouraged." But as the order grew, resorts to strike became frequent. In that organization, centrally controlled, a strike could be enlarged into a general strike of all of the employees of a given establishment, or of a certain district. On the other hand, the American Federation has consistently maintained that the strike, the boycott, and the unfair list are legitimate and necessary weapons of organized labor; but being only an advisory body, positive and direct action cannot emanate from it. Strikes may be ordered by one trade against a given employer, and other craftsmen affiliated with the strikers through the Federation may continue to work for the same employer.

ANTAGONISM BETWEEN THE KNIGHTS OF LABOR AND
THE AMERICAN FEDERATION OF LABOR

The American Federation was organized by national unions afraid of the growing power of a centralized mass labor organization which, while it did not ignore craft lines, placed little stress upon such demarcations. Presently, a bitter struggle arose between these two organizations representing very different methods and ideals in the organization of labor. By 1893, the craft unions had won the conflict; the sun of mass and uplift unionism as represented by the Knights of Labor was rapidly sinking below the horizon. The chief causes of antagonism between these two great organizations of labor were (1) the lack of sympathy between skilled craftsmen and common laborers; (2) disputes as to jurisdiction over certain kinds of work; and (3) the struggle between the leaders in the two organizations for power and prestige.

THE EXTENT OF UNIONISM IN THE UNITED STATES

The membership of American unions includes only a small fraction of all of the wage workers of the nation. Only about one in every six belongs to a union. A much smaller percentage of the total number of American wage workers belong than are affiliated in several of the European nations, and especially in Australia and New Zealand. In the United States, unionism is fairly strong in the building trades, railway transportation service, certain parts of the clothing industry, and in a few other lines of skilled service. American unionism is weak, or non-existent, in steel, oil, textiles, food, automobile, metal trades, rubber, and retail service. Until recently, little attention has been paid to organizing the workers of the South. With increasing industrial activity in that section, an opportunity will be afforded to organize a considerable number of workers. Efforts to attract women workers and youthful workers into American labor organizations have as a rule been half-hearted. On the other hand, about one and three-fourths million workers were included (1929) in employee representation plans. Labor was doubtless more docile in 1929 than it was in 1919. Radical movements have been weakened; however, the unemployment of 1930-1932 may put new life and vigor into American radicalism.

In the last decade, unions have been relatively important in the building trades and in the transportation industry. Transportation is a key industry in which methods of conciliation and arbitration have been forced to the front. In the building trades, handicraft methods are as yet dominant, employers are relatively small-scale, and competition is chiefly local. In both railway transportation and the building trades, competitive conditions are very different from those prevailing in manufacturing, mining, and merchandising. In the manufacturing industries, with the exception of the printing and the clothing industries, the decline in union membership has been considerable. These two industries still retain important elements of craftsmanship. In these two lines of endeavor, the use of machinery and the growth of business consolidation have lagged far behind such industries as the automotive, rubber, iron and steel, and textile industries.

WHITHER AMERICAN UNIONISM?

The American labor movement appears to be weak in the three ways in which a labor movement ordinarily expresses itself — organization, political activity, and consumers' coöperation. Why is unionism in the United States weaker than in Australia, New Zealand, England, or Germany? The pessimistic observer is inclined toward the notion that the American Federation of Labor is in a state of futility. Why did American unionism mark time instead of increasing in membership, power, or prestige from 1922 to 1930? Has orthodox unionism in the United States gone to seed? Why is unionism practically non-existent in certain of the large integrated industries? The labor problem is in reality a complex of questions, and no simple, single answer need be anticipated to the questions propounded above. Social inertia within the American labor movement may account in part for the lack of resiliency manifested in 1921 to 1929. The technique of organization has not greatly changed or improved in recent years. Old and familiar programs are adhered to. In these days of skillful advertising, high-powered salesmanship, and well-organized propaganda new methods on the part of labor organizers may be necessary in order to meet the competition of other movements and of the distractions of life. Machine politics and the control by leaders

out of touch with the rank and file may play important rôles in retarding the growth of certain labor organizations. The failure to discard the craft form of organization in old industries, or in new ones, in which the machine has rendered the old craft lines obsolete and meaningless, is another item which should not be overlooked.

In the years immediately preceding the depression which began in 1929, certain new elements in industrial relationships were pushed into the foreground. Labor organizations crystallized under the older individualistic and militant order were faced with strange situations. How far the depression will skew the tendencies easily discernible before its advent, is, at the present time (August, 1932) not clear; but the period of recovery will probably see the resuscitation of numerous activities and interests which were prominent in the pre-depression days. Many of the lessons of the depression, it is probable, will be forgotten soon after the nation enters upon another era of prosperity and optimism. The future of unionism depends largely upon the ability of labor organizations to adjust to meet new situations; and unions, not unlike other organizations and institutions, are prone to accept their habitual methods and ideals as desirable in any situation. However, the shock of the severe depression has caused the rank and file to question the efficacy of the orthodox programs of business unionism — witness the about-face of the American Federation of Labor, between October 1, 1931 and July, 1932, in regard to unemployment insurance. If the seven tendencies outlined below are properly diagnosed, if they continue to develop as the nation emerges from the depression, the orthodox type of militant business unionism appears to be doomed to impotency unless it can slough off its craft form and turn with more confidence to the conference table for guidance.

(1) The fashionable type of mergers has been evolving a new sort of competition. Well-established industries have been reaching into new lines. Mining companies have been absorbing manufacturing plants. Manufacturing companies have been acquiring mercantile establishments on the one hand and mines on the other. Integration or vertical combination has been taking place on an unprecedented scale. Competition is between large aggregations of capital reaching into many fields and operating on various

industrial levels — from the primary or extractive industries to retailing. Competition between complex industries or groupings of industries rather than between individuals or firms engaged in one line of business, is growing in significance.

The non-specialized business man of years ago is coming back, however, with a national instead of a local organization and business. How will this new set-up affect labor unions? Will it tend to develop an organized group or groups within each of these large integrated industries? If so, will it tend to destroy the older orthodox type of labor organization which reached across the boundaries of separate industries? Is the development of employee representation or of shop committees within a particular industry a foreshadowing of coming events? Will this movement unite men, management, and investors into a group in opposition to men, management, and investors in competing business aggregations? Are we to witness a new form of feudalism in which loyalty to the corporation, to the business, takes precedence over loyalty to the union or to other associations? Is a return toward certain phases of medievalism just ahead? Will loyalty to feudal lord be replaced by loyalty to corporation?

As the United States is beginning to emerge from the depression, certain advantages are seen to cling to small-scale and readily adaptable businesses. It seems clear that bigness and business statesmanship do not always go hand in hand. The consolidation movement may be near its peak. The future of American labor organizations may be largely determined by the future trend of the consolidation movement.

(2) The use of employee representation by a considerable number of firms and the installation of personnel departments point toward a new relationship between management and men. The traditional notion that the only way to maintain discipline and obtain results was to put "the fear of God" in the hearts of workers by harsh methods and the vision of a group assembling outside the factory gates each morning looking for jobs, was being displaced, before the shock of the depression, by the more scientific and humane view that workers should know what it is all about, should work under good conditions, and should be interested in their jobs. The American labor organization came into being under the older dispensation before management began to look with favor

upon reasonably high wages, a short working day or week, and an attractive shop environment — the traditional demands of organized labor.

(3) The practice of selling stock to employees has helped in certain cases to give an insight into business conditions and to develop a feeling of partnership in the business. Employee-stockholders usually are interested in the welfare and growth of the organization of which they constitute a part — even though it be a small part. Profit sharing may accomplish a similar result. Business vicissitudes which the worker does not understand or foresee may reduce dividends and profits so that the worker may feel that he has been tricked by his employers. Illwill instead of goodwill may be generated when stock-ownership or profit sharing runs into business storms. The employee owning good dividend-paying stock in the concern by which he is employed is not likely urgently to feel the need of union support.

(4) The increasing use of piece wage, bonus, or other incentive wage payment plans places in fairly clear perspective the relation between effort and efficiency, and results. While collective bargaining may be used in determining incentive wage rates and premiums, the function of the union in maintaining high wages is less evident than are the attitude and skill of the individual worker. Incentive wage plans tend to weaken the solidarity of labor and to keep alive the feeling of individual independence.

(5) Mass production is literally production for the masses. Poorly paid workers cannot purchase the standardized output of large-scale industries. The wage workers of the nation are now recognized as important customers with large aggregate purchasing power. A general program of wage cutting spells reduced purchasing power for the necessities and comforts produced by big business and sold to the wage worker and his family. Henry Ford and others have also emphasized the revolutionary idea that high wages and low costs may go hand in hand under good management. To cut wages has been the traditional first step in case of a reduction of prices or profits. Only recently is the idea gaining ground that low wages may mean dear wages, and that low-paid and disgruntled workers may be high-cost workers. Friction between employer and employee has been a major cause of the development of militant labor organizations. This theory of high wages was

an unforeseen by-product of mass production in pre-depression days.

(6) Recently, a number of encouraging examples of teamwork between labor organizations and employing corporations have been called to the attention of the public. The coöperative program between the Baltimore and Ohio Railway and several unions among the workers in the railway shops is well-known. This plan is not primarily a scheme to settle grievances; it is a program arranged by mutual agreement for regularization, for improvement of efficiency, and for a consequent increase in wages and in steadiness of work. The Canadian National Railway and two or three other railway systems have adopted similar plans. The Naumkeag Steam Cotton Corporation of Salem, Massachusetts, has adopted a teamwork plan which is working satisfactorily. The United Textile Workers is recognized and taken into the confidence of the management. It is coöperating in initiating constructive policies for the reduction of costs. An industrial engineer was agreed upon and has undertaken the task of joint research into methods of reducing waste and improving working conditions. And these are not isolated examples. Unions and employers adopting such plans must orientate their point of view. They must be ready to go into conference rather than to prepare for industrial warfare.¹

(7) The annual flood of immigration which was deposited upon our shores between 1900 and 1914 was greatly reduced during the World War and later by legislation. The birth-rate is also decreasing. The rate of increase of population in the United States from 1920 to 1930 was approximately sixteen per cent; but the rate is being retarded. From 1930 to 1940 the increase is not likely to be more than 10 or 12 per cent. As a consequence, the United States is entering an epoch in which the number of old persons will be abnormally large in comparison with the situation which has hitherto prevailed. The declining birth-rate and the restriction of immigration, unless offset by rapid technological improvements which displace labor, will tend to strengthen the position of the wage-earning group. Relative scarcity of labor power is a factor in improving the bargaining position of the workers as a group. To scarce factors in production is also ascribed considerable pro-

¹ These plans will be considered in greater detail in the chapter on Industrial Peace. The Naumkeag experiment ended in 1932.

ductive capacity. This improvement in the status of the individual worker will make him more independent and less likely to look kindly upon union activities. The reduction in the percentage of foreign born may tend to reduce the friction in the ranks of labor due to national differences; and, in turn, tend toward solidarity within the group. The restriction of immigration releases forces which tend to strengthen organized labor; but it also releases others which act in a very different manner. It is not easy to decide which will be the stronger forces or tendencies.

As the older form of unionism weakens under the stress of these new forces, the future of labor organizations depends in no small degree upon the management and the investing interests in industry. If they take advantage of the situation to put the screws upon labor, if they attempt to crush unions instead of working with them, a more radical group which bears the stamp of Moscow may arise out of the confusion. On the contrary, if the employing group is willing to recognize, bargain, and do teamwork with organized labor, the militant union may be transformed into one willing to increase output and to send its leaders into conference with the management. American unionism may be standing at the cross-roads. It may either be in the painful process of adjustment to a new situation in which the antagonism between union and management will be notably reduced, or it may be on the road toward capture by the revolutionists. Let industrial managers beware.

The growth of American unionism also depends upon the ability of unionists and their leaders to adjust the structure and goals of associations of working people to square with new industrial conditions. A few practical considerations may be suggested. (1) Since the number of women in industry has increased greatly in the last two decades, American labor organizations should adopt a more friendly attitude toward the wage-earning woman. The low-paid, non-union female wage earner is a constant menace to the higher-paid unionist. Since women are more highly individualistic and less accustomed to group activities than men, the obstacles in the path of the organizer are not inconsiderable. (2) A large number of young workers are not being reached by American unions. The old organizing methods and the middle-aged organizer have not been notably successful with the young wage worker. In order to reach

this active group, more attention evidently must be given to the demands, psychology, and ambitions of the youthful worker. (3) Up to date, organization of the workers in the new industrial South has lagged. Spasmodic efforts, instead of a steady persistent drive, have characterized the attempts to organize the Southern workers. (4) The neglect of the Negro workers who are rapidly entering industry also introduces an element of weakness into the structure of American unionism. (5) Business unionism with its emphasis upon step-by-step policies is almost devoid of idealism. Practical opportunism does not inspire men and women, especially the youth of the land, to rally around a common standard with zeal and enthusiasm. Opportunism presents no attractive vision of lofty aspirations. Except in times of depression, it offers only a weak appeal to the emotions. The depression may serve to furnish American unionism with an inspiring objective.

TRADE UNIONISM VERSUS INDUSTRIAL UNIONISM

The form of organization of a union and the technique of industry are interrelated. The craft form is primarily the product of the period before the machine became a prime factor in industry. It represents a stratification of the labor movement. Having once organized in a particular manner, having formulated a constitution and by-laws, and its jurisdictional claims, the structure can be deformed only after considerable technical changes have taken place in the industry. Social inertia is a significant factor. In recent years, industrial technique has changed so rapidly that changes in union structure have lagged far behind. As the skilled workers see their trade position menaced by the machine, scientific management, and the green hand, and as they find it difficult single-handedly to win strikes or to make advantageous wage bargains, it may be anticipated that craft unionism with its emphasis upon trade demarcations will give way to a broader and more inclusive form of organization — industrial or an amalgamation of similar types of workers.

The future of American unionism also depends upon the flexibility of existing labor organizations. Will it be possible for trade unions to pass beyond amalgamation into industrial unionism as industrial units grow larger and as skilled trades continue to be

invaded by the machine? Will trade unions be willing to waive their jurisdictional rights and allow industries such as the automotive and the iron and steel to be organized by industry rather than by craft? There are many difficulties in the way; but time and the constant wearing away of trade demarcations may eventually lead to such a consummation. What are some of the difficulties in the path of industrial unionism?

The craft organization within the American Federation of Labor may constitute an actual barrier to the more complete organization of American wage workers. The particular interests and funds of craft unions, and the personal ambitions of the officers of such organizations are factors in delaying amalgamation or transformation into industrial unions. The trade unions are composed in a large measure of skilled men of the older immigration; the industrial union contains many unskilled workers who are of the more recent immigration. The skilled, of course, dominate the trade unions; but they might be outvoted in an industrial union.

Other forces unfavorable to the growth of industrial unionism, which are more positive and which partake less of mere inertia or of group distrust, may also be indicated. Wage workers do not constitute an impersonal mass of individuals; each one has his own desires, loves, hatreds, and experiences. The "wish for worth" which clings to each human indicates that organizations of labor must continue to stress the importance of the individual. This militates against the development of an extreme form of industrial unionism in which individual skills and abilities are conceded to be insignificant.

Again, if the machine age is carried to its natural ending, drudgery and mere routine machine tending or feeding will be eliminated, and the trend toward industrial unionism may be checked. Finally, under peaceful and fairly prosperous conditions an industrial union is likely to have its solidarity weakened. Differences of interest appear among the various types of workers, skilled, semi-skilled, and unskilled, aggregated into one union.

Trade autonomy and industrial autonomy are essentially antagonistic; but industrial unionism and trade unionism are not necessarily so. Industrial and trade unions might exist side by side, and for complete and effective organization both may be desirable. For example, the United Mine Workers controls all

mine workers; but stationary engineers working in coal mines ought also for their own protection to belong to the trade union of engineers. At least two reasons may be advanced in support of this contention. (1) An engineer belonging to a trade union may readily pass from the coal mining industry to some other. He is still a member of his trade union and may transfer from industry to industry as the labor market may indicate. If he is only an industrial unionist, he cannot readily seek work outside the coal mining industry. (2) In the event of a strike in the mining industry union engineers, or other trade unionists, will not take the place of those on a strike who belong to the same trade union. The building trades councils in various cities preserve trade organizations, but affiliate together somewhat like an industrial group.

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CHAPTER VII

THE MIGRATORY WORKER AND RADICAL GROUPS

THE MIGRATORY WORKER

Before the depression of 1929-1932, there were probably between one and a half to two millions of Americans who might fairly be classed as migratory. In 1930, over 700,000 farm laborers were recruited by the United States Employment Service and "directed to employment in cotton, wheat, berries, fruits, vegetables, potatoes, corn, sugar beets, hay, and many other important crops." The depression is doubtless adding to this great host of drifters. During the months of October and November, 1931, it was estimated that 1,200 "homeless and penniless men and boys" were daily coming in to California.¹ In the summer of 1932, a host of youthful hitch-hikers and tramps were on the highways of the nation. The migratory workers may be divided into two classes: the hobo and the tramp. The hobo is the true migratory worker. He is a restless toiler who does not remain long on a particular job. The tramp wishes to avoid work; but on occasions he will labor for a short time. In the hunting and fishing stage, the entire population was migratory and in the pastoral stage practically all were migrants. The early Hebrew tribes were the migrants of the desert. History records many mass movements of population. The racial background of modern people tends to produce migratory individuals. This crops out in spring fever, the desire to hunt, fish, wander, etc. The process of domesticating man to a fixed habitation, to a specialized or routine regular job, has been a long and painful process. The clock and regularity are new items in the life of the human race. By inheritance all of us are prone to travel irregularly, to wander, to be migrants, to travel. But training, the pressure of public opinion, and the necessity for earning a

¹ *The Survey*, June 1, 1932; *Labor*, June 28, 1932; *American Federationist*, July, 1932.

living, tie most of us to regular jobs. Many of us fail to understand the wanderer but many secretly admire and envy him. The Ford and the second-hand car are being used by migratory families.

Many of our basic industries demand migratory workers — agriculture, lumbering, and construction work. The Bureau of Labor Statistics estimated in 1928 that Kansas and North Dakota each required about 20,000 harvest hands from outside the state. The use of the combine is rapidly reducing the need for extra harvest hands in the wheat fields. In the picturesque language of another, the combine “goes around a field, cuts the wheat, thrashes it, throws away the straw, and drops sacks of wheat on a truck, and the harvest hand has followed the Indian, the buffalo, and the ichthyosaurus into the history of the wheat plains.”¹ If the harvest hand has gone to town to look for a job, he has not found one. A successful mechanical cotton picker will lead to revolutionary changes in the Cotton Belt; but an increased demand for seasonal help may be expected from the fruit-growing sections of the nation. Under present conditions, we continue to find seasonal jobs for the migratory worker. He is mistreated, fleeced, jailed, and ostracized; but he is needed in many sections of the nation. Judged by middle-class standards, the migrant is not a normal person. He is unblessed by the ties which today make the warp and woof of orderly society. American institutions were fashioned for the traditionally middle-class. The drifting and homeless worker does not fit into the scheme of things. The migratory workers are propertyless, homeless, voteless, drifting, despised persons. They possess no stake in life; they hold no property to make them cautious and conservative, they are without a cause or a country. The ethics of the migrant are simple. Life comes first. The migratory workers are not in touch with the complex forms of industry. A friend of the hobo insists that “there is always something wrong with a man who does not become a hobo. If a man is content to grow up, marry, work, grow old, and die in the same town where he was born, he is a congenital idiot.” The middle-class property owner and the restless hobo have little in common. It is exceedingly difficult for one to understand the point of view of the other.

The odd-jobber is the first cousin of the hobo. The odd-jobber

¹ Smith, J. R., *The Survey*, June 1, 1931, p. 334.

drifts from job to job but stays in the same town or locality. This unfortunate beats rugs, mows lawns, shovels coal, unloads or loads material, handles concrete, spades gardens, and shovels snow. From time to time certain manufacturing plants employ the odd-jobber. Nearly all of this type of workers are men over fifty years of age who have lost their former steady jobs. When not working, the odd-jobber is found on the streets, in the parks, or in cheap or municipal lodging houses.

THE INDUSTRIAL WORKERS OF THE WORLD

This is an ultra-radical labor organization; it represents the American syndicalist group. Its ambitious aim is to unite all of the workers of the nation into an industrial union committed to bitter opposition to the present industrial and political order. Its problem is to organize "one big union" by means of which the workers may be able simultaneously and repeatedly to cease working in one, several, or even all industries. The leaders of this aggressive, militant organization declare that unions grouped according to trades cannot cope successfully with large organizations of capital. The American Federation of Labor accepts the present industrial order and is trying to make good wage bargains with employers; the Industrial Workers of the World vehemently demands the abolition of the wage system and the elimination of the employer. This organization was formed in 1905. Soon after its formation, a bitter factional fight occurred, as a consequence of which another organization was brought into being. The constitution was changed so as to make it clear that the I.W.W. carried on its struggle against the existing order only on the industrial field; political action was repudiated. In August, 1910, the secretary-treasurer stated that the paid-up membership was 5,863. The financial resources were inconsiderable. "Our policy," wrote the secretary, "is not to have any as far as that is concerned, as we do not ever intend to have a treasury built up that will be an invitation for the employing class to confiscate." In January, 1917, the paid-up membership was said to have been 60,000; and an aggregate of 300,000 membership cards had been issued since 1905.¹ In 1929 the Bureau of Labor Statistics reported its membership to be 30,000. In the nineteenth convention of the organization,

¹ Brissenden, P. F., *The I. W. W.*, p. 339.

held in 1931, only seven official delegates were present. The membership of the Industrial Workers of the World has never been stable; few of the type of men who are attracted into the organization are able or willing to pay dues. However, its strength cannot be accurately measured by dues-paying membership or by the resources in its treasury. In 1932 this organization of highly individualistic men appeared to be approaching its dissolution.

The Workers' International Industrial Union, at one time known as the Detroit I.W.W., grew out of one of the early factional fights in the organization. The members of this group were closely connected with the Socialist Labor Party. Like the Industrial Workers of the World, the members of this organization believed that "the working class and the employing class have nothing in common"; but they favored the organization of toilers on the political as well as on the industrial field. They fight on both fronts. The Workers' International Industrial Union did not countenance violence. Its membership was always small. At the convention in 1924 only seven delegates appeared and the organization soon went out of existence. Theoretically, the Industrial Workers of the World is a highly centralized organization; but its membership has been composed of highly individualistic men who are difficult to direct and control. It has suffered from repeated factional struggles. As its name indicates, the industrial form of organization was adopted. Craft lines were obliterated. In one industry, the I.W.W. planned to group all workers of a given unit — machinists, molders, wood workers, and common laborers — into one industrial union. These industrial unions were to be united into departments subordinated to the general organization in which all workers in a given industry were to be included. In 1931 seven sub-groups or departments existed, at least in skeleton form — agricultural workers, coal miners, general construction workers, building construction workers, marine transport workers, lumber workers, and a general recruiting union.

The advocates of industrial unionism point out that the comprehensive plan proposed by the Industrial Workers of the World corresponds to the facts of modern industry. Craft unionism was adapted to small-scale industry in the days preceding concentration and integration in industry; but is obsolete at the present time. The employing corporation today controls a variety of workers of

various crafts, skilled and unskilled. Labor organizations, the argument runs, must likewise include in one compact union all the skilled and unskilled workers employed by that corporation. In the case of a labor dispute, an industrial union could paralyze a given industry. All workers could be simultaneously called out. The members of the Industrial Workers of the World care little about recognition of the union; they object to signing wage contracts with their employers which will in any way interfere with the sympathetic strike or with the right to strike at an opportune moment; and they emphasize the idea of the solidarity of all wage earners.

In a chart of reform organizations the Industrial Workers of the World appears at the extreme individualist end while another ultra-radical movement is placed at the collectivist end of the graph.¹ The Industrial Workers of the World does not believe in representative government or any other form of political association; it holds that "democracy is a social superfluity." The Industrial Workers of the World and the Communists are not adverse to the use of violence to accomplish their ends. According to the syndicalist, progress comes through revolution or catastrophe. Socialists believe in the ballot box and do not approve of violence except as a last resort. On the other hand, the I.W.W. leaders would "strike at the ballot box with an ax." Under the pressure of measures taken during and immediately after the World War to suppress the Industrial Workers of the World, the 1920 Convention declared that the organization "does not now and never has believed in or advocated either destruction or violence as a means of accomplishing industrial reform."² This appears to be a definite reversal of policy. The Industrial Workers of the World were ready, according to Vincent St. John, in 1911, "to use any and all tactics that will get the results sought."³ After 1920, the ultra-radicals began going into the Communist movement, and the Industrial Workers of the World became a slowly dying organization.

It is very difficult for the average American to discuss calmly and fairly the theory of Communism or of I.W.W.-ism. And it is still more difficult for the majority of middle-class Americans to understand or even to try to get the point of view of ultra-radicals who

¹ Carlton, F. T., *Economics*, p. 349. ³ *The I. W. W.*, p. 17 (pamphlet).

² Bimba, A., *History of the American Working Class*, p. 307.

scoff at practically everything that the former cherishes. The restless and bitter member of the Industrial Workers of the World is almost the opposite in personal characteristics of the complacent middle-class American; they have little in common. The basic idea in the doctrine of the revolutionary groups we are studying is that of a bitter class struggle. To the syndicalist, the class struggle is a necessary and a creative force. It tends, according to the revolutionist, to solidify and strengthen the masses for the eventual battle which is to overthrow completely the present social order. After the social revolution the problem of the syndicalist is that of eliminating all classes except the proletariat. All are to be leveled into one great class, controlled apparently by the syndicalist leaders, by the revolutionary elect. Like other radicals, the leader of the Industrial Workers of the World has been perfervid in expression but has neglected to work out a constructive program. The syndicalist as well as the anarchist appears to be looking backwards toward a simple integrated or non-independent society for his ideals of government.

I.W.W.-ism and Communism strike hard at all that the middle-class considers sacred or desirable. The ultra-radical wishes his movement to be purely working-class. In Russia the Communist movement has flourished among the industrial workers of the cities. The American Industrial Workers of the World is composed largely of the unskilled and migratory, or drifting, workers. The workshop group is to replace political parties. Patriotism is frowned upon; it is held to be a middle-class virtue, and therefore bad. "The workingman's country is where he finds work." Economic interest is the only tie, according to the revolutionists of the type we are studying, which can firmly bind men together. All other ties, such as nationality or race, are illusions fostered by the despised middle class.

Property rights are sneered at as inventions of the middle class. A former prominent member of the Industrial Workers of the World has clearly presented their point of view: "Why should we hesitate about destroying property? It is not ours. Instead, the employer uses it to our disadvantage whenever he can. Furthermore, he isn't careful about our property, our physical and mental power, the only property we have. He sends us into the mines as children without a semblance of an education, speeds us up, underpays us,

wears out our bodies, and then, without a thought for our well-being, throws us on the scrap heap or abandons us to the poor-house when we are no longer useful.”

Americans have complacently asserted that the middle class throughout our history has constituted the backbone of American society. The average citizen has felt that the ideals of America are those fostered by the great middle class. The following quotations from one of the *intellectuals* among American revolutionists may come as a distinct shock to some. Certainly, here is disclosed a point of view which is very, very different from that so often expressed by well-known Americans living and dead: “The middle class is a natural-born palterer. Fearful of going wrong, it doesn’t go. . . . The middle class mind makes for mediocrity. Let this pestilence gain entrance in a nation, it is all up with the people. To be comfortable becomes for them life’s be-all and end-all. . . . They settle into gregarious nonentity — ciphers, blanks, negatives. Trimmers, who run with the hare and hunt with the hounds and are blotted into one mass of indistinction. . . . The middle class is a ‘betwixt and betweener.’ It is always on the fence. The effect of middle-classism is seen ‘in narcotizing the soul and putting heroism to sleep.’”¹ This is not pleasant reading for those of us who claim to be members of the middle class.

The revolutionist believes that his ideal makes a fine appeal to the heroic and altruistic in man. “Man is not so exhausted as to act reasonably.” Progress comes in the “clash of irreconcilables.” The militant in man is appealed to; compromise is scouted as the policy of the weakling and the mollycoddle. Society is to be altered and regenerated by a fierce struggle. And after the smoke of the social revolution has cleared away, apparently a utopia of some not well-defined sort is to be anticipated. But Russia is far from being a utopia under the régime of the Communists. As a consequence of the emphasis upon the militant in life, the class struggle and the general strike are looked upon with favor. Any measure which will stimulate class antipathy, which will aid in giving the workers a vision of working-class solidarity, will help in carrying out the “great and sublime mission of renovating the world.” A strike is considered to be a means of harassing the employing class and of giving solidarity to the workers. According to the syndi-

¹ White, B., *The Carpenter and the Rich Man*, Chap. 8.

calist, there should be no careful middle-class-like weighing of the consequence of a strike. It should come as a hot outburst of passion. A strike should spell sacrifice in a common cause; out of sacrifice grow working-class unity and enthusiasm.

The following statement clearly presents in a few words the theory of the syndicalist: "The syndicalist is to prepare for a new world in which he, the producer, will have the upper hand, and the other class, overcome by means of the general strike, will be forced to capitulate. In that new world there will be no authority either of the State or of masters. All work will be looked upon of one value; property will be abolished; men will be associated in small federated groups."¹ One of the former leaders of the Industrial Workers of the World painted this picture of that militant body: "One great organization — big enough to take in the black man; big enough to obliterate national boundaries, and one which will become the great industrial force of the working class of the world." Society, the old-line trade union, and too often the church, have forgotten the common man, the unblessed, the workers at the bottom of the heap. The I.W.W. appeals to such because of the emphasis upon brotherhood. Its leaders skillfully connect the general strike and industrial chaos "with the overarching thought of a world brotherhood."

THE COMMUNIST

In 1919, two groups of left-wing or radical Socialists left the Socialist Party and organized the Communist Labor Party. These two factions were united in 1921 under the name of the Communist Party of America, later called the Workers' Party of America. In the Presidential election of 1924, the Workers' Party polled over 33,000 votes; in 1928 the vote was approximately 48,000, about 23 per cent of which was polled in the state of New York. The vote in the election of 1930 registered a large increase over 1928.²

The Workers' Party is a part of a world-wide Communist movement dominated in a large measure by Russian influence. The 1928 platform of the party expresses contempt not only for the two major political parties but for the American Federation of Labor, the Progressives, and the Socialists. These statements are selected

¹ Lewis, A. D., *Syndicalism and the General Strike*, pp. 11-12.

² *House Report 2290*, Seventy-first Congress, Third Session.

from the platform: "These 'progressive' Senators and Congressmen are in many respects more dangerous enemies of the workers and working farmers than the official spokesmen of big business, because they hide their capitalist face and create illusions in the minds of the masses." "Under the leadership of the most corrupt trade-union bureaucracy in the world the A. F. of L. has become mainly an organization of the labor aristocracy, an instrument of class collaboration with the bosses instead of a means of struggle against big business." "The Socialist Party of today is for the protection of capitalist law and order, is against revolution, is against the working-class government of Soviet Russia, and supports every measure of the A. F. of L. bureaucracy for class collaboration."

"The Workers' (Communist) Party is today the only genuine working-class party. It is the sole party which has a program for the workers and working farmers. It is the only party which conducts a relentless struggle against capitalism, against the old parties of the bosses and against the corrupt labor bureaucracy and the treacherous Socialist Party." The original program of the party in regard to labor organizations was that of "boring from within," that is, to gain control of existing labor organizations. Recently communist unions have been organized in opposition to the old-line unions. The Socialists and the Industrial Workers of the World have from time to time made efforts to gain the adherence of the Negro; but little has come of these efforts. The Workers' Party is making a definite bid for the Negroes and for all groups oppressed by imperialism or other manifestations of capitalism. It is insisted that racial prejudice and discrimination are outgrowths of the present order. This seems to be of doubtful validity although there seems to be no instinctive or inborn racial prejudice. The Negroes feel that the economic discrimination manifest in getting jobs is especially insisted upon by the rank and file of white workers. Certain Negro leaders are of the opinion that the well-to-do and the employing group are better friends of the Negro than are the white workers — hence the reluctance of the Negro to join labor organizations or radical parties.

THE SOCIALIST PARTY

Socialists do not organize labor organizations; their efforts are confined to the political field. The Socialist Party was formed as a result of a split in 1899 in the Socialist Labor Party. It assumed its present name in 1901. In 1912, the Socialists polled nearly six per cent of the total vote, but in 1928 the percentage dropped to about three-fourths of one per cent. In 1924, the Socialists supported the Progressive ticket headed by Senator La Follette. The Socialists assert that under the capitalistic system many are exploited in the interests of the few. They would have the government take over all public utilities and other large industries and operate them in the interests of the community. The Socialists do not believe in equality of wealth and income but they do stress equality of opportunity. They would strengthen rather than weaken the functions of government. Socialists do not advocate violence. The Socialist Labor Party has never exhibited much strength. In 1928 it polled about 21,000 votes.

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CHAPTER VIII

EMPLOYERS' ASSOCIATIONS

WHAT ARE EMPLOYERS' ASSOCIATIONS?

Owners of capital have from time to time fostered a variety of combinations — corporations, pools, “trusts,” holding corporations, trade associations. These forms of capitalistic organization have developed under the pressure of competition and of opposition as measures of self-defense. In many instances, they have attained monopoly power and have become inimical to the welfare of other groups. The employers' association is one more form of organizations of capitalists or of employers. The pool, the trade association, or the “trust” is formed to deal with all sorts of technical or financial matters — buying, producing, and marketing. The employers' association is a combination of business establishments evolved for the express purpose of dealing with or fighting labor organizations. The employers' association uses methods similar to those used by labor organizations in admitting and rejecting members. On occasion, each may resort to the boycott, use spies or pickets, attempt to regulate output, or strive to determine wages or prices.

United and concerted efforts on the part of wage workers lead to the unification of the employers and vice versa. During the trade union activity of the thirties and of the sixties, small and ephemeral employers' associations appeared to oppose the labor organizations. Like the labor unions of those decades, the associations of employers were usually local and not controlled by a strong central authority. They were organized only when labor was temporarily well organized and aggressive. With the weakening of the union's strength, the bonds which held the competing employers together were broken. Strong and permanent employers' associations come into being contemporaneously with national and permanent labor organizations. Indeed, an extensive system of collective bargaining

or of trade agreements presupposes the existence of an organization of both employers and of employees.

TYPES OF EMPLOYERS' ASSOCIATIONS

Employers' associations are of two rather distinct types. One class is organized in order to bargain successfully with the organizations of their employees. This style of association recognizes labor organizations to be legitimate and seeks to work more or less in harmony with them. The second class is bitterly antagonistic to labor organizations. Although usually declaring that they are favorable to "legitimate" labor organizations, the members of the second class of employers' associations are actually opposed to the practices which the average unionist holds essential to the success of organized labor. They favor unions of the weak type which do not strenuously strive to shorten the working day or to raise wages, that is, they favor a union which does not interfere with large profits and which teaches contentment with existing conditions. The first type aims to check the abuses and excesses of organized labor; the second is hostile to the fundamental principles of unionism and wishes to extirpate or emasculate unionism. The trust or large corporation does not need to enter an employers' association; it is itself virtually such an association. Our great railway systems may be placed in the first class of associations. Certain large corporations, many city associations of employers, and a group of special trade associations must be classified as "union-smashing" associations.

So long as wages and conditions of labor are fixed by means of a bargain between the employers and their employees, a strong union should be balanced by a strong employers' association. A strong organization of either employers or employees, if unchecked by an opposing organization, will inevitably make unreasonable and excessive demands. Opposition purifies a political party, and it improves the character of an association of employers or of wage workers. Since the first class of associations is formed to treat with labor organizations and to check the arrogance of unopposed trade unionism, its members consider the employment of labor to be a simple business proposition. The first important national association of employers was the United States Potters' Associa-

tion, formed in 1875. The Stove Founders' National Defence Association, now called the Manufacturers' Protective and Development Association, was organized in 1886. The success of this association in making formal wage contracts with the employees engaged in the stove industry¹ stimulated the formation of other comprehensive associations of employers. The National Founders' Association was formed in 1898, the Dock Managers' Association in the same year, and the National Metal Trades' Association in 1899. This class of organization was perhaps most prominent in the middle of the first decade of this century. In 1905, "in the seven great industries of stove and furnace manufacturing, metal foundry work, lake transportation, machine construction, publishing and printing, marble cutting, and ready-made clothing manufacturing, strong national associations "treated with similarly organized unions of employees, and drew up contracts relative to the condition of labor in the respective industries." In addition, many localized associations exist such as associations of coal operators which treated with the United Mine Workers, and the various employers' associations in the building trades and in the clothing industry.² Soon after the turn of the century an unfriendly spirit toward unionism began to be manifest. It has been pointed out that an association of employers willing to bargain with labor organizations might control an entire industry. Associations of labor and of capital united could raise prices, and divide the plunder in the form of higher profits and of higher wages.

The type of employers' association hostile to organized labor is represented by such national bodies as the National Association of Manufacturers, the League for Industrial Rights, and the National Metal Trades' Association; it is represented locally by city associations of employers such as the Associated Employers of Indianapolis. These anti-union employers' associations have not only been antagonistic to revolutionary unionism, but they have fought bitterly against the American Federation of Labor and its affiliated unions. This type of employers' association is against all unions which have "teeth." A parallelism may be discerned between labor organizations and employers' associations.³ Each has a

¹ See Chapter 13.

² See Chapter 13.

³ This is denied by C. E. Bonnett in his book *Employers' Associations in the United States*, p. 17.

defense fund; each controls its members more or less rigidly; each employs business agents called walking delegates or commissioners or secretaries; each is organized along trade lines into local and national bodies; and in each the individual on becoming a member must surrender in a large measure his right to determine the conditions under which his work as employer or employee will be performed. Each emphasizes solidarity of organization and the duty of all concerned to join with their associates. The following quotation from a publication of an employers' association illustrates the point. "Every desertion from their [employers' association] membership not only weakens the association and the member who quits, but it weakens the power of those who remain in the association to render service. . . . The employer who does not meet his share of the responsibility in maintaining and assisting the development of such associations is blind to his duty."¹ This statement almost exactly indicates the feeling of unionists toward the non-unionist. The anti-union employers' associations oppose collective bargaining with unions, demand the "open shop," insist upon freedom of contract, object to restriction of output by workers, and condemn the strike and the boycott. The attitude assumed is highly individualistic. The leaders of the group overlook the changes in relations between individuals which the growth of large corporations and of economic independence has forced upon the nation. They think in terms of the last quarter of the nineteenth century.

The National Association of Manufacturers was organized in 1895 for the chief purpose of building up export trade in manufactured goods. By 1903 it had become aggressive in its opposition to organized labor. In 1903 the President of the Association made a bitter attack upon unionism. "Organized labor knows but one law and that is the law of physical force — the law of the Huns and Vandals, the law of the savage. . . . It is, in all essential features, a mob power knowing no master except its own will. Its history is stained with blood and ruin."² From that time to the present the National Association of Manufacturers has insisted that employers

¹ *Law and Labor*, Oct., 1921.

² *Proceedings, National Association of Manufacturers*, pp. 7-20. Quoted in Taylor, A. G., *Labor Policies of the National Association of Manufacturers*, pp. 35-36.

should be "unmolested and unhampered in the management of their business." Its attitude and that of other anti-union associations only echo and re-echo the pronouncements of employers' associations of earlier days. In 1864 the Iron Founders' Association of Chicago and vicinity declared in a circular: "But when employees seek to enter the sphere of employers and to dictate to them in the management of their business, it becomes not only the *right*, but the *duty* of employers to check and suppress such movements by any lawful means." The present leaders tell us that unions are a menace to American institutions when they insist upon the closed shop, or use the "un-American" boycott and that organized labor is trampling "in the dust the natural and constitutional rights of our citizens." The League for Industrial Rights, originally the American Anti-Boycott Association, "limits itself mainly to the special field of law and legislation." The National Metal Trades' Association and the National Founders' Association are examples of employers' associations in limited fields of industrial enterprise. The Associated Employers of Indianapolis is an aggressive anti-union local employers' association. It is somewhat analogous to a city federation of labor.

The National Industrial Conference Board is a loosely united federation of trade and employers' associations, organized in 1916. Its work is largely that of research into the field of industrial relations. Reports have been made on changes in the cost of living, wages, taxation and public expenditures, and a variety of other topics. The National Civic Federation is an important and unique private organization devoted to the promotion of industrial peace. It was organized in 1901. The avowed object of the Federation is to obtain coöperation between employers, employees, and the public. These three classes are represented upon the executive committee of the organization. It has been favorably inclined toward the American Federation of Labor, but it has made bitter attacks upon Socialism and upon radical and revolutionary labor movements.

THE LABOR SPY

The opposition of employers' associations to unions has made possible the growth of organizations or businesses prepared to furnish labor spies and strikebreakers. It is difficult to ascertain

the extent of this anti-union activity; but establishments have existed whose sole business has been to furnish spies and strikebreakers. One company advertised that it made "a specialty of furnishing union and non-union men and women for secret work." Men in good standing in unions have been found to be in the pay of organizations providing spies and strikebreakers. Reports are regularly made to the management of the plant in regard to unrest and the activities of union men. If no trouble exists, it may reasonably be anticipated that the spy will help foment unrest and strife. "Disturbers of the peace" may be located and quietly discharged. The spy system is a distinct menace to the development of goodwill and friendly relations between management and men; but it is desirable that the management be informed as to real and imaginary grievances. It is properly a part of the job of an industrial relations or personnel department to work out an adequate technique of fact-finding in the realm of industrial relations.

It has seemed clear for years to students of the labor situation that two groups of bitterly hostile and militant organizations do not make for industrial goodwill or efficiency. The employer or association of employers, willing to make an honest attempt to work with groups of employees bound together in unions or in virile shop committees, is following a constructive policy. Efficiency, goodwill, and mutual respect cannot be obtained by repressive measures, by injunctions, or through autocratic control.

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CHAPTER IX

POLICIES OF LABOR ORGANIZATIONS

ADMISSION TO MEMBERSHIP

As a rule any competent person actually working at his trade or occupation may gain entrance to the labor organization in his particular trade or industry. The American Federation of Labor and certain national unions employ salaried and voluntary organizers. The business of the organizer is to induce non-unionists to enter the organization. The organizer emphasizes the benefits accruing to members of the union. If persuasion fails, coercive measures may be employed. The refusal to work with non-union men, or to work upon goods produced by them, may cause non-unionists to apply for membership in a labor organization. Many obstacles confront the typical labor organizer. Unless he is a salaried official of a national union, he is liable to be discharged by his employer because of his union activities. The individualism of many workers causes them to be reluctant to join a union and become amenable to its discipline. Others object to paying union dues. It is often difficult to get the workers' or the union point of view before the public. Many newspapers are either anti-union or indifferent toward unionism. Consequently, the pressure of public opinion is frequently directed against unionism. In certain instances, the efforts of organizers have been checked by the use of injunctions. American business unionism with its emphasis upon a step-by-step program does not appeal to the idealism of the younger workers.

A union which aims at the determination of minimum wages and the reduction of the length of the working day uses tactics similar to those employed by a large combination of business units. It tries to induce all workers to come into the union fold; but failing in that endeavor, it attempts to force the recalcitrant ones out of the trade or occupation. In actual practice, certain unions exclude women, Negroes, or aliens. Some unions composed of skilled men

restrict their membership by charging high initiation fees. It is not uncommon in the building trades to charge initiation fees equal approximately to the wages for one hundred hours of work. High initiation fees are justified on the ground that the union has obtained, through united and sacrificial efforts, higher wages and better working conditions. Persons joining the union get the benefits of the past endeavors of the organization. Consequently it is fitting to ask incoming members to pay well for the privilege of membership. In some organizations the local union may impose restrictions in addition to those required by the national body. Candidates are admitted to membership by the votes of a local.

JURISDICTIONAL DISPUTES

The recurrence of quarrels "within the family" has been considered by labor leaders to be "the one dark cloud" on the union horizon. Since a trade union is primarily a grouping of craftsmen, the drawing of lines clearly marking the boundaries of its jurisdiction becomes of vital importance. Encroachment on its field of jurisdiction tends to reduce the jobs available to members and ultimately to diminish the membership in the union. And the job is of first importance to the wage worker of today. So long as workers remain trade or craft conscious and new methods of doing work are from time to time introduced, the jurisdictional dispute will continue to be a cause for dissension within the ranks of trade unionists. In case of a change in the methods of doing work affecting two or more crafts, each craft is eager to enlarge the jurisdictional limits applying to its members. Each national union lays claim to certain specific kinds of work or types of workers. The United Brotherhood of Carpenters and Joiners claims jurisdiction over all branches of the carpenter trade, "all milling, fashioning, joining, assembling, erecting, fastening, or dismantling of all material of wood, hollow metal, or fiber, or of products composed in part of wood, hollow metal, or fiber, the laying of all cork and compo, all asphalt shingles, the erecting and dismantling of machinery and the manufacture of all wood materials where the skill, knowledge, and training of a carpenter are required, either through the operation of machine or hand tools." The jurisdictional dispute in the field of organized labor is a parallel to sectional strife

in the American political field; and as internal disputes in the nation are overlooked when foreign nations menace, the jurisdictional quarrel is forgotten when employers' associations and giant corporations prepare to crush labor organizations. In the face of opposition, unions are less likely to fritter away their strength fighting each other.

Jurisdictional disputes are of two general types: (1) Between trades over the demarcation of their boundaries, and (2) industrial versus trade organizations. Demarcation disputes may be subdivided into two classes. (a) Two well-established unions may lay claim to certain forms of work lying in the borderland between the two trades. For example, shall carpenters or sheet-metal workers hang iron doors? Shall the structural iron workers or the elevator constructors have the job of installing escalators? Will the use of colored plaster precipitate a conflict between the plasterers and the painters? In disputes of this type, the group selfishness of the workers is in evidence. Each group or trade strives to get the greatest amount of work possible without much regard for the rights of the other groups. Employers are often interested in the dispute because they are anxious to assign, wherever possible, the work over which there is a controversy to the union receiving the lowest rate of wages. (b) As specialization in industry developed, trades that were formerly unified were split into a variety of allied trades. The printers' trade has been split into different trades. New craftsmen have appeared, such as the pressmen, electrotypers, and linotype machine operators. Such new groups struggle for independent recognition, and new organizations may be differentiated out of the parent group. Jurisdictional disputes between trade and industrial unions arise because the latter claim all men working in a factory or a mine irrespective of craft or trade demarcations.

The importance of jurisdictional lines to the old-line trade unionist is illustrated by the attitude taken toward the classification of federal employees in mechanical trades. A long discussion about the matter took place in the 1931 Convention of the American Federation of Labor. Opposition was voiced by the Executive Council, and concurred in by a large majority of the delegates present. It was feared that the classification by the personnel experts of the government would differ from the jurisdictional lines

claimed by the different unions. It was also urged that such a program would result in minute classification with varying wage rates, thus threatening the solidarity of certain labor organizations. The union definitely committed to the proposed classification was the National Federation of Federal Employees which soon after severed its connection with the Federation. One of the delegates opposing the plan of classification seemed to see in the proposal the idea of "one big union in the government service," cutting across craft lines and nullifying jurisdictional claims. Evidently such a consummation would lead to the absorption of all federal workers by the National Federation of Federal Employees; and such a step is felt to be inimical to the interests of the established trade unions.

THE INTRODUCTION OF MACHINERY

Wage workers, as well as other human beings, dislike innovations; they cling tenaciously to the things with which they are familiar. The unionist fears the effect of new machinery and new processes even more than he fears the non-unionist. The new machine or the new method of doing work breaks down a craft or an established way of working; it endangers the accepted standards of wages, of working conditions, and of jobs. The introduction of machinery or of unfamiliar methods into any occupation requires a new discipline. The increasing mechanization of industry has caused a substitution of teamwork for individual performance. The machine requires steady and speeded-up performance; the pace is set by the machine. In well-managed plants there is no waiting for materials and little chance for a brief friendly talk with other workers. The introduction of the machine usually brings with it monotony and boredom. The well-developed machine industry introduces system and more "bossing" than was customary in the pre-machine days. The leisureliness of a handcraft group is lost. There may be more of leisure outside of working hours; but there is less of leisureliness during the working period. The traditional attitude of the organized and unorganized wage earners toward the introduction of machinery has been one of hostility. History records many instances of the destruction of new machines by mobs of workmen fearful of displacement by the machine. The pack-

horse men in pioneer days objected to the introduction of the stage-coach and the wagon. "Strong-arm" methods were not unknown. An anonymous pamphlet,¹ published in 1831, declared that the pernicious effects of machines "far exceed all other grievances." "Unrestrained machinery demoralizes society, it substitutes idleness for industry, want for competence, immorality for virtue. . . . It has created taxes." The wage earners have often faced the destruction of a skilled trade and the reduction of wages; and they have felt that invariably the benefits of improved machinery accrue to the employer and to the consumer. Various unions have bitterly opposed the introduction of machinery, and have refused to allow union men to operate machines. Organized labor has been more successful in preventing the reduction of wages than in preventing the introduction of machinery, and in recent years has been gradually forced to accept the view that opposition to the introduction of machinery is in the long run futile. A new attitude toward improved machinery is being assumed. The unions are demanding that only union men operate machines and that wages shall not be reduced or that wages shall be increased. In this manner, organized labor aims to prevent the displacement of union men, and to gain a share of the benefits derived from the use of improved methods. The best example of this policy is found in the printing trade. The national unions in the glass industry and in the iron molding trade have attempted to follow the example of the printers, but their success has been less marked.

Before 1890 typesetting was a handicraft art which had undergone few changes since the introduction of printing. During the decade of the nineties, machine composition rapidly displaced hand typesetting. The invention of the linotype machine revolutionized the typesetting branch of the industry. The International Typographical Union did not oppose the introduction of the linotype, but demanded jurisdiction over it. At the annual meeting held in 1888, when only about 100 linotype machines were in operation in the United States and Canada, resolutions were adopted recommending "that subordinate unions . . . take speedy action looking to their recognition and regulation, endeavoring everywhere to secure their operation by union men upon a scale of wages which

¹ *Letters to the Present Generation on the unrestrained use of modern machinery.* (In New York Public Library.)

shall secure compensation equal to that paid hand compositors.”¹ Although the members of some locals were reluctant to learn to operate the machines, the national union has steadfastly adhered to the policy outlined when the linotype first appeared.

The success of this policy has been very pronounced. In 1904, 94½ per cent of the male linotype operators were members of the union. Wages have been maintained and raised in spite of the introduction of the typesetting machine; the length of the working day has been reduced, and the amount of unemployment because of the change in methods was diminished. The most notable gain has been in shortening the length of the working day, since the strain upon the operator of a linotype is greater than upon the hand compositor. The union has shared with the employers and public in the benefits of improved methods. If organized labor in other industries can as successfully carry out a similar policy in regard to the introduction of new machines and methods, the vexed problems centering around the introduction of machinery and the displacement of skilled workers would seem to be approaching solution.

What forces enabled the typographical union to maintain firm control over the trade in the face of the introduction of the linotype? Some labor leaders have attributed the success of this policy solely to the strength of the Typographical Union. If these opinions are well founded, the cigar makers, the glass workers, or the iron molders can successfully face the introduction of machines into their industry by strengthening their organizations and by following the course pursued by the printers. The latter, however, had certain strategic advantages when they confronted the typesetting machine.² (a) The greatest strength of the union came from the control of the large newspaper offices. The boycott would be a particularly effective weapon against a newspaper in case of a serious labor dispute. (b) The linotype was first introduced into the large newspaper offices. As its use spread to the smaller offices, the latter were enabled to get a supply of skilled operators from the large offices. (c) Unskilled operators have not proved successful in operating the linotype. The hand compositor's knowledge is

¹ Barnett, G. E., "The Introduction of the Linotype," *Yale Review*, Vol. 13, p. 268.

² Barnett, G. E., *Yale Review*, Vol. 13. Reprinted in Commons, J. R., *Trade Unionism*.

very useful to the machine operator. The third consideration is of great importance because in the majority of cases the introduction of machinery reduces the quality of workmanship required in the manufacture of the product. The linotype operator, on the contrary, "must know the same things" as the hand compositor, and he "must think far more rapidly." These considerations lead to the conclusion that labor organizations in the other trades, although using the same tactics, may not be able to cope with the introduction of machinery as successfully as have the printers.

COLLECTIVE BARGAINING

Labor is organized primarily because it is vitally interested in the amount, method, and time of remuneration for the labor of wage earners. Under normal conditions and in small-scale industry wages are directly determined as the result of a bargain between the individuals furnishing the labor power and those furnishing the capital. There are two forms of wage bargaining — individual and collective bargaining. If each individual member of a group of employees makes a separate and independent bargain with his employer, the method of individual bargaining is employed. If the employees or a group of employees organized as a union send representatives, usually union officials, to bargain with the employing corporation and an agreement is reached which fixes for a definite period a standard wage for each group of workers or each class of work, the method of collective bargaining or trade agreement is used. The agreement is a "memorandum of the rates of pay and regulations" which govern for a designated period the management in its relation with such of its employers as are covered by the collective bargain. A bargain between a local shop committee and an employer is often called collective; but a shop committee is not usually in a position to bargain on a plane of equality with the employer. The ability to require the collective bargain is the crucial test of unionism. Labor disputes in an industry in which collective bargaining prevails are large-scale; single workmen cannot be dismissed and replaced because of controversies over the wage bargain. The employer faces the loss of all or a considerable fraction of his employees in case of a dispute in regard to wages.

Individual capitalists have found coöperation with each other advantageous. As a result, great corporations have come into being. The individual unit is merged into the more complex legal unit. The individual investor now delegates his rights and powers in regard to the control and management of the business into the hands of representatives — directors, managers, and foremen. The members of labor organizations maintain that a bargain between individual workmen and the representatives of consolidated capital is of necessity unfair. The trade union is a combination among wage earners which corresponds to the corporation in the case of units of capital. The wage bargain can only be equitable when representatives of the wage earners face representatives of consolidated capital. Accordingly, it is maintained that the system of collective bargaining is simply an outgrowth of business consolidation. The workers are forced to unite and to bargain unitedly, or to face dangerous competition among themselves and to suffer reduction of wages. The refusal on the part of the superintendent of a large factory to bargain with representatives of his employees is as absurd and unreasonable as would be the demand on the part of the employees for direct negotiations with the stockholders of the company represented by the superintendent.

Collective bargaining enables workers to help themselves and thus reduce the necessity of governmental or paternalistic action. It is in harmony with the modern tendency toward organization. The history of collective bargaining, however, has burdened the process with a psychology of struggle. It alone or unmodified is insufficient to bring about teamwork in industry; and teamwork is especially needed between management, men, and government. Collective bargaining can and should be made a means of promoting harmony within an industry. A fair bargain — one between bargainers nearly equal in strength — will aid in developing mutual respect; it is a potent factor making for industrial peace.

Collective bargaining usually results in the acceptance of a standard wage and in definitely prescribed working conditions for a particular kind of work or workshop. The employee is protected against the tendency to “nibble” at wages. Competition in regard to wages is limited and greater stress is laid upon efficiency and upon quality of product. Competition continues but it continues in accord with certain rules of the game. These rules tend to

eliminate the sort of cut-throat competition which causes the deterioration of the product and the gradual lowering of the wages of the workers. Employers have argued that collective bargaining tends to reduce workers to a dead level of mediocrity and consequently to retard progress. Organized labor believes that employers antagonistic to unions might use gradation of wage rates as a weapon against unions; such a practice might be used so as to weaken the solidarity essential to unionism. Gradation or classification of workers might also be used as a cloak to cover stealthy reductions in the average rate of wages. It has been urged by writers on personnel policies that "the collective bargain offers the only real protection to the employer against his natural impulse to economize in the easiest but ultimately the most expensive way," namely, to cut wages resulting in poor work, illwill, and inefficiency.¹

THE CLOSED SHOP

An open shop is one in which union and non-union men work or may work side by side. In a true open shop, no discrimination is practiced against either union or non-union workers. As a rule, it is very difficult to maintain. Employers may be inclined to discriminate against union men in hiring or in discharging, or the union men may put pressure upon the non-union workers in order to force them into the union. The real open shop may live year after year but in most industries it is in the state of unstable equilibrium. If employers standing for the true "open shop" will forgo the right of arbitrary discharge, if they will place the final question of discharge in the hands of an adjustment committee, as in the clothing trades, composed of representatives of both sides then the employing group may come before the country with clean hands. But so long as they demand the open shop and the right of arbitrary discharge, and refuse collective bargaining, union men cannot be expected willingly to give up the demand for a closed shop.

At least three distinct types of the closed shop may be found: (a) *The Anti-Union Shop*. The anti-union shop is closed to the union man. The employer will not knowingly hire a union man, and he will discharge any employee who openly joins a union. Frequently,

¹ Tead, O., and Metcalf, H. C., *Personnel Administration*, p. 468 (1920).

the applicant for a job in an anti-union shop is required to sign a card stating, among other things, that he is or is not affiliated with a labor organization. In many cases, the job seeker is asked to sign a statement to the effect that he will not join a union while in the employ of the company. This is the famous or infamous "yellow dog" contract. Many bitter opponents of the other forms of the closed shop are ardent advocates of the anti-union form of the closed shop. They call their factory an open or a non-union, not a closed, shop; and they have much to say about the tyranny of the closed shop when closed by the union. (b) *The Closed Shop with the Open Union*. The employer is allowed to hire whomsoever he desires to employ; but the new employee, if not a member of the union, must become affiliated with it. (c) *The Closed Shop with the Closed Union*. The employer is restricted to the membership of the union for new employees. This is the highest form of "unionization" of an establishment. Men who lose their good standing in the union must be discharged. If the union requires a large initiation fee or insists upon rigid apprenticeship rules, this form of the closed shop is highly monopolistic in character. Hereafter, the first form will be called the anti-union shop, and the second and third will be termed the closed shop.

The rules governing the closed shop are enforced by means of one of two methods — the card system or the check-off system. The card system is used most widely and is the more difficult system to carry out effectively. Union officials must inspect the shop from time to time, and appeal to the foreman or superintendent to discharge all employees who have not paid their union dues or who for any other reason are no longer in good standing in the union. Under this system, the union officials must frequently exert pressure in order to compel individual members to pay their union dues.

The check-off system is chiefly used in the bituminous coal mines. The supervision required by union officials is very slight. The company agrees to deduct from the pay of its employees the fees, fines, and irregular assessments levied by the union. These sums are turned over to the treasurer of the union. Under this system the employee always remains a paid-up member of the union, because the employer has a standing order to deduct the union's fines and dues from the wages of the employee. From the standpoint

of the union, the check-off system is a very efficient method of holding its members and of collecting the dues and fines. Two reasons have been presented for the restricted application of the check-off system. (1) The union desires to be less dependent upon the employers of its members. (2) Many employers are not anxious to assist in unionizing their establishments. However, very little friction seems to have arisen in the limited number of establishments in which it has been tried.

The closed shop is a product of mutual distrust and antagonism between employers and employees. Organized labor has little confidence in the employer who demands an open shop in the name of liberty and freedom of contract. The union man believes, and not without reason, that this oft-repeated appeal to the traditional rights of the individual conceals the sinister motive of keeping down the wage level and defeating the aims of organized labor for the betterment of the wage earners. The employers distrust their employees who demand a closed shop. They urge that the union wishes to control the labor supply and to dictate the conditions governing the operation of the plant. The opponents of the closed shop also proclaim it to be un-American, monopolistic, and unfair to the unorganized workers. The following quotation from a trade journal is a fair sample of the sentimental appeal made in favor of the open shop. "The open shop is a concrete example of the spirit of American institutions and represents that liberty which, on a larger scale, our fathers fought for. . . . The open shop allows a mechanic to take personal pride in his work and makes the amount of his earnings dependent solely on his skill and industry. . . . The open shop stands for American manhood." The advocates of the closed shop declare that the open shop in many industries means low wages, the long working day, over-driving, and insanitary working conditions. As Professor Commons pointed out several years ago, in industries in which labor organizations consent to open shop agreements year after year, three conditions appear to be essential: (a) Strong and well-disposed organizations must exist among both employers and employees. (b) The employer must pay the same scale of wages to both union and non-union men. A definite rate must be agreed upon and no attempt be made to cut the rate. The railways have almost universally adopted this practice. (c) All unsettled complaints

must be referred for settlement to a joint conference composed of representatives of the union and of the employers. Unions having full treasuries and emphasizing insurance features do not, as a rule, place as much dependence upon the closed shop as do those which are financially weaker and which do not pay benefits. In trades in which a long term of apprenticeship is necessary or required, the demand for the closed shop is not notably insistent.

The two arguments in favor of the closed shop are "sentimental" and economic. According to the first method of justifying the closed shop, wages have been raised and conditions of labor within a given trade improved as the result of the efforts and the sacrifices of the members of labor organizations. All workers in a trade are benefited; and "he who is benefited should bear his share of the expenses of the benefactor." The man who refuses to join the union and bear his share of the expenses necessary to the success of the union's policies is a parasite and deserves to be excluded from employment. Through the efforts of labor organizations, unionists expect not only to help themselves, but indirectly to aid all wage earners. Viewed through these spectacles, the non-unionist or "scab" strikes a blow at the hearthstone of every worker in the land when he refuses to conform to the program of the union. At best, the "scab" is an extremely short-sighted man, and one who must not be allowed ruthlessly to take away such advantages as have been gained by labor organizations. According to a spokesman of organized labor,¹ "a worker who insists on his personal rights irrespective of the rights of others, to work for whom he pleases and on terms which please him, is the anarchist of industry, as are those who praise and protect him in his assumed right." Thus are the sacred rights of pioneer America pushed aside for the new point of view in a modern machine-dominated world. This sentimental argument in favor of a closed shop is closely paralleled by a statement of the Associated Employers of Indianapolis in regard to the shortcomings of business houses which refuse or neglect to join this employers' association. "Non-members of the Association are evading individual civic responsibility in their failure to help share the burden necessary to the maintenance of organization machinery that constitutes the principal bulwark of defense

¹ Marot, H., *American Labor Unions*, p. 121.

against organized evasion of the community's industrial tranquillity and commercial stability."

The economic necessity for the closed shop depends in a large measure upon the attitude of the employer. If the employer insists upon his right to make individual bargains with non-union employees, and discriminates against union men, or hires non-union men at a lower wage than that paid union men, the union will sooner or later be obliged to fight or be disintegrated. The hostile employer, unless restrained by the closed shop or by a uniform system of wage payment for all workers coupled with a system of apprenticeship and of promotion, can deunionize his shop unless the union includes practically all the workers available in that trade or industry. The union facing a hostile employer anxious to reduce wages and to lengthen the working day, and in touch with a supply of non-union workers, is forced, unless it gives up all hope of efficient trade-union action, to adopt the closed shop policy. Under such conditions the closed shop means more bread and butter, more leisure, and better treatment for the wage earner.

RESTRICTION OF OUTPUT

Restriction of output is practiced by employers as well as by employees. Private property rights give the owner the right to use or not to use, but not to abuse, his property. The owner of an industrial plant, for example, may operate or close down as he sees fit, and, except in time of war, he cannot as a rule be interfered with. Certain public utilities, however, may be required to operate continuously. One purpose underlying the formation of large industrial combinations is that of controlling the output in order that prices may be raised and net profits increased. The withdrawal of natural resources from use, whether justifiable or not, is a form of limitation of output. The essence of monopoly is found in the power to restrict output. The advantage of a patent, copyright, or trade-mark is derived from the legal right to control the entire output of the particular article. The earlier form of association or pool, such as that in the iron industry or in the window-glass business, was also directly concerned with limitation of output. The famous "Whiskey Combination" limited the output of the distilleries in the association. The business man as a

producer is not primarily interested in the production of commodities; he is directly interested in producing values. The market values of a small quantity of one kind of goods may be greater than that of a larger quantity. It is often profitable to restrict the output, thus enabling the seller to raise the price sufficiently to increase the total income from the sale of the product. However, this "business discretion" or "business strategy" may prevent the equipment of the community being used to its fullest extent. It is, said Veblen, "capitalistic sabotage"; it is in many cases an attempt to avoid the "menace of over-production." The policy of reasonable restriction or curtailment of production does not run counter to our accepted rules of business ethics. The business man does not produce without close attention to prices and probable profits. He does not wish "to spoil the market" for his products, and as a consequence put his business "in the red." Industry after industry — coal, oil, agriculture, textiles, rubber, copper, coffee — has tried to reach a stable agreement among producers as to output. The leaders in these industries see financial salvation in reasonable restraint upon production.

Restriction of output is a policy of unorganized as well as of organized workers. Going slowly or "soldiering" on the job antedates unionism. Normal individuals, however, prefer to do a fair day's work to using planned methods of reducing output; they prefer to do good work instead of poor. What are the causes of the widespread practice of reducing output? Under scientific management, should not a considerable portion of the blame rest with management — with management which is using traditional and unscientific methods in dealing with the manpower of the industry? Statistics exist in abundance proving that American industry has greatly increased, in recent decades, the output per worker, but this has been accomplished in the face of a lack of enthusiasm on the part of the worker, in the absence of a desire to work efficiently, and in spite of the fear on the part of the worker that he will work himself out of a job.

At least four reasons for the restriction of output on the part of wage workers may readily be discerned. (1) In seasonal and irregular industries, the worker goes slowly in order to stretch out the job until another is found. (2) The wage worker as well as the business man sees the pecuniary dangers of a glutted market.

“What appears to the employer as soldiering and lack of interest in their work, looks to the workers like a good way of preventing oversupply in the market for labor.”¹ Workers have been frequently urged to produce more and more in prosperous times only to face later a period of depression, unemployment, and “over-production.” (3) The wage worker desires to avoid a cut in the rate paid under the piece-wage or premium plan. Poor, unscientific, and tradition-burdened management has set wage rates carelessly and, finding the worker earning more than was anticipated, has repeatedly cut the rate. Piece workers are almost universally “wise to” this proclivity of management. (4) Laziness, lack of physical vigor, custom, inefficient work-habits, inertia, and lack of interest in the job may cause conscious or unconscious restriction of output. Workers may also adapt their pace to the length of the working day or to the type of work. This is a sort of physiological protection against over-fatigue. Except as regards short periods of time, this habitual attitude does not result in actual restriction of output. It conserves human energy.

Restriction of output may result from a curious mixture of dissimilar circumstances. In a time of prosperity when few workers are seeking jobs, many a worker slows down. He is not afraid of displacement. On the other hand, in a period of depression the worker wishes to piece out the job, to make it last as long as possible — but he must endeavor to avoid discharge and replacement. The foreman who is a “driver” of his men is likely to face concerted soldiering on the job; but the lenient foreman may also be confronted by the same difficulty.² The motives and impulses which lead to restriction of output are many.

Regulation, planning, and conservation of resources should be differentiated from restriction. The former may involve the temporary reduction of output in the interests of community well-being. Restriction, on the other hand, has been well defined “as the intentional spending of unnecessary amounts of time, intelligence, and material resources in producing a desired result.”³ Scientific management frequently upholds regulation and conserva-

¹ Leiserson, W. M., in Mathewson, S. B., *Restriction of Output*, p. 167.

² Morgan, A. E., in Mathewson, S. B., *Restriction of Output*, pp. 210-211.

³ Morgan, A. E., *ibid.*, p. 197.

tion, but not the using of "unnecessary" amounts of labor-power or of natural resources.

Certain American labor organizations have looked with favor upon restriction of output by their members or upon a "make-work" policy. In a variety of ways the amount of work to be performed per hour or per day may be limited. One reason given for such regulation is that the quality of the work done will be improved. At one time, the union carpenters of a city were bound by the following rule: "Any member guilty of excessive work or rushing on any job shall be reported and shall be subject to a fine of five dollars." This rule was directed against the practice of traditional management of paying a few men extra wages to act as "rushers" or pacesetters. It may be defended as a health measure. A local of plumbers adopted the following rule: "All piping appertaining to plumbing shall be done and cut by members of the union by hand power on the job." That is, the work must be done "on the job" by twisting a long-handled die stock instead of by power machinery in a shop. The International Typographical Union insists that "the interchanging, exchanging, borrowing, lending, or buying of matter previously used, in the form of either type or matrices, between newspapers, between job offices, or between newspapers and job offices, or vice versa, . . . is unlawful, and shall not be allowed, unless such type or matrices are reset as nearly like the original as possible, made up, read and corrected and a proof submitted to the chairman of the office. Transfer of matter between a newspaper office and a job office, or a job office and a newspaper office, where conducted as separate institutions, and from separate composing rooms, owned by the same individual, firm, or corporation, is not permissible unless such matter is reset as nearly like the original as possible, made up, read and corrected and a proof submitted to the chairman of the office." These examples of make-work, and others which might be presented, are not unlike the proposals to destroy cotton, coffee, wheat, or other products in order not to spoil the market. Lawyers do not seem enthusiastic in the advocacy of reduction in the technicalities of the law. Even in educational institutions, the students who make excellent recitations or reports are likely to be subjected to the pressure of sentiment adverse to such a practice. Governmental employees, protected by civil service rules, are not

noted for vigorous and sustained endeavors. Manual laborers, organized or unorganized, are not the only ones who hold themselves down to a "modest level." The problem is one possessing many ramifications.

Restriction of output by wage workers is usually justified by the "lump-of-work" argument or the "health-of-the-worker" argument. The first argument is the one frequently used by the old-line trade unionist. The industrial unionist and the unskilled workers usually emphasize the health argument. According to the lump-of-work argument there is a certain quantity of work to be performed. This quantity is assumed to be practically fixed irrespective of the expenses of production. By "soldiering" and by "taking it easy," workers may make jobs for other workmen. As the wage fund theory of the English classical economists assumed wages to be determined by the simple arithmetical method of dividing the wage fund by the number of wage earners, the lump-of-work theory assumes that the number of wage earners to be employed may be ascertained by dividing a definite amount of work to be performed by the amount done by each individual, irrespective of the costs of production or the price of the product. When stated in this bald form and when applied to all industries, it is unnecessary to attempt to refute the argument. Economists have often condemned the lump-of-work argument as a transparent fallacy; but the trade unionist still clings to it. It is, therefore, fitting that the student of labor problems, instead of ridiculing and reviling the trade unionists, should try to examine the matter from their point of view.

It must not be forgotten that the economist assumes freedom of competition and the mobility of labor, and that he is chiefly concerned with long periods of time. The trade unionist is interested in practical affairs in which economic friction bulks large, and he is intent upon the "short run." The workman is chiefly concerned with the task of obtaining the comforts and the necessities of life for himself and his family; he is only vaguely interested in that indefinite entity known as the general welfare of society in the lump. The knowledge that a certain policy, if pursued by all for a period of years, will inevitably bring about reductions in the wage scale does not appeal to the average wage earner with a family to feed, clothe, and shelter in the direct and forceful manner

that the immediate probability of slack work does. He sees that by "nursing" a particular job he may work longer or another fellow workman may be employed. This is something tangible, the other is a remote and uncertain possibility. Immediate work for John overshadows the vision of a chance of future employment for Tom, Dick, and Harry, and other unnamed and unknown individuals.

Consider such a business as the stove or the window-glass industry. The demand for stoves or for window glass does not vary in a manner commensurate with changes in the market price of those articles. There is a demand which does not vary greatly from year to year; or, if it does vary, the variations are due to changes in business conditions rather than to any changes in the price of stoves or of window glass. From the point of view of the skilled stove molders or the window-glass workers, there is a real, concrete lump of work. If some of the stove molders or of the window-glass workers "rush" or "increase the pace," the others will be thrown out of a job. Some will be idle or they will be forced into other industries. Manufacturers clearly recognize that the market will carry only so much of their product, and a certain lump-of-work is required to make this product. It is this particular lump-of-work in which the trade unionist is interested.

The intricacy of today's industrial operations separates widely in time and space the effect of an action from the action itself. This is one of the characteristic marks of the industrial world of the twentieth century. It is this complexity which often causes restriction of output. The effect of an action is not clearly seen; or its effect is seen to be so widely distributed that a man's personal interest in it seems infinitesimal. Again, the belief that restriction of output by wage earners strikes a blow at monopoly profits furnishes an underlying motive for the practice.

When restricting the output of individual workmen, in order to make work for other workers in the same trade, the union man is actuated by selfish motives; he is interested in benefiting himself and the members of his union. When the unionist adopts this policy of restriction he is selfish, and he may be short-sighted; but he is not devoid of intellectual acuteness. Monopoly is usually condemned as retarding economic progress; but individuals and classes certainly derive economic advantages through the exercise

of monopolistic power. Likewise, restricting the output of workers in order to give employment to a larger number in a restricted group may be condemned as injurious to society, but it is not clear that the members of that particular group are injured. And it is difficult to prove that it is more immoral for workers to restrict output or to give as little work as possible for as high a wage as possible than for the managers of great syndicates to restrict output or to try to get as much work as possible for the least possible wage.¹ The lump-of-work argument is surely not fantastic so long as class or interest antagonisms play an important rôle in social and political affairs, and in a country where each person is still expected and urged to look out for "number one."

Still another phase of the argument presents itself. If the workers in one establishment are speeded up and those in competing establishments maintain the old rate of speed, there is no certainty that the speeded-up workers will receive their share in the extra profits due to these extraordinary efforts. But the workers in other establishments will soon be forced to follow the lead of the first establishment, and the increase in total output may cause such a reduction in price as to reduce the total value of the output. In an industry producing a product for which the demand is inelastic, this is not a purely imaginary contingency. In such a case, a readjustment of wages and of employment will occur within that industry. Outsiders might benefit from the speeding-up of the group, but the members of the group would lose rather than gain. Even if the value as well as the amount of the output were increased, unless the workers were strongly organized — practically a monopolistic group — there is little reason to suppose that they could gain concessions from their employer equivalent to the increased speed of the worker and to the additional expenditure of energy required of him.

Restriction of output is often justified as necessary in order to preserve the health and vigor of the worker, that is, to conserve the human resources of the nation. Energy and the ability to produce are the workingman's capital, but it is intangible and is not adequately protected by law. The trade unionists declare that speeding up beyond certain more or less definite limits impairs the efficiency of the worker and reduces the total output during

¹ See Mitchell, J., *Organized Labor*, Chap. 29.

his lifetime. From this point of view, it is little short of robbery to wear out a workingman quickly and impair his capital while only paying "living wages." "An industry which uses up the vital energy of a worker in a few years is coining the nation's life-blood into dividends. No industry has a right to more than that amount of the worker's energy which can normally be replaced by the food and rest allowed him."¹ It is obviously to the interest of the worker and of society that overdriving and sweating be abolished. As long as the policy of organized labor is directed toward such a consummation, the trade union is acting in a legitimate and desirable manner.

HOURS OF LABOR

One of the most familiar and insistent demands of organized labor has been for a shorter working day or week. A little over a century ago the typical length of the working day was twelve hours or from sun-up to sun-down. In cotton factories as late as the decade of the forties of the nineteenth century the working day was over twelve hours in duration. Not until after 1880 was the normal working day in breweries reduced below fourteen hours. "In 1886, with the exception of two establishments, every ton of pig-iron produced in the world was made by men working twelve hours per day and seven days per week."² Only recently have the twelve-hour day and the seven-day week disappeared in certain departments of the iron and steel industry. The shorter working day which organized labor demanded in the twenties of last century was ten hours in length. Successively, a ten-hour, a nine-hour, and an eight-hour day were advocated. Now, the five-day week and the six-hour day are being thrust into the foreground.

During recent decades, the productive power of mankind in the Western world has been multiplied many times because of the use of coal, oil, and water power through the agency of steam and electricity. Thanks to the magic of machines and science, it is possible to produce amazing quantities of commodities with a short working day or week. This miracle-working team is also

¹ Martin, "Do Trade Unions Limit Output?" *Political Science Quarterly*, Vol. 17, p. 371.

² Carnegie, A., *The Forum*, Vol. 1, p. 544.

giving leisure time to the masses as a birthright. The machine has not reached its limit. More and more will routine and monotonous work and heavy lifting be performed by the Iron Man. Instead of men and women being the feeders and slaves of machines, the machine will indeed become the servant of mankind. Brain power rather than muscle is demanded after the machine age becomes mature.

The fundamental purpose of the labor movement is to enable wage workers as a class to receive a portion of the material and immaterial benefits accruing to society because of industrial progress. Increased leisure may take one or more of several forms — a short working day, a short working week, a short working year, or a shorter working life. A short working year may be ten months in length. In many types of industry, the summer months of July and August are characterized by low productivity. In other lines, the winter months might be omitted from the calendar of toil. It has been suggested that in many lines of endeavor a man might be retired before he is worn out, and take his leisure in old age. Such a program would necessitate an old age pension or insurance system. The discussion in the remainder of this section will relate to the proposals for a short working day or week.

The early demand for a short working day coupled leisure and education; it emphasized the social value of a short work-period. The good citizen, it was firmly believed, must have some schooling and have leisure in order to study intelligently the problems which a democratic form of government thrusts upon its citizens. This argument was soon supplemented by another. A long working day was alleged to undermine the health and stamina of the workers, sending them prematurely to the human scrapheap. The long working day, particularly when the work is specialized and the strain intense, tends to weaken, degrade, and brutalize; the short working day tends to improve the health of the workers, to reduce the amount of intemperance and dissipation, to uplift the worker and his family by giving the former time for rational enjoyment and for family and civic duties, and to improve the stamina of the race. "The first school of morals, family life, is a closed book against the man who only comes home dead tired late at night." The man who works in shop or factory twelve hours daily cannot take an intelligent interest in political affairs or in union policies.

About fifty years ago, another theory was formulated which insisted that shortening the working day actually increased wages. According to this optimistic theory, the amount received in the pay envelope depended primarily upon standards of living, and a short working day helped lift standards of living. The familiar and oft-quoted rhyme illustrates the point:

Whether you work by the piece or work by the day,
Decreasing the hours increases the pay.

With a shorter working day, it was urged, more workers would be required and more machinery would be used. Higher wages and the increase in the number of wage earners required would in turn increase the demand for the products of industry. While this argument may not be without serious fallacies, an increase in wages and a stimulation of wants among the wage workers does swell the demand for certain kinds of goods and does lead to an expansion of the industries providing the comforts and necessities of life. Tropical countries do not offer excellent markets for the manufactured goods of the temperate zones because the working classes have few wants and receive very low wages.

Before 1929 and the beginning of the depression, it was argued that reducing the working day from twelve, ten, or nine hours to eight, as a rule, increased output. The shorter working day called for increased rapidity of action. The validity of this argument depended upon the amount of reduction in the working day and upon the nature of the industry concerned. There was a considerable mass of statistical material showing that in numerous cases a reduction to an eight-hour day increased output per worker per day. Obviously, successive reductions in the length of the working day would finally cause reduction in the output per man per day.

Finally, it is being argued that a short working day or week will reduce unemployment. A short working day, it is contended, will divide a fixed lump of work among more workers; but there is no "fixed lump of work." Attempts to reduce a complex social situation, such as the unemployment problem grows out of, to a simple mathematical basis are almost inevitably doomed to failure. However, the problem today is not so much that of increasing productivity as that of finding consumers able to purchase, and of

adjusting productive capacity to the demands of consumers. A short working day or week, say a thirty-hour week, may be anticipated in the not distant future.

The temporary effect of a sudden and considerable reduction in the length of the working day or week may be very different from the permanent results. Indeed, the temporary effects may often be undesirable. The effect of the sudden acquisition of riches upon families is not infrequently fantastic. Adult workers suddenly released from a long working day or week may waste their extra leisure in ways which cause physical, mental, and moral deterioration. But in the long run and with the incoming generation, these temporary evil effects will, in a large measure, disappear, and better use will be made of the increased amount of leisure time. Improvement in the habits, manners, and customs of the mass of humanity is a matter of slow growth even under the most favorable circumstances. The increasing stress and strain incident to industry as carried on in the factory of today make the need for increased leisure imperative. At the time when improved means of communication and of transportation, the enlargement of the market area, and the growing intricacy of social and political affairs demand a broad view of the world and its activities, occupations have been so specialized and subdivided that the life of the average wage earner is cramped. The wage worker's daily work and home environment tend to contract and astigmatize his vision at the time when peoples and nations have been brought into close contact with each other. The disadvantages caused by this grim paradox can be diminished by an increase in the leisure time allowed specialized workers, by an enlargement of educational facilities and an improvement in the methods of instruction, and by more opportunities for healthful and invigorating recreation.

THE LIMITATION OF APPRENTICES

The rapid industrial changes of recent decades, the disappearance of many old handicrafts, and the appearance of many new and not well-defined trades or occupations have reduced the necessity for a long apprenticeship. In many lines none is required. On the other hand, the restriction of immigration has led to a revival in interest in the preparation of young workers for jobs in certain

industries. At the present time, the apprentice is rarely able to learn his trade from a journeyman or a master workman who is skilled in all the branches of the work of his craft. Subdivision of labor has reduced the demand for all-round men; and in the modern shop adequate instruction of the apprentice is a burden for both the journeyman and the employer. The shop or the factory exists for the purpose of producing at a profit an output of marketable articles; it is not, except in an incidental and extraneous manner, an educational institution. The journeyman and the foreman are not usually skilled teachers; and the apprentice will inevitably spoil considerable material and damage tools and machines. There is no tangible and immediate identity of interest between the employer and the apprentice. The latter is interested primarily in gaining an adequate knowledge of the variety of details connected with his trade; on the other hand, his employer is constantly striving, under the pressure of competition and the spur of the desire for larger profits, to reduce the expenses of production and to increase the output of each worker. If the employer sacrifices the efficiency of his plant in order to give young workers trade education, he may be unable to meet his competitors on a plane of equality. Although skilled workers may be urgently demanded, employers are often unwilling individually to shoulder the burden as long as some shops refuse to act as adequate schools for apprentices and frequently attract the young journeyman from the shop which has borne the expense incidental to his period of apprenticeship.

In order that the apprentice may become skilled in more than one simple and minute class of work, he must be transferred from machine to machine and from department to department. At the moment when the apprentice becomes proficient in any particular operation he should be transferred to some other job or department. At this point, however, the immediate considerations of output lead the foreman to desire to keep the boy where he is. Since the foreman is naturally more interested in the production of machines today than in the training of boys who may become skilled workers tomorrow, and who may get jobs elsewhere, the education of the would-be skilled worker is likely to suffer. The constant temptation is to teach him a few simple operations and to pass on to him certain portions of the work hitherto done by

skilled men.¹ Temporarily the employer finds it advantageous to train the young worker and apprentice for routine rather than for skilled work. When the latter finally demands higher wages he can be replaced by another. The gradual increase of subdivision of labor and the simplification of operations have made it less difficult for a boy to learn a smattering of a trade, and more difficult to learn a trade thoroughly.

Unions are not able to insist that all journeymen must have served a regular apprenticeship. If the qualifications of a worker are considered satisfactory by an employer, the union usually acquiesces in that judgment; but it insists that the union scale of wages be paid. To demand high initiation fees and a long apprenticeship would tend, except in a few cases, toward the growth of a large number of non-union workers ready to accept lower than union wages. Sooner or later this competition would prove fatal to the union insisting upon a stiff policy of exclusion. On the other hand, it is to the advantage of an old-line trade union to have a competent and skilled membership. The building trades unions, organizations in the printing trade, machinists, and molders are especially interested in the adequate training of apprentices. The length of apprenticeship is usually three or four years instead of the traditional seven. The apprenticeship period normally begins between the ages of fifteen and twenty-one. The molders limit the number of apprentices to one for every five journeymen; the machinists place the ratio at one to ten.

BENEFIT FEATURES

Among English labor organizations benefit features have been of greater importance than among American unions. Before unions were legalized in England in 1824, many unions actually existed under the guise of benefit associations. Several reasons may be given for the greater prominence of these features in England. The English organizations are older; they are more closely united; English unions are trade unions, not industrial unions, and therefore only contain men having approximately the same skill and income; the membership of the English unions includes few who are not of English birth and descent; the mobility of labor is

¹ See the writer's *Education and Industrial Evolution*, pp. 198-200.

not so great as in this country; insurance against sickness and unemployment did not appeal particularly to the workers in a new country of great possibilities and rich in natural resources; and the militant activities of American unions have been more absorbing than in the case of English unions.

The benefits paid by the national unions and their locals affiliated in the American Federation of Labor are presented in the following table.¹

	1928	1929	1930
Sick	\$ 2,377,746.38	\$ 2,831,936.82	\$ 3,649,703.15
Death	16,623,585.93	17,598,287.03	18,527,095.00
Unemployment	665,279.88	276,717.50	3,311,279.50
Old Age	4,712,731.29	4,883,027.88	5,910,995.41
Disability	3,825,578.46	2,707,187.63	3,234,066.93
Miscellaneous	5,149,052.60	3,945,287.63	2,064,839.57
TOTAL BENEFITS . .	\$33,353,974.54	\$32,242,444.49	\$36,697,979.56

The most notable change in the three years under consideration is the marked increase in unemployment benefits. The Cigar Makers' International Union has been one of the best known "beneficiary organizations in the United States"; but loss of membership in recent years and an increase in the average age of members have forced it to suspend payment of sick benefits, and the death benefits paid in 1931 were only about one-half the amount paid in 1927. The railway brotherhoods have fairly comprehensive benefit programs. The printers, the pressmen, the carpenters, and railway conductors support homes for their aged, invalid, and infirm members.

The effects of the benefit system upon labor organizations may be summarized as follows: (1) It tends to increase the membership and make it more stable. The direct and visible flow of benefits stimulates loyalty to the organization. (2) The national body is strengthened. (3) Unions having large benefit funds in their treasury are more conservative than those having an empty treasury; although the presence of funds increases the probability of successful aggressive action, the union without funds, like the man without property, is disposed to radical action. (4) The disciplinary power of the union over its members is strengthened by the possibility of receiving benefits in case of sickness or other

¹ *Proceedings of the 1931 Convention of the American Federation of Labor*, p. 99.

difficulty. A member of a local will not withdraw upon slight provocation and thus lose the right to receive benefits. (5) The payment of large benefits has been a feature of trade rather than of industrial unions. There is reason for believing that greater difficulties would be encountered in working out a successful benefit system for an industrial union in which are united men of varying skill and intelligence, and of different nationalities. The benefit system of trade unions may tend, therefore, to emphasize trade demarcations, to increase jurisdictional disputes, and to delay the amalgamation of labor into a strong, coherent, centralized body. (6) A union paying unemployment benefits may use the plan as a means of controlling the labor market within a particular trade. A skilled man, out of work, who is receiving benefits from his union will not be sorely tempted to take a job at a rate less than the union prescribes.

In forecasting the future development of benefit features among American labor organizations, two points should be kept in the foreground: (a) The extension of social insurance in the form of old age pensions, of unemployment insurance or reserves, or of health insurance would prevent or modify, in a considerable degree, the further development of this function of unionism. (b) If industrial unionism or amalgamation increases relatively to trade or craft unionism, the extension of the benefit program will doubtless be retarded.

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CHAPTER X

COERCIVE METHODS

STRIKES AND LOCKOUTS

A strike, according to the definition given by the United States Bureau of Labor Statistics, "is a concerted withdrawal from work by a part or all of the employees of an establishment, or several establishments, to enforce a demand on the part of the employees." A strike occurs when wage earners unitedly cease work but attempt to retain their places as employees. The purpose of a strike is usually to obtain some improvement in working conditions or to prevent some change which is considered disadvantageous to the workmen. When the employer closes his shop because of a disagreement with his employees a lockout occurs. The difference between a strike and a lockout lies chiefly in the initiation of the action which stops the wheels of the industry. The strike is one of the most formidable weapons in labor's armory. It is not a logical or a just way of settling industrial disputes; it is in essence an appeal to financial or brute strength and endurance. During a strike, emotional appeals are made. Group loyalty is demanded and a psychological state is developed similar to that which is generated during a war between nations. A strike is a battle in which the general public is interested, but about which the man on the street knows little.

The slave insurrections of Rome and the peasant wars of medieval Europe were the prototypes of the strike. Some references to strikes are found in the history of the fourteenth, fifteenth, and sixteenth centuries. Disturbances resembling strikes occurred in the American Colonies in the eighteenth century. In 1741, the bakers of New York City refused to operate because it was alleged prices were set too low by public authorities.¹ The first

¹ Commons, J. R., and Associates, *History of Labor in the United States*, Vol. 1, p. 53.

“authenticated strike” in the United States was that of the journeyman printers of Philadelphia in 1786.¹ The shoemakers of Philadelphia conducted strikes in 1796, 1798, and 1799. In 1803 a strike of sailors occurred in New York City. The sailors demanded an increase of wages from \$10 to \$14 per month. In 1809 the cordwainers of New York City went on a strike. The term “scab” was used at this time. A strike of carpenters in Boston in the spring of 1825 exhibited many characteristics of strikes in recent decades. A strategic time in the spring following a considerable fire was selected for the strike; a demand was made for a ten-hour day. The “gentleman engaged in building” opposed this attempt to alter the working day “which has been customary from time immemorial” because it would open the way to idleness and vice. The agitation was felt to be of “foreign origin.”² In 1834 an interesting strike occurred in the mill town of Lowell. A large number of girls struck to prevent a reduction of wages. A newspaper of the period reported that “they have committed some things which females ought not to have done such as processions through the streets, marching ankle-deep in the mud and waving their handkerchiefs and scarfs, and one or two of them delivered public speeches.” They also went to the banks and drew out their savings in specie in an attempt to break the banks. The ring-leaders were dismissed and more workers were brought in from the country to take their places. They were obliged to accept the reduction “which had been proposed in kindness to them for if not submitted to, the mills in the present state of business would have been of necessity closed.”³ In the above description of this early strike may be noted the opposition to public speaking by the girl strikers, the bringing in of strikebreakers and the statement of the kindness of the employers in insisting upon a reduction of wages. During the period of rising prices immediately preceding the panic of 1837 many strikes occurred. The oft-quoted statement of a New York City newspaper in 1835 was that “strikes are all the fashion.” A unique strike occurred during this period among the women shoebinders of Lynn. These women were home workers. They called a meeting and resolved that no more work

¹ *Ibid.*, Vol. 1, p. 123.

² *Ibid.*, Vol. 1, pp. 158-162.

³ *Niles' Register*, March 1, 1834, p. 5.

should be done until an increase in wages was granted. After a struggle of about four weeks the strike was lost. These early strikes were not of far-reaching importance. Labor organizations were ephemeral; and the relations between employer and employee were in a large measure personal and bargaining was individual. The strikes of far-reaching influence in which the general public are vitally interested appear at a later date. The first great labor dispute in the United States was the railway strike of 1877. This strike stopped railway traffic and was accompanied by serious rioting and the destruction of property. The center of the disturbance was at Pittsburgh. State troops were called out and gatling guns were used.¹

The union and the strike are comparatively new social phenomena. The legal foundations of the present social order were laid before group action was important. However, associations other than the labor organizations use weapons similar to that of the strike. On several occasions farmers have carried on a "milk war" or strike. They have withheld the supply of milk and have used violence against those who continued to furnish milk. Ostracism of the "scab" farmer has been utilized; and a strategic time for a "strike" has been selected.² A "strike of capital" occurred in a certain city located near the borders of another state. The traction company was engaged in a controversy with the city authorities over the granting of a new franchise. Late one night, the company, without warning, removed all the street cars from the city, running them over an interurban line to sidings located in another state. When the morning came, the city was without street cars and the cars were outside the jurisdiction of the city and of the state. This was clearly an attempt to force the city to accept the terms of the traction company by withholding the use of the cars. In a strike, workers withhold labor power; in this case, capital goods were held out of use.

No accurate statistics of strikes and lockouts prior to 1881 are available. The Bureau of Labor Statistics has obtained information regarding 1,440 strikes. Of this total, only four occurred prior to the opening of the nineteenth century. During the quarter of a century from 1881 to 1905 inclusive, 36,757 strikes are recorded

¹ *Sixteenth Annual Report of the Commissioner of Labor*, Chap. 3.

² In August, 1932, a serious "strike" of Western farmers occurred.

directly affecting 181,407 establishments. The largest number of strikes occurring in one year was 3,494 in 1903. The maximum number of employees thrown out of work is found in 1894, the year in which occurred the Pullman strike. The number was 660,425. In 1902, in which year occurred the anthracite coal strike, 659,792 employees were thrown out of work because of strikes. The total number of lockouts during the period 1881 to 1905 was 1,546; and the number of employees locked out, 716,231. Slightly more than one-fourth of the total number of strikes occurred in the building trades; but nearly one-third of the total number of strikers were in the coal and coke industry. Nearly one-half of the total number of strikes occurred in three great industrial states — New York, Pennsylvania, and Illinois. Of the total number of strikers involved, one-fourth were in Pennsylvania.¹ The number of strikes and strikers in general tended to increase up to 1922. The number of strikes in the five-year period 1915–1921 was over six times the number in 1881–1885, and the number of strikers fourteen times. In order to make the comparison on a basis which would eliminate the influence of the growth of population, relative figures have been compiled per one million workers. On this basis, the number of strikes was over two times as many in 1915–1921 as in 1881–1885, and the number of strikers was multiplied nearly five times.²

From 1922–1930, the seriousness of the strike problem declined. The following table presents the relative number of strikes and lockouts in the period 1916–1930, inclusive.³

<i>Year</i>	<i>Disputes</i>	<i>Employees</i>	<i>Year</i>	<i>Disputes</i>	<i>Employees</i>
1916.....	100	100	1924.....	33	41
1917.....	117	77	1925.....	34	27
1918.....	88	78	1926.....	27	21
1919.....	96	260	1927.....	19	22
1920.....	90	91	1928.....	17	22
1921.....	63	69	1929.....	24	15
1922.....	29	101	1930.....	17	10
1923.....	41	47	1931.....	24	17

¹ Statistics compiled from the *Twenty-first Annual Report of the Commissioner of Labor*, Chap. 1.

² Douglas, P. H., *Publications of the American Statistical Association*, Sept., 1923.

³ *Monthly Labor Review*, June, 1931, p. 23; Aug., 1931, pp. 78 ff.; June, 1932.

The marked decline in labor disputes indicated in the preceding table may be attributed in part to better management methods, to a decline in the strength and aggressiveness of labor organizations, to the increasing acceptance of the notion that reasonably high wages are desirable from the managerial point of view, to the growing strength of large aggregations of capital and to the increased use of trade agreements, mediation, and arbitration. These reasons are somewhat interrelated. The depression of 1929-1932 will probably bring in its wake an increase in the number and importance of strikes.

CAUSES OF STRIKES

Among the more important causes of strikes are: for an increase of wages; against reduction of wages; for a reduction in the length of working day or week; and for the recognition of the union or the enforcement of union rules. Doubtless in many instances the real cause of a strike is not the one which seems uppermost. The cause assigned in statistical investigations may be the precipitating one; but a long chain of underlying irritations may constitute the real reason for the outburst. The demand for the recognition of the union is in reality one connected with wages and working conditions. It is a means to an end. The relative importance of different causes changes with fluctuations in the business cycle. For example, the demand for higher wages is especially prominent during a rising tide of prosperity.

VIOLENCE CONNECTED WITH STRIKES AND LOCKOUTS

Extreme differences of opinion exist as to the prevalence of violence during strikes, and as to the attitude of organized labor toward the use of force in labor disputes. John Mitchell, the famous president of the United Mine Workers, declared that "the conduct of strikes without violence is as advantageous and successful as the use of violence is futile and immoral. In the long run, violence acts as a boomerang and defeats its own purposes." On the other hand, a champion of the "union smashers" declares: "Organized labor knows but one law, and that is the law of physical force — the law of the Huns and Vandals, the law of the savage. All its purposes are accomplished either by actual force or by the

threat of force." The violence occurring during a strike is often exaggerated; and much violence is due to outsiders or to the unauthorized acts of irrepressible members of the union. Under any condition, the presence of large numbers of idle men in a mining town or a manufacturing city is prolific of brawls and of violation of law. Every holiday brings its additions to the normal number of disturbances in a city. Furthermore, it is not fair to hold the union and union officers responsible for all the acts of union men. Newly organized and undisciplined unions of unskilled or semi-skilled men are most prone to resort to violence. Well-organized unions of skilled men, supported by a full treasury, usually discountenance violence unless defeat is staring them in the face. A strike is, however, an attempt to coerce an employer or combination of employers, and close contact between union men and strikebreakers always contains elements of danger. A statement made by Professor T. S. Adams a quarter of a century ago is still pertinent: "In short, I see no escape from the conclusion that the typical strike is waged in an atmosphere so surcharged with menace, that widespread intimidation and sporadic acts of violence are precipitated as inevitably as the atmosphere of the earth precipitates dew."

It must not be forgotten, however, that employers are often as brutal as the union "sluggers," but in a less conspicuous and more impersonal manner. They are ready, and sometimes eager, to starve their striking workmen, or to terrorize them into submission. The unionist is justified in calling attention to the fact that much is spoken and written as to what the union men should do or not do, while but little is said as to the responsibilities of employers to men locked out, for the use of the blacklist, for the hiring of private police, and for the eviction of helpless tenants. The employer can often accomplish his purpose in such a way that the motive is hidden. Brutality on the part of the employer may be clothed in the radiant garb of altruism; not so in the case of the employee. The employer can use more subtle, but just as effective, weapons than the club. Employers, as well as their striking employees, often break laws — such as the acts in regard to safeguarding machinery, rebating, adulterating products, etc. Bribery and the corruption of governmental inspectors are by no means unknown. The employer often sets the employee an example of law evasion;

and then the former too often escapes punishment because of technicalities in legal procedure or through political favoritism. We should not condone strike violence on the part of harassed workingmen, but we should more strongly condemn the long-distant and dispassionate maiming and murder of workers. The man who stuffs the ballot-box, connives with racketeers, refuses to safeguard machinery as required by law, or adulterates his products with harmful ingredients, commits a crime as well as the striker who slugs the scab taking his job. In one strike, the strikers are reported to have asserted, correctly or incorrectly, that troops had been used to break down their organization. It was further asserted that strikers had been shot down when there was no lawful occasion for shooting. The strikers finally held that a state of war existed, and threatened to shoot a trooper for every striker shot by the state troops. The striking unionist wants results. He may not believe in violence; but if the violence of some other person leads to the unionizing of a shop, he does not feel sorrowful. The employer who is confronted with a strike also wants results; and he likewise may not strenuously oppose a program which gets results favorable to him.

The intense hatred manifested toward the strikebreaker or "scab" is a cause of much violence during the course of a strike. The circumstances which produce this intense aversion are often not clearly recognized. A strike frequently involves the threat, if not the reality, of poverty and suffering for the families of the strikers. The strikebreaker is one who seems to be taking the bread out of the mouths of the wife and children of the striker. Early wars were usually fought for the control of food supplies. A job is the modern source of supply for the mass of the people. It is natural that "Thou shalt not take thy neighbor's job" should be a real, living commandment to the wage earner. It is not strange that the strikebreaker should be considered to be an outcast and a traitor to his class. Business combinations hate the price-cutting establishment and often try to injure it. Physicians and dentists are very bitter toward the advertising and fee-cutting members of their respective professions. It may also not be entirely gratuitous to point out (1) that in America there has been much disregard of human life — much mob violence, many accidents in factories and on railways and in street traffic, many lynchings, and numerous

homicides. Human life is valued cheaply in this country. (2) The man who is accustomed to face danger in the shop, on the railway, or in the occupation of a linesman or of a structural iron worker, is not likely to be adverse to the use of violence when his passions are aroused.

LOSSES DUE TO STRIKES AND LOCKOUTS

The direct losses due to strikes and lockouts measured by the reduction in wages and in profits, are often large; but if reduced to a per capita basis, the amount seems trifling. It is not difficult to exaggerate the direct financial losses due to strikes. Frequently the time of unemployment is merely shifted from one season of the year to another. Furthermore, the most significant losses are frequently in other industries dependent upon the industry in which the strike occurs. The greatest losses from a strike in the soft coal fields are in connection with the shutdowns and the resultant unemployment in many lines of business dependent upon a coal supply. A railway strike will very shortly disorganize the industries of many cities and districts. The losses direct and indirect of strikes in key industries are enormous.

Strikes and lockouts are weapons used by organized labor which seriously affect the public. The orderly processes of industry and trade are interfered with; the newspapers give front page space to many episodes connected with industrial warfare. A strike is an eruption which indicates the existence of serious but often hidden disturbances. A strike is usually preceded and followed by a period of indifference on the part of workers and restriction of output. The great losses in industry are not the spectacular ones in case of strikes but the every-day reductions of efficiency which accompany illwill, indifference, and poor management. It is less expensive "to have men belligerently out than to have them sullenly in." The growing recognition of the importance of goodwill and of continuity in industry is leading management to place more emphasis upon the study of ways and means of reducing friction in industry.

NEW ASPECTS OF STRIKES

The growth of large-scale industry, of trusts, and of employers' associations which are firmly knit together, affects the efficacy of

the strike as a weapon of organized labor. In the days when competitors were many, strikes were often terminated because the employer feared that some of his business would be permanently absorbed by his competitors and that his business would suffer not only during the strike but after its termination. In many of the leading industries, centralization has proceeded so far that this fear is largely removed. The strike, producing a scarcity of supply, may even tend to augment instead of to diminish profits — prices will go up and perhaps wages may be forced down. If profits are endangered, some concessions can be given the workmen and prices can be raised. A small competing firm finds it much more difficult to accomplish this feat than a large merger. The trust or the establishment not harassed by strong competitors faces a strike more complacently than a small firm competing with many others. (1) It may prolong the struggle with little fear from competitors; and raise the price of the stock of goods on hand, or book orders for future delivery. (2) Or it may grant higher wages, and make the concession an excellent excuse for permanently raising the price of its products. Although the importance of the strike as a weapon of organized labor seems to have declined, the time has not yet arrived when labor can with safety give up the use of the strike unless the employer gives up the right of arbitrary discharge.

The strikes occurring before the Civil War and even before the last decade or two were spontaneous outbursts and were conducted in an unsystematic manner. During the Civil War few, if any, sympathetic strikes occurred; and the employees in each shop usually resumed work when a satisfactory agreement was concluded with their employer irrespective of the situation in other shops. In recent years the strike has been “commercialized”; it is now conducted in a systematic manner. Preparation is made for it in advance. Money is accumulated in the treasuries of unions and of employers’ associations for strike purposes. Picketing and boycotting are systematically carried out by the strikers; the employers have their army of strikebreakers and spies. The strike of the first decades of the twentieth century is as different from that of 1835 as modern military tactics differ from tribal warfare. “The serious development of the century is the systematization of the boycott and the blacklist, the constant and fairly successful effort of trade unions and employers’ associations to improve and perfect

their respective weapons of coercion, to give them a legal status and transform them — as the relatively innocuous pool was transformed into the more menacing holding corporation — into lawful instruments which are doubly oppressive, because doubly efficient, by reason of their very validity. Both sides are incessantly planning to perfect and legalize coercion and monopoly.”¹

A strike is essentially a class struggle; but the ethics of the strike are the ethics of war or of the feud. No matter whether the local police, state militia or constabulary, or the regulars of the United States army are used in maintaining order and in enforcing the law during a strike, the striking workers almost invariably feel that they are inequitably treated. The workers evidently reach the conclusion that the government does not adequately represent their interest in a time of industrial conflict. The editor of a well-known weekly advocates placing strike police under the control of a commission upon which both employers and employees are represented. This step would tend to prevent the recurrence of the charge of prejudiced control over the guardians of law and order.

Early strikes were initiated, controlled, and financed by locals. In harmony with the general trend toward centralization of control in labor organizations, the tendency has been to give the national officers more and more authority in regard to strikes. This trend is especially clear in organizations in which strike benefits are paid by the national body. Many national unions require the locals to make definite efforts to adjust the difficulty before applying to the national officers for sanction of a proposed strike. A representative of the national union is usually sent to the scene of the difficulty.² Sabotage is a sort of “diluted” strike; the men remain at work and receive wages, but reduce output, injure machinery, clog the transportation system, impair the quality of the product, or perform some other discreditable act for the purpose of harassing the employer. It is difficult to draw a line between the more passive forms of sabotage and restriction of output. In fact, both employers and employees often practice the kind of sabotage which restricts output. Sabotage is advocated chiefly by radical unions; it is essentially the weapon of the slave or of the coward. A leaflet

¹ Adams, T. S., *Publications of the American Economic Association*, Feb., 1906, p. 192.

² Janes, G. M., *The Control of Strikes in American Trade Unions*.

issued by the Industrial Workers of the World presents vividly the point of view of the radical in regard to sabotage. "Sometimes it is hard to avoid speeding up; sometimes it means that the individual who resists the system will get fired. But it is an honor for a man who understands the situation to be discharged for loafing. If you exercise a little ingenuity, if you set the pace, and talk sense to the rest of the workers on the job, you can do wonders in the way of curtailing production without getting discharged. If you can get all the men to drag back, the boss will not know whom to pick on." Is this not what students euphoniously term "getting-by"? The filibuster is the senator's method of sabotaging the legislative machinery.

THE GENERAL STRIKE

The general strike or "national holiday" is usually a weapon of the radicals in the ranks of organized labor. The aim is to tie up practically all of the work activities of a nation, a section of a country, or a city. Labor intends through the general strike to shut down industries and to allow only such to reopen as are essential to public health and safety. The general strike ordinarily is in essence a revolutionary activity. The success of a general strike would force the government as well as industrial enterprise to make terms with the strikers. The most famous general strike is the one which occurred in England in 1926. This grew out of the dispute in the coal mining industry. After eight days, the strike was called off without settling the difficulty in the coal mines. Two local "general strikes" occurred on the North American continent in 1919, in Seattle and in Winnipeg.¹ The general strike may be used, as in Belgium in 1913, for political purposes. The workers attempted to end the system of plural voting which favored men owning property.

THE BOYCOTT

The boycott is a strike of the consumer. It may be divided into two classes: the primary or simple boycott, and the secondary or compound boycott. In the primary boycott, only the persons

¹ See Crook, W. H., *The General Strike*, for material in regard to the history of the general strike.

directly interested are involved. The members of a union may refuse to buy an article produced by a firm declared to be "unfair" to union labor. The term *boycott* usually refers to the secondary boycott which involves third parties who are not directly interested in the dispute. An attempt is made to influence the conduct of an employing firm by inducing individuals and groups not to patronize the former. Among the methods used in attempting to persuade the third party to boycott the offending employer are: a threat to stop patronizing the concern or to call a strike, refusal to work on non-union material, publishing unfair lists, and by the use of circulars or banners asking outsiders not to do business with the firm boycotted. If members of a union and their friends refuse to patronize a merchant who handles along with other merchandise the product of the boycotted manufacturer, the boycott is said to be secondary. Again, if the members of the union persuade or coerce others into refusing to buy the product of the boycotted manufacturer or of the merchant who sells the former's goods, the boycott is secondary. The Court of Appeals of the District of Columbia defined the boycott as "a combination to harm one person by coercing others to harm him." The secondary boycott may become one of the most cruel and indefensible weapons of organized labor. Some years ago a street car strike occurred in one of our industrial cities. Women who had ridden on street cars manned by non-union crews found it difficult to buy groceries and medicines in the section of the city in which they resided. Storekeepers were warned by watchful pickets not to sell to them under the penalty of a boycott.

The success of a boycott depends upon the numbers and the solidarity of unionists and upon the opportunity to spread the news of the boycott far and wide. It has succeeded best when directed against articles of general use among the masses of the people, such as tobacco, baked goods, cheaper grades of clothing, and beer (in the days before prohibition). In the past, the Brewery Workers used this weapon effectively in several bitterly contested labor disputes. The boycott in their hands was such a powerful weapon that it reacted so as to increase the membership of the brewery workers' union. Employers have in some cases urged the "organization" of their plants in order to avoid the effect of the boycott. As a consequence of this unusual situation the solidarity of the

brewery workers was not as great as it would have been if the men had joined because they felt the necessity of organization.

The boycott has often been used in controversies not involving the labor dispute. There have been consumers' boycotts, trade boycotts, international boycotts, boycotts by farmers, by abolitionists, and by prohibitionists. The excommunication and the interdict of medieval times were forms of boycotting offenders. The unfair list is usually a list of manufacturers and dealers who are considered to be unfair to organized labor. The list is published in various labor papers. The intent is to warn the readers against purchasing the goods produced or sold by the firms included in the list. A fair list is the reverse of the unfair list. The fair list is not legally recognized as a form of the boycott.

THE ATTITUDE OF THE COURTS TOWARD STRIKES AND BOYCOTTS

The foundations of the English common law which our ancestors brought with them across the Atlantic were laid generations before unions and their weapons — the strike and the boycott — came into existence. The common law deals with the relations between individuals. After associations and combinations such as unions developed, the courts experienced difficulties in applying the common law to cases involving groups and group action. A labor organization has for its prime purpose collective bargaining. Unless the importance of collective bargaining and of group action is understood by the court, many forms of union activity in a time of stress seem undesirable or anti-social. Whether the sympathetic strike or the boycott, for example, is held to be reasonable and lawful or unreasonable and unlawful, is often determined by the attitude taken toward collective bargaining. American courts are not as yet in agreement as to the legal status of the strike, picketing, and the boycott. A labor organization, being a combination of individuals having labor power to sell, is "at the mercy of the social theories of the particular court of trial," when bargaining fails and the union resorts to coercive measures. The rights of wage earners collectively to quit work, to picket the establishment of their employer, and to boycott the products of his establishment encounter two important obstacles in the courts:

(1) Such acts may be declared to constitute a conspiracy under the common law or an interference with private property rights; or (2) they may be declared to constitute interference with interstate commerce and to be illegal under statute law. Perhaps the most commonly accepted definition of a conspiracy at common law is that "a conspiracy must be a combination of two or more persons, by some concerted action, to accomplish some criminal or unlawful purpose, or to accomplish some purpose not in itself criminal or unlawful, by criminal or unlawful means." The English common law regarded combinations of labor attempting to raise wages as criminal conspiracies. In England, however, statute law has freed labor organizations from this restriction. In the United States, there never has been complete acceptance of the legal theory that a labor union was a conspiracy; but on the other hand, "labor has never gained complete relief from the conspiracy doctrine."¹ Furthermore, the legal doctrine of conspiracy is based on the notion that there may be an element of menace in group action which does not appear in the acts of a number of unrelated individuals. According to the theory of conspiracy, acts which are lawful when performed by an isolated individual may become unlawful when performed by a group acting in concert. The legality of a strike depends therefore upon how it is conducted. This in turn goes back to motives, good or malicious. In all this, the judgment of the court is the deciding factor.

The general rule under the common law is, briefly stated, that strikes are lawful if the purpose is primarily to improve the working conditions. If the primary purpose is to injure the employer, that is, if the intent is malicious, the strike is illegal. All strikes may cause the business of the employer to be injured, but if the injury is a secondary or incidental result of the strike it is generally held to be a lawful exercise of the rights of a combination of wage earners. The determination of the intent is often extremely difficult. A strike is more than quitting work. It often involves an attempt, through the use of picketing, to prevent the employing concern from obtaining new employees in place of the strikers. The strike and the boycott are directed against the business of the employer. His physical property is rarely destroyed; but his

¹ Commons, J. R., and Andrews, J. B., *Principles of Labor Legislation*, rev. ed., p. 102.

business, his income, and his labor and commodity markets are adversely affected. It is upon this intangible, the right to carry on business without interference, that court attitudes hinge when called upon to decide the legality of a strike or of a boycott. The right of the strikebreaker to work is also a factor in the eyes of the court. The right of the workers to strike and to picket appears to menace the rights of the strikebreaker and the rights of the employer to do business. In the case of a boycott, the employer argues that the use of this weapon by organized labor violates his right to use his own property without interference and to manage his business without coercion or intimidation. The labor organizations urge that their members are merely exercising their constitutionally guaranteed rights of free press and free speech. The strike and the boycott cause a conflict of rights which the courts find difficulty in harmonizing.¹ It should be noted that the right to do business is not an absolute right. It is often interfered with by sanitary regulations and other forms of the police power. In time of war, the right to do business may be nullified. Railways and other public utilities have had their rights to do business seriously circumscribed. In short, the right to do business is legally recognized only in so far as its exercise is in the public interest.

Strikes carried on solely for the purpose of affecting the rate of wages or the length of working day or week are legal unless in the special cases of public employees or possibly employees of certain public utilities. The sympathetic strike is probably unlawful. The courts are not easily convinced that the interest of workingmen in one establishment in the affairs of those in another establishment is sufficiently direct and immediate to warrant an additional strike which interferes with business and adversely affects the welfare of the community. As a rule, a strike to cause the discharge or to prevent the employment of non-union men or to prevent the use of non-union material is held to be unlawful. A strike for the purpose of aiding a fellow worker to collect a payment of money is not permissible. There is "no absolute right to strike." In public utilities, continuity of service is of vital importance to the general public; the managers of a public utility are obligated to furnish continuous service. A strike makes it difficult for a public utility to function. The right of workers to

¹ For a further discussion of rights, see chapter on Labor Legislation.

quit work individually or collectively runs counter to the duty of furnishing continuous service. To date, the right of workers in public utilities to strike has been modified only in minor matters. It is not lawful for a railway employee to abandon his engine while en route to its regular destination. Employees while remaining in the service are required to perform their regular services. A refusal, for example, to haul the cars of another company in order to give assistance to strikers is unlawful. The railway and public service corporations of various sorts are peculiar industries. The welfare of the general public is seriously affected by any long-continued interruption of the service. The growth of trusts which control the necessities of life is pushing them into the same category. The attitude of the public and of the courts toward strikes in those industries will be modified because of the far-reaching effect of a labor dispute. Advocates of compulsory arbitration in particular industries are not lacking. It is urged that a group of employees must give up their right to strike in the interests of the larger group — the general public.

Except in the case of highly skilled men or an all-inclusive trade union, a strike in which the workers merely quit and retire to their homes without making any attempt to give publicity to their grievances or to dissuade others from taking the places the strikers have vacated would, as a rule, be a failure. New workers would presently be hired and the plant, after a period of adjustment, would be operated normally. In nearly every strike, the strikers take concerted action to prevent the employing firm from obtaining a new working force. As has been indicated, questions affecting the right to strike frequently hinge upon the matter of what steps are allowed in order to retain the positions vacated. One of the means employed is picketing. A selected group of strikers or all of them are stationed near the establishment of the employer for the purpose of persuading or coercing non-union men from taking the places of the strikers. Occasionally the pickets walk back and forth in front of the establishment carrying banners or placards indicating that a strike or a boycott is being conducted. Peaceful picketing is lawful under the common law. As a matter of actual practice, picketing is frequently deemed unlawful by the courts. The courts hold that picketing almost inevitably involves physical intimidation and fear.

In the language of the court, "there may be threats, intimidations, molestations, and obstructions, without there being any express words used by which a man could show violent threats toward another or any express intimidation." The courts recognize that picketing almost inevitably creates "an atmosphere unsuited for 'scabs.'" Everybody familiar with actual strikes knows that moral suasion at the factory door rarely brings results, and in results the strikers have direct and immediate interest. In short, peaceful picketing is a rare phenomenon.

In the matter of picketing, two rights come into direct conflict: (1) the right of an employer to conduct his business without interference and without intimidation of his employees or customers by outsiders or strikers, (2) the right of strikers and others to persuade strikebreakers not to work for the employer or of customers not to buy from the firm as long as the strike continues. Prior to 1921, the courts differed very materially in their attitude toward picketing. In that year, the Supreme Court of the United States handed down two decisions relating to picketing which have partially clarified the situation. In the *American Steel Foundries vs. the Tri-City Central Trades Council*, the court held that when picketing was carried on by a group, it was "inconsistent with peaceful persuasion" and "constituted intimidation." The court further held that the strikers should be limited to one picket for each place of exit and that such representatives must not use "abusive libelous or threatening" appeals and must not "obstruct an unwilling listener by importunate following or dogging his steps." This was not intended by the court to constitute "a rigid rule"; judges should take into account the particular conditions in each case.¹ In the case of *Truax vs. Corrigan*, the court held that picketing by groups of strikers "violates a constitutional guarantee of liberty and property and that no state can legalize such conduct."² In 1926 an Ohio Court of Appeals denied an injunction against the picketing of a restaurant in Cleveland. In this case, cards were distributed by the pickets. The court held that no person had been abused or intimidated.³ The British law of 1927 limits picketing when conducted on such a scale as to constitute intimidation.

¹ *Bulletin of the Bureau of Labor Statistics*, No. 309, pp. 181-187.

² Commons, J. R., and Andrews, J. B., *Principles of Labor Legislation*, p. 121.

³ *Bulletin of the Bureau of Labor Statistics*, No. 517, pp. 158-159.

The legal status of the boycott is not fixed beyond controversy. The decisions are somewhat conflicting. Under the common law the legality of the boycott, like that of the strike, depends upon the intent. If the intent is malicious, the boycott is held to be unlawful. Many states have statutes referring to the boycott by name or by implication. Boycotts have been declared illegal in the federal courts under antitrust legislation and the Interstate Commerce Act. In the Danbury Hatters case, for example, a labor organization was penalized under the Sherman Anti-Trust Act for interfering with interstate commerce by means of a boycott. A distinction is usually drawn by the courts between the primary and the secondary boycott. The primary boycott is legal unless accompanied by coercion; but as a weapon of organized labor it is unimportant. The secondary boycott is usually held to be illegal. Nearly all legal decisions in boycott cases relate to some form of the secondary boycott. A decision of the Supreme Court of California clearly breaks away from the mass of legal precedents. The court declared as do labor leaders generally that the distinction between the primary and secondary boycott was immaterial. The boycott was declared to be legal as long as the union used fair means to induce third parties to cease patronizing the boycotted firm. It is interesting to note that in California the early use of the boycott was against Chinese-made goods. Other courts held that the presence or absence of threats and coercion is the determining factor. It has been held in certain cases that the secondary boycott interfered with the business of the boycotted firm and that the right to do business is a property right. The Duplex Printing Press Company was the maker of newspaper printing presses. After a strike of machinists in its plant, a country-wide program was followed for the purpose of inducing other workers not to haul, install, or repair the presses made by this firm. The Supreme Court of the United States declared this method of boycotting illegal because the interstate business of the firm was threatened with irreparable damages.¹ The Bedford Cut Stone Company case indicates that it is illegal for labor organizations to refuse to work upon materials made or handled by non-union labor.² The court held that this boycott indicated a course of conduct which threat-

¹ *Law and Labor*, Jan., 1921; 254 U. S. 443.

² *Bulletin of the Bureau of Labor Statistics*, No. 517, p. 163; 274 U. S. 37.

ened to interfere with "the natural flow of interstate commerce." In the famous Bucks Stove and Range Company case, the unfair list was held to be unlawful. The officers of the American Federation of Labor were ordered to cease printing the name of this firm in the "We don't Patronize" column of their official journal.

The legality of the secondary boycott and the unfair list also hinges upon another disputed point. May an act which is lawful when performed by one individual become unlawful when performed by a group of persons acting in a concerted manner? Chief Justice Shepard of the Supreme Court of the District of Columbia in a dissenting opinion in the Bucks Stove and Range Company case held that the provisions of the English Trades Disputes Act of 1906 were now generally accepted as the common law doctrine in this country. This act changed the law of conspiracy in that country so that no action would stand against a combination performing acts which are legal if performed by an individual.¹ In June, 1908, the Supreme Court of Montana rendered the following opinion: "But there can be found running through our legal literature many remarkable statements that an act perfectly lawful when done by one person becomes, by some sort of legerdemain, criminal when done by two or more persons acting in concert, and this upon the theory that concerted action amounts to conspiracy. But with this doctrine we do not agree."² Other eminent legal authority may be found accepting a very different doctrine. Justice Holmes and Justice Harlan of the United States Supreme Court have indicated in decisions that concerted efforts may be adjudged unlawful although the same act performed by one person may be recognized as lawful.³ Labor leaders insist that mere numbers do not affect the quality of an act. If it is lawful for one man to withhold his patronage from a dealer and to advise his friends to do likewise, they urge that a group of men have the same rights. The opposing legal opinions seem to be influenced by the idea that the mere force of numbers introduces an element of menace and coercion absent in the case of a single person; and that an "un-

¹ In 1927, the Act of 1906 was amended. Intimidation and the general strike were declared illegal.

² *Lindsay & Co. vs. Montana Fed. of Labor*. See *Political Science Quarterly*, Vol. 24, p. 86.

³ See *Bulletin of the Bureau of Labor Statistics*, No. 74, pp. 250-251; also 110 Wisconsin, p. 189.

warranted interference with the natural course of trade" may follow. A resolution adopted in 1905 by the American Federation of Labor furnishes a reasonable basis for such an opinion. "We recognize the fact that a boycott means war, and to successfully carry out a war we must adopt the tactics that history has shown are most successful in war."

The usual remedy of the courts in the case of a decision against the boycott or the unfair list is the injunction. The use of the injunction is a conspicuous factor in legal proceedings in connection with labor disputes. In labor cases, an injunction is a writ issued by a court exercising equity jurisdiction, ordering certain persons to refrain from doing specified acts. Under common law procedure, reparation may be sought after an overt act involving damages to person or property has occurred. The common law is highly technical; it is difficult for the courts to allow for unusual or extenuating circumstances. In the early English law, the king was given power to grant extraordinary relief. Later this power devolved upon a special kind of court called the court of equity. The injunction is supposed to be granted by equity courts only in case irreparable damages are likely to follow the commission of the enjoined act — that is, damages which cannot be adequately paid for through a judgment obtained in the ordinary law courts. The injunction is a preventive measure. The persons threatening to injure the person or property of the complaining party are ordered not to commit the overt act. A violation of this order may be punished as contempt of court by fine or imprisonment or both. Except as modified by statute law, trial by jury is not allowed in contempt of court cases. The judge issues the order, determines whether the order has been disobeyed, and fixes the penalty for disobedience. The executive and the legislative branch have practically been stripped of the power to inflict punishment upon those who disobey their mandates but the judicial arm of government still clings to that right.

The most famous cases of the use of the injunction in labor disputes are the Debs case in connection with the railway strike of 1894, the Bucks Stove and Range Company case in which three high officials of the American Federation of Labor — Samuel Gompers, John Mitchell, and Frank Morrison — were sentenced to imprisonment for disobeying the orders of the court, and the

Railway Shopmen's Strike of 1922. The first originated in the works of the Pullman Car Company and spread as a sympathetic strike to nearly all the railway lines radiating from Chicago. The general public was greatly inconvenienced, interstate commerce was interfered with, and the mails were delayed. Much violence and destruction of property accompanied the strike. A "blanket" injunction was issued by a federal court enjoining the officers of the American Railway Union and "all other persons" from interfering with the transportation of the mails and with the flow of interstate commerce. Disobedience of this inclusive order was punishable as contempt of court. Interference with the transportation of the United States mail is a crime under the federal statutes, but the accused under the statute law would be allowed a trial by jury.

The Bucks Stove and Range Company became involved in a dispute with the molders employed by the company. A strike followed and a boycott was instituted against the products of the company. *The American Federationist*, the official organ of the American Federation of Labor, included the name of this firm in its "We don't Patronize" list. It was held that the officials and members of the Federation had acted concertedly against the company for the following purposes: (1) to bring about a breach of the company's contracts with others; (2) to deprive the company of property [good will in business] without due process of law; (3) to restrain trade among the several states; and (4) to restrain commerce between the several states. (1) and (2) were held to constitute conspiracy under the common law; and (3) and (4) to be actionable under the statute law — Sherman Anti-Trust Law and interstate commerce acts. A sweeping injunction was granted in the courts of the District of Columbia forbidding the officers and agents of the Federation from interfering in any way with the business of the company; from printing and distributing copies of *The American Federationist* or any printed or written instrument "which shall contain or in any manner refer to the name of the complainant, its business, or its product in the "We don't Patronize" or the "Unfair" list; from calling attention "in writing or orally" to the boycott against the firm. Three officers of the Federation were declared to have violated the injunction and were sentenced to imprisonment for terms of one year, nine months, and

six months respectively. This judgment was reaffirmed by the Circuit Court of Appeals, although the terms of the injunction were slightly modified. One judge dissented.¹

The injunction issued by a federal court in the Shopmen's Strike was extraordinarily sweeping and drastic in its terms, with the multiplicity of verbiage dear to the heart of the lawyer. This injunction enjoined persons from "in any manner interfering with, hindering, or obstructing" the railways or their employees. The *New York Times*, in commenting upon this far-flung blanket injunction, insisted that strict obedience to its terms would condemn the strikers "to a life of silent meditation and prayer." This injunction, like others, generated a large amount of illwill; but the goodwill of employees is a very valuable asset of American railways and other corporations. Injunctions do not remove the irritations which lead to strikes and sabotage. A few injunctions have been issued at the behest of organized labor enjoining employers from breaking contracts or following some other course of action which it is alleged would cause irreparable damages to the union.

Injunctions of recent date are more far-reaching and comprehensive than the injunctions issued in the eighties and nineties of last century. In the case of the Shopmen's Strike, nearly all of the two hundred sixty-one railways of Class I applied for injunctions. "No applications were denied. In all, nearly three hundred were issued."² Organized labor bitterly opposes this frequent use of the injunction; it objects to the substitution of equity procedure for resort to the courts of common law. The spokesman of organized labor urged that the equity courts have overstepped their authority in issuing injunctions in labor cases. Legislation curbing the power of equity courts in this matter has for years been vigorously urged by unionists.

The injunction is extremely important because it involves (1) a denial of the right to trial by jury in case the injunction is disobeyed. The frequent resort to the injunction gives ground for the suspicion that the injunction is often merely a subterfuge for avoiding a jury trial. (2) It led in the Bucks Stove and Range Company case to an apparent denial of the right to print certain facts, thus

¹ After a long period of litigation this case was dismissed by the Supreme Court upon a technicality.

² Former Senator Pepper, *American Labor Legislation Review*, Dec., 1924, p. 319.

interfering with the freedom of the press guaranteed by the first amendment to the federal Constitution. (3) The constitutional right to freedom of speech is also apparently denied in certain cases. The court's answer to this plea that the constitutional guarantee of freedom of press and speech is impaired, is as follows: "Whatever in writing, print, or speech violates a legal right of another is unlawful," . . . consequently, "it ought to be enjoined in advance, if . . . it so invades rights of property as that the law affords no remedy adequate to compensate for the results," or if a good name may be "rescued from preconceived despoilment."¹ (4) In the fourth place, it is generally conceded that a business may be lawfully injured by competition, or by the exposure of facts relating to the conduct of the enterprise. It is not, however, beyond the bounds of reason to inquire: Do the decisions in the boycott cases, known as the Bucks Stove and Range Company case and the Danbury Hatters case, indicate that the exposure of facts as to a business may be adjudged unlawful? Has a person or a combination of persons the lawful right to make public the fact that conditions in a factory or a store are insanitary? The business will be injured and the flow of interstate commerce may be modified. If a true statement is sent broadcast that a grocer doing an interstate business keeps whiskey for sale in his basement or that he mixes sand with the sugar which he offers for sale, could the grocer obtain an injunction restraining the circulation of such statements?

Temporary injunctions are often issued upon the complaint of one party and without a hearing to both sides of the case. Later, after a hearing, the injunction may be made permanent or it may be withdrawn. If the injunction is not allowed, irreparable damages are claimed to be probable. If the injunction is allowed, the strike or the boycott may fail. Even a temporary injunction delaying the use of such weapons as picketing or boycotting may cause a strike or a boycott to fail. Time is often an important factor in the success or the failure of a strike. An injunction against a labor group unwisely granted may result in irreparable damage to the cause of the workers. On the other hand, one unwisely refused may cause irreparable damages to the employer group. The judge is in a difficult position when asked to grant an injunction in an important labor dispute. His interests, training, associations,

¹ *Bulletin of the Bureau of Labor*, No. 80, p. 137.

and philosophy of life will in the main determine the attitude he assumes.

The Clayton Act, passed in 1914, contains certain clauses relating to labor which it was expected would improve the legal status of organized labor. Labor leaders have insisted that labor is not a commodity, that a labor organization is not a trust, and accordingly labor organizations ought not to be attacked under the antitrust laws. The Clayton Act specifically states that the "labor of a human being is not a commodity or article of commerce." The power to issue injunctions in case of labor disputes was supposed to be circumscribed by the Act. Among other things, no person or persons shall be restrained by injunction "from doing any act or thing which might lawfully be done in the absence of such dispute by a party thereto." The Clayton Act granted the privilege of a trial by jury in contempt of court cases arising in federal courts. With the exception of the provisions in regard to jury trial, interpretation by the courts of the portions of the Act relating to labor indicates that the legal status of labor was unchanged by this piece of federal legislation. In 1931 organized labor sponsored an anti-injunction measure which provided that no federal court may issue an injunction for the purpose of prohibiting a strike or picketing unless violence is used, workers from joining a union, the use of union funds for the benefit of members, the publication of the sentiments and views of striking workers, or workers from assembling peaceably. This measure was placed on the federal statute books in 1932. Twelve states have also enacted anti-injunction laws.¹

THE BLACKLIST

An association of employers may prepare and circulate a list of employees who have gone on a strike or who have been discharged because of activity in labor organizations. The blacklist need only be circulated or available among a select list of employers. The boycott on the contrary depends for its success upon publicity, upon the unity of action on the part of a large number of purchasers. It is often difficult to prove the existence of a blacklist in court; but the boycott is always in the open. Many plausible

¹ *Monthly Labor Review*, July, 1932.

reasons may be given for the discharge of an employee; and the right to discharge for a good, bad, or indifferent reason is practically established. Furthermore, a prospective employer of a given individual has the right to look up the latter's record with previous employers. A federal statute forbidding an employer engaged in interstate commerce to discharge an employee because of membership in a union was declared unconstitutional. The court also ruled that an employer has a right to keep a book containing the names of employees discharged because of membership in a union, and that he may lawfully invite inspection of the book by other employers. Legislation against the blacklist has proved to be futile.

THE UNION LABEL

The union label is a mark adopted by a labor organization and placed upon the products made by its members. Its use furnishes an easy method of discriminating between union-made goods and the products of non-union, child, or convict labor. Through the use of the union label the wage earners are organized as consumers as well as producers. The wise use of the consuming power by the families of union men will hasten the growth and increase the efficiency of organized labor. The workingmen form a very important class of consumers. By directing their demands into proper channels, conditions of labor may be greatly ameliorated. The demand for the product of the workers in a trade depends upon the wages and conditions in other trades. If the workers in one trade persist in purchasing goods which are produced under sweated or "unfair" conditions, the consuming power of the workers in the sweated trades is reduced. As a result, the demand for the products of the workers in the first trade is also reduced, and they are indirectly, but none the less surely, made to feel the results of their own short-sighted action. It has often been stated that "half of the battle of union labor would be won if only the union man and his wife would in every instance insist on the label on everything they purchase." Another argument is used for the purpose of reaching a wider circle of consumers. It is maintained that union-made goods are produced under sanitary conditions and will not carry infectious diseases.

Labor organizations have not as yet effectively utilized their latent power in this connection. The members of labor organizations could do much toward preventing scamping and adulteration. The powerful unions in the building trade might do much toward preventing violations of the building laws in cities. The wage earners live in many buildings which are improperly constructed, and often pay the penalty for faulty construction. The producer — the workman — by neglecting to oppose bad work injures his brother unionist who consumes the product. The consumer of almost any product is obliged to grope in the dark in regard to the quality of his purchases. His dependence upon the word or the reputation of the maker or the seller is often almost complete. If the union label always stood for good workmanship, quality as represented, and obedience to legal requirements, it would come to the consumer as a welcome ray of light through the darkness of uncertainty and misrepresentation. It would not be impossible to make the union label “organized labor’s most powerful weapon.” Organized labor might furnish an effective check upon certain varieties of graft, as, for example, in connection with public or private buildings. Graft is primarily a disease of the commercial world, the world of buying and selling, as distinct from the world of production.

The union label originated in the United States; and its use is almost entirely confined to this country. It was first used by the cigar makers in 1874. The opposition to cheap labor seems to have been a factor in causing its adoption. Many trades now use the label. In 1930 fifty-one labels and ten cards were issued by organizations affiliated in the American Federation of Labor; and one of the four departments of the Federation was the Union Label Trades Department. It has been difficult to interest workers and their families in union-label goods. Repeatedly in labor conventions, complaint is made that unionists are not exclusively purchasing union-made goods. The attraction of the bargain counter is almost irresistible. A committee on union labels declared that “we cannot too strongly impress upon our fellow-workers the need of a continual and persistent demand for union-made goods. Union labor is morally bound to support union labor, and one of the most practical ways to do this is to spend money earned under union conditions only for commodities made and distributed under

union conditions. Be consistent and practice what you preach." The union label is legally not a boycott. It is one variety of the fair list and its use is lawful.

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CHAPTER XI

SCIENTIFIC MANAGEMENT

WHAT IS SCIENTIFIC MANAGEMENT?

In past generations, work was not carefully planned. It was performed as it had been done in the past, or as the result of some accidental discovery of a new method. Until recent centuries the rank and file of manual workers were slaves and serfs. The men of other classes did not see any pressing reason for studying methods of doing work; and, until the development of science in recent generations, no adequate foundation existed for a study of the ways and means of producing commodities. Accuracy, interchangeability, and design are comparatively new elements in industry. The familiar story of John Fritz, who only about half a century ago drew designs for steam engines with his cane in the sand on the foundry floor, is illustrative of the hit-and-miss methods generally used in our workshops of two generations ago. Each workman employed the methods he had learned from others, and met new situations as they arose, according to his own ideas or lack of ideas.

Scientific management signifies the development of a scheme of operation resting upon certain definite principles, and independent of the whim of any man or set of men; "decisions are based upon facts." It takes the determination of the particular methods to be employed out of the control of the worker and places it in the planning room. Scientific management uses time and motion studies, splits an intricate task into simpler tasks, and makes it possible for these fragments of a job requiring not easily attained skill to be performed well by selected workers after a brief period of training. It also means the introduction of some variety of piece work in order to reduce the amount of loafing on the job. The principles of scientific management may be reduced to "analysis, standardization, incentive." In brief, it is getting the qualified

worker to use the appropriate tool in the right manner. The introduction of the blueprint was a preliminary step toward scientific management. The workmen were given definite directions in regard to many details of their work; decisions were made in the drafting room. Scientific management now carries the control and direction of workers several steps farther.

Industry may be studied from the technical or from the human side. Industrial experts have devoted much attention to the study of materials and machines, but unfortunately until quite recently only a minimum of attention has been directed toward the investigation of the most important factor in production — men and women. In the words of another, “man is on the way to master inanimate things, but hitherto the failure has been in treating human beings too much like things.” Wage workers have been treated as machines, as hands, as “cannon fodder.” One of the economic problems of today is that of releasing effectively and regularly the productive energy of human beings and of groups of associated workers. Few individuals work up to their possibilities and rarely are groups of individuals properly and harmoniously coördinated for the most effective results. Factories are filled with wage workers, but what is needed is an efficient and eager working force. There are much latent talent and energy in the mass of breadwinners which are rarely utilized in productive industry. Our participation in the World War partially revealed America’s “tremendous dormant industrial capacity.” The older form of scientific management of which the greatest exponent was the late F. W. Taylor, “the father of scientific management,” laid the emphasis upon the mechanical elements involved. The more recent type stresses the human side of industry. The worker is studied as a human being rather than as a machine; it is recognized that physiological, psychological, and social problems are involved in any study of industrial efficiency and management.

The older form of scientific management was interested (1) in the systematization of the work in a given factory from the engineering or the mechanical point of view — the routing of the work, proper cutting speeds, the care of tools and machines, and the like. (2) The second concern of scientific management was with wages or the appropriate methods of paying for labor power. The newer form of scientific management, called by sundry names

such as human engineering, personnel management, or organization engineering, no longer looks upon the worker as a form of machinery; it recognizes that workers are of infinite variety and should be studied as clinical cases. Psychological and sociological factors are not overlooked. What are the effective methods of energizing the workers as individuals and as members of a group? How may potent incentives which will stimulate sustained interest in the work of the industry be uncovered and utilized? The older form of scientific management was comparatively simple; but it could not be successfully carried out if it encountered opposition from the workers individually or as a group. Since technical improvements in machine-shop methods increase the per-capita output of wage earners, these scientific methods will doubtless be introduced, as were machines, in spite of opposition. Efficient methods of doing work will sooner or later displace less efficient methods as, for example, the steamboat, the automobile, and the giant drop-hammer have displaced the sailboat, the horse, and the village blacksmith. The transformation may be retarded; but the constant pressure of economic forces will finally break down all opposition.

The pioneers in scientific management did not entirely neglect the human side. The late F. W. Taylor wrote: "This close, intimate, personal coöperation between the management and the men is of the essence of modern scientific or task management." But he apparently expected this coöperation to be brought about by the application of technical methods, by attention to the non-human side of industry. This part of the program cannot be secured by coercion; it can be effectively carried out only when the wage earners harmoniously coöperate with the management in working out the proposed plan. The fundamental problems of management engineering center at the present time around the treatment of wage workers. The relations existing between management and men are of greater significance than those of cost accounting or of the selection and care of machines and tools.

In theory, according to its advocates, scientific management stands for increased productive capacity without increased effort; it aims to do away with lost motion and useless movements. It means maximum results with a minimum of effort; it does not connote "frenzied production." Now, these objects are certainly

worthy of approval, and, consequently, opposition to efficiency engineering must arise because of the methods employed in carrying out the program. Our attention evidently must be directed toward this pertinent inquiry: How, then, can this "close, intimate, personal coöperation" be secured?

THE ORIGIN OF SCIENTIFIC MANAGEMENT

As F. W. Taylor is known as the chief exponent of scientific management, some attention may well be given to his experiments and program. Taylor was born in 1856 and died in 1915. His chief work was done with the Midvale Steel Company, 1878-1890, and with the Bethlehem Steel Company, 1898-1901. Taylor looked for a scientific method of doing each sort of work. There is a correct and efficient way of doing any kind of task whether it be tying a necktie or shoveling coal, or performing the more intricate process of cutting steel or building a bridge. The first problem in connection with any process is to find the "one best way" of doing the job. The second step is to select and train workers to do the work according to the best method. Taylor would give to each worker each day a job for which he is well suited, and give him a tool or machine which will enable him to do his biggest day's work. In a plant adopting scientific management it is necessary for each worker "to abandon his individual ways for scientific, and to stop acting capriciously and arbitrarily and subscribe to a reign of law."¹ Taylor emphasized what has been aptly termed "the discipline of science." From his point of view, scientific management was "a mode of using equipment which is scientifically designed."

Two of his early experiments were with handling pig-iron and with the art of shoveling. In the case of workers carrying pig-iron into a box-car, the rest period was introduced. In studying shoveling, the preliminary question was: What is the proper shovel load? What load will give the greatest output per day? After considerable experimentation, it was decided that 21½ pounds constituted the proper load for the old-fashioned hand-shovel. The next problem was to design shovels for different kinds of materials so as to obtain the correct shovel load. Finally, it was necessary to

¹ Copley, F. B., *Frederick W. Taylor*, Vol. 2, pp. 61, 150.

make proper selection of men for this work and to train them in regard to the best methods.

In selecting workers for the original tests, Taylor would call in one or more men who seemed adapted to the work. He would say to the men: "You fellows are first-class men. We want to pay you more wages. If you will follow directions and play fair with us, we will pay you double wages." This emphasis upon good work and high wages led in most cases to willing coöperation in the tests. Much more elaborate investigations were made in other lines. Taylor's work in the art of cutting metals was highly important. One enthusiastic engineer, H. R. Towne, declared: "Under the magic influence of Frederick W. Taylor's genius, the art of cutting metals, which underlies all the metal industries, made a greater advance than during the previous ages since the days of Tubal Cain."¹

Under scientific management, little is left to the initiative of the worker. For example, it is urged by its advocates that the worker's initiative and knack would not have brought about the use of the proper kind of shovel with the exact load for most efficient results. The management becomes responsible for the machines and tools used, for the methods of work employed, and for the proper selection of workers. The speed of the machine, the kind of tool and the methods of sharpening it, the depth of cut, the motions used by the operator, and the position of the raw material and of the finished product are all determined after careful investigation by representatives of the planning room. Through use of the stop watch, by means of motion study, and by other applications of the scientific approach, a science is developed for each element of a man's work. Guesswork, rule-of-thumb, or tradition has no place in a plant under scientific management. The management also is held responsible for the proper selection and training of workers. Scientific management makes a fairly accurate determination of a fair day's work practicable. It means greatly increased output without increased effort. Scientific management aims to do away with lost motion and useless movements. It strives for maximum results with minimum effort; it does not signify frenzied production or over-driving.

F. W. Taylor did not seem to have any definite concept of a

¹ Copley, F. B., *ibid.*, p. xiv.

fair basic wage. He apparently started with the idea of a customary wage. Under scientific management, output would be increased and wages raised. A form of piece wage was substituted for the day wage. Differences in wages between various workers would presumably depend largely upon the efficiency and output of the individual. Taylor opposed collective bargaining because it tended to level wages within a group. This tendency ran counter to his theory of payment according to individual output. His philosophy was one of self-reliance for the worker in so far as influence by other workers or groups of workers was concerned; but it exalted the expert far above the individual initiative of the worker. Unions were held to be unnecessary. It was assumed apparently that wages would always be paid in proportion to output. Since scientific management increased output, the worker would fare well under its influence. Taylor did not write about improving working conditions — safety, sanitation, better lighting, etc. His eyes were focused upon the scientific methods of doing work. He pictured the worker as a machine or as a working animal rather than as a human being with a peculiar personality. Under his system the worker was not expected to do independent thinking. Taylor did insist that scientific management would increase wages and banish poverty. However, he did not present a plan for taking care of those thrown out of work by machinery and scientific management. It was naïvely asserted that the displaced would obtain other jobs. As early as the eighties, Taylor insisted that the employment and discharge of employees was a specific function of management. It has been suggested that one of his functional foremen — the disciplinarian — was the forerunner of the personnel manager.

Broader phases of scientific management in an industry include the systematic routing of materials and semi-finished products from department to department, the coördination or dovetailing of the work of departments, the proper location of industry, and the careful selection of officials. One of the essential steps in placing an industry upon an efficiency basis is that of putting “authority in the hands of those who know what to do and how to do it, irrespective of whether they are the owners of the tools of production or not.” Much inefficiency exists today in boards of directors of corporations. Scientific management might well be applied

all along the line. It has been applied chiefly to the mechanical or production side of industry; but its methods and principles may be carried into marketing, and into planning for future business. Furthermore, the effectiveness of scientific management depends upon the physical and mental condition of workers — upon high and rational standards of living, upon good foremanship, upon security and absence of worry, upon opportunities for wholesome recreation, upon educational facilities, upon individual and group morale. Scientific management is much more than mechanical correctness or wage incentives.

THE OPPOSITION OF ORGANIZED LABOR

The fierce opposition of organized labor to scientific management has been due in no small measure to its use by managers who wished to over-drive workers and who substituted the will and desire of the management for “the discipline of science.” Scientific management has in actual practice too frequently been unscientific, or has been applied in such a fashion as to make workers feel that they were machine-like. The chief reasons for the attitude of organized labor may conveniently be discussed under six heads. It must not be overlooked that an increasing number of examples may be found in which organized labor has joined with management in the introduction of scientific management methods. Notable instances of coöperation may be found in the clothing and textile industries, and in the railway shops of several important systems.¹ There is reason for asserting that scientific management and labor organizations are not “fundamentally and permanently antithetical.”

1. The introduction of a machine or of a new and more efficient method of doing work, is often a cause of temporary or permanent unemployment for some workers. Even short-run difficulties loom ominously on the horizon of the worker and his family; such gloom cannot readily be dissipated by the optimism of the long-run philosopher. For many individuals there is no long-run.² In these days, technological unemployment cannot be laughed out of court; it haunts the family of almost any worker, skilled or unskilled, clerical or executive.

¹ See the chapter on coöperation between management and men.

² See discussion on the introduction of machinery, pp. 138-141.

It is perhaps worth while to call attention to the obvious fact that the man who is "working for himself" does not object to methods or systems which lighten his work. The farmer is glad to obtain a tool which will increase his productivity. Even the conservative wife of the farmer is not adverse to the installation of a new or better pump, an electric sweeper, or some other machine which will save steps. Why then, it may be asked, does the wage earner so frequently resist the introduction of new machinery or of new and scientific methods of performing work? The farmer and the farmer's wife do not fear that the new machines or methods will cause them to lose their jobs, or that they will be called upon to do much more work for little more pay. They believe, on the contrary, that their income may be increased and the length of their working day reduced. In short, they are confident that the results of their efforts will be multiplied. On the other hand, the wage earner feels instinctively, too often as a consequence of past experience, that the system of scientific management is some more or less subtle scheme for advancing the interests of his employer at the expense of the workers individually or as a class. How can the point of view of the worker be modified until it coincides in this particular with that of the farmer or with that of the man who is "working for himself"?

The wage earner is today insistently demanding that a portion of his share in the advantages accruing from the introduction of improved machinery and of scientific management be given to him in the form of a shorter working day or week. His conception of a desirable form of society in the twentieth century is not one in which a certain number of individuals work at high speed during a long working day, but one in which all work during a short working period. There are, obviously, at least two alternative methods which may be pursued in producing a given quota of goods and services: a small number of men may be employed for a long working day or a larger number for a shorter period. From the standpoint of the wage earner observing a large and apparently growing army of unemployed, the second alternative is by no means repulsive. His ideal is not necessarily maximum productivity per worker per day, but a condition in which work and recreation are blended for each and every individual. And, if economics is "the reasoned activity of a people tending toward the satisfaction

of its needs," shall the economist confidently assert that the wage earner's ideal is one worthy only of contemptuous rejection?

2. Workers often feel that scientific management as it has been carried out in actual practice is a new-fangled way of over-driving introduced by employers who are as a rule opposed to labor organizations. A score of years ago, the American Federation of Labor adopted a resolution which read in part: "We are opposed to any system of shop management which requires one man to stand over another, timing him with a stop watch in order to speed him up beyond his normal capacity." From the point of view of the typical pioneer in scientific management as well as from that of many an industrial executive today, the model worker is the vigorous man who freely expends all of his surplus energy during working hours and who utilizes his non-working hours only for recuperation and preparation for another day's work. It was not the purpose of the older type of scientific management experts to allow the worker to depart from the door of the factory at night with more than a minimum of surplus energy for recreation, for family life, for civic duties, or for union activities. In short, there has been too little in the program of many management experts which indicated that the wage earner should be given an opportunity for individual development. One also finds little, or more accurately nothing, in F. W. Taylor's book, *The Principles of Scientific Management*, which indicates that he appreciated or sympathized with the point of view of the wage worker. Even the slave holder of ante-bellum days was interested in "welfare work." But, of course, the slave owner was concerned in the matter purely and solely for the purpose of increasing the efficiency of the slaves or of reducing the cost of production.

Taylor states that a long series of experiments has shown that an increase in wages up to 60 per cent beyond the wages usually paid has a good effect upon wage workers. But, "on the other hand, when they receive much more than a 60 per cent increase in wages, many of them will work irregularly and tend to become more or less shiftless, extravagant, and dissipated. Our experiments showed, in other words, that it does not do for most men to get rich too fast." But what of the efficiency of the corporation which receives large increases in its rate of profits? How do such increases affect the alertness of the managers, the adoption of

improved methods, machines, and safety appliances? Can the workers or the consumers afford to allow an employing corporation to increase its rate of profits? If so, how rapidly and how much? This is an unworked field of management engineering. And our engineers are not enthusiastically interested in investigations of this sort.

The non-social lump-of-work argument is closely paralleled by what may well be called a lump-of-capital argument. Many a corporation composed of individuals who are not in business for their health has obtained a patent upon some new appliance which would cheapen the cost of production, but necessitate the scrapping of much valuable equipment; and, consequently, with the aid of our antiquated patent laws such corporations have quietly shelved the patent. The attitude of the capitalist in such a case is not very dissimilar to that of the workingman who opposes the introduction of machinery or processes which threaten his trade or his lump-of-labor. In addition to the prevention of soldiering on the part of workers one of the problems of a well-rounded program of scientific management would be that of preventing the shelving of new appliances and machines.

All careful and disinterested students of scientific management will doubtless agree that, with certain notable exceptions, such systems are advocated by the employer, that the employer instituting them expects to direct their operation, and that the systems are primarily adopted for the benefit of the employing group. The problems connected with the various systems are viewed from the standpoint of the management and of the investor. Benefit to the wage earner is perhaps considered to be an incidental advantage; but normally it is a secondary matter. The bright and shining goal — the attractive lure — is lowered costs and increased profits rather than better workmen and citizens, or more leisure and culture and enjoyment for the toiling masses and their families. Is it reasonable to expect that the wage earners, organized or unorganized, will grow enthusiastic over a lopsided system of scientific management? If, as F. W. Taylor declared, “close, intimate, personal coöperation” is required to “energize” a plant, scientific management cannot reach a high degree of success while the workers distrust the motives of the employer, or so long as the workers in the plant are convinced that the management is trying to get

more work out of them without proportionally increasing the wage payments.

The average American citizen looks askance upon an arbitrary government which is in no way under the control of the governed. The despot, whether enlightened and benevolent or not, would be regarded with suspicion and would not be tolerated. Men have repeatedly and vigorously objected to arbitrary action on the part of government. And for centuries the western world has been slowly, but irregularly, moving toward democracy. The Louis XIV view of government has not disappeared from the business world. Will not, therefore, the typical wage earner granted political privileges but shut out of the councils of industry, distrust the management of the business in which he earns his daily bread? He will certainly see in the plans of the employer schemes for quietly and effectively squeezing the laboring man. The workers in our shops, factories, and mines can no more be expected to look with favor upon arbitrary changes concerning which they have not been consulted, than can the average citizen of today be expected smilingly to abide by the rulings of an arbitrary monarch — except in emergencies.

3. Workers dislike being treated as machines or as animals. It has been suggested that in badly managed factories of the old, unscientifically managed type, employees were treated like beasts; but in certain scientifically managed plants, with welfare appendages, they are treated like stock on a well-managed stock farm. Labor is insistently demanding that employees be treated as self-respecting men. Is it reasonable to expect that workers will willingly and contentedly leave the determination of the definition of systematic soldiering and of injurious speeding-up to the inevitably prejudiced judgment of their employers? The views of organized labor are well expressed in the following sentence: "To experiments which may be made in the name of science to discover the highest speed which a machine can attain, its greatest capacity for production, and the minimum length of time in which its usefulness can be exhausted before it is discarded and thrown on the scrapheap, labor has no objection," but laboring men will object to similar experiments performed upon themselves.¹

4. The workers feel that the introduction of scientific manage-

¹ Frey, J. P., *Journal of Political Economy*, May, 1913, pp. 410-411.

ment in some subtle way degrades them by taking away their initiative and their knack of doing things. Scientific management carries machine discipline to its logical conclusion. It eliminates rule-of-thumb methods, guesswork, and personal initiative. The handicraft method, with its stress upon the skill of the individual worker, is discarded for the minute directions of the planning room. 5. A labor organization wishes stability in regard to methods, rules, and bargains. Scientific management is founded on the hope of never ceasing modifications and improvements. This antagonism will doubtless be somewhat reduced as unions are recognized and treated with in regard to working conditions, or as the union is enabled to drop its fighting proclivities and turn to the more civilized methods of the conference table.

6. Scientific management stresses individual achievement and wages. Consequently, it tends to break down the solidarity nourished by labor organizations. Again, this menace to organized labor is especially grave so long as unions are primarily fighting aggregations. The strong aggressive union has frequently demanded and obtained higher wages, not as the reward for greater or better output, but because of the great power wielded by the organization. Scientific management, although without any adequate method of arriving at a basic wage scale, grades wage payments in proportion to individual effort and skill. Certain broad aspects of this antagonism are worthy of brief consideration.

The day of the individual entrepreneur is of the past. We may regret his going; we may vociferously assert that he was superior to the giant corporation with its collection of mutually independent units, and we may argue that the rivalry between managements is essential to business progress and industrial efficiency; but the corporation and the gigantic merger are here and here to stay. Likewise, the day of individual bargaining with the isolated worker is passing. Employers may strive to delay its going; but the effort will not be successful. Professor Commons has pointed out that unorganized as well as organized workers are willing to strike for the right to bargain collectively. "It is their desperate recognition that the day of individual bargains is gone for them." It is safe to assert that scientific management will not be successfully introduced and maintained by union-smashing corporations demanding individual bargaining with workers, because "close,

intimate, personal coöperation between management and men" obviously is impossible under such conditions.

Organized labor is definitely committed to the method of collective bargaining. The employer who demands the continued use of the individual bargain, whether the demand is made in the name of liberty and the freedom of contract or in the name of efficiency, becomes an object of suspicion. Individual bargaining is productive of distrust rather than of harmonious coöperation. And consequently scientific management can only hope to succeed, in the long run, in energizing workers by utilizing the collective bargain. Accepting the collective bargain means the partial admission of the representatives of the workers into the councils of the employers. It is a tentative step away from autocracy in business; it is a step toward putting industry upon a peace instead of a war footing. Collective bargaining and the admission of the workers into the councils of the management are essentials of close coöperation between the management and the employees. The leaders in the movement for scientific management have not, as yet, given this fundamental requirement adequate recognition.

In fixing upon the remuneration to be given the wage earner in a factory where scientific management is utilized, two items must be determined: the day wage and the amount or rate of the premium or bonus. In either case it is possible to use the collective bargain. The premium rate as well as the day wage can undoubtedly be fixed by means of the trade agreement. Scientific management can therefore use the collective bargain; it is not restricted to the individual bargain. And it is not clear that the wage earner will find bargaining collectively as to the premium to be paid is necessarily inimical to the interests of labor. Although under a premium or bonus plan all workers in a given class would not receive the same weekly wages, yet the premium rate could be adjusted by agreement between the management and the union officials. The rate also could be so adjusted by agreement as to militate against over-driving. The spokesmen of organized labor inform the public that the union demands a minimum wage, not a uniform wage. But a reasonable premium plan would offer a minimum wage with an opportunity to receive a bonus for efficiency. This would not necessarily be inimical to organized labor unless a

flat rate of wages within a given class of workers is essential to the maintenance of union solidarity.

In order that collective bargaining be successful, it is desirable that a determination be made of what is a fair day's work. Although scientific management offers only an empirical solution of the problem of a fair wage, it goes further in the important matter of a fair day's work. Before the days of scientific management there was little or no exact knowledge as to the amount of work which a craftsman or laborer ought to do in a day. Like the matter of a fair wage, a fair day's work was determined in a rough and ready manner, hence the employment of speeders and of prodding foremen. A period of depression has always been an excellent stimulant for the typical worker. Time cards, stop watches, motion studies, cost systems, and functional foremen are now giving us accurate definitions of a fair day's work. Wage earners and the management may not agree as to all deductions made from the data accumulated, but accurate information is desirable. We are rapidly approaching a time when, in our large industrial establishments at least, one cause of contention between employer and employee will disappear or at least be greatly minimized. A fair day's work may now be ascertained within a reasonable degree of accuracy by scientific methods.

One of the greatest weaknesses of scientific management has been the disregard of the worker's point of view. It does not seem to have been understood by many of the exponents of the older type of scientific management that the worker has loves, hates, aspirations, and a desire for freedom. Smaller pay, declares the wage worker, with some approach to a voice in management is better than larger pay and industrial autocracy even though the latter be sugar-coated and called scientific management. Wage earners have been distrustful of welfare work; they prefer to be "free rather than clean." A similar situation obtains in regard to scientific management, as the utterances of labor leaders give abundant evidence. The wage earner may be mistaken, and he may be shortsighted and superlatively selfish; but he is in earnest and his point of view must be reckoned with. On the other hand, is it not conceivable that the efficiency expert may have neglected some factors in the complex problem he is studying? Labor organizations exist not only for the purpose of obtaining certain specific benefits for

wage workers, such as higher wages and a shorter work period, but they are also expressions of a working-class movement toward democracy and equality of opportunity. Is not this fact too often overlooked by the ardent advocates of scientific management?

The newer type of management engineers, possessing a broader vision than the pioneer advocate of scientific management, points out that the goal of progress in the industrial sphere is two-fold: (1) Increased production at diminishing expense, and (2) increasing satisfaction on the part of workers in their work. Work, as well as leisure, should offer opportunities for self-expression and enjoyment on the part of the rank and file of workers. The men and women of the United States sorely need training for the sort of efficiency which is not merely predatory, for the fine and rare variety which makes for industrial harmony and social well-being. Careful consideration should be devoted to desirable modifications in the old and accepted forms of control in industry. The immediately succeeding chapters deal with newer phases of scientific management which may be included in human engineering or organization engineering.

RATIONALIZATION

Scientific management is a plan for applying scientific procedure to a given enterprise. While the term "rationalization" has not as yet achieved a standardized meaning, it may, in general, be said to represent an attempt to apply scientific planning to a nation as a whole, or, finally, to the world. Rationalization "implies the belief that a more rational control of world economic life through the application of scientific methods is possible and desirable." It would signify the knitting together of business firms or groups of businesses for the purpose of eliminating maladjustments and wastes in industries considered from a national or world point of view. The demand in this and other countries for economic planning¹ is a demand for rationalization. World problems as to the distribution of such important world resources as oil, coal, rubber, coffee, nitrates, and iron ore should be examined from the point of view of rationalization.

¹ See Chapter 1.

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CHAPTER XII

INDUSTRIAL PEACE

DIVERGENT POINTS OF VIEW

The significance, the benefits, and the evil features of organized labor cannot be adequately apprehended unless it is clearly seen that the cleavage in industry which has led to the emergence of a managerial, employing, or capitalist class and of an employed or wage-earning class, and to the development of modern labor organizations, has likewise produced points of view which are diametrically opposed to each other, and which cannot be logically reconciled unless the working and social environments of the men holding these contradictory views are taken into consideration. Employees speak bitterly of practices which employers maintain are essential to the efficient operation of their establishments and to the maintenance of their rights as property owners. The management denounces practices which the workers assert are necessary to prevent the degradation of the wage-earning class. At least two reasons may be given for this situation. The first is the more evident and better known. The employer is primarily interested in increasing profits and dividends, in making the business pay. He is interested in lowering the labor cost per unit of his product. The employer is willing to raise the wage rate if raising wages will reduce unit costs. Employers and investors are interested in business profits and business costs measured in money. The employing group is primarily concerned with employees as productive and profit-making units. The employee, on the other hand, is dependent for a livelihood and for comforts upon his wages. He knows in a more or less definite manner that large profits are frequently obtained by enterprisers; he learns of watered stock and financial melons; he feels the insistent prod of the foreman, or experiences a cut in piece rates; he sees men over-driven fall prematurely from the ranks; and he feels that his employer is only interested in getting as much out of him as possible

for as small a wage as possible. The worker is especially concerned with the stresses and strains in industry which cause fatigue or injury, with the costs which are psychological and physiological, or human, rather than financial. Workers, organized or unorganized, are striving to better their working and living conditions, to get more of leisure and enjoyment, to gain improved opportunities for themselves and their children.

When we are selling our own services to an employer, we are inclined to emphasize their importance and to feel that a high wage ought to be paid; but when we are in the ranks of the employer we tend to depreciate the wage which should be paid for the services of employees. The direct economic motives of employers who are looking toward profits and of employees who are receiving wages, are sufficiently divergent to color and bias attitudes upon matters relating to the management of industry. It may, however, be remarked that the sales departments of business enterprises are becoming vitally interested in the workers as consumers, as utilizers of leisure time. The sales department wishes them to be extravagant, to demand with the dollars in the pay envelope, a multitude of commodities — and the more dollars in the pay envelope, the greater the possibilities and probabilities of expenditure.

The second and more subtle cause of divergent points of view is the result of very different working environments and daily experiences. The worker is constantly in touch with concrete material and physical forces; he has little contact with the immaterial elements in society such as legal postulates, property rights, fluctuation in market values, or the importance of managerial ability. "Everything to the worker, even to his own activity, is the outcome of physical force, undirected and unchecked by the spiritual element." The job is highly important to all of us. It determines our income, our social standing, our home conditions, and our associations. It puts its stamp upon all of us. Workers are beginning to feel a property right in their jobs; they are beginning to demand continuity and seniority rights. The employer or the management moves in an entirely different realm. He is not directly and personally concerned with the physical processes of the factory or of the mine. The employer lives in an environment which accepts as axiomatic the supremacy of property rights,

the desirability of legal regulations, and the supreme importance of mental ability and of the "value sense." The management demands efficiency and is inclined to stress the desirability at times of making changes in the personnel. Workers usually complain of a scarcity of jobs; they are inclined to be pessimistic about opportunities. The American business man looks confidently forward to business prosperity; he expects to amass a fortune. He is optimistic about opportunities for advancement. Since an individual comprehends only that which he has experienced, or which is at least analogous to it, the environment and the experience of the two classes lead inevitably to the development of individuals possessed of divergent prejudices, habits, ideals, and modes of thinking. Because of widely different life experiences, intelligent and sincere men will insistently adhere to widely different, but to each self-evident, propositions respecting the same subject.

As an example, consider the interpretation of the famous phrase, "labor is entitled to all that it produces." The Socialist and the conservative employer may agree that labor is entitled to what it produces; but they will disagree upon the interpretation of the word "produce." To the wage earner, production is mainly a process involving manual labor and physical force. To the employing capitalist the most important factors are managerial ability and business foresight. This phase of middle-class thought frequently appears in our language. A man who merely furnishes the necessary funds for the construction of a dwelling house is often said to be "building a house." The worker whose sole business experience is restricted to the act of receiving his pay envelope every two or four weeks and turning its contents over to the butcher, the grocer, the landlord, and others, cannot be expected to possess as high regard for the inviolability of a contract as the business man whose success depends upon the general recognition of the sacredness of contract and property rights. And it is not logical to assert that one is more highly intelligent or moral merely because of these divergent viewpoints, which are the results of "natural and general causation." These points are not merely more or less interesting and spectacular matters; they are pregnant with considerations which ought not to be overlooked by any student of labor relations. Let the reformer, statesman, philanthropist, capitalist, and labor leader take notice that "if you wish

to change the laborer's [or the employer's] viewpoint materially, you cannot do it by warfare or denunciation. You must begin back of the man upon the determining influences which play upon him."¹

The struggle between labor and capital is frequently stressed; but it should be recalled that group struggles and within-the-group conflicts are older than history. The antagonism between employer and employee is often not as fierce as between competing business men. Competing grocers, manufacturers, and lawyers are not always friendly. Bitter feuds occur occasionally within parties, fraternal organizations, families, nations, and labor groups. The chain stores are opposed by the independents, cement producers by brick manufacturers, cigarette makers by the candy makers. The debtor West distrusts the creditor East, and the wheat farmers fear the railways. Conflict and rivalry in human affairs are not recent or unusual phenomena.

COMMON INTERESTS

While examining the conflicting points of view, the fact that labor, organized and unorganized, capital, and management have certain common interests, should not be overlooked. The antagonism between these factors in production has been accentuated by bad management, by failure to recognize the fundamentals in productive activities, and because of the neglect of the human side of industry. Without labor capital is useless, and without capital labor is hopelessly handicapped. Good management is an essential in successful industrial undertakings. Industrial progress in the future can be anticipated when workers become interested in their work, have some part in managing the business of which they are essential factors, and are supplied with sufficient capital under competent management. Whether labor and capital are considered as partners or in the relation of seller to buyer, one cannot prosper without the other. If common interests did not exist, there would be no hope of permanent industrial peace.

Workers, management, and investors in a business are interested in its continuance and its regular operation. A plant that is "in the red" or an industry which is slipping backward does not offer

¹ Hoxie, R. F., *Journal of Political Economy*, Vol. 15, p. 350. See also Veblen, T., *The Theory of Business Enterprise*.

an attractive opportunity to workers. The failure of a business concern injures the three groups. They are mutually interested in a wide and sure market for the output of the plant. Legislation adversely affecting an industry will be opposed by the workers as well as by the investors in that business. Brewery workers and brewers were not favorable to prohibition. There are certain mutual interests in regard to health and safety in a plant. Good working conditions make for efficiency. May it not also be possible for labor, capital, and management to find common ground in opposing special privilege which locks out of use land, natural resources, and patents?

The existing industrial order must prove its right to continued life by efficiency in the production of the necessities and comforts of life for the great drab mass of working human beings instead of the mere piling up of profits. If it is to avoid the danger of Communism and of the violent laying on of hands, business must be carried on in the future with the slogan of social service or of mutual benefit placed in the foreground; and, unless it is to face determined opposition, organized labor must be ready to come halfway.

A NEW POINT OF VIEW

According to the *laissez faire* philosophy, wages, hours, and all other particulars of the labor contract were fixed as the result of a bargain between the employer and employee. Competition automatically determined in a large measure the terms of the bargain. The general public, including the consumers of the products made by the wage earners, was little concerned as to the settlement of any differences which might arise between employer and his employee. Certain rules of the competitive game were promulgated by governmental authority. Violence and the destruction of property were unlawful, contracts must be fulfilled, and any interference with the freedom of competition was illegal under the common law. Beyond these regulations the *laissez faire* philosophy was unwilling to allow the government to go. So long as industries were small, labor unorganized or organized only into local groups, and competition was a live and efficient force, the "third party" or the general public could accept without great reluctance the principles of the let-alone philosophy. If a single individual did

not desire to accept the conditions imposed by his employer, he stopped work and his place was either filled immediately by another or left temporarily vacant. The dissatisfied man sought another position in a competing establishment. If a dozen workmen in one establishment quarreled with their employer as to wages, and if a strike or lockout occurred, only a minute reduction of the total supply of that particular product would follow. The market and prices would not be noticeably affected. A labor difficulty was only of local import, and only disturbed a few people. Bargains between individual employers and their employees did not assume such proportions as to call for outside aid or interference of any sort, and the issue was not of sufficient importance to attract the attention of the general public or of the governmental authorities. Such was the condition which prevailed in the industrial world before the advent of organized labor and of large-scale industry; and such are the conditions which still prevail where labor is not well organized and industry is still small-scale, as in the small retail store.

But time passes and industries bulk larger and larger. The railway, the telegraph, and the telephone come to be business necessities. Powerful unions arise among the employees, and collective bargaining gradually replaces the individual bargain between the employer and the employee. A labor dispute between the management and the employees of a railway system, a coal mining company, or a large steel industry now becomes a matter of national import. A switchmen's strike ties up a railway; many towns and thousands of individuals are threatened with a scarcity of food and fuel in the middle of a severe winter. Business establishments are forced to suspend operations, and famine and the winter's cold threaten hundreds who do not know the switchmen or the railway officials. The outside world is no longer willing to wait complacently while the contestants fight it out according to the old individualistic rules of the game. The struggle throws the mechanism of the business world out of gear; it affects the comfort and the happiness of hundreds of distant homes. Suddenly public sentiment crystallizes, and the public demands in no uncertain tones that there shall be no stoppage of the arteries of trade. Transportation facilities, fuel, food, and other supplies are needed. The difficulty must be adjusted and industrial warfare

must end, or society through its instrument, the government, will interfere in order to compel the continuous operation of a so-called private business. The increasing intricacy of the modern industrial system has made the stoppage of business activities a far-reaching and serious matter. New theories of governmental powers are the inevitable consequences of fundamental economic transformations.

Improved means of communication, division of labor, and the centralization of industry have made men interdependent; each has become dependent upon the work of others living in different parts of the country — of the world, in fact. As our social and industrial organism has become more and more complex, it has at the same time grown more and more sensitive to the improper functioning of any part of the organism. A strike or a lockout in an important industry means a large area of disturbance and of unsettled conditions. The public becomes the interested third party. Individuals and groups of individuals can no longer be allowed without interference to carry on an industrial war. Such a war is as destructive of economic welfare as a feud is of civic welfare. The civilized substitute for the feud is the law court. The modern alternative for industrial warfare in the great industries which feed the arteries of the business world is some form of industrial tribunal using arbitration, mediation, or the trade agreement. The evolution of a system of industrial tribunals involves or implies the right of the public through its legally constituted authorities to investigate in the case of labor disputes; it further implies the right to publicity in the affairs of large-scale businesses. Here is a very distinct encroachment upon the old well-defined sphere of private business. In fact, private is now translated by many thoughtful and conservative people to be synonymous with semi-public.

In spite of the nominal adherence given to the theory of “rugged individualism,” interference with business by society is not a new and unusual phenomenon. Law and order modify the conditions of crude “jungle” competition. The enforcement of contracts, the passage of protective tariffs, and the granting of subsidies are familiar acts on the part of governments. Bankers have frequently been given governmental assistance in a time of panic. Public carriers, inn-keepers, and cabmen have long been subject to public regulation. Factory legislation dates back to the first years of

last century. Provisions for compulsory arbitration or for compulsory investigation and publicity in the case of a serious labor dispute only carry the principle of governmental interference a short step further. Yet, many people fear the effect of compulsory arbitration who are in favor of protective tariffs and ship subsidies.

After large-scale and integrated industry has destroyed the potency of competition as a regulator of wages and prices, the public is placed in a position of dependency if private business is uncontrolled, and all large industries become ripe for public regulation or public ownership. The railways are now generally recognized to be quasi-public industries; and all large businesses producing the necessities and comforts of life are rapidly passing into the same category. At present, two kinds of industry are quite generally recognized as ripe for active intervention on the part of society: (*a*) industries connected with the public utilities such as railways and coal mines, and (*b*) the sweated industries. In the latter case the government interferes in order to protect the consumers, to protect the weaker members of the wage-earning classes, and to prevent racial deterioration. It regulates the public utilities in order to prevent serious disturbances in the business world and to avert suffering and hardship on the part of the consumers and the producers of various necessities of life.

DEFINITIONS

As the terms mediation, arbitration, and trade agreements are given slightly different significations by different writers, it seems necessary to define the terms before proceeding to a consideration of the practical applications of these substitutes for industrial warfare. When a third party in the form of a private or a public board brings employers and employees together with a view to settling some dispute between the two parties, the process is called mediation. Arbitration implies an authoritative board or court which is empowered to make an investigation and to settle the dispute. The suggestions or findings of a board of mediation may or may not be accepted; the mandates of a board of arbitration are binding upon both parties. Arbitration may be voluntary or compulsory, and primary or secondary. Arbitration is voluntary when both employers and employees agree beforehand to accept

the awards of the board. Arbitration is compulsory when the government compels the interested parties to submit the case to the board and to abide by its findings. Arbitration may, however, be compulsory only in regard to the submission of the case; the enforcement of the award is then left to the force of public opinion. According to Mr. Gilman, the term "compulsory arbitration" is a misnomer. "Legal regulation" is the term which he uses. Primary arbitration signifies fixing the terms of the labor contract by an authoritative and impartial board. Wages, hours, and various incidental matters are to be determined by the board. It is the process of making the laws which determine the relations of capital to labor in a given industry. Secondary arbitration is purely judicial. The board interprets the existing rules and regulations in regard to the payment of wages and the like.

Trade agreements are compacts in regard to wages and other conditions of employment made by joint conferences attended by representatives of both employers and employees. The joint conference system is a methodical type of collective bargaining. Under this system disagreements are settled "within the family"; the general public is not represented. In the system of mediation, the "third party" merely intervenes and offers its services in bringing the parties together; but in the case of a board or court of arbitration the representatives of the public have authority to adjust differences. Under the system of arbitration the right of the public to intervene in so-called private business is clearly recognized. The agreement reached through mediation or the award demanded by arbitrators becomes the trade agreement for that industry during a definite period of time.

MEDIATION AND ARBITRATION IN THE UNITED STATES

After a series of strikes in the eighties, federal legislation was passed in 1888, applying to disputes between transportation companies engaged in interstate commerce and the employees of such companies. Provision was made for the organization of a temporary board of arbitration at the request of one of the parties to the dispute, providing the other party agreed. The award was not binding upon the parties concerned. This portion of the act of 1888 was never used. The President was authorized to appoint

commissioners for the purpose of investigating any labor dispute involving corporations engaged in interstate commerce. The decisions and recommendations were to be made public. Such an investigating commission was appointed soon after the end of the Pullman strike of 1894.

The pioneer act of 1888 was superseded by another in 1898 which provided for arbitration and mediation but not for investigation and publicity. A permanent board of mediation was established to intervene in any dispute involving railways engaged in interstate commerce. This board could only offer its services as a mediator upon the request of one of the parties to the dispute. If mediation failed, the board was required to propose arbitration. If arbitration was accepted voluntarily, both parties were required, under penalty, to refrain from strikes or lockouts while the court of arbitration had the dispute under investigation and to abide by the decision rendered for a limited period. After 1906, some use was made of this act known as the Erdman Act. It was changed slightly in 1913, and continued in force until the railways were placed under federal control on December 26, 1917.

Under the provisions of the act providing for the return of the railways to private operation on March 1, 1920, two types of boards were required to handle industrial disputes — railway labor adjustment boards and a "Railroad Labor Board." Labor adjustment boards "may be established by agreement" between the railways and their employees. The important feature of the railway provisions of the act was the creation of the Railroad Labor Board. This Board was given considerable authority; but its decisions were not mandatory. It was empowered to make investigations as to the relations of carriers to their employees and to publish the results. It had the power to subpoena witnesses and was given access to books and records relating to matters under consideration. The Board was required to make a decision and was authorized to determine whether or not its decisions were carried out and to make public the details of the determination. Public opinion was apparently the ultimate court of appeal. However, it may be suggested that in an emergency, the injunction might be used by the courts to obtain obedience to the rulings of the Board and to prevent a railway tie-up. The Board was on various occasions defied by the railways and by the unions. Finally

in 1926 another law was passed which had the support of the railway executives and the unions. This act provides for local adjustment boards to settle local disputes, for mediation by a federal Board of Mediation and, mediation failing, for voluntary arbitration by a special board. The award of a board of arbitration is mandatory. If one side refuses to accept arbitration, the Board of Mediation may recommend to the President the appointment of an emergency board to investigate and report within thirty days. Until this board reports, both parties are forbidden to change "the conditions out of which the dispute arose." To date, 1932, this law appears to be reasonably satisfactory.

Several important federal commissions on industrial relations have functioned in various emergencies. The anthracite coal strike in 1902 and the bituminous strike of 1919 were each settled by reference to a federal commission organized as a court of arbitration. A Federal Commission on Industrial Relations reported in 1915. Its members united in recognizing the important functions in the maintenance of industrial peace which should be performed by trade agreement systems, and by governmental machinery for mediation and voluntary arbitration. President Wilson's Mediation Commission of 1917 recommended "some form of collective relationship between men and management." During the World War, the National War Labor Board played an important rôle in preventing and settling industrial disputes.

It is worthy of notice that during the depression (1932) the railways did not arbitrarily declare a wage reduction. After much negotiation, the strongly organized railway workers accepted a reduction, but insisted that an attempt be made to stabilize and increase employment in the industry. The problem was clearly seen as being one in which the interests of the workers as well as of the investors should be considered.¹

The Act of 1913, creating a Department of Labor, provided that the Secretary of Labor shall have power to act as a mediator and appoint commissioners of mediation in labor disputes whenever conditions warrant such action. The Conciliation Service has been organized within the Department. This Service does not intervene in disputes which come under the scope of the boards provided

¹ Leiserson, W. M., "Estimating the Labor Outlook," *Job Production Series*, No. 5 (1932), American Management Association.

under the Railway Act of 1926. The mediation work of the Service has been fairly successful.

A majority of the states have laws upon their statute books providing for mediation or arbitration in case of labor disputes. The first state law was passed by Maryland in 1878; New Jersey followed in 1880. A Report of the Bureau of Labor groups these laws into four classes: (1) Local arbitration is provided, and the boards are temporary in character. (2) Permanent local boards may be established by private parties. (3) The State Commissioners of Labor are authorized to arbitrate or to mediate. (4) Special state boards or commissions are authorized.

The first-named system is the earliest one tried in the United States. The laws proved to be of no practical value. In several states this scheme has been incorporated in the law as a supplement to a state board; but in those states the provision has also proved to be of little practical importance. The second system has also been found ineffectual. In only one of the four states placing laws of this character upon their statute books did any tangible results follow. In Pennsylvania a few instances of successful work on the part of private boards are recorded. The success of the third system in five states has not been such as to justify an extension to other states.

A score or more of states have adopted the fourth system providing for permanent state boards for the purpose of intervention in case of labor disputes. Massachusetts and New York are the pioneers, and nearly all the remaining states using this system have copied largely from the laws of these two. The state boards are usually designated boards of conciliation and arbitration. The members are almost invariably appointed by the governor, and in most states are confirmed by the state senate. The members are usually three in number, although one officer only is provided in some states. In only a few states have the activities of the boards been considerable. The most successful state boards are those of Massachusetts and New York. Three kinds of action can usually be taken by state boards — mediation, arbitration, and investigation. Except under the 1920 law in Kansas, the arbitration provided for is voluntary, not compulsory. In only a few states is the practice of referring industrial disputes to a state board of mediation or arbitration well established.

In January, 1920, the legislature of Kansas passed an act providing for compulsory arbitration in industries "affected with a public interest." This legislation was a direct consequence of conditions growing out of the soft coal strike of 1919. The industries "affected with a public interest" were public utilities, the manufacture of food products and clothing in common use, coal mining, and the transportation of the products of such industries. The act established a Court of Industrial Relations which was given the power in the industries covered by the act to decide industrial disputes, to punish strikers, and, if necessary, to take control of industries in which the rulings of the court were not obeyed. An individual or even a group of individuals might quit their employment at any time; but concerted action in the form of an organized strike or boycott or for the purpose of hindering the operation of an industry "affected with public interest" was unlawful. This law was an experiment tried in a state in which the industrial situation was not complex. It was bitterly attacked by the representatives of organized labor, and was defended by its enthusiastic friends as a newly discovered panacea. The limitations of the scope of this act providing for compulsory arbitration throw into bold relief the evident necessity for the continuous functioning of essential or key industries. The philosophy underlying the law appears to be that in such industries the right of the consuming public to demand an uninterrupted flow of output is paramount to the right of workers to use the ordinary weapons of organized labor in order to secure increases in wages or improved working conditions. The friends of the Kansas act insisted that the public is much interested in a strike "affecting the production and distribution of the necessaries of life." It was evident that a struggle between men and management in an industry affected with public interest could no longer be looked upon as "a private war between labor and capital." In 1923, and again in 1925, the United States Supreme Court held the law to be unconstitutional in a case involving a meat-packing concern.¹ It was held to be an infringement of the right of contract. The Court declared that the Kansas Industrial Court had no power to fix a minimum wage in the meat-packing industry. "There is no monopoly in the preparation of food." It is not clear whether the portion of the act relating to public utilities and to coal

¹ 262 U. S. 522; 267 U. S. 552.

mining is or is not constitutional. No attempt has been made in recent years to enforce the act. In 1925, the state legislature abolished the industrial court and transferred its power to a public service commission.

ADVANTAGES AND DEFECTS OF ARBITRATION

The resort to trade agreements or to arbitration and mediation brings employers and employees into closer touch with each other. Much trouble and friction in industrial circles are caused by the lack of sympathy between the workers and their employers. After representatives of both parties are induced to gather around a table for a face-to-face presentation of opinion in regard to the controverted matters, a long step has been taken toward industrial peace. When both sides are presented, prejudice and preconceived notions often undergo modification. A glimpse of the other man's viewpoint is often illuminating, educative, and fruitful of concessions. The peaceful method of determining the conditions of employment gives stability to business enterprises because certain elements of uncertainty are removed.

Compulsory arbitration means that the strike and the boycott must be given up. The loss of these weapons tends to reduce the virility of the unions. Under a system of compulsory arbitration, organized labor might be forced into the political arena. Under the joint conference system, the sympathetic strike must also be given up. The radicals in the ranks of organized labor object to this system and to making contracts with their employers because by so doing they forfeit the right to strike at what seems to be a propitious moment. The joint conference system neglects the interests of the general public. In it lies the possibility of a combined monopoly of labor and capital. Joint agreements may mean higher wages linked with higher prices. Both sides in a labor controversy often fear the outside party who is unacquainted with the particular business. A preference is frequently expressed for a form of agreement "within the family." If the state interferes with labor by providing for some form of conciliation or mediation and arbitration, it is logical for labor to demand that the status of the industry be made clear to the employees, that proper accounting methods be required of the corporation, and, finally, that the

authority of government be used to force the adoption of efficient business methods in order that funds may be accumulated out of which fair wages may be paid.

The advantages of the policy of settling industrial disputes by means of arbitration are easily presented. Arbitration, successfully employed, means peace in industry instead of war. It prevents strikes, lockouts, and boycotts; and business activities may go forward without danger of periodic interruption. The great losses from such interruptions are not incurred; and the friction between employers and employees incident to strikes, boycotts, or even the more orderly processes of collective bargaining, is eliminated. A judicial or quasi-judicial determination of controverted points is substituted for the cruder and more direct appeal to the strength of organized labor on the one hand and of organized capital on the other. It may, with a reasonable degree of fitness, be compared with the substitution of court procedure for the feud and the duel.

The defects of the policy of arbitration are more difficult of presentation. More subtle considerations are involved and the clashing of divergent interests and points of view comes much more clearly into the foreground. (1) The most serious defect in a system of compulsory arbitration grows out of the absence of any definite and generally accepted standard for the determination of a wage rate. No theory of wages, now formulated, has satisfactorily stood the test of criticism and of practical application in the industrial world; and no board of arbitration has been able to present a scientific standard by means of which disputes as to wage rates may be authoritatively and accurately settled. Consequently, boards of arbitration have as a rule compromised in fixing wage scales. When more than a mere compromise between opposing demands has been attempted, arbitrators have been influenced by a knowledge of what has been paid in the past in the industry under investigation, or what is now being paid in other shops and localities; or they have rested their decision upon the basis of the standard of living by them considered adequate for the wage workers concerned. The first alternative spells fixity, and will be further discussed under the head of the fourth defect.

The second method cannot be considered scientific so long as no definite concept of the standard of living exists. In fixing railway

rates the Interstate Commerce Commission has certain fairly definite items as points of departure, such as the actual investment, the depreciation, market rates of interest, the cost of operation. In the determination of a wage award, the standard of living is such an indefinite concept that difficulties arise which prevent any scientific award. Some of the problems are: What is the standard of living? Should it gradually rise as the years go by? Should an allowance be made for the physical deterioration of the worker? Should an allowance be made for insurance against old age, sickness, and accident?

A dictum of the Ohio Industrial Commission throws an interesting sidelight upon the fundamental problems of a board of arbitration. "Exact industrial justice would not take into consideration the demands of the employees or the proposals of employers, but would be determined after a full investigation and inquiry into the cost of production, cost of maintaining a satisfactory standard of living, distribution of profits, and all other such matters." A brief study of this plan will disclose numerous practical difficulties. What is a "satisfactory standard of living"? To whom is it satisfactory? Does cost of production include a fair profit? And what is "fair profit"? From whose point of view is it fair? What would be the proper "distribution of profits"? And what of "all other such matters"? Since almost all industrial disputes directly or indirectly touch the question of wages, obviously, the first and foremost defect of arbitration offers almost unsurmountable obstacles in the present state of the science of economics. It will certainly be difficult to apply the much-discussed "rule of reason."

(2) The substitution of arbitration for the strike, boycott, or the trade agreement in the settlement of industrial disputes will tend to weaken organized labor or at least greatly to modify the form and programs of such organizations. The reason for this consequence is not difficult of discernment. Labor organizations have been formed to obtain by means of collective bargaining or militant activities, higher wages, a shorter working day, or some other improvement in working conditions. Unionists are loyal to the union and cheerfully pay dues only when they believe that the organization is a potent instrumentality to assist them in obtaining their demands. If arbitration becomes the accepted method of determining the wage rate, the necessity for the union becomes less

clear to the average unionist. The resort to arbitration will not stimulate self-reliance and self-assertion among the workers. Of course, from certain points of view this seems an advantage rather than a defect. The editor of a well-known labor journal questions whether arbitration "has been of much practical value in giving the workers those opportunities for self-assertion" which are "necessary for their welfare if they are to take an active part in the determination of what their terms of employment and conditions of labor will be."

(3) Arbitration involves the intervention of a third party. The members of a board of arbitration who are supposed to be neutral and to represent the public, as a rule, are not familiar with the conditions in the industry. This fact adds to the difficulties in formulating a scientific judgment which will stand the test of rigorous criticism; and it does not inspire either side with confidence in boards of arbitration. Wage workers naturally hesitate to place the determination of matters which vitally touch their chief business in life in the hands of outsiders more or less ignorant of conditions in the industry and also of their point of view.

(4) The procedure of a board of arbitration resembles that of a court; it is judicial in its methods, and, therefore, precedent plays a large part in its deliberations. Since labor is struggling upward toward a higher standard of living and toward higher social standards, labor organizations look with suspicion upon any institution or method of procedure in which precedent plays a considerable rôle. Precedent for wage workers spells slavery, serfdom, or low standards of living and social inferiority. Laboring men and women are struggling to get out of the "servant" class. They want to be recognized as "equals" of their employers and the managers of the business in which they are earning a living. Wage workers are eagerly looking forward to the day when labor as well as capital will have a voice in determining the conditions in industry, to the time when the representatives of the employees will be admitted to the meetings of the boards of directors. Compulsory arbitration would seem to offer little opportunity to press forward along this line.

Again, in case no definite legal principles are involved, the decisions of the board depend in no small measure upon the training, interests, and idiosyncrasies of the judge or umpire. It has

been noted that no fundamental principles which are of general acceptance can be laid down for the guidance of boards of arbitration. Consequently, there is reason for the assertion made by labor leaders that the decisions of boards of arbitration depend upon the personal bias and the preconceived notions of the arbitrators. (5) The decisions of a board of arbitration, particularly when adverse to the workers, are difficult of enforcement. They might involve the necessity of penalizing large numbers of citizens. (6) At present, a law providing for compulsory arbitration is presumably unconstitutional.

An incidental weakness or defect of arbitration is due to the lack of a consistent policy for or against it on the part of both employers and wage workers. Neither employers nor employees at all times and under all circumstances take the same attitude toward arbitration. In some cases, unionists demand it; again, they reject such proposals. Likewise, employers sometimes favor arbitration; and again they contemptuously reject it. Employers usually stand for arbitration in industries when the unions are strong as in the railway industry. But in other industries where organized labor is weak or has been eliminated, the employers insist upon their right to run their business without interference.

A FORMULA FOR INDUSTRIAL PEACE

There is no simple and definite formula for industrial peace. There is no patent medicine which will remedy the industrial ills and animosities of today. There is no oil which will do away with industrial friction. In studying the problem of industrial peace, we should begin with a clear concept of the points of antagonism. Industrial peace is usually obtained through a compromise between somewhat divergent interests. Certain writers, speakers, and employers tell us that the interests of the employee and his employer are identical, that there is no essential disharmony between labor and capital. Unfortunately, a brief consideration of the situation will disclose the error involved.

It simplifies matters and aids clarity of thought first to analyze small and familiar business relations. A man is making under a patent a small article. He owns the building, the machines, and the raw material. He furnishes power and sells the output; and he hires for wages another man to operate the machines. Here are

found the essentials of the employer-employee relationship as these essentials are also to be found in the mammoth plants of the United States Steel Corporation or the Ford Motor Company. Evidently, both of these men — employer and sole employee — are interested in producing an output that can be sold profitably, otherwise the business would cease to operate and both men would be obliged to seek other means of livelihood. To this extent their interests are harmonious.

But the owner-employer is anxious to receive large profits. He desires to make the spread between costs and selling price a maximum, not necessarily on each article but on the sum total produced and sold. Wages per piece are included in expenses. The employer is anxious to reduce labor cost per piece — not necessarily per day, because higher wages per day often result in lower wage costs per piece. On the other hand, the worker desires to raise his wages, to get as large a share of the total income of the business as is possible without reducing the total. Here is the wage problem reduced to its lowest common denominator. In every industry employers and workers have common and divergent interests.

Industrial peace is primarily a within-the-industry matter. Arbitration is only a makeshift to be used in badly managed important or key industries — those affected with public interest — in which peace is not attained from within. Any industry in which strikes periodically take place or in which sabotage or similar manifestations of inefficiency and illwill recur, is a mismanaged industry. If such an industry be one in which constant and efficient functioning is of only minor importance to the public, it may be sufficient in case of an industrial conflict to provide for the investigation of the business by a competent body of experts and to give to the public the diagnosis of industrial ills made by that body. If, however, the industry be a key industry, one clearly affected with public interest, the community concern in its continuous and harmonious functioning is such that arbitration or some other outside-the-industry methods will soon be insistently demanded to prevent the periodic resort to strikes and lockouts. If peace in these industries is not maintained as a consequence of good management, the community will insist upon court-arbitration-procedure.

CAN THE STRIKE BE ELIMINATED IN INDUSTRIES
AFFECTED WITH PUBLIC INTEREST?

Any consideration of the feasibility of imposing peace upon a recalcitrant key industry — one which for one reason or another does not maintain peace within the industry — leads immediately to two questions: (a) What are the “rights” of the general public or of the community as compared with those of the individual? Or, where do individual “rights” end and community “rights” begin? (b) Granting the sanction of law and public opinion, is it practicable to impose peace from without the industry by means of some form of industrial arbitration? Can a law providing for compulsory arbitration in key industries be enforced? If enforced, may sabotage or a concerted withdrawal of efficiency be anticipated?

To insist that a group of workers or the owners have no longer the right to tie up a key industry implies a very considerable modification of the generally accepted definition of individual and social rights. Our notions of justice and fair play, our labor policies, our conceptions of “rights,” and the background of our constitutional and legal system are fundamentally those of small-scale industry and of a predominantly rural people. These ideas and ideals were developed in a simpler economy which antedated the intricate social mechanism of today. In the epochs in which the traditional American concept of rights was gradually molded into its familiar form there were no key industries and little economic interdependence. Social inertia, a silent and persistent foe of change, has carried these pioneer ideals down into an urban and industrial epoch in which modifications are imperative. Our concept of rights needs restatement in terms which stress social well-being.

Because of the absence of a generally accepted norm for the measurement of fairness and justice in the business world, arbitration faces the acute danger of degenerating into a dreary series of compromises between irreconcilable “rights.” Any plan of industrial arbitration which progresses beyond the stage of fashioning an armed truce will start by scrapping certain old and much-revered rights which are mutually contradictory in modern complex and coöperative society. Unless modifications can be brought into

existence, conflict is inevitable. For example, the "right" to join a union and the "right" of the employer to discharge an employee for any or no reason, run counter to one another; one must give way. Another of the "rights" which is being seriously undermined is that of a business man to operate his own business as he sees fit. In the field of the public utilities, in the railway world, and, to a lesser degree, in other industries, this right of arbitrary control by the owner has been greatly attenuated. Rate regulation, health and sanitary rules, laws in regard to the employment of women and children and even of adult males, pure food laws, and building restrictions, are a few of the many ways in which the old idea of unrestricted private property rights is being undermined.

Business men who are in a strong position and whose vision has long been focused upon the familiar, are prone to distrust all innovations; such men will object strenuously to new labor policies and to "more government in business." Unfortunately, for their peace of mind, in industries affected with public interest it seems clear to the observer that either new labor policies must be adopted or there will be more and more government in that sort of business. Recently a representative of an old and important industry declared that the maintenance of its position "among the industries of our own nation that encroach on our present fields, is dependent on our maintaining the most receptive attitude we can toward new ideas and efficiencies of operation and distribution."

On the other hand, nearly all American labor organizations have come perforce to be primarily fighting groups with unlovely and industrially undesirable consequences. In order to keep a fighting machine in good condition, it is essential that war clouds constantly hover on the horizon. Something must be doing in industrial relations to justify the payment of union dues and of officers' salaries; officials go around carrying chips on their shoulders. Recently certain very definite signs of change have appeared, giving promise of a new day in which unions may become interested in production problems, in matters of waste and efficiency. The new type of labor leader is primarily an industrial statesman who seeks the conference chamber instead of rattling the saber and giving publicity to manifestos of defiance. William Green and Sidney Hillman are representatives of the newer fashion in labor leaders.

In the past, employers have in no small measure been responsible for making industry a battle-ground instead of a field for coöperative endeavor. Are they able to rise to the occasion now that labor is so near to being ready to join hands with management? If so, industrial leaders must be prepared to discredit the group of valiant, but misguided, employers' associations which essay the rôle of union smashers. Like the fighting labor leaders they are behind the times; they still live, move, and have their being in the nineties of last century.

Unfortunately, except in emergencies, the American public is prone to pay little attention to social and industrial problems. In the words of a worker, "the only time the public give a hang about the workmen of any industry is when they walk out, tying up some 'essential' industry, thus hitting the public in the bread basket." A strike in a key industry soon stirs up the public, "the Forgotten Folk"; but too often the manifestation is only one of crowd passion. The demand is reiterated that the strike must be ended; but no constructive proposals are or can be made at such a time. When no industrial disputes of great import are on is the time for calm consideration of the problem of ending strikes. And since labor must take the visible steps which discommode the public, the wrath of public opinion is almost invariably directed against the strikers. The "invisible government" is invisible; we cannot see the hand of the employer as he deftly sets the stage for the strike. We identify the precipitator as the instigator; the man who strikes the match is also believed to have spread the powder which explodes. We need the searchlight of an investigation which will show clearly the steps leading to an industrial conflict. And, furthermore, before the public through legislation can with justice take away the "right to strike," it must see that the workers are fairly treated in regard to hours, wages, and working conditions. In order to outlaw the strike, education as to the duty and interest of the general public is needed as well as a new attitude on the part of employers and workers toward one another and toward the community.

It is quite clear that no governmental fiat will make an unwilling and recalcitrant functional group do its job efficiently. Plenty of bayonets may get something done; but it is an inefficient process. Force may negative certain impulses; but force can do little

toward obtaining efficient positive results. Injunctions and bayonets, for example, may force miners into the mines; but such crude measures cannot get coal mined efficiently or prevent much shrewd sabotage. To outlaw the strike in key industries without first educating the great mass of our citizenship in the theory and practice of individual activity for community welfare is almost inevitably to invite failure.

If the strike is to be eliminated and industrial disputes settled by arbitration, the worker must be protected from arbitrary discharge and more subtle forms of discrimination, and he must be assured regularity of work at a yearly wage which is "fair." Too many plans for arbitration begin with the proposition that the strike must be outlawed. A much better impression would be made upon the workers if such schemes clearly provided that the employer as well as the worker give up certain privileges. If the employee is to be required to surrender the important right of striking in order to better his working condition, the employer should at least be asked to give up the right of arbitrarily discharging any worker who has been employed longer than a short probationary period. The strike and the power of discharge are of comparatively recent origin; both have practically developed since the Industrial Revolution. For example, the feudal lord did not possess the authority arbitrarily to thrust a group of workers out of work. Men in earlier epochs might experience famine, but not the dearth of a job.

In our complex industrial world, the right to discharge is too important a matter to be placed in the hands of a capricious individual. Much has been written about the ugly features of strikes; but little has been said about the suffering caused by the arbitrary discharge of breadwinners. To separate a man from his job is to cut off his source of income and often to reduce his family to want. The right arbitrarily to cut off the income of a family gives one person too much power over the destiny of others. The temporary loss of a job, irregularity of work, a reduction in the yearly wage, may mean "the beginnings of malnutrition and disease." It may mean poorer food and insufficient clothing, a poorer, less sanitary, and more crowded home. It may spell premature child labor, the mother "taking in washings," the gradual "losing of his grip" by the head of the family. Continuity of work and permanence of tenure of job will be translated into prosperous community life,

into literacy and comfort, into health and optimism. Legalize the right of a worker in industries affected with public interest to hold his job as long as he is efficient — inefficiency to be determined by an impartial tribunal — and then the American people are in a strategic position to demand that the strike be outlawed in the same industries.

In such agreements as that of the Amalgamated Clothing Workers with Hart Schaffner & Marx, we find the beginning of the notion that you shall not “take a man’s job without due process of law.” Under the Constitution of the United States, it is not lawful to take property without due process of law. A job is a worker’s property as certainly as is the right to do business a property right. The outlawing of the strike may also lead to the demand for a good accounting system and good management. The state would probably be obliged to extend control over business methods to the extent of requiring analysis and publicity of the accounts of a business. Let it be recalled that the corporation is a creature of the state; it is created by governmental action. Consequently, if it does not prove to be of service to the community, it may be guided by legislative control into fields of serviceability or its life may be ended. The corporation is created primarily for service, not for private profit.

If we are to insist upon outlawing the strike, the worker should be recognized, after a period of probation, as having a sort of vested interest in his job. Questions of firing, demotion, promotion, and transfer should be controlled by a definitely established semi-legal code. The ultimate decisions should be made by an administrative body in which both parties are represented. The home owner who has a stake in his community is praised as being a better and more responsible citizen than the renter and the transient. In like manner, the worker who is liable any day to lose his job because of arbitrary decisions of his foreman or manager or because his employer has failed to regularize the business, cannot be expected to exhibit a high degree of loyalty, enthusiasm, or coöperation in connection with his job. Teamwork develops out of continuity and permanence.

The firm establishment of arbitration in essential industries will require mutual giving up of rights. The plan adopted must square with a sense of justice on the part of those not directly concerned.

If the substitution of arbitration for strikes be forced against the wishes of the workers and without the firm support of public opinion, it will lead to an excessive use of sabotage or to the willful dilution of efficiency which may prove in the long run more disastrous than a series of strikes. Labor, of course, cannot afford to accept as permanent the present status of that group. But the law is a "progressive science." In recent decades the Supreme Court has stretched very greatly the meaning and practical significance of the police power. Public opinion reaches even to the confines of the highest courts. In like manner, the general acceptance of arbitration need not necessarily mean that labor must accept for all time the *status quo*. If arbitration inevitably meant the definite acceptance of the present *status quo*, labor could not fairly be asked to accept the plan. No class can be expected permanently to be joyfully satisfied with a subordinate and static position. Arbitration must also be more than a process of emphasizing abstract and technical principles. The lawyer and the judge rarely understand the labor point of view. H. G. Wells points out that lawyers and workingmen are "antipathetic types." Put arbitration in the hands of lawyers and the scheme will be wrecked. The training of the lawyer leads him to think in terms of the individualism of the pre-industrial period.

Finally, are there indications which may reasonably lead to the conclusion that the exuberant individualism of the American is being reduced and that a sense of social responsibility essential to industrial peace is being instilled into individuals and groups? At least three tendencies may be noted. (1) Industrial technique demands today large numbers of coöperating workers of a variety of grades of skill and ability; it insists upon teamwork. But continued experience in a team, in carefully articulated and interrelated working groups, inevitably tends to dilute individualism and to nurture deference to the needs of the group or of the community. In spite of much that is pure bunk in the platitudinous pronouncements for public consumption, the observer can scarcely fail to conclude that here and there organizations of employers and of wage workers, Chambers of Commerce, Rotary and Kiwanis Clubs, are beginning to develop in their membership a sense of responsibility for community uplift and betterment.

(2) The effect of public regulation of businesses "affected with

public interest," social insurance, and of legislation in regard to hours of labor, is to aid in pushing into the background the old idea of letting the public and the workers beware. There is also a development by legislative action, and more especially by judicial decision, of the notion that the rights of society are paramount. All of which is indicative of the trend toward emphasis upon social obligation. (3) The evolution of a new type of industrial managers and experts who are employees, not owners, is important. These men are becoming professional in spirit and in action. They are primarily interested in output and in service. They stress the profit-making motive only as the absentee and inactive owners put pressure upon them.

It is, of course, expecting too much to anticipate that a group may defer its interests in important matters to the welfare of the community. But when speculative elements are reduced to a minimum, the divergence of interests between the public on one hand and the owners, managers, and employees connected with a business on the other, tends to disappear. Legal recognition is given to the right of the investor to a contractual rate of interest unless the business is insolvent. If, in like manner, the community legally recognized the right of the worker to the continuity of a job and to an assured minimum yearly income as a first charge upon the business, a great element of risk would be lifted from the shoulders of the workers as a group. A business affected with public interest in which the speculative element is largely removed, in which the interests of investors and employees to continuity of return are protected, is one which is not likely to run counter to public interest and opinion.

It is true that the investor will continue to look with favor upon a higher rate of return and the worker will likewise continue to yearn for higher and higher wages; but in view of the acquiescence on the part of railway investors in the recapture clause of the present railway legislation, and on the part of governmental employees in wages as fixed in the service of the government, it may not be entirely irrational to anticipate the possibility of permanent industrial peace with efficiency in public service industries. The problem is one of applying science, common sense, and a spirit of fair dealing to those industries. The public in insisting upon continuity of service must not be unmindful of the vital interests of

the investor and of the worker in a public service industry. In no small measure, the hope of peace in such industries is in the hands of the community.

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CHAPTER XIII
COÖPERATION BETWEEN MANAGEMENT
AND MEN

CONTROL IN INDUSTRY

Students of history frequently point to certain pendulum-like movements which may easily be discerned in the past of the human race. From time to time, a new epoch appears which is markedly similar to some preceding era. Industrial progress exhibits several periods of ebb and flow. Feudalism gave way gradually as towns and guilds developed; presently the guild was displaced as the dominant factor by the wholesale-merchant group; in turn the industrial capitalist pushed himself into a position of power and importance; recently, the supremacy of the industrialist is being threatened by the financier or investment banker who has obtained his position through the control of credit facilities. These stages in industrial evolution are not sharply demarked one from another; the time of their appearance or disappearance is quite different in different nations. In view of this historical setting, it is reasonable to anticipate further shifting of industrial control. In fact, certain foreshadowings of coming transformations are already visible in the success of experiments in new types of industrial control such as is exemplified by the trade agreements with organized labor in the coal, stove, clothing, and railway industry, or by certain employee representation plans to be discussed in the following chapter.

The worker of former days who made an entire article was not rigidly or minutely supervised. The line between management and labor was blurred and indistinct. With the rise of the industrial capitalist and of large-scale industry came greater and greater subdivision of labor, drafting and planning rooms, scientific management, centralized and detailed supervision, and impersonal relations between management and men. But unanticipated industrial difficulties and wastes have been encountered. A reaction away from rigid one-sided or autocratic control by representatives of the

investors may be expected. A re-distribution of authority in industry appears to be in the making. Trade agreements or collective bargains, personnel administration, employee representation, and "industrial democracy" are tokens of change. "The frontier of control" in industry is again moving toward the working group. Once more the line between management and men is beginning to lose its clear-cut distinctness. In sporadic instances workers are beginning to demand: No discharge without an explanation and a worthwhile reason. A slogan is in the making which will read about as follows: "No production without representation" in the councils of industry. Absentee direction accompanied by centralization of control in shop, mine, and store is losing its attractiveness. This form of management is under fire; it is being charged with the sin of inefficiency. Some form of joint management by the active, on-the-ground men may be immediately ahead. The recognition of workers either in the form of union or of non-union shop committees and the placing of actual power in the hands of such committees will tend to diminish interference on the part of outside labor leaders.

Unlimited power in the hands of one person or one group in governmental or industrial affairs will sooner or later be used to the detriment of those without such authority. In industry, trade agreements of various kinds represent encroachments upon the traditional idea that the owner of a business may run it exactly as he sees fit. The development of trade agreements and of shop committees may be fairly compared to the extension of the political suffrage to all adults. It may represent the beginning of industrial citizenship. The substitution of a constitution and common and statute law for the arbitrary dictum of a powerful monarch has injected greater rigidity into the governmental structure; likewise a trade agreement system accompanied by the development of an industrial-constitutional system may bring about marked inelasticity in industrial control. Democracy, whether in the political or the industrial field, is more clumsy and slower-moving than autocracy; but the movement for industrial democracy may be expected to move forward slowly and irregularly.

Peaceful industrial relations are of mutual concern to management and to workers. The problem to be solved before employee representation can be in a high degree successful is that of finding

common interests, of substituting "integration" for compromise which always leaves an aftermath of distrust and discontent. In integration, common interests are uncovered and common aims discerned. A joint conference between representatives of management and men should be a "conference," not a battleground. Representatives are sent to confer and, if possible, to reach an agreement, not to fight or to "put one over" on the other.

TRADE AGREEMENTS

Trade agreements as to wages, hours, and other conditions of employment are made in conferences attended by representatives of both employers and employees. The first recorded case of a successful trade agreement system is found in England in 1860. It was established by A. J. Mundella, a manufacturer of Nottingham. In America several isolated and local cases of trade agreements appear before 1885; but the important trade agreement systems have originated since that date. Trade agreements are now made in many localities and industries in the United States. The system presupposed the existence of some form of labor organization among the employees and also among the employers. Individual bargaining is now replaced by wholesale or collective bargaining. Instead of many separate agreements made between the employer and each workman, a single agreement is made which fixes during the life of the compact the conditions of employment for all workers in the establishment, or at least all within a given grade or class. The adoption of the trade agreement system does not mean that the employer and the employees have accepted any idealistic theory of the harmony of interests between labor and capital. A peaceful method of settling disputes as to wages, hours, and the like has been substituted for industrial warfare. A joint conference where the representatives of both parties bluff, higggle, and compromise takes the place of the strike and the boycott. Workmen are still anxious to increase their wages, and employers are eager to prevent such increases, but both are desirous of bringing about stable and calculable conditions in the industry. Both sides are trying to gain an advantage. Each understands the situation; but a cessation of work means no wages and usually no profits. Self-interest is a harmonizing as well as an antagonizing

force. The trade agreement has been called a treaty of peace which precludes an industrial war for a definite period.

Labor organizations were formed primarily as fighting units; and many unions facing hostile employers are today ready to fight on short notice. The union has insisted upon collective bargaining but the strike and the boycott were always kept conveniently within reach while the bargaining process was taking place. The more progressive unions of today, when dealing with employers who are willing to recognize them, hope to make the strike and the boycott unnecessary. Organized labor of the newer type, dealing with friendly employers, is eager to do teamwork with management. The older type of trade agreements, of which the system used for many years in the soft coal industry and in the stove industry is a fine example, was characterized by bluffing, higgling, and compromise, with the strike looming up as a dark cloud on the horizon in case there was imminent danger of a disagreement. The agreement system used in the men's clothing industry, and the one followed by the Baltimore and Ohio Railway in its car shops, illustrate the new type of trade agreements. If this agreement system ceased to function, doubtless the strike might be used; but it is kept in the background. The prime interest centers around the formulation of a working agreement by means of which the industry will be kept functioning in a mutually satisfactory fashion. New and attractive levels in labor relations appear to have been reached in a number of instances. The newer forms of trade agreements require the development of standards. Accounting will prevent many misunderstandings; but it will not answer the fundamental questions regarding what is a fair wage or a fair profit.

EXAMPLES OF TRADE AGREEMENTS

For years a large percentage of the soft coal mines of the United States worked under a joint conference agreement as to wages and other conditions of employment. The conferences were attended by representatives of labor and of coal operators. The four-state or central competitive field agreement — Pennsylvania, Ohio, Indiana, and Illinois — began in 1898. Separate state settlements were made in 1906. In 1908 and 1910, Illinois was not represented. From April, 1898 to April, 1922, there were fifteen

wage settlements. The smaller union fields used the four-state agreement as the basis for other agreements. In 1919 and 1922, the system temporarily broke down. In 1924, an agreement was made to last for three years. In 1927, an agreement could not be reached. Since that time, agreements have been reached in Illinois; and a few local agreements have been made elsewhere. The decline in the strength of the United Mine Workers coincides with the breakdown of the agreement system. The period of success in the trade agreement system in the coal industry is practically the same as the long up-swing of prices. Of the fifteen wage settlements between 1898 and 1922, twelve provided for wage increases and only one for a reduction in the wage scale.¹

The original plan involved sending a large number of delegates to the conference which was essentially a great market for labor power. At one conference in the Central Competitive Field in which were represented Western Pennsylvania, Ohio, Indiana, and Illinois, 195 operators and 450 miners appeared as delegates. Beginning with 1912, the number of delegates was reduced, and an equal number of operators and miners were chosen from each state. The real work of compromise and of the determination of the wage scale was done by a small committee, but a unanimous vote of the conference was necessary before any important matter could be settled. An agreement was usually reached, because both sides were aware of the momentous and far-reaching results of a failure to arrive at a settlement of differences. No provision was made for reference of controverted points to outside parties. The representatives of the miners sat on one side of the house and those of the mine owners on the other. The meetings were usually open to the public. According to one observer, "this annual interstate conference of the bituminous coal industry is the most picturesque and inspiring event in the modern world of business." It was an industrial parliament on a grand scale. In these meetings the basis for the settlement of many problems involving the miners digging coal was provided. The trade agreement furnished the formula which settled day by day various questions about the terms and conditions of employment in the union coal mines. "Who shall be hired? Who shall be discharged, and for what causes? Was a man's discharge fair? What shall be paid to the digger who has

¹ *The Coal Age*, April 3, 1922.

to clear away a pile of rock before he can begin to take out the coal which he is paid to dig? What adjustment should be made for the men who dig with pick and shovel, when machines take over their work?" Such were the questions for which the trade agreement plan provided a way of settling without resort to a strike.¹

The trade agreement system has been successfully used for nearly a half century in the stove industry. Certain peculiarities in this business have made the desirability of some form of collective bargaining apparent. In this industry, the cost of labor is one of the most important items in the total expenses of production. The wages paid to molders amount to a large fraction of the entire manufacturer's cost of product. This condition tends to intensify the effect of differences between employers and employees as to wages, output, apprentices, etc. And, in this industry, the costs may be easily ascertained.

From the time of the first recorded strike in 1855 to the meeting of the first joint conference in 1891, many strikes occurred in the stove industry. Gradually a strong labor organization was evolved. Its growth was paralleled by the development of an association among the employers. These two organizations are known as the International Molders' Union of America and the Stove Founders' National Defense Association,² respectively. An important strike involving many cities and establishments took place in 1887. Both sides claimed to have gained a victory; but each learned to fear the strength of the other side. Soon after, negotiations were entered into which led to the establishment of a successful joint conference system, and to the systematic and peaceful settlement of controverted questions. The development of two strong, fighting organizations made for peace. The joint conference is only successful when the two opposing forces are strong, well-organized, and nearly evenly balanced.

The first conference, held in 1891, adopted the following significant preamble. "Whereas, there has heretofore existed a sentiment that the members of the Stove Founders' National Defense Association and the members of the Iron Molders' Union of North America were necessarily enemies, and in consequence a mutual

¹ Bloch, L., *Labor Agreements in Coal Mines*, p. 19.

² Now called the Manufacturers' Protective and Development Association.

dislike and distrust of each other and of their respective organizations has arisen, provoking and stimulating strife and illwill, resulting in severe pecuniary loss to both parties: Now, this conference is held for the purpose of cultivating a more intimate knowledge of each other and of their methods, aims, and objects, believing that thereby friendly regard and respect may be engendered, and such agreements reached as will dispel all inimical sentiments, prevent further strife, and promote the material and moral interests of all parties concerned."

The conference agreement between the employers and the molders in the stove industry provides for annual conferences to be attended by representatives of employers and of employees. These joint conferences are purely legislative in character; but the representatives of both sides come with full power to act upon wages and conditions of labor within the industry. In order satisfactorily to settle disputes, the following mechanism is provided. "Whenever there is a dispute between a member of the S.F.N.D.A. and the molders in his employ (when a majority of the latter are members of the I.M.U.), and it cannot be settled amicably between them, it shall be referred to the presidents of the two associations before named, who shall themselves or by delegates give it due consideration. If they cannot decide it satisfactorily to themselves, they may, by mutual agreement, summon the conference committee, to whom decision by a majority vote shall be final, and binding upon each party for the term of twelve months. Pending adjudication by the presidents and conference committee, neither party to the dispute shall discontinue operations, but shall proceed with business in the ordinary manner. . . . No vote shall be taken except by a full committee or by an even number of each party." The significant points are: (1) this method shall only be used where the majority of the employees of a member of the Defense Association are unionists; (2) strikes or lockouts are forbidden while the matter is under consideration by the presidents or the committee; and (3) the conference committee, which is essentially a board of arbitration, is composed of an equal number of employers and employees. The employers strenuously objected to the use of outside parties who were not familiar with the business; and experience "has indicated that their [employers'] judgment was sound and practical." In case a member of the Defense Asso-

ciation refuses to live up to the agreement he will be dropped from membership, and the union will be at liberty to order a strike. If a local union refuses to abide by the terms of a contract, it will be disciplined by the national organization.

In the stove industry, prices of stoves and wages of employees are fixed by means of the joint conference system. Competition as to prices and wages is avoided. Instead of appearing in the form of price-cutting and wage-slashing, competition under this system is raised to a higher plane; it takes the form of an attempt to produce better quality of goods and to improve the efficiency of labor. The aim is to place all members of the stove manufacturers' association on the same competitive level in regard to payments for labor power. In the coal mining agreements, partial equalization of competitive conditions was also attempted. This influence upon competitive conditions may offer a clue to the long life of these two trade agreement systems. One between the same union of molders and an association of foundrymen lasted only for a short time; but the element of equalization of competitive conditions was of course lacking because a great variety of foundries was included in the association. It has been suggested that the plan works well in the stove industry because it is in reality a combination of employers and employees to keep up wages and prices. A joint conference carried on successfully for several years tends to remove certain speculative elements from the business, and to promote stability within the industry. But each individual firm in the association must maintain itself; the weak members are not kept in the business as is the case in the trust form of organization.

The clothing industry is subject to great irregularity in employment. Elaborate trade agreement systems have been formulated in a considerable number of clothing factories. The "protocol" agreement adopted in 1910 between a group of cloak, suit, and skirt manufacturers of New York and certain unions in the clothing trades was the forerunner of the present elaborate agreements made with the Amalgamated Clothing Workers. The protocol agreement provided for a "preferential" shop in which union conditions were to be maintained and union men were to be given preference in hiring. Provisions were made for settling all grievances by means of a joint board of grievances and a board of arbitration. A joint

board of sanitary control was also established for the purpose of fixing standards of sanitation in the shops. Provisions were inserted for disciplining contractors or employees who violated the terms of the agreement. The protocol was adopted after a strike in 1910 and was followed for over five years. A modified protocol was adopted in the dress and waist industry in 1913. The trades engaged in the women's clothing industry have made extensive use of the trade agreement system.

In the men's garment industry, the pioneer and most noted agreement is that of Hart Schaffner & Marx. The plan was originally adopted in 1910 and has been renewed from time to time since that date. It was first made with the United Garment Workers, but is now made with the Amalgamated Clothing Workers. The company "accepted the principle that the goodwill of employees was as necessary and desirable as the goodwill of customers." A labor department was established and all relations between employer and employees were placed in charge of this new department. "The rule of caprice" in the matter of discharge was discarded and the right of arbitrary action taken from the foremen. An agreement was entered into with the Clothing Workers which provided for a definite and orderly consideration of grievances, for the elimination of strikes and lockouts, and for the preferential shop.

When a grievance arises on the floor of a shop, the complainant reports the matter to the union representative in his section. The representative takes the matter up with the shop superintendent. If the controversy is not satisfactorily adjusted, it is reported to a shop deputy. Both employer and employees have deputies, who have the power to make investigations. A pair of deputies visit the shop in order to adjust the difficulty. If the deputies cannot reach a satisfactory agreement, the dispute is taken to the Trade Board. This Board consists of eleven members, one of whom is called the impartial chairman. The latter is chosen by the Board of Arbitration. The Trade Board is the primary court for the adjustment of grievances. In actual practice, the number of members is not important. Decisions are made in writing by the impartial chairman. Appeal from the decision of the impartial chairman may be made to the Board of Arbitration whose decisions shall be final and binding on both parties. This body consists of three

members — one representing each party and an impartial chairman chosen by agreement. Agreements in Rochester, New York, and other cities are similar to the one described above. This plan provides for the formulation of a set of rules or an industrial constitution for the industry, and specifies the methods to be used under the rules in settling disputes, by the use of an elaborate method of secondary arbitration.

The agreement entered into between the Baltimore and Ohio Railway and the shop crafts in its shops is a new type of trade agreement. The unions concerned are definitely recognized and bargained with; but the prime object of this plan seems to be that of obtaining coöperation between management and men rather than of formulating a detailed scheme for settling disputes. The program which was initiated in 1925 provides for the reduction of waste, the improvement of shop methods, and the stabilization of employment in the railway shops. The benefits of joint action are to be shared between the company and the workers. A suggestion plan has been put into active use. The shop-craft unions have become constructive, rather than obstructive, forces in the railway shops of the Baltimore and Ohio. Representatives of organized labor and of the railway have testified that the plan has worked well to date. No satisfactory method has as yet been evolved of determining accurately the gains from coöperative action or for dividing such gains between management and men. This may, indeed, prove to be the obstacle which may endanger the life of the plan. Similar programs are being utilized by the Canadian National Railway, the Chicago and Northwestern Railway, and by other systems.

The Naumkeag Steam Cotton Company of Salem, Massachusetts, specializes in the production of plain sheetings. This company was organized in 1839. In 1919, a strike was precipitated by a refusal to grant a demand for higher wages. It was marked by the absence of violence and was amicably settled. With the resumption of operations, an attempt was made to remove the causes of friction between management and workers. A union-management coöperative plan was the outgrowth of conferences, and evolved into a formal agreement in 1927. The United Textile Workers of America were recognized and collective bargaining was accepted. A local shop committee plan was inaugurated for the

purpose of adjusting grievances. The workers agreed to promote the sale of Pequot sheets and pillow cases and to aid in maintaining the quantity and quality of the output of the plant. In December, 1928, a further and very significant step was taken. An engineer, agreed upon by the management and the union, was hired to make, with the assistance of the research committee of the plant, a study of proposed improvements, and to aid in fixing standards. It is a scheme for the application, with the consent of management and men, of technical skill to common problems. A joint study is made of methods for the elimination of waste and for the determination of what is a fair day's work. In the words of another describing this notable experiment in industrial relations, "joint research uses the ability of the worker, saves the time and worry of the manager, changes obstruction to construction." . . . "A technician" is used instead of a policeman, "mutual adjustment instead of firearms, slide-rules instead of bullets." Scientific management methods are applied with the consent of both management and men, fair wages are paid, job standards are set only after careful investigation, and competition is successfully met. This is a fine example of the possibilities of teamwork in industrial relations.¹

THE SIGNIFICANCE OF TRADE AGREEMENTS

The trade agreement system is a within-the-industry or within-the-family scheme. The newer form as exemplified in the Baltimore and Ohio plan or in that used by the Naumkeag plant, is a new and promising step toward finding common interests in better operation of the industry. Clearly, it is possible and practicable to work out a plan for the substitution of trade agreements with unions for industrial conflict. Out of trade agreements with organized labor or out of the growth of employee representation may come a new era in the relations between management and men. It is the old problem of seeking for common interests amid the chaos of industrial conflict and mutual suspicion. Good per-

¹ *Bulletin of the Taylor Society*, April, 1930; Soule, G., *The New Republic*, Jan. 1, 1930. The Naumkeag plan was terminated in the fall of 1932. Three factors are said to have caused the breakdown: (1) demoralized labor markets and the weakening of the union because of unemployment; (2) lack of faith on the part of the union in certain of the plans of the management; and (3) "plant politics." *The Survey*, Nov. 15, 1932, p. 609.

sonnel management is emphasizing the same idea probably from a somewhat different angle of vision.

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CHAPTER XIV

EMPLOYEE REPRESENTATION

WHAT IS EMPLOYEE REPRESENTATION?

At the opening of the discussion of employee representation, it may not be superfluous to point out again that the labor question is complex. Nicely worked out, made-to-order solutions are not to be expected. It has been well said that the man with easy solutions is an evil in a democracy. Conciliation, arbitration, compulsory investigation such as has been used in Canada and Colorado, trade agreements with organized labor or employee representation through shop committees, are attempts either at smoothing out a local difficulty or finding a way toward better and more peaceful conditions in industrial relations. Trade agreement plans are laboratory experiments looking toward the reduction of friction in industry and toward increased efficiency and output. Doubtless each shop or establishment represents a special problem of its own. It is a clinical case. If, however, we are able to point out certain fundamentals in regard to human nature or in regard to the causes of unrest, if we see what hopeful experiments have been made and what mistakes have been made, we may be able to take steps leading toward a new and more peaceful industrial era. If we are to get anywhere, labor difficulties should be thought out rather than fought out. It may not be a mistake to reiterate the point that the old fundamentals play a large part in ironing out labor difficulties. What is meant by the old fundamentals? Fair and sympathetic treatment of workers, the application of the Golden Rule, an attempt to see the other man's point of view and to make allowances for his weaknesses and his prejudices, consideration for the rights of others and for their hopes and aspirations, will go far toward reducing friction.

Broadly speaking, two varieties of employee representation may be distinguished: (a) a shop committee without connection with

a labor organization; and (b) a committee functioning as a part of the mechanism of one or more national labor organizations. The first type only will hereafter be referred to as a shop committee. The second may be satisfactorily designated as the union shop committee, or a union-management plan. It functions as a part of the mechanism of a trade agreement system. The two are not entirely dissimilar in methods and results. The union shop committee is a local grouping which supplements the work of the national unions and their locals. Although at the present time organized labor in the United States is emphatic in its opposition to the shop committee, or company union, it does not appear that the shop committee need necessarily be a substitute for unionism of the orthodox type. The shop committee may prove finally to be a form of labor organization supplementing and reënforcing rather than displacing the union.

A shop committee which has no connection with organized labor and in which all employees are allowed a voice in selecting the members of the committee, is similar in form to a local closed-shop organization with an open union of the industrial form. As usually organized, it is a "company union" of all the employees of the plant. Primarily, a shop committee is a one-plant affair, although it is practicable to form a federation of shop committees. The problems of the shop committee as organized at the present time are chiefly local; and, furthermore, it possesses all the weaknesses of a local union without national affiliations. To its membership, representatives of the management may be admitted; it then becomes a joint committee. The shop committee gives workers an insight into plant problems they cannot otherwise obtain, and it affords the management an idea of the workers' point of view and difficulties. A properly organized and recognized shop committee makes for mutual understanding, for teamwork. Under this plan, the interpretation of an agreement is placed in the hands of local men familiar with the details of the situation. If plant quarrels are ended, the sphere of action of walking delegates and outside agitators is greatly reduced. Ordinary union meetings are usually not well attended. Consequently, radicals and malcontents often gain the upper hand. Shop-committee meetings held in the shop — the natural place for a union meeting — will draw a good attendance. The necessity for holding union meetings outside

the shop emphasizes the fighting character of the typical union, for which employers are largely responsible.

Employee representation is primarily a plan for obtaining cooperation and promoting mutual understanding between management and men. It uses the principle of consultation about matters of mutual interest in shop operation. If successful, it will gradually give the workers confidence in themselves and in the ability of their group. Employee representation will cause the worker to feel that he is an "insider," instead of a "foreigner" who could be banished for trivial reasons from the industry in which he is employed. Through the contacts provided by employee representation, the workers will gain an insight into some of the problems of business technique; they will appreciate in a larger measure the difficulties with which the management must cope. On the other hand, the management will be given an opportunity to visualize the fears and the hopes of the rank and file of wage workers. The important contrast between the shop committee plan and a union may be summarized as follows: The shop committee represents only one plant or is local in scope; the union is national. The shop committee is usually installed by the management in order to obtain coöperation; the union is organized by workers and as a rule it is founded on the idea of strengthening the working group in conflict with their employers. Members of a shop committee do not pay dues and the meetings are usually held in the shop.

HISTORY AND GROWTH OF THE SHOP COMMITTEE

The shop committee or the works' council is comparatively new in industry. It is in the pioneer, experimental, or unstandardized stage. In Germany, the establishment of works' councils is compulsory; in England and in several other European countries, considerable use has been made of the plan; in the United States, the first example of the use of a shop committee without connection with a union seems to have been in the Filene store in Boston, beginning as an insurance committee and gradually increasing its functions and powers. The Filene Coöperative Association of today may be traced back to this humble beginning in 1898. In 1903 the Nernst Lamp Company of Pittsburgh established a shop committee. The American Rolling Mill Company, in 1904, in-

initiated an "advisory committee" plan; and in 1907, the Nelson Valve Company of Philadelphia experimented with a shop committee. Of these three attempts, the second only is now in existence. In 1911 the Mitten plan on the Philadelphia Rapid Transit lines was inaugurated. Also, in 1911, the Hart Schaffner and Marx plan utilizing a union shop committee was adopted. In 1912 the Packard Piano Company of Fort Wayne adopted the Leitch or governmental plan of employee representation. Three years later, the initiation of the Rockefeller plan by the Colorado Fuel and Iron Company marks the first use of the shop committee by a large corporation.

During the War, many works' committees were established under the guidance of the National War Labor Board. A considerable number of companies in 1918, 1919, and 1920, harassed by the growing independence of workers and the failure of the old methods of discipline, adopted personnel management, employee representation, welfare work, house organs, profit sharing, or other schemes in an endeavor to reduce labor turnover and to increase the efficiency of the plant. When the crisis of 1921 occurred, many of the plants whose managers considered these "new-fangled" plans only as temporary expedients to meet a bad situation scrapped them and returned to the old-fashioned methods of "keeping labor in its place." House organs were discontinued, welfare plans were abandoned, personnel departments were discontinued, and shop committees were shorn of their powers or discontinued. However, a considerable number of personnel departments and employee-representation plans weathered the storm; the movement is now on a firmer footing and bids fair to grow more gradually, but certainly. It was estimated in 1926 that one to one and one-half million workers employed by over five hundred companies were participating in non-union employee-representation plans. Another estimate is that, in 1928, about one million seven hundred thousand employees were under some form of the shop-committee system. There was little indication that small concerns employing less than two hundred workers would utilize the formal shop-committee methods. In 1926 employee-representation was especially important in public utility companies.

CLASSIFICATION

According to representation, shop committees may be divided into three types: (a) Representative. The employees in the shop are divided into groups and each group chooses a representative. All employees not connected with the management are voters; the committee is composed of representatives chosen by the voters. (b) Governmental. The form of the government of the United States is imitated. The organization consists of two houses and a cabinet. The lower house is composed of representatives of the workers as in the representative type. The upper house or senate may be composed of foremen; or it may contain a smaller number of representatives of the workers than the lower house. The cabinet is composed of executives. (c) Joint Committee. This form includes in its membership representatives of the management as well as of the employees.

According to the power allowed, shop committees may be placed in three pigeonholes: (a) Management committees appointed by the management to do specific things. As a rule, such committees possess only advisory power. However, in some cases, authority may be delegated to the committees. In one organization, a committee was given charge of the rental and management of the houses owned by the corporation and rented to workers. (b) Limited Power. The members of the committee are elected by the workers but the management has complete veto power over the action of the committee. (c) Unlimited Power. If the management and the committee cannot come to an agreement, the difficulties are to be settled by arbitration. In at least one case, the workers now have control of the majority of the stock of the company. In this case, a condition approaching producers' coöperation may obtain.

FUTURE POSSIBILITIES

The shop committee initiated, fostered, and directed by the employing group cannot be a potent instrument in the hands of workers. It is local and employer-dominated. Not until the shop committee gets away from employer control and begins to take on the essential features of unionism — independence and ability to paddle its own canoe — can it be expected to become a potent

factor in the evolution of industrial democracy. As a coercive agent the shop committee is weak. If the employer continues to feel that it is necessary to combat labor, the shop committee is practically useless. Under this system the workers are deprived of outside experts. The shop-committee system cannot protect the "fair" employer against the "unfair" competitor. The union is often able to do so. But the "fair" plant with a good shop-committee system may achieve such a high grade of efficiency that it need not fear the "unfair" employer who aims to keep labor "in its place."

If employee representation is worth anything, it must be entered into as a straightforward scheme for developing industrial peace and harmony. If it be fostered by employers as a subtle way of destroying the efficacy of unions and of making the workers subservient while hugging the shadow of power, the committee system will in the long run avail little. But, if initiated as an honest effort to introduce teamwork, interest, and enthusiasm into a common enterprise, the committee system has great possibilities in improving the efficiency of production methods and in the modification of industrial management and control.

If a plan for employee representation is adopted, the members of the committee should be given something worthwhile to consider. A shop committee which is a mere plaything to amuse the workers and to keep them contented by playing with the symbols of authority will, sooner or later, probably sooner, be looked upon with indifference by the workers. Even an advisory committee whose activities are approved by the management and whose recommendations are treated with respect, will go far toward establishing goodwill. When the recommendations of the committee are rejected, definite reasons should be carefully presented. Through a shop committee, the plans and programs of the management may be passed on to the workers. Much suspicion and unrest may be prevented by open and frank statements as to managerial policies. Through discussion and criticism of the managerial program by the representatives of the employees, modifications may be made which will reduce friction. The airing of grievances will prove wholesome. Every well-developed plan of employee representation will provide for an orderly and fair consideration of grievances.

The growth of the power of representative assemblies and the decline in the authority of the Crown in the realm of political affairs in Great Britain may be pointed to as indicative of the possible trend of affairs in the industrial field following the introduction of the shop committee — a representation system. Representative government developed very slowly in England. The expenditures of the kings increased; and it became imperative for them to find new sources of income. From time to time, representatives of the boroughs and counties were called to London to consult with the king and his advisers in regard to the best scheme for getting supplies from the people with a minimum of friction.

Gradually a bargain and sale method evolved. The representatives of the people agreed to grant supplies if the king would make certain concessions. Such petitions presently became a part of the customary procedure in the early Parliaments. Later the petition was transmuted into a bill; and the taxing power was slowly acquired by Parliament. After centuries, Parliament which began as an advisory body became the most important arm of the government and the king became an amiable figure-head. The calling together of the representatives of the different groups and districts proved to be the opening wedge which several centuries later led to the complete transfer of power from king to Parliament. The humble petitions of the first irregular Parliaments to the king for favors in return for acquiescence in paying taxes finally became legislative enactments which the Crown no longer dares to veto. Out of a very insignificant beginning came the first great modern legislature — the British Parliament. Over four hundred years (1215-1689) were necessary to complete the transfer of the power of taxation from the king to Parliament.

It is quite possible that control in industry may pass through a similar evolution. An optimistic spirit may today discern the first faltering steps in such a movement. The breakdown of absolutism in industry has been going on for some years: (1) in the extension of interference on the part of government, and (2) in the growth of collective bargaining and recently of employee representation systems. Shop committees have been organized to help harassed employers obtain greater output and improved efficiency from their employees; to ascertain the causes of friction within the plant and

reduce the amount; to overcome apathy, opposition, and unrest among the rank and file of employees. Few of the shop committees have as yet been given much power; but, once organized, employers like the British kings will find it difficult to go back. Today, in certain cases, considerable responsibility and authority have been placed in the hands of shop committees, union or non-union. Industrial control is now undergoing gradual changes which may prove to be important and revolutionary. If the analogy between political and industrial government holds, these weak experimental shop committees may become powerful and dominant factors in industrial control. The shop committee represents pioneering in industrial control; it is an experiment in industrial government. Like the early pioneering in parliamentary government, it may lead to many important and unexpected results. A new "frontier of control" has appeared in the industrial world. As of old, the line between management and men is beginning to lose its clean-cut distinctness. Absentee control in shop and in union, and extreme centralization of authority, are losing their attractiveness. These forms of control are under fire; their efficiency and desirability are in question. The development of trade agreements and the use of employee representation are steps toward industrial citizenship; the workers are given some voice in management policies.

INSTALLING EMPLOYEE REPRESENTATION

At least five methods may be used for initiating a shop-committee plan. (1) The management may prepare plans without consultation with the workers. The plan may be declared in operation by an executive order or the workers may be asked to vote upon the adoption or rejection of the management-made plan. This method should never be used; it defeats the purpose of the plan. Arbitrary methods do not generate goodwill and interest among the workers. (2) The management may outline the general principles of a plan at a meeting of all employees or of a representative group of employees. If received favorably, a committee of employees will be selected to work out the details. (3) An outside expert may be hired to prepare a suitable plan and "sell" it to the workers and perhaps also to the management. This method is now rarely used. (4) A joint committee selected from the work-

ers and the management may be organized to draft a plan and present it for the approval of both parties. (5) A well-developed shop-committee plan may be gradually evolved out of an existing special committee, such as one on safety. Function after function may be added to the work of the original committee. The fourth and fifth plans are the ones most likely to allay suspicion and to develop a spirit of mutual trust and understanding between management and man.¹

EXAMPLES OF EMPLOYEE REPRESENTATION

An example of the informal type of shop committee has been used for over a decade in the Browning Company of Cleveland. This plan is the creation of Sheldon Cary, the president of the company. The shop committee consists of two representatives elected from each department of the plant. Mr. Cary meets the committee informally twice a month. Matters relating to production methods and other topics of interest are freely discussed; suggestions are welcomed. No voting takes place; but the minutes of the meeting are posted on bulletin boards in the factory. Mr. Cary believes in placing "all of his cards on the table." The Browning Company operates a comparatively small plant employing skilled men. The personal or intangible element seems uppermost in this simple plan of procedure.

The Industrial Representation Plan of the Goodyear Tire and Rubber Company is an elaborate scheme of the governmental type. All executive power is vested in the management; but considerable legislative powers appear to be vested in an Industrial Assembly composed of a Senate and a House of Representatives. The membership of these two bodies is made up entirely of employees elected by secret ballot. The Senate is composed of twenty, and the House of forty members. In order to be a senator an employee must be at least twenty-five years of age and on the pay-roll for at least five years. The qualifications for membership in the lower house are less exacting. Every bill passed by the two houses must be presented to the manager for his signature before it becomes a factory rule. A vetoed bill may be passed over the head of the manager by a two-thirds vote in each house. It then

¹ See *Harvard Business Review*, Oct., 1923.

becomes a factory rule. The company guarantees that there shall be no discrimination against any member of the two houses, or because of membership in any labor organization.

In the Colorado Industrial Plan adopted by the Colorado Fuel and Iron Company, and with modifications by other Rockefeller interests, representatives are chosen, using a secret ballot, by the employees of each plant. Joint committees composed of these representatives and an equal number of officers of the company are organized in each plant. "These committees deal with all matters pertaining to employment and working conditions, including questions of coöperation and conciliation, safety and accident, sanitation, housing and health, recreation and education." Joint district conferences are provided for and a joint conference of representatives from all districts is to be held annually. Provision is made for settlement of grievances. Any worker may take up a grievance with his representative. Unless it can be settled in some intervening step, the matter may be carried to the highest officers of the company and, finally, to State officials, or to an arbitration committee. This plan affords an orderly way for the consideration of shop matters and a definite method of bringing grievances to the attention of the responsible heads of the company.

Since 1919 the International Harvester Company has used a shop committee plan. The committees are expected to consider and make recommendations in regard to safety, sanitation, wages, hours of labor, recreation, etc. One of the most interesting plans for employee representation has been that used in the Filene store in Boston. Recent financial changes in the organization may involve modifications in the employee representation plan. All employees of the store belong to the Filene Coöperative Association. This organization through a representative council may modify or cancel store rules. A veto by the management may be overridden by a three-fourths vote of the council. An arbitration board composed entirely of employees has final power over grievances and disputes. This experiment in employee participation and management, carried out by a group of forward-looking men, has led to the conclusion that the workers in this enterprise were not interested in placing upon their own shoulders the responsibilities of active participation in management. In this store, employee representation has been supplemented by placing employees upon

the board of directors of the corporation.¹ This plan has also been used by the Dutchess Bleachery Company.

A remarkable experiment in employees' representation has been carried on since 1917 by the Columbia Conserve Company operating a small canning factory in Indianapolis. The number of employees is less than two hundred, nearly all of whom are recognized as permanent workers and paid a yearly wage. The plan places the control of the business in the hands of a council composed of all of the regular workers. This council determines the policy of the company in regard to wages, hours, employment and discharge, and the selection of departmental heads. Wages are paid according to needs instead of output. Unmarried workers were paid, in 1931, \$22.00 per week fifty-two weeks per year. A marriage differential of \$11.00 per week was allowed. A married worker ordinarily received \$33.00 per week. An additional amount up to \$39.00 was allowed for dependent children. A needs committee of the council may allow additional amounts in special cases. A profit-sharing bonus of 10 per cent of the basic wage of \$22.00 was also paid. In case of illness, or of regular vacations, the weekly wage was paid. Employees and their dependents received without cost medical and hospital care. A pension system has also been incorporated. For some years the profits, after paying the stockholders a fixed dividend and allowing the workers the 10 per cent wage bonus, have been used to buy stock from the owners. This stock has been placed in the hands of trustees for the workers as a group. In 1930 the amount held by trustees became more than 50 per cent and the actual control of the corporation passed into the hands of the employees. The experience of this firm whose workers are certainly not above the average in ability indicates that many of our commonly accepted notions in regard to incentives and wage payments may prove to be without a firm foundation. Here is a factory operating successfully in a competitive industry since 1917 in which yearly wages are paid according to needs, and in which disciplinary regulations are in the hands of the workers. It is not easy for many of us to accept the evidence presented by this experiment but the facts seem to be as outlined above.²

¹ La Dame, Mary, *The Filene Store*.

² See pamphlet entitled *An Experiment in Industrial Democracy* by W. P. Hapgood (1931).

In 1931 and 1932, the sales of the Columbia Conserve Company suffered

EMPLOYEE INTERVIEWING

An interesting variant of employee representation is found in the systematic interviewing of employees in order to obtain an insight into their point of view. It may be called "a plan for improving employee relations on the basis of data obtained from employees." This plan grew out of an ambitious piece of industrial research carried on in the Hawthorne Works of the Western Electric Company. The results of the interview are kept strictly confidential. A technique of interviewing has been developed which is yielding important results. After a short experience with employee interviewing, four effects were noted. (1) The employees were given an excellent opportunity to express their grievances. Their morale was improved because the company evidently considered their point of view worthwhile; and the employees interviewed were easier to supervise. (2) The management received definite information in regard to employee attitudes. (3) The operation of the plan improved the character of supervision. (4) As a consequence, the training of supervisors was improved. For the first time in this plant, employees were in a position to criticize their supervisors freely. These criticisms were used as a basis for developing methods of supervision which would reduce certain elements of friction in industrial relations, or which would aid in developing a sympathetic understanding of the fundamentals in human relationships as found in industry. This study has also strengthened the idea that the relations between foremen and other supervisors and the employees are of first importance in the development of morale and goodwill among the latter.¹

considerable reduction. Profits disappeared and the organization faced a deficit. The council met this unfortunate situation by "deferring" wage payments, by reductions in wages, and by passing occasional weekly pay-rolls. As a consequence of the depression, industrial democracy in this firm has been subjected to severe stresses and strains and has experienced "emotional difficulties." Some of the regular workers have withdrawn; but the company bids fair (October 1, 1932) to live through the period of distress without important modifications in the plan outlined above.

¹ Putnam, M. L., *The Personnel Journal*, Feb., 1930; also see Kornhauser, A. W., and Sharp, Agnes A., *The Personnel Journal*, April, 1932.

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CHAPTER XV

METHODS OF COMPENSATION

WHAT IS A FAIR WAGE?

Before considering plans for the payment of wages, an attempt should be made to answer the question: What is the proper method for determining a just or fair wage? No elaborate discussion of a theory of wages should find a place in a study of industrial relations, but it is fitting and important that some consideration be given to the question of the determination of a fair wage. An attempt to ascertain what is a fair wage, a reasonable or just price, or a fair profit brings the inquirer face to face with certain ethical considerations; but the so-called laws of economics relating to supply and demand, competition, and the like, are not ethical. There are in economics no yardsticks which will accurately measure what a man earns or what profits an enterpriser should receive. One calls a practice or a payment "fair" which does not run counter to his notions of justice or of square-dealing. However, individuals and groups with different experiences, training, and interests differ greatly in concepts about justice and fairness.

In medieval times a fair wage was easily and summarily determined by means of the inelastic measuring rod of status or of class distinction. Medieval writers and jurists were very clear in their conception of fair prices and fair wages. "Man, they taught, had been placed by God in ranks or orders, each with its work to do, and each with its own appropriate mode of life. That gain was justified, and that only which was sought in order that a man might provide for himself a fit sustenance in his own rank."¹ A man could easily determine for himself, without resort to technicalities or courts of arbitration, the proper price for commodities or labor time by calculating what was needed to support himself and his family in accordance with his status in life. Each class in the community had its own rather definite and customary stand-

¹ Ashley, W. J., *Economic History and Theory*, Book 2, p. 389.

ard of living; and the summit of personal ambition was success within a limited social and economic sphere rather than progress from one class to the next higher. Ambition was curbed and chastened by the great fact of birth within a given social compartment. Prices and wages were to be so regulated as to maintain class immobility.

With the downfall of medievalism and the passing of mercantilism came the rise of the *laissez faire* philosophy. It was assumed that prices, rates, and wages were fixed automatically by the ceaseless action of free and untrammelled competition. The question of wages offered no difficulties provided free competition was not interfered with. But today the existence of numerous public utility commissions and boards of arbitration is a concrete and unmistakable warning that competition is not the active, living force or principle which economic theory has often so vividly and enthusiastically pictured. The various and sundry attempts to fix fair prices, living wages, and reasonable rates definitely point toward the general acceptance of the view that competition does not act as many economic theorists have dogmatically argued. Day after day the competitive field is being gradually narrowed. In the economic field the investigator of today may find a variety of returns, many of which were unknown in the idealistic realm pictured by the classical economists. At present every thinking person recognizes that certain lines of industrial activity are in a large measure outside the competitive sphere. For example, railway and street railway fares, rates for gas, electricity, water, telegraph and telephone service are no longer fixed by the competitive process. Monopoly is a potent factor in the economic world; it cannot be neglected in any careful study of wages and profits. The productivity theory of wages, as well as many other familiar theories in the field of economics, is grounded upon the fundamental postulates of free competition. If, however, economic friction is present, such theories cannot be accepted as infallible guides.

With the narrowing of the competitive field the question as to what is a just and scientific standard of measurement for wages, prices, and rates becomes increasingly important; and, at the same time, it becomes much more difficult to solve because the basis for competitive wages, prices, and rates is being undermined. Much of the current discussion and theorizing as to the rights of

labor and of management is futile because either the existence of free competition is assumed, or reference is made to wages and prices paid in the past, or some arbitrary standard is postulated which has no validity beyond the personal desires of certain individuals or classes.

No court of arbitration or board of mediation has as yet offered any definite and scientific formula by means of which disputes as to wages or conditions of labor may be adjusted. Nothing has been discovered to replace the discarded standard of medievalism or the automatic process of the *laissez faire* system. The finding of a board of arbitration is merely a compromise which removes the immediate difficulty; the root of the matter is never laid bare. An anxious public is not given any exact data; no definite method of procedure is presented which may be used as a basis for the work of other boards which may be organized at some future date. Courts of arbitration and boards of mediation frequently study the physical, social, and economic conditions in the industry to which their attention is directed. The home and working environments of the workingman are investigated, a careful estimate of the household budget is often made, and the condition of the workers in that industry and locality may be compared with that of employees in other industries and localities. Statistics showing changes in productivity are usually presented. Our concept of a fair wage is as yet very elusive and indefinite. Subjective, rather than objective, considerations seem to have the greatest weight. In this respect a marked contrast may be discerned between the modern and the medieval point of view. Negatively stated, it may be confidently urged that an extremely low wage, such as is paid in the sweated industries, is not a fair wage. A positive statement may assume the following form: An adequate theory of fair wages and fair profits must stand upon the firm foundations of equality of bargaining power and of opportunity. Inherited, artificial, and special privileges are obstacles to fairness in economic relationships.¹

With the exception of a few radical groups committed to the doctrines of Socialism or Communism, organized labor in the United States accepts the present economic order. Organized labor assumes that the capitalist-employer is a necessary factor in produc-

¹ For further discussion of this point, see the writer's *Economics*, Chap. 11.

tive enterprises. After subtracting from the gross operating income of the plant the operating expenses, plus depreciation, the remainder, the net operating income, may be divided into wages, rent, interest, and profits. The labor organization came into being primarily to increase as much as practicable the fraction of the total going to the workers in the form of wages. In recent years, the spokesmen of labor recognize that the share going to the workers may also be enlarged by increasing the total productivity of a plant. Wage workers are convinced that wages are not definitely fixed in an automatic fashion; they believe that associated effort will help increase the actual share which goes to labor as a factor in production.

The manufacturer and other producers sell the products of their enterprises. Out of the gross income from sales, wages and other expenses are paid. In early local markets, in the absence of outside competition, the manufacturer-merchant was able to pass wage increases on to the consumer. As the business and the area of the market increased, distant producers became competitors, and this simple, pre-Industrial Revolution solution of the wage problem became of no avail. Prices could not be raised in an arbitrary fashion because of the inroads of competitors. With the development of large-scale business and monopoly it is again possible, in certain industries, to raise wages and pass all or an appreciable fraction to the consumer in the form of higher prices — until the menace of potential competition, of substitution, or of governmental interference is encountered. In those industries in which competition is active or in which the process of raising prices has about reached its limit, the opportunity of pushing wages to a higher level depends upon attacking the extraordinary profits, if any, of the enterpriser, or upon increasing the efficiency of the working force. Labor's hope of increasing wages ultimately lies in coöperation with enlightened management for the purpose of improving productive efficiency.

The wages in which the worker is most interested are the yearly real wages. Expenses go on unceasingly throughout the year. A high hourly or piece rate with many layoffs may mean an inadequate wage for the year. Real wages in the accepted technical sense mean the sum total of the necessities, comforts, and luxuries which may be purchased with the money received as wages.

This definition is too narrow. In a broader sense, real wages include not only the goods and services secured with the money wages, but also the services rendered by the community to the individual and his family. Governmental ownership of quasi-public business and the taxation of monopoly profits and differential rents may reduce the costs of certain services and increase the sum total of the services rendered by the community to its members.¹

METHODS OF WAGE PAYMENT

Wage workers and their employers will usually agree that a fair wage should be paid for a fair day's work performed in a reasonably safe, sanitary, and attractive environment. Differences arise when an attempt is made to translate fair and reasonable into actual practices. The difficulties surrounding the determination of a fair wage have been briefly discussed. The determination of a fair day's work is an appropriate subject of research. Standards of performance may be established. The "par" performance of each task may be ascertained with a reasonable degree of accuracy. However, in formulating these standards of performance, two significant matters should not be overlooked: 1. Labor power cannot be measured with precision and accuracy. 2. The worker cannot be expected to produce the same output under different environmental conditions, such as climate, ventilation, and lighting. His output will also vary with his physical and mental condition. Greater precision may be anticipated in the determination of reasonably safe and healthful working conditions.

Wage workers and their employers are interested in the content of the pay envelope. The employer wishes to obtain low labor costs per unit of output in his own establishment. He is not especially interested in lowering the general rate of wages per hour or per piece. In fact, an increasing number of employers are of the opinion that high wages improve the demand for the output of their plants. From the point of view of the employer, a system of wage payment is desirable if it reduces the labor costs per unit of output without impairing the quality of the product or increasing

¹ Carlton, F. T., "The Influence of the Tariff and Monopoly upon the Increasing Cost of Living." *Proceedings of the Michigan Academy of Science*, 1910.

the waste of material equipment. A plan is sought which will furnish an effective stimulus to energetic and interested productive activity.¹ The employer considers himself the purchaser of a peculiar commodity, labor power. He bargains for it; but gets along with labor power much waste and unusable material in the form of human peculiarities, prejudices, weaknesses, and antipathies. The employee is opposed to any system of wage payment which tends to reduce wages whether measured in time or in output of energy. He is afraid of plans which result in excessive driving and in the rapid deterioration of the worker. To the average worker, work is a means to an end. He does not work for the sake of working. The wage bargain brings into the foreground certain distinct differences of interest between employer and employee, or between the buyer and the seller of labor power. In analyzing different systems of wage payments, these somewhat antagonistic points of view should not be overlooked.

In the following pages, several systems of wage payment will be briefly described and evaluated. Profit sharing is not strictly a method of wage payment. Nevertheless, it seems convenient to discuss its advantages and disadvantages in connection with those of the more well-known plans for paying wages. One difficulty common to all wage systems is the determination of the amount of output which ought to be accredited to organization and managerial ability. Economic interest and experience lead the average employee to minimize the importance of business organization, and the employer to over-emphasize it.

The traditional methods of paying workers are the time and the piece-wage systems. In recent years numerous incentive wage plans have been advocated. Practically all of these newer plans are combinations of the old time and piece-wage plans utilized along with some form of scientific management. Although incentive wage plans have attracted much attention, the use of such methods is less than the amount of literature on the subject might indicate. Good management is doubtless more significant than wage plans. Under similar conditions as to management, actual differences due to wage methods are not considerable.

The chief methods of wage payment are as follows:

I. Time Wage. In this old and familiar plan of paying wages,

¹ Non-financial incentives are considered elsewhere.

the base is the unit of time — one hour, one day, or one week. Under this plan, as it has usually been carried out, the incentives to quicken the pace of the worker and to increase his output have been, in the main, the fear of discharge, the prodding of the foreman, hope of advancement, or a feeling of obligation to do a fair day's work. The customary method of paying all in a group doing similar work the same wage per hour and of failing to keep comparative records of the quantity and quality of output, has in many cases proved unsatisfactory. Under such conditions, the time-wage plan does not afford adequate incentives for the rank and file of workers in modern large-scale industry.

If, however, the same amount of study and experimentation were devoted to the development of an adequate time-wage system as has been used in organizing more complex incentive or premium plans, it seems probable that the merits of the time wage might be seen in a more favorable light. "With working conditions standardized, maintenance provided for, a plan of production control inaugurated, the best method and standard time of doing each task a matter of record, and the workers trained in these procedures, the time method of payment takes on a new aspect."¹ If each man paid by the hour knows exactly what is expected of him, if both the worker and the management can readily ascertain the relative production in quality and quantity of different workers, an excellent and adequate basis is provided for wage increases and for promotions. Under such favorable conditions, the time-wage system which is a model of simplicity may prove to be preferable to more complex incentive plans. The time-wage system plus scientific management is worthy of careful consideration.

2. Piece Wage. Under this system workers are paid a certain rate per unit of output. The desire to increase income is the direct and potent incentive for increasing output. As a rule, the piece rate has been fixed without careful study of the amount of work which might be expected in a day; and, consequently, the employer has often been tempted to cut the rate allowed. Workers have learned by sad experience with cuts in the piece rate to temper their enthusiasm for a large output and a high wage. Rapid workers are discouraged by their shopmates. The piece-wage system sacrifices quality for quantity. Careful inspection replaces the

¹ Anderson, A. G., *Industrial Engineering and Management*, p. 402.

prodding of the foreman. The piece wage can readily be used when the output is standardized, when inspection and counting are not difficult, and when each worker's output can easily be kept apart from that of another.

The piece-work plan is almost as simple and easily managed as the time wage. The bookkeeping is somewhat more difficult than when the time wage is used; but it is much simpler than that required in practically all premium plans. If a fair day's output be determined as carefully as in case of a premium plan, and if a basic day wage is guaranteed as in premium plans, the piece-wage system would be as unobjectionable as any of the much-lauded premium plans — and the former possesses the excellent merit of greater simplicity.

3. Differential Piece Wage. In the piece-wage plan only one rate per piece is used; in the differential piece-wage plan several rates may be used. A fast worker who produces more than the normal number of pieces will be allowed a higher rate per piece. On the contrary, the worker who falls below the normal will receive a reduction in the rate paid. The rapid worker will gain by receiving a higher rate per piece as well as by turning out a large number of pieces. In a plant in which overhead costs are considerable, this plan has merit from the employer's point of view. The overhead costs are spread over a larger number of pieces when workers speed up, and it is economical to pay a differential piece rate in order to induce greater rapidity. The plan appears harsh to the worker. It does not seem fair to penalize him twice for doing less than the standard amount of work. Again, the double incentive for rapidity may lead to over-exertion.

4. Premium or Bonus Plans. Many premium or bonus plans have been formulated. Such plans combine features of the time and the piece-wage systems. An adequate premium plan involves (a) a careful study of the job in order to ascertain with a high degree of accuracy the amount of output which a normal worker should produce in a given period of time. (b) A basic or day wage is guaranteed the worker and a premium or bonus is paid for outputs in excess of the basic output expected for a day's work. (c) The employer definitely agrees not to cut the premium or bonus unless some significant change in methods is adopted. The various premium or bonus plans are subject to such disadvantages as may be

alleged against the piece-work plan; and they are more complex than piece work. Indeed, a straight piece-work plan with a carefully determined rate and with a basic day wage guaranteed, seems to possess all the good qualities of the more elaborate premium plans based on extra payment for increased output. The premium or bonus plan attributed to Gantt, a co-worker with Taylor, is significant because the bonus is paid for attaining, instead of exceeding, a scientifically determined task. If the task is properly set, only unusually good workmen can go much beyond it except at the expense of quality of output, tools, or the stamina of the worker. According to the theory underlying this plan, it is undesirable to have work done in less than the properly ascertained task-time.

5. The Group Bonus. When a group of workers are coöperating in producing a given product it is feasible to use a group or collective bonus instead of an individual one. The fundamental features are practically the same as in case of the individual bonus. A basic day wage is guaranteed each member of the group; and each is given, if earned, a share in the collective bonus. Careful study of the practicable performance of the group is essential for satisfactory utilization of the plan. The bonus allowed may be divided equally among the members of the group or in proportion to the basic day wage guaranteed each member. Several firms have used the group bonus plan with satisfactory results. The plan works best in case of groups of moderate size. Experience indicates that it tends to encourage individual initiative; speedy members of the group are not likely to be criticized by their fellow-workers since all gain as the result of increased group output. Each man in the group becomes "the self-appointed overseer of his fellows." The group bonus stresses teamwork rather than individual self-interest.

Leitch's "collective economy dividend" is an interesting variation of the group bonus plan. It is designed to be used in connection with his scheme of "industrial democracy." The cost of production per unit before the introduction of the Leitch plan is compared with costs after installation. If a saving is made, a 50-50 division is made between labor and capital. The economy dividend is to be paid at frequent intervals in the form of a percentage added to the worker's wage. The bonus is based on the relative savings in costs of production. If wages and other costs rise, such increases are

taken into account. If the increase in the total expense of production is less, a saving has been made. This is a group matter; management and men are given an economic incentive to coöperate for betterment within the plant.

6. Quality Bonus. The older forms of the premium or bonus plans emphasized quantity rather than quality. Quality depends to a large extent upon the worker himself; quality appeals to craftsmanship. A quality bonus might well include payment for the saving of waste and for adequate care of machinery. "It seems quite probable that the best plan in the future will be to give a reward for both quantity and quality, but to make the quantity element less prominent in determining the rate. It has been found that where quality is emphasized, quantity automatically increases."¹ On the other hand, certain well-known companies hold that a quality bonus is unnecessary with them because of a well-organized system of inspection.

7. Regularity and Punctuality Bonus. As industry has developed from small-scale and individualized production methods to large-scale and standardized methods involving teamwork as an essential feature, the importance of regularity and punctuality on the part of each worker becomes increasingly evident. Irregularity is costly; it disorganizes the working force. The absence of one man may slow up or stop a long chain of workers. A bonus is paid by certain employers to workers who do not lay-off unnecessarily and who are punctual for a given period. The period covered should not be long — one or two weeks.

8. Length-of-Service Bonus. That labor turnover is expensive is now generally recognized. A bonus for length of service may be a factor in reducing this expense. In one plant it was pointed out that a considerable group of employees had been with the company for several years. Each one of these employees earned a bonus "as soon as he came into the plant in the morning."

Some companies use a combination of two or more plans. For some years a firm manufacturing men's garments used four — a quantity bonus, a quality bonus, a regularity and punctuality bonus, and a length-of-service bonus. On the other hand, a noted industrial manager insists that the payment of a premium or bonus is a bribe or bait. He would use a time-wage plan together with

¹ Simons, A. M., *Personnel Relations in Industry*, p. 211.

non-monetary incentives. The importance of motives other than pecuniary is often overlooked; but it is not difficult, on the other hand, to over-emphasize them. It should not be forgotten that money — income — enables men and women to satisfy a number of desires — for a living or for a living plus, for self-esteem, acquisition, prestige, etc. Opportunity for the exercise of the creative impulse may rest upon the foundation of a sufficiency of income. That which appeals to several important impulses is likely to be more important than such as appeal to one only; hence, much weight should be given to the power of a money wage as a source of incentive to efficiency and workmanship.

ESSENTIALS OF A WAGE-PAYMENT PLAN

What are the essentials in developing a feasible wage-payment plan? A satisfactory method will result in lowering costs, in increasing wages, in increasing output, and in developing a spirit of teamwork and of goodwill in the plant. In proposing the adoption of a new plan certain definite points should be given careful consideration. 1. Neither a bonus or incentive wage system nor profit sharing will accomplish much in furnishing an incentive to do more and better work unless the wage earner can be assured a reasonable degree of regularity of work. Any incentive plan will be doomed to failure if the worker fears that he is likely to work himself out of a job. 2. The workers should have an opportunity to confer with the management before the installation of any plan or before any marked change is made in an existing plan. Publicity in regard to wage plans before adoption and of production records after adoption is essential. 3. The plan should be introduced and rates fixed after a careful study of the amount of output which constitutes a fair day's work, of rates of wages elsewhere, of profits and of incentives. 4. A complex system tends to weaken incentives and to make for misunderstandings. The method of calculation should be simple and easily understood. Simplicity is a prime consideration. 5. The time of payment should not be long delayed. 6. The reward should bear a direct and visible relation to effort.

If the need for simplicity and ease of comprehension be overlooked, it may be agreed that an adequate and scientific wage-

payment plan might reasonably include a reward (*a*) for quantity (speed), (*b*) for quality, (*c*) for regularity and punctuality, (*d*) for length of service, and (*e*) for mobility. (*f*) Payment should partially be a group and partially an individual matter. (*g*) The plan should also provide a method penalizing waste of materials, machines, and time. But it is clear that a plan including all of these elements would be complex and difficult of comprehension. A feasible and satisfactory plan must of necessity sacrifice comprehensiveness for simplicity. And, again, let it be noted, good management is of greater importance than the actual form of wage payment.

THE DETERMINATION OF BASIC AND OF RELATIVE WAGE RATES

In attempting to place the payment of wages upon such a basis that militancy may be reduced to a minimum and that agreements between employers and employees may become the customary methods of procedure, it is necessary to study the problem of wage payments as a scientific proposition. The problem may conveniently be divided into two separate elements: 1. How shall the basic wage rate for a particular type of work be determined? 2. How shall relative wage rates for different workers doing the same kind of work be determined?

The wage rate actually paid is determined by the supply and demand for workers modified by the bargaining strength of employers and employees or groups of employees. Recognizing that fundamentally the wage rate is a matter of bargaining, our problem is in no small measure a matter of bargaining in the open, of publicity for the facts in regard to the business. Collective bargaining can only achieve a reasonable degree of success and permanency when carefully kept records of the industry and a statement of expenditures, of allowances for depreciation, and of profits are placed at the disposal of the representatives of the workers. With the facts before them, it is not difficult to prove to the workers that excessive wage demands will ruin the business and dry up the sources from which wages flow. But until such steps are taken collective bargaining will be in the main a blind struggle between opposing interests, resulting usually in compromises satisfactory to neither side and prolific of opportunities for friction.

In order that bargaining may proceed in an orderly and rational fashion further analysis is desirable. Fairly accurate answers to the following questions will assist men and management in reaching reasonable conclusions in regard to basic wage rates.

1. What is the grade of skill involved in the operation or process?
2. How much training or experience is required before the beginner becomes a skilled worker?
3. What are the conditions under which the workers are employed — heating, ventilating, lighting, speed, eye strain, danger of accident and of industrial disease, cleanliness, etc.?
4. What responsibilities are placed upon the workers? To what extent does the management aid the workers in planning work, in providing tools and keeping them in good condition, and in facilitating the work in other ways?
5. What are the opportunities for promotion and for increase in wages?
6. Is the work characterized by regularity of operation and reasonable assurances of continued employment?
7. Is the industry as a whole characterized by stability or instability? Is the output a staple product?

Adequate explanations for variations in the amount of wages received between different individuals performing similar tasks will chiefly depend upon the following points: —

1. What is the output of the worker as compared with the normal?
2. What is the quality of his output?
3. What wastes are avoided by the worker in question?
4. What are his personal qualities and general value as a worker? For example, does he display initiative and ability to assume responsibility? Can he perform efficiently more than one type of work? Is he able to work harmoniously with his fellow workers?¹

In conclusion, it may be pointed out that any careful consideration of wage payments and incentives will lead directly to (a) job analysis; (b) rating of individual employees either by foremen or by foremen and a committee of fellow-workers; and (c) plans for regular and continuous work, supplemented by unemployment insurance features. If industrial peace and teamwork in industry

¹ Hoopingarner, D. L., *Labor Relations in Industry*, pp. 233 ff.; Sanders, *Harvard Business Review*, Oct., 1926.

are to be attained and retained, it may be stated with a considerable degree of assurance that wage determination either of basic wage rates or of piece, premium, or quality rates should be made the subject of joint consideration by employers and representatives of employees.

PROFIT SHARING

Profit sharing is a proposal for improving industrial relations; but it is closely related to methods of remunerating labor. Profit sharing is a form of group bonus, proposed by the management, supplementing the ordinary methods of wage payment; it is not a substitute for wages. Under profit sharing, the worker may be paid time or piece wages, or some form of the premium or bonus system may be used. If profits are made, in addition to the amount received regularly in the pay envelope, the employees are promised some more or less definite share in the profits of the business. Profit sharing differs markedly from the premium paid for increased output under a financial incentive wage plan. In case of the latter, the bonus or premium received is due in a large measure to the extra exertion or dexterity of the individual workman. Under profit sharing, the dividend or share of the profits paid to the employee depends upon a multitude of circumstances, such as the business ability of the management, conditions of the market, the efficiency and morale of the entire working staff, and the attitude of each individual worker. The diligence and effort of a particular worker are only minor factors in producing business profits, and may be more than counterbalanced by the inefficient functioning of other parts of a complex and inter-related industrial and business mechanism.

Profit sharing has been classified into three forms: cash payments may be distributed at the end of a definite period according to some plan; payment may be made in the stock of the company; or deferred payments may be provided in the form of insurance, an annuity, or some other form of savings. The third form has appealed to the thrifty Frenchman. If employees buy shares of stock in the company which employs them, they do not become profit sharers. The dividends received are paid to them as stockholders, not as employees of the company sharing in the profits. When shares of stock are given instead of a cash bonus, it becomes profit sharing.

In the United States, the cash bonus is the form usually adopted. Earlier plans were often indefinite. The company promised to pay a profit-sharing bonus at the end of the fiscal year without specifying the amount or the percentage of the profits to be turned over to the workers. More recently, the companies adopting profit sharing promise to divide the profits at some ratio, say 50-50, between stockholders and employees. The profits to be divided are ascertained by subtracting from the gross sales of the company all expenses, including depreciation, wages, and a fixed percentage for dividends upon the stock outstanding. The method of calculating is obviously not simple. Vexatious questions regarding depreciation, stock watering, use of surplus, and the like, inevitably arise to becloud the issue. Again, profits cannot be divided as a rule more frequently than once or twice a year. It is not easy for each worker to see any very direct relation between his efforts and the amount of profits which are vouchsafed to him. Many widely different plans of profit sharing have been tried; but the history of profit sharing in this country and in England does not inspire confidence in its value as an incentive to workers. It does not conform to certain tests which are essential to any satisfactory system of employee compensation. The method of calculating profits is not easily understood. The payment of the share of profit is delayed for several months instead of appearing in the next pay envelope as is the case in other incentive wage plans. The pecuniary reward does not bear a visible and direct relation to effort or carefulness. However, since unrest and suspicion in the labor world are in no small part psychological matters, profit sharing may increase goodwill and efficiency. Dividends are ordinarily paid to the workers in proportion to the wages received. However, in a few examples of profit sharing, workers have shared equally irrespective of earnings.

The newer and more successful form of profit sharing accepts the following fundamental principles. 1. Labor and management should receive adequate compensation for their efforts in the form of wages and salaries. The market rate of wages, or a higher rate, should be paid. 2. Capital should receive a fair interest return. 3. Labor, management, and capital should share in the profits, above expenses, which, it is assumed, arise because of joint efforts. Successful profit sharing causes the workers to take an interest in good management. Under piece work or a premium plan workers

wish sufficiently good management to insure smooth operation of the plant. They desire machines kept in repair, raw materials provided on time, and the like; but they are little concerned with the broader aspects of business policy.

PRODUCT SHARING

Product sharing may be considered to be the prototype of profit sharing. The latter is an "adaptation of this ancient and approved product sharing to the conditions of modern industrial life." In agriculture, the *metayer* system or share farming is a form of product sharing. The owner of the farm furnishes the land, the buildings, and, oftentimes, a portion of the implements, live-stock, and seeds. The product is shared between the owner and the tenant in accordance with a contract made at the opening of the season. In the fishing industry, the proceeds of a given catch or of a given voyage are often divided among the crew. Wages are not paid; the recompense depends entirely upon the size of the catch. Product sharing does not provide for wages. Profit sharing places in the worker's hands an allowance in addition to the ordinary wage.

ADVANTAGES OF PROFIT SHARING

In so far as it has a scientific basis, profit sharing rests on the principle that coöperative effort is more productive than uncoordinated endeavors. It is an attempt to achieve teamwork in industry. Its chief value is in developing that intangible element called morale. Piece work and the various premium plans based on the quantity of individual output stimulate the worker to greater exertion; but they do not cause him to be more careful of the machinery and tools which he uses; and these systems of wage payment, it is contended, do not aid in eliminating the waste of material used in production. It is possible, for example, to cut leather for shoes so that much material will be wasted. Indeed, a workman who is working against time as a piece worker cannot be expected to reduce his speed in order to save material. Under profit sharing, a saving in material is as potent in increasing dividends as is a reduction in the time of performing a given operation. It is further asserted that the worker who is a profit sharer also has a personal interest in caring for tools and machines placed in his

charge. According to its friends and advocates, profit sharing will improve the quality of the product, will induce the workman to be more careful of his tools, will reduce the waste of materials used in making the finished product, and will, in no small measure, eliminate the friction between employer and employee. As an incentive to more earnest and effective endeavor, profit sharing may work fairly well in the case of a small group and fail in the case of a large one. In the former the direct relation between individual efforts and results is much clearer than in a large group.

OBJECTIONS TO PROFIT SHARING

(a) As a stimulus to the individual worker to increase his output, profit sharing is less direct and potent than a piece wage or some form of a premium plan. An increase in the amount contained in the next pay envelope is much more stirring and invigorating to the average person than the possibility of a dividend declared some time next winter. The nexus between individual effort and a larger piece or premium wage is also much closer than between individual effort and company profits. (b) Profit sharing has been a one-sided matter. The employer has proposed it and has outlined the program to be followed. From the point of view of the workers, their share in the profits is considered to be a gift or a bait. In the words of a spokesman for organized labor, profit sharing "is calculated to produce docility of spirit and to discourage organization among the workers."

(c) Profit sharing, instead of reducing the friction between labor and management, may increase it because the possible points of difference between the two parties are increased rather than diminished. The question of how much the workers should receive and how much should go to the investing and managerial groups, remains practically unchanged under profit sharing. If the system should become universal would not the struggle as to the rate of wages continue, and in addition would not disputes arise as to the division of profits? As the books of the company are not usually open to inspection, the suspicion may arise that the company is not dealing fairly with its profit-sharing employees. The wage system gives the worker a definite contractual income per day or per piece. Profit sharing makes a portion of his income directly

dependent upon the vicissitudes of the business world. Profit sharing "offends against that cardinal principle which demands 'that every man shall receive his own reward according to his own labor.'" The reduction in costs resulting from greater care, diligence, and speed, and leading toward increased profits to be shared between labor and capital, may be counterbalanced by bad management so that no profits may accrue to be distributed.

Systems of profit sharing have usually been inaugurated by employers for one or more of three reasons: (1) In order to increase the output of the factory, to induce the workers to be more careful of tools and machinery, and to reduce waste of materials. (2) To appease the workers and to alienate them from their union or to prevent the formation of a union among employees. (3) For humanitarian or philanthropic (not business) reasons.

The first motive needs no further discussion. Effective trade-union action is only possible when the members of the union feel that their interests are furthered through the use of union methods and weapons. If the employees of a company become owners of shares of stock, or have the prospect of receiving an annuity or an annual bonus, they are not as likely to use union methods in order to secure higher wages, a shorter work period, or better working conditions. A strike might endanger their profits. A wage earner who is also a profit sharer is likely to be less loyal to his union and less favorable toward the adoption of coercive measures against the employing firm than the man who is simply a wage earner. The solidarity of the labor organization is a phenomenon which would not be clearly manifested in a mixed union of employers, employees, and semi-employers. As long as labor organizations are formed primarily to fight antagonistic employers, profit sharing tends to become a disintegrating force; it dilutes orthodox militant unionism. No inconsiderable percentage of profit-sharing systems have been inaugurated after a strike or after a period of agitation. Many employers recognize the possibility of using this gentle but potent means to secure industrial peace; and labor leaders are not blind to this situation. If labor organizations are recognized and bargained with, it seems possible to combine unionism and profit sharing without unfavorable effects upon the former.

A generation or more ago, men like S. M. Jones and N. O. Nelson installed profit-sharing schemes in which humanitarian ideals un-

doubtedly took precedence over purely business motives. Both men were engaged in highly profitable businesses, were well-to-do, and were actuated by high and non-mercenary ideals. Profit sharing worked well in such hands; but their experience is of little value as a guide in studying the system. These men were primarily philanthropists. Their scheme of profit sharing points toward some paternalistic utopia, not toward industrial democracy.

Profit sharing is not important as a solution of the problems connected with industrial relations. The familiar wage system is retained and a special form of bonus is added. It is only a palliative or, according to spokesmen of organized labor, a sedative. Only as profit sharing approaches producers' coöperation in form and method can it be considered of outstanding industrial significance. Only comparatively few establishments have made successful use of profit sharing. The deferred payment scheme is not inviting to Americans because of the extreme mobility of the labor force and because the American workman is impatient of slow gains, is improvident, and is fearful that in some way he may be finally cheated out of the promised annuity. The cash bonus scheme has the best prospect of success in this country, although the stock-sharing plan may succeed in a measure among the more highly-paid operatives.

WELFARE WORK

From one point of view welfare work or service work may be classified as an attenuated form of profit sharing. It has been defined as including "all of those services which an employer may render to his work people over and above the payment of wages." Welfare work usually has for its basis the improvement of working conditions within the factory or shop, the betterment of the home environment of the workers, provisions for educational facilities or for wholesome and healthful recreation. "Model" homes may be built for the working people and rented to them at low rentals, an attractive dining room which furnishes meals at cost may be provided, night schools for employees and kindergartens for their children may be established, baths and amusement parks may be provided, or the sanitary conditions within the factory may be improved — these are varieties of welfare work. The increasing attention which has been paid in recent years to industrial better-

ment is indicative of a tendency to accept the idea that it is not only humane, but businesslike, to strive to conserve the health and efficiency of the workers in a plant. In establishments having a personnel department, the welfare or service work has become an integral part of personnel administration. Welfare work has not always been appreciated by employees. Too frequently in the past it has been characterized by paternalism. According to Professor Commons, "welfare work is not the solution of the labor question nor the substitute for labor organization. It is part of the labor movement for better treatment, better conditions, and greater opportunities." Robert Owen, the great British industrialist and humanitarian, introduced welfare work into his cotton mill at New Lanark near Glasgow soon after he came into control of the plant in 1800. Welfare work originated as a form of humanitarianism or paternalistic philanthropy; it is evolving into a method, based upon business and scientific principles, of improving the efficiency of the working force of an establishment.

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CHAPTER XVI

HUMAN ENGINEERING

THE HUMAN EQUATION

No matter how far we may go in the mechanization of industry, at various points from the design of the machine to the sale of its products human beings will continue to play important, although changing, rôles. In an interdependent and complex world, indeed, the human equation is of increasing importance. Nearly all enterprises are now group projects. Professor John Dewey speaks of "the increasing corporateness of society." Management is constantly dealing with "the human equation." The personnel problems of the primitive and the pioneer worlds were relatively simple. Today human behavior is of outstanding import.

Personnel management is not something to be set down as a definite and fixed plan of action. The human equation is one of many variables. It cannot be solved mathematically. Human beings do not move in well-defined orbits; they seem to be irrational, unsystematic, cantankerous. Men are strange creatures and are not easy to manage. Human beings are not single-track individuals; they are motivated by a multitude of desires and longings. No two individuals are exactly alike in instinctive inheritance or experience; but there are many similarities in reactions to new experiences and in attitudes toward certain forms of treatment by fellowmen and employers.

Industrial psychology endeavors to study the behavior and reactions of men and women at work. By utilizing such principles of individual and group behavior as industrial psychology indicates, the personnel manager or the organization engineer endeavors properly to direct the energies of groups of men, to apply human effort effectively in industrial enterprises. As yet the technology of the direction of man-power is about where mechanical engineering was fifty or seventy years ago. It lacks precision and standards;

but management can no longer afford to neglect the teachings of industrial psychology.

Modern civilization is characterized by the growth of group activities. Industry has by no means escaped this tendency. Management deals with groups of workers. The effectiveness of a group properly directed and motivated is far greater than the effectiveness of the individual members added together. The whole is indeed greater than the sum of its constituent parts. A large group of men may be a mob — a destructive force — or it may be under proper direction an effective and constructive work-force.

The highest efficiency in industry can only be obtained under good leadership, with careful selection of the working force, and with adequate materials, machines, and surroundings. Under such conditions a high morale, or enthusiasm for the work of the organization, may easily be developed. This is the prime job of the personnel manager. He is a “harnesser of group behavior to productive purposes.”

The development of cost accounting and the accumulation of reasonably accurate information in the fields of sales and production are enabling business men and industrial experts to see clearly the sources of loss and waste in the business world. The engineer's plans for the routing of materials and partially finished articles and for coördinating departments have also made evident the high cost of indifference and illwill — the lack of enthusiastic and willing teamwork — among the employees of an industrial establishment. Many are beginning to understand that mechanical perfection is of little import without the development of interest and efficiency on the part of workers. Statistics of overhead expenses and of the cost of labor turnover are causing manufacturers to seek diligently for methods of regularizing production. With regularity of operation comes an appreciation of the need of personnel methods for the organization of a stable labor force with excellent morale. Irregularity of operation has been coupled with a drifting labor force, little teamwork, the hard-boiled labor-driver type of foreman, industrial unrest, and inefficiency.

If a serious difficulty arises with steam boilers, blast furnaces, engines, machines, or chemicals, an expert is called in to study the matter carefully. Only recently have progressive employers real-

ized that good management consists chiefly in an application of the science and art of handling men. Slackerism, insubordination, restriction of output, and lack of interest cannot be cured by calling labor bad names or by fierce denunciations of labor organizations; these social and industrial phenomena should likewise be made the subject of study. Muddling through in human relations in an industrial plant may be picturesque and thrilling, but it is expensive. There is a high cost of low thinking or of guesswork in the realm of personnel relations.

THE WORK OF THE PERSONNEL DEPARTMENT

The personnel or industrial relations department of a factory or of a store deals with the relations between men and management. It attempts to make a scientific approach to the study of industrial relations. The personnel manager essays in an orderly fashion to solve the human equation as it is presented in a specific industry. The big problems of industry in the fourth decade of the present century are not technical; the human problems of industry are taking first rank in importance. Successful operation of industry demands teamwork between management and men. The up-to-date industrial plant utilizes many sciences and arts. In it are found an intricate organization of machinery, the utilization of natural resources and power, and the application of human resources and power. The development of leadership and of morale is important. In periods of prosperity employers are depending more and more upon friendly relations with employees instead of disciplinary methods.

The work of the personnel department in a plant is in a large degree advisory. All executives should be personnel directors. The directors of the American Management Association have presented this view very clearly. "Personnel work is an integral and inseparable part of management, interwoven into all of the efforts and activities of the production and sales departments and of the office." The problem of the management in regard to human relations in industry is to reduce friction between management and men, and to develop such working conditions as will increase the quantity and improve the quality of output. Among the problems which may be specifically assigned to the industrial relations or personnel department are:

- Hire and develop the right man for the right job.
- Discover the best methods of work and of supervision.
- Improve skill.
- Establish good working relations between management and men.
- Develop self-respect, interest in work, initiative, responsibility, and morale.
- Promote health and safety.
- Decrease fatigue and boredom.
- Remove anxieties, irritations, suspicion, and discontent.¹

The industrial relations department should be coördinate in prestige and authority with other departments such as the production and the sales. In some matters it may have direct control, in others its functions will be advisory. This department should be appealed to in connection with all the human problems of the plant. The personnel director can only hope to be successful after he has been able to obtain the coöperation of other departments. A fully developed department of industrial relations will have the following divisions:

Employment	Health and Safety
Training or Education	Welfare or Service
Joint Representation	Research

The primary job of personnel administration is the effective utilization of human resources. It should aim to cultivate an attitude of mind on the part of executives and workers which will allow the problems of industrial relations to be approached in a spirit of mutual forbearance, sympathy, sweet reasonableness, and willingness to analyze the situation. It is the function of the personnel department to remove the militancy of the traditional relations between management and men. Up-to-date personnel work in industry gives some indication of being a plant cultivated only in prosperous times; in periods of depression many executives under the pressure of business exigencies and of tradition are prone to scrap industrial relations departments and to "put the screws on labor." However, an investigation of industrial relations practice in the Middle West in 1931 and 1932 indicates that personnel work is being continued during the depression. In certain cases, the functions of the industrial relations department are being increased.

¹ *Service Bulletin*, Personnel Research Federation, Jan., 1930.

Relief plans for laid-off employees have been adopted, and the work of carrying out the program has been placed in the hands of the industrial relations department.¹

METHODS OF HIRING

The old method of hiring workers was merely a guessing contest. The foreman needing additional employees went to the shop door in the morning and selected the number wanted from the line-up of persons looking for jobs. This informal method took the time of a foreman who had many other duties and responsibilities, and it resulted in many misfits. Certain foremen considered themselves to be excellent judges of that complex intangible, human nature. They usually followed "hunches" or used certain characteristics as the basis of judgment in selecting employees, such as the type of face, color of hair or eyes, handwriting, etc. Few purchasing agents resort to similar empirical methods in selecting steel, rubber, livestock, or other commodities. The foreman should not be expected to hire men; he does not buy the raw material required, select the machines to be used, determine the location of machines, or the type of power to be employed in the department under his supervision. The typical foreman is not qualified, and he does not have the means or an adequate amount of time at his disposal, for intelligent selection of man-power. The foreman should be consulted before selection is made; but the sole responsibility for hiring should not rest on his shoulders.

The up-to-date factory has developed an employment division which is, in reality, a specialized purchasing department for the buying of man-power, for the purpose of bargaining for a peculiar and complex agent in production. The task of selecting workers for an industrial plant, a store, or other form of business organization is of great importance. The applicant for work may also be considered as a salesman with a special kind of service to sell. Since he must go with his labor-power, the applicant will desire information about the personnel policy of the company, the chances for promotion and for increase in wages, working conditions, insurance schemes, safety, regulations in regard to regularity and punctuality, and, perhaps, something about the worthwhileness of

¹ Walters, J. E., *Personnel*. Aug., 1932.

the work he is expected to perform. The specific functions of the employment division of the personnel department are about as follows:

- To interview and hire workers
- To introduce the new employee to his job
- To superintend transfers and discharges
- To assist in fixing rates of pay
- To study causes of labor turnover and absenteeism
- To conduct exit interviews

The first contact which the prospective employee has with the plant is that provided by the employment division. Its offices and waiting rooms should be attractive. Applicants for work should be treated courteously. If not employed, it is not disadvantageous for the company if the rejected seekers for work feel that they have been well treated and that this shop must be a good place in which to work. The first impressions about the plant are important. Interviews should be conducted with a considerable degree of privacy. It is no longer considered to be good salesmanship to over-emphasize the good qualities of a product offered for sale, or to induce a customer to buy something he manifestly ought not to purchase. Likewise, an employment manager in the preliminary interview should not overstate the desirable features of a job, or overlook the disagreeable ones. Satisfied employees who are fitted for their work should be the aim of the division. The worker's point of view should not be neglected by the personnel department. The function of the interviewer has been very briefly summarized: to give and to get information, and to make a friend. The successful interviewer takes an interest in the men with whom he comes in contact; he ought not to be a person of moods, he should have an intimate knowledge of the work of the plant and of the local employment situation. Trick questions and snap judgments should be avoided. The importance of first impressions was so clearly understood by the manager of an Eastern plant that the company sent out a group of their own men to make applications for jobs in other plants. These workers were asked to write a short statement about their impressions. The company adopted this unusual procedure in order to obtain inside information as to methods of hiring used by the management of other plants; the managers

hoped to learn what to do and what not to do in the employment division.

Since the prime function of the employment division is the accurate fitting of man to job, two types of investigation should be undertaken: (a) an analysis of the jobs offered in the plant and (b) an analysis of the vocational fitness of the applicants for jobs. Job analysis consists in taking a job apart and carefully examining its parts. Among the items considered in an adequate job analysis are: the technical equipment provided, the operations required, the conditions under which the work must be performed, the methods of wage payment, training or skill required, relations to other jobs, opportunities for promotion, permanency of job, age limits. Job analysis may also aid in the improvement of methods of performing the job. Valid tests of vocational ability which give accurate information as to the type of job for which a particular worker is fitted are not easily developed. Psychologists are of the opinion that certain general traits can be readily ascertained. For example, does the applicant prefer to work with hands or head, does he prefer outside or indoor work, is he attracted by tasks requiring responsibility or initiative, is he fitted for tasks requiring accuracy, is he "persistently interested" in a certain type of work? Trade tests which indicate a knowledge of the tools and methods employed in certain jobs may be used with a fair degree of success. The traditional methods of depending upon first impressions, letters of application, photographs, letters of recommendation, are but slight improvements upon chance. Tests in which good and experienced workers rank high appear to be yardsticks which might reasonably be applied to applicants for jobs similar to those held by the former.¹

The employment division has a variety of sources from which to draw its necessary supply of manpower. One well-known concern reports that eighty to ninety per cent of new employees are referred to it by present employees. The typical new employee of this company will have one or more friends in the plant. He knows something about the organization, and he is favorably disposed toward it. The problems of adjustment are reduced to a minimum. Former employees may also constitute a considerable source of

¹ Laird, D. A., *Psychology of Selecting Men*, Chaps. 5-15; Hollingworth, H. L., *Vocational Psychology and Character Analysis*, Chaps. 4, 5, 7, 8, 16, 17, 18.

labor supply in a well-managed plant. A good promotion plan will enable the employment division to fill many positions from the present force. Other sources are voluntary and unsolicited applications, advertising, employment agencies, schools, labor organizations.

AFTER THE APPLICANT IS HIRED

An effort should be made to make the new recruit "feel at home" as soon as possible. A large fraction of the labor turnover in many establishments is found among those who have been employed recently. Some are not qualified for their jobs and others do not get acclimated in the new environment. A representative of the employment manager's office should introduce the new employee to his foreman and to a few of his fellow workers. A short trip around the department or other portions of the plant may be time well spent. The newcomer should be informed as to the location of the wash-room and lockers, and all special rules which apply to him should be explained. A few days later, one of the group in the employment manager's office should make a trip into the department for the purpose of discovering whether the man is satisfied and is adjusting himself to the new environment. Discharges or transfers from one department to another are matters which may well be placed within the authority of the employment division. In case a man quits, an exit interview with one of the staff in the division will frequently yield information about grievances and causes of friction. An employment division which performs the functions which have been outlined will add to the overhead expenses of the organization. Many firms believe the informal, traditional, and directly inexpensive plan to be the most economical. The gains resulting from the services of a good employment division are difficult of measurement. Among the advantages are reduced labor turnover, improved morale, and increased goodwill on the part of employees as a group toward the management. An excellent public employment agency might perform in an adequate fashion many of the functions of an employment division; but at the present very few public agencies are actually prepared to do so.

PROMOTIONS

To select the right man for promotion is not an easy task. Jealousy and discontent are the almost inevitable results of a poor or of no definite promotion policy. One large corporation indicates to its employees that "no position of responsibility will be filled" until a canvass has been made of its present employees. All employees desiring promotion are expected to register their applications for promotion. A large gear works had an excellent production manager, its labor turnover was low, and the employment division always had a waiting list. The production manager resigned. Instead of promoting one of several qualified foremen the poorly qualified son of a large stockholder was brought in from the outside. Soon thereafter labor turnover became considerable, and the waiting list dwindled.¹ The methods of promoting are four: (a) by seniority, (b) by merit, (c) by pull, relationship, or friendship, and (d) by accident or chance. Advancement by seniority has the advantage of giving each worker the opportunity to move forward in the ranks if he is faithful. It does not lead to keeping workers "on their toes"; and it often subordinates merit to faithfulness without special competence. Merit is the ideal, providing adequate and valid tests of merit can be applied and publicity is given as to methods and ratings. Success in a subordinate position does not necessarily indicate that the man possesses the qualifications for a new and different job.² Promotion has also been used as a check upon union activity and the growth of labor solidarity. Until recent decades cheap land and the ever-present possibility or probability that the employee might become a small employer were effective means of alienating the ambitious and the forceful workers from enthusiastic and continuous adherence to the policies of trade unionism.

LABOR TURNOVER AND MORALE

One of the master tests of good management is the rate of labor turnover — the size of the procession into and out of a plant. The cost of a large labor turnover due to the termination of the service of one worker and his replacement by another varies with

¹ *Forbes*, Oct. 15, 1928.

² Dennison, H. S., *Organization Engineering*, pp. 73 ff.

different types of industry and jobs. The costs may be classified as hiring, instruction of the new worker, increased wear and tear, lowered production until the new worker is adjusted to his job, and a temporary increase in the amount of spoiled work. The termination of service may be due to discharge, lay-offs, or quits. A high discharge rate may indicate a poor employment policy or bad foremanship. Lay-offs are as a rule due to irregular operation of the plant because of seasonal changes, to a severe dip in the business cycle, or to a falling off in the demand for the product or products put on the market by the plant. Quits may be due to the same causes as discharges, to undesirable working conditions, to moving out of town, to sickness, old age, or death, or to a multitude of other causes. Obviously, every plant will have some labor turnover in a year. The unnecessary terminations and, consequently, the unnecessary hiring indicate poor management and "industrial turmoil."

A good employment department which makes a careful and intelligent selection of workers is an important factor in reducing labor turnover. One retail store is reported to have reduced its labor turnover from 700 to 300 per cent in one year after making two changes in its employment practice — new methods in hiring were introduced, and the store closed at noon on Saturdays during the summer months. The greatest amount of turnover usually occurs in the first year or half-year before the worker feels at home in his new workplace. An example of high labor turnover is furnished by a firm manufacturing rugs and carpets. Roughly speaking, three out of every four employees had been hired within the preceding twelve months. On the other hand, a large corporation producing electrical appliances was proud of the fact that at least 50 per cent of its employees were five-year (or over) men. Among other important factors making for the stability of a labor force are: attractive wages, steady employment, agreeable work, and a short working day or week.

The mobility of labor is a product of liberty; it is at a minimum under slavery or feudalism or in case of convict labor. It is not undesirable from the standpoint of progress to bring new blood into an industrial organization. Old or inefficient employees must be from time to time retired or removed. The worker who has been employed in several plants possesses a diversified, and often de-

sirable, experience. He has a feeling of independence, and wage rates may be somewhat higher because of labor mobility. It has been pointed out that other labor losses are as important as those connected with labor turnover. Irregular attendance and lack of punctuality will reduce the efficiency of a labor force. Failure to keep the force up to a high standard of efficiency because of excessive fatigue, low morale, lack of interest, and other personnel matters will also be expensive and demoralizing.

LEADERSHIP IN INDUSTRY

In the study of human engineering is included a consideration of the qualities which make for leadership and of the development of morale as well as the specialized functions usually outlined. Employers in the period, 1919-1930, placed an increasing emphasis upon friendly relations with employees and less upon disciplinary measures of the coercive type. After the dark clouds of the depression are lifted, it may reasonably be anticipated that this trend will be resumed. However, continued progress toward better personnel relationships and toward industrial goodwill is dependent in no small measure upon good leadership. Poor leadership may easily put a plant in low gear and keep it in that condition. How to get men to do their best — that is the function of leadership. The support and loyalty of workers must be earned by the management. What management gets out of an organization usually depends upon what management puts into it. “The leader, it must be repeatedly emphasized, is not a beguiler, a bully, a seducer, or a hypnotist in respect to the purposes of those whom he leads.”¹

The industrial leaders of today are the modern equivalents of primitive tribal chiefs, of the armored knights of the Middle Ages, or of the sea captains of a few generations ago. But the marks of leadership change from time to time. The foreman who shouts and swears at his men, the narrow “dehumanized specialist” who has no interest in workers, or the executive who keeps aloof from the rank and file of workers in the plant, are not real creative leaders. Under scientific management the whim of the executive is replaced by orders based upon “the law of the situation.” Leadership is “depersonalized.” From this point of view, management in in-

¹ Tead, O., *Human Nature and Management*, p. 171.

dustry is not so much authority, power, or control over others as it is the development of "sensible working arrangements." Good personnel methods will minimize the assertion of authority. The skilled industrial leader will not be forced into a position in which the inventiveness, the initiative, and the interest of the workers in the organization are working against rather than with him. His organization will "coöperate as well as operate."

A leader should have confidence in himself, should know what he wants and how to get what he wishes. A vacillating, uncertain, timid man will not make a great leader. In a democracy the ideal is to develop initiative and capacity in the masses of people, to make leadership rest upon expert knowledge and ability rather than upon emotional power. Leaders in a democracy should be expected to give reasons for their faith.

A leader in industry is a morale builder; he is "an influencer"; he is a problem solver. To develop morale, the initiative and the interest of the rank and file as well as of the lesser executives must be enlisted. The adoption of definite purposes and the spreading among the staff of a knowledge of these purposes are essential to a high morale. Purposes and programs, if morale building, must square with the wants and aims of individual members of the organization. The problem of efficient control of industry is connected with the removal of the power and authority now unfortunately placed in the hands of speculators, stock-market financiers, absentee and drifting stockholders, and placing it in the hands of men possessing the engineer type of mind. Industrial leaders of the post-depression days, it may reasonably be anticipated, will be interested in production and service problems rather than in purely pecuniary or financial matters.

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CHAPTER XVII

MAKING WORK INTERESTING

CAN WORK BE MADE INTERESTING?

Many of the fundamental concepts of American democracy may be traced back to the pioneers of the days of Jackson and William Henry Harrison; and Americans are quite inclined to believe that industry until recent years has ever taken the form of the small-scale business of the period from 1800-1850. We are disappointed if the workers of today do not display the same interest in their work as did the pioneer farmer or the small-shop craftsman when working for himself. The employer and the man-on-the-corner today expect the carefully directed worker, deprived of all opportunity for initiative, self-assertion, or responsibility, doing a certain simple task over and over again, to exhibit the interest and zeal which is traditionally ascribed to the pioneer American. The common mode of procedure has been vigorously to denounce the worker of today, especially if he be a member of a labor organization. Few have stopped to inquire: Why are conditions as they are? What steps will insure betterment?

But, with certain exceptions such as are presented by the guildsmen of Western Europe and by the American pioneers who virtually employed themselves, history discloses that from the early days when the captives in battle were forced to till the soil for the benefit of their conquerors, through the long hopeless ages of slavery and serfdom, to the modern wage system with its definite contractual payment of money wages, the great mass of the world's workers have been dragged unwillingly into productive activity. Compulsion — the fear of the lash, of discharge, of hunger, and of the lack of comforts — has been the potent, but negative, force which has throughout the ages hastened the steps of the lagging worker. This negative incentive has not made and cannot make for efficiency, for joyful and creative work. Coercion will not produce good work; it is first necessary "to produce desire in the heart

of the workman to do good work." "Man's place in industry is not to be mastered but to provide free and willing service."

Even today, according to critics of the present industrial situation, "the whole industrial arrangement is carried on without the force of productive intention; it is carried forward against a disinclination to produce"; and a disinclination to produce will inevitably breed unreliability and inefficiency. Consequently, the present industrial arrangement in common with the earlier forms known as slavery and serfdom must be inefficient from the standpoint of output, and also deadening and debilitating in its effect upon the individual workers. In this connection it may be pointed out that the growth of the corporate form of business and the tendency to interpose "layers of corporate securities" between the owners and the property actually owned, tends to destroy the "pride of ownership" and the "joy of workmanship" which the owner so often exhibited in the days when smaller-scale and more simple industrial enterprises were the rule. The typical owner of corporate securities is an investor or a speculator rather than a person interested in the technical processes of production. The tendency toward routine, toward scientific management, and toward centralized and depersonalized supervision in modern large-scale industry is making "individuality in industry" a rare phenomenon.

The negative incentives furnished by compulsion are not only inefficient now as was also true in the days of slavery and of serfdom, but, in an era of democracy and of compulsory education for all classes, unless reënforced and modified by others of a more inspiring and stimulating type, the negative incentives provide social dynamite which will sooner or later put civilization in imminent danger of a serious social upheaval.

The complex of instincts, habits, passions, prejudices, likes, and aversions called man is the slowly and painfully evolved product of unnumbered generations. Man is the resultant of generations in which there was little of routine, regularity, or reasoning. Man is endowed with almost ineradicable instincts and impulses which are the fruits of environmental conditions in the ages past. Modern industry on the contrary is a recent and artificial contrivance; it is the gift of the last two or three generations. The man who has become a cog in the gigantic articulated modern treadmill is subjected to experiences and influences which cut across, thwart, and

inhibit many of the impulses and keen desires which he has inherited from the long ago.

The primitive man disliked the kind of endeavor which called for regular and productive activity; he did not enjoy what we commonly denominate work. Slavery was a social device to force the unwilling man to work. Slavery and serfdom were methods of domesticating the hunter so that he might function as an agricultural and industrial worker. The galley slave and those who tugged and strained under the lash to build the pyramids of Egypt worked only under stern compulsion. Biblical accounts indicate that work was not a joy. Writers are prone today to compare the distaste for routine work manifested by many workers of the present time with a glorified picture of the craftsman of the Middle Ages. Such a comparison is misleading. A more accurate method would be to place the slave, the serf, and the unskilled vagabond of earlier epochs alongside of the unskilled routine worker of today. The members of both of these groups disliked the work they were forced to undertake. Ancient, medieval, and modern unskilled workers were pleased to escape from the bondage of toil. All of these workers went unwillingly to their daily tasks. It has been a difficult matter to indoctrinate the notion of "work for work's sake" into the white or any other race. Utopias never stress hard and regular work. The much praised American pioneers did not work with a high degree of regularity and continuity. Enjoyment of work is acquired; it is not an inheritance coming from the distant past of the race. "Spring fever," the desire to hunt and to fish, the "lure of the open road," the call to adventure and change, are the primitive in man rising to the surface. Men and women also cling tenaciously to the notion that the performance of hard manual labor is a mark of inferiority. We often dislike the appearance of having to work more than we dislike the work itself. Leisure is not merely escape from work; it is a badge of superiority or worthwhileness. A wide gulf between labor and pleasure has been the usual and not the uncommon state of affairs throughout the ages which have elapsed since agriculture made its first hesitating entrance upon the stage of human history.

If men have been so anxious to avoid work or the appearance of having to perform useful service, it seems strange, writers have suggested, that little has been done to study methods of making

work interesting and attractive. Evidently two important reasons may be assigned for this neglect. In the first place, such investigation would of necessity require accurate knowledge of that complex organism, the human being; it would require an understanding of biology, psychology, and social psychology. Only recently have these sciences obtained a foothold. In the second place, since work was a function to be performed by slaves, serfs, inferiors, why bother about agreeableness or disagreeableness? Only after the world enters an epoch in which the common man has been discovered, in which education and voting privileges for all are advocated, would the attention be finally drawn to the possibilities of changing work from an incubus upon the human race to a means of joyful expression. Again, the advent of power-driven machinery has finally forced men to turn their attention to efficient methods of doing work. First came scientific management, which was interested in technical performance; but recently it has dawned upon business managers that efficiency is more than the technical excellence of machinery and methods of accounting. The next step is in human engineering, which signifies the application of scientific methods for obtaining interest in teamwork, if possible, for the workers of modern industry. Is such a hope merely a utopian dream or may it come true?

The problem of the social sciences — if they have any adequate grounds for demanding the appellation of sciences — is to hasten the adjustment of associated men to the conditions of modern life and to reduce the friction accompanying such adjustment. To accomplish this purpose evidently both the environmental conditions and the psychology of human beings must be carefully investigated. There is reason for believing that the fundamental impulses and instincts of mankind have changed little since primitive man appeared. According to McDougal “men are moved by a variety of impulses whose nature has been determined through long ages of evolutionary process without reference to the life of man in civilized society.” Such being the case, our problem becomes one of finding out what these fundamental impulses, instincts, and emotions are; and of finding expression for them in ways which make for uplift and racial betterment. Repression inevitably spells danger. It is quite clear that the instincts which long racial experience has evaluated as essential to survival can-

not be easily swept aside by a few generations of regular industry, and of relative peace and plenty. We must reckon with them. To continue to disregard them is to close the door upon the possibility of making economics or sociology scientific. Assuming that human nature is not plastic or easy to modify, the most practical solution of the problem of industrial efficiency may be judged to lie in a definite and planned attempt so to modify industrial conditions as to offer so far as possible an outlet for the underlying impulses of mankind.

Heretofore, economists and other social scientists have been prone to consider men — workingmen at least — to be single-track individuals — persons of few and fairly simple guiding instincts and impulses. We have built up a sort of straw man and then proceeded with calmness to argue on the basis of this artificial, air-castle-like development of our own making. Students of American industrial problems have rarely stopped to study the actual flesh-and-blood man and his motives. We have paid little attention to the problem of adapting industry and environment to men. We have naïvely accepted the crude idea that the great mass of people must fit into the new industrial environment even though it be quite dissimilar to that of preceding ages — the ages in which the type of man was molded and cast. It was a maxim of Catherine II of Russia that a ruler operates on human skin which is exceptionally ticklish. The same proposition holds in regard to direction and control in the industrial field. It is a ticklish proposition in which the wants, prejudices, preconceived notions, ambitions, and instincts of human beings cannot be disregarded with impunity.

For example, are industrial inefficiency and restriction of output due to the lack of potent incentives which touch the rank and file of industrial workers? Upon the correct answer to this question depends the possibility of formulating worthwhile plans for industrial improvement. The late Professor Parker declared that laziness, in so far as it exists, is “an artificial habit, inculcated by civilization.” The slacker in industry is produced by “the job and the industrial environment.” Students of child life are practically agreed that the normal healthy child is neither lazy nor bad. The artificial environment which adults ignorantly or selfishly provide often makes him appear to be so. The normal adult is only the youth overlaid with custom, precepts, inhibitions, and experiences.

On the other hand, a recent writer who is a student of psychology quite emphatically asserts that "peoples and individuals are by nature indolent." And certainly, unless prodded by opposition, rivalry, changed environmental conditions, unsatisfied wants, or some other potent incentives, human beings tend to settle down comfortably into ruts, amiably to let well enough alone, and to be satisfied with much less than their best or near-best. The normal individual may not be lazy in the sense of desiring merely to loaf; but he does not love the routine of present-day industry as a regular day-after-day, year-in and year-out process from which the only tangible result from his point of view is a meager living for himself and family accompanied by extreme weariness of the flesh. Normal men may indeed possess an imperious instinct of workmanship or contrivance; but the up-to-date factory practicing minute subdivision of labor is equipped with excellent means of inhibiting this instinct. Undoubtedly, a worker may become so inured to routine that he will feel uncomfortable when out of the traces of his daily occupation; but such is an acquired feeling. It does not make for the zest and interest which lead men to push joyously ahead and up to newer planes of achievement.

The two points of view discussed above are not necessarily contradictory. Normal human beings are so constituted as to enjoy activity which makes for worthwhile results. What is considered to be worthwhile obviously changes with time, place, and kind of civilization. But the normal active, non-lazy individual placed in an environment chiefly characterized by monotony and the lack of incentives for improvement or change, will after a time accept the present achievements as sufficient and follow the daily routine without enthusiasm. Certain vigorous and recalcitrant persons will rebel and try to escape from the humdrum and correctness of the place and period; these are the heretics, the radicals, the I.W.W.'s.

One of our able and successful business managers out of his experience has put the matter very clearly. "The desire for self-expression is one of the most fundamental instincts in human nature, and unless it is satisfied it is bound to manifest itself in all sorts of abnormal ways which today are working such havoc in society." The late John E. Williams testified before the Commission on Industrial Relations that "the I.W.W.'s would not be very different from the other people if they had the proper organ of

expression. It is just that sense of futility of their lot, of their means of action, that makes people resort to these measures of force." The last sentence is worthy of more than passing notice; it presents a vital fact from a man of much practical experience. Unfortunately industry is offering little opportunity for self-expression to the average worker; it does not stimulate the interest of the worker in his work. In the use of potent incentives, modern large-scale routine industry has progressed little beyond slavery and serfdom.

It is too much to expect men to act conservatively and according to the customary procedure when they have little or no opportunity for the normal expression of human wants and desires. If they are unable to satisfy the instinct for food or for self-assertion, they will inevitably become biassed, gnarled, knotted, and perverse individuals. To make them more like the well-to-do conservative, the unblest must be made more well-to-do. The much-abused and much-feared I.W.W. is composed largely of men whose instincts for family life, for acquisition of wealth, for contrivance or workmanship, and for self-assertion have been inhibited. Better treatment, better wages, opportunity in youth to acquire a little property are solvents for extreme radicalism.

Psychologists point out that changed environments have frequently changed individuals in an extraordinary manner — from ne'er-do-wells to leaders, from criminality to useful citizenship, from sluggishness to a condition of mental alertness. A change in industrial methods, in the workshop conditions, in the incentives to activity, may likewise work marvelous changes in the activities and the attitude of workers. "Primitive man, like his animal ancestors, expended tremendous strength and, having won his fight, relapsed into inaction, revelling in the fruits of victory."¹ The man in the factory, the mine, or the store is capable of extraordinary activity on occasion — note his activity when witnessing a close baseball game, when on a strike, or in case of an emergency such as a fire. The vocation of the mass of wage workers today offers very little to fire the workers or to arouse their latent energy or talents; there are few or no episodes which stir the blood and call for temporary excessive or invigorating expenditure of effort. As a consequence the average worker soon exhibits the all too

¹ Swift, *Psychology and the Day's Work*, pp. 28-29.

familiar "tendency to minimum effort." In modern industry, except for a small group, "improvement stimulus" is practically lacking. The great mass of unstimulated workers become uninterested and inefficient workers; they do not feel those incentives which stir human beings into activity. Yet, business competition can be made to offer opportunities for potent stimuli. One force, group, or gang may become interested in its performance as compared with that of another or with its preceding performance. But, unless the workers have some very definite voice in determining the conditions of rivalry, in sharing in its benefits, it is presently looked upon as a scheme on the part of the employer to increase profits — and too often with excellent reasons for such conclusion.

The problem is: Can routine, subdivided industry be made interesting? Can the "creative impulse" be given play? Can the "adventure of business" be opened up to the wage workers? Or, must plans for betterment be directed solely or, at least in a large measure, toward securing the short working day and such utilization of leisure time as will make for physical, mental, and moral uplift? The second alternative is one worthy of promotion; but our present concern is with the former. In fact, if more potent incentives were disclosed in industry, if workers became more interested in their work, if one's work expressed in some degree his individuality, and if the workers were given a share in the responsibility of management, the recreation problem would be less difficult of solution. The increasing mechanization of industry is giving workers less of routine and back-breaking work, and is, consequently, making the problem of interest in work less difficult of solution.

INSTINCTS

When the small boy or the savage stubs his toe on a stone, he usually vents his wrath on the stone. Many employers and foremen are still in the childish or primitive stage in regard to personnel relations. Fighting, calling bad names, putting on the screws, showing labor its place, are typical reactions in the case of labor difficulties. Workers are called lazy, careless, good-for-nothing, ornery; but rarely is an effort made to ascertain the cause or causes of laziness or carelessness. Too frequently the individual is blamed when the environmental conditions are at fault. If a chemical

process fails to produce the expected results or if an engine loses power, an investigation by experts follows; if a worker or a gang of laborers fails to deliver the goods, the employer or foreman as a rule becomes angry and threatens the workers in lurid phraseology. But the lack of the "will-to-work" and carelessness are often the products of the physical condition of the worker, the working environment, the conditions at home, the attitude of the foreman, fatigue, or other causes. Practically all persons in normal health prefer to do good work rather than poor, and desire to do a job rather than to "soldier" on the job. The scientific and the rational attitude is to attempt to ascertain and remove the causes of inefficiency and illwill in industry.

In order to develop interest in work, certain fundamental human instincts, impulses, or desires must be partially satisfied. The problem is to utilize all the various incentives which appeal to the typical person and to eliminate as far as feasible all deterrents and hindrances to interest in work, or it is to find a way of carrying on industry which will "not hamper and contaminate" the instinctive aims and impulses of the men and women engaged therein. Too many American managers naïvely accept the notion that the only potent incentive for workers is financial. The skillful manager of personnel will endeavor to obtain teamwork among incentives. He will aim to prevent the financial or economic incentive pulling in one direction while other incentives are pulling in another. Five instincts, impulses, or desires with which the industrial psychologist and personnel director must constantly reckon are:

1. The desire for recognition or approval, the "wish for worth," or the desire to avoid a feeling of inferiority.
2. The desire for adventure, for new experiences, for change or for "climax" or for "the precipitous element" in life.
3. The desire for security, especially from the economic evils incident to joblessness, industrial accident, sickness, and poverty in old age.
4. The creative impulse or the instinct of workmanship.
5. The social instinct or the herd instinct, or the desire for friendship or companionship.

In other words, men and women seek from life four fundamental satisfactions:

1. A measure of security of life, job, income, etc.
2. Recognition by others for what we have done or what we are.
3. Some measure of adventure — either directly or indirectly.
4. Companionship or friendship. We like to belong to a group.

Industry should try to cater to these satisfactions.¹

FACTORS IN DEVELOPING INTEREST IN WORK

Good management will endeavor to utilize in some measure all of the factors enumerated below:

1. Financial incentives.²
2. Careful selection and a systematic plan for promotion and transfer of workers.³
3. Job security.
4. Knowledge that one's job is worthwhile.
5. Working conditions.
6. Attitude of foremen and bosses.
7. Attitude of others toward one's job.
8. Rivalry.
9. Conditions outside the factory.

The practical problem is that of removing hindrances and deterrents as well as that of obtaining teamwork among these incentives. The economic or financial motive is basic in industry. The employee must receive a reasonable wage while working under good conditions before the management can hope to enlist the former's interest; but the surge of enthusiasm for workmanlike endeavor can only be obtained through incentives other than financial. In the words of a well-known industrial leader, "organizations, communities, and civilizations, as well as individuals, which come to be actuated principally by the economic motives tend to become shortsighted, hard, insensitive, and unimaginative."⁴ Careful selection of workers and instruction in regard to the best methods of doing the work are vital factors in developing interest in the job. Monotony of work and distaste for a certain job depend in no small degree upon the worker himself. One man finds a particular job interesting while another sees only drudgery.

¹ See *Factory and Industrial Management*, July, 1929, p. 41.

² See Chapter on Methods of Compensation.

³ See Chapter on Human Engineering.

⁴ Dennison, H. S., *Organization Engineering*, p. 73.

Insecurity and fear are important sources of industrial discontent and lack of interest in the job. "It is fear that sits at the heart of industry. Fear of losing the job, fear of the lay-off, fear of unmerited as well as merited discipline, fear of wage-cutting, of arbitrary treatment of many kinds. Fear of what would result if one complained shuts one's mouth."¹ Few workers in a non-union shop would dare voice a criticism of those in authority. The "will-to-do" does not thrive in an atmosphere of uncertainty and insecurity of job. Restriction of output is often caused by insecurity of the job. The man without reasonable security of job does not take a long-range view of anything. The present looms so large and so important that past and future are neglected. Irregularity in industry breeds the tramp and the hobo. We cannot hope to tap the latent energies of a worker such as interest, zest, the creative impulse, and the will-to-do, until security is offered. Among the dominant interests of the typical worker are "to have a comfortable home, and a family, and to obtain security against sickness, unemployment, and want in old age." Until the worker obtains the security for his job that the investor is offered for his investment, there is little hope of peaceful and harmonious industrial relations. Unless the job can be safeguarded, management cannot expect the coöperation of workers.

The knowledge of the part one's job plays in the industry as a whole helps to stir and retain interest in a job. To do a useless act, to do something the reason for which is unknown, to produce a part of a complete job without knowing the purpose of the part, never stirs the imagination or stimulates the desire to work. Under such conditions the job is a meaningless piece of drudgery to be performed as a matter of routine in order to get a living or to avoid punishment. Workers often take pride in doing a job which is recognized as a small, but essential, part of a finished product. There are, however, certain types of workers who are not interested in the "why" of things or processes. "In digging the Panama Canal it is said that the thousands of workers went at their daily task with a right good will because they felt it as part of a stupendous, everlasting achievement — the Canal."²

Bad lighting, poor ventilation, and improper heating in a factory

¹ *International Molders' Journal*, March, 1930, p. 144.

² Ross, E. A., *Principles of Sociology*, p. 306.

reduce the output of the workers. Men and women obliged to work in an awkward fashion, in poorly lighted, ventilated, and heated workplaces, or in dangerous locations, soon lose the will-to-do, morale is lowered, and antagonism toward management and indifference toward the quality and quantity of output develop. Interest in work is not easy to generate in such an atmosphere.

A "grouchy" foreman will soon transform enthusiasm over one's job into illwill and systematic reduction of output. A foreman who does not have favorites, who gives credit to workers for their own suggestions and improvements, who gives the workers under him a square deal, will provide the soil in which interest in work will flourish. From the worker's point of view, the real representative of the employing company is the foreman. A former member of one of my classes told of a knitting mill in which he worked one summer. In one department stockings were inspected by pulling them over a board and searching for imperfections. This was a monotonous job involving danger of eye-strain. There was never a sign of approbation from the management in case of good work; but in case of errors a "bawling out" was sure to follow. No one liked this job; and the workers gave "any excuse to get a day off." In this particular situation, the workers were doing monotonous work which required close attention, and to complete the tragedy they were supervised by a bungling foreman whose only notion of stimulating workers consisted in fierce denunciations in the presence of others, for mistakes. The supervisory force was adding to, instead of reducing, the irritations which the conditions of work produced. The words of another seem to apply in this not unique case — "The cost of criticizing workers openly far exceeds the time it takes." Workers find ways of "getting even" with the foreman who is a driver or the company which adopts the "speed-up" system. "The men come to regard themselves as victims of a system . . . They stall, they sabotage, they defraud the company." The notion is accepted by the workers under such conditions "that since the company is out to trim us, we had better lose no opportunities of gyping the company."¹ Even in a time of depression, the old methods of driving and of threatening discharge do not prove successful. In the words of a plant superintendent, "you can't threaten a man when he's getting maybe only five days

¹ Staebler, N., *Harper's Magazine*, Feb., 1931, p. 318.

of work every other week. He just looks at you. He's probably been worrying for months about his job, and home conditions are not too good. Discharge would be just one thing more; if it comes, it comes."¹

To a degree rarely recognized, interest in work is due to the attitude of others toward the job. One keen student of labor conditions has declared that "the final joy of work is settled by the social standing of the worker awarded by his fellow citizens." Men in all walks of life have a sharp hunger for approval and a corresponding distaste for whatever tends toward scorn, ridicule, or inferiority. Each human being craves a recognition of his own individuality. The consciousness of power is sweet to the great majority. Some like the pomp and publicity which accompanies the exercise of authority; others are willing to be "the power behind the throne" — to be the invisible government. The captains of industry and labor leaders have usually been self-assertive men. Publicity, "the thrill of prestige and fame," possesses great attractions for all except a few choice souls. The prestige and publicity given to successful college athletes are essential factors in developing potent incentives. A football game without spectators and without newspaper or other forms of publicity will not be characterized by strenuous endeavor.

Publicity and prestige for excellent workers would transform many a listless group into an alert and active organization. A student related this story which illustrates the effect of this trait of men and women. A shop in which the student had worked experienced great difficulty in getting orders filled on time. The shipping clerk was considered to be of about the same rank and dignity as the other workers in the shop. The company finally gave him the title of production manager and put his name on the door of the shipping room. Thereafter, orders were promptly filled. Men prefer to play golf rather than to hoe corn or work in a garden, in a large measure because of the attitude of others toward such activity. Garden contests with appropriate publicity have induced greater interest in gardening.

Closely related to the preceding factor is that of rivalry between individuals, between groups, and with one's own preceding records. Competition and rivalry stimulate interest in any activity, whether

¹ *Factory and Industrial Management*, Aug., 1932, p. 323.

work or play. A few years ago when the consolidation of two parallel railway systems was proposed, it was pointed out that the rivalry between these two roads had kept both in excellent condition. Employees of all grades on one road were anxious to make a creditable showing in comparison with those of the rival railway. Fuel-saving contests among railway engineers and firemen have been successfully utilized in reducing waste and in promoting better operation.¹ The use of records as to past performance in regard to quality and quantity may be made as potent in industry as in athletics in stimulating interest in improved performance. Men in subordinate positions, in the great drab rank and file, compensate for their lack of power and prestige by swaggering and boasting. Speeders, pace-setters, and fast men gloat over their fellow workers. If the chance of beating one's competitors is excellent, rivalry spurs one on to make an additional effort. Prizes, publicity in the company paper, ratings, and the like stimulate wage workers — and others. Industrial democracy, like political democracy, possesses an appeal to the instinct of self-assertion.

The small boy likes to boast of his own strength and achievements, and of the courage of his father. Mature men who have achieved little of success are prone to allude to their prowess in the past. Man, no matter what his station in life may be, loves to recount to an admiring group his remarkable achievements during the day. We love inequality and privilege provided the cards are stacked in our favor. The fraternal organization, with its Grand High Potentate and its lesser lights, caters to this instinct. The desire to get one's name in the newspaper is by no means uncommon. Much of the popularity of games such as football grows directly out of the popularity and publicity gained by the players. Certain varieties of "conspicuous consumption" are indulged in chiefly to indicate the spending capacity and, hence, the income and presumably the worth of the spender or of the spender's family. The idler and the worker, the professional man and the mechanic, the rich and the poor, and the young and the old, are in varying degrees affected by this primal impulse. Content and zest in industry go out of the door when little or no opportunity is offered for the nourishment of this impulse to self-assertion and rivalry.

¹ Slichter, S., *Quarterly Journal of Economics*, May, 1929.

On the other hand, no one likes to be classified as a cog, a number, or a commodity. To be treated as insignificant is distasteful. To feel that one is of little consequence and near to the "zero of insignificance," runs counter to deep-seated and persistent impulses and instincts. It is especially pleasing to have others recognize our importance and significance. Forces which develop within the worker a feeling that he is being belittled or degraded make for unrest and suspicion. One of the potent reasons for opposition to the introduction of machinery and more recently to the development of scientific management programs has been the more or less conscious feeling that in some way these innovations tended to degrade the worker by taking away his craftsmanship.

A person's behavior in a plant, office, store, or classroom is greatly influenced by conditions external to the plant itself. Sickness of a member of the family, financial worries, domestic difficulties, love affairs, lack of opportunities for wholesome recreation, climatic conditions, and a multitude of other influences outside the plant are factors influencing one's attitude toward his work. It has been recorded that the new secretary of the Chamber of Commerce of a Western mining town found a distressingly large labor turnover in the large mining company of the district. He soon discovered that it was not wages or hours of work which caused unrest. The dissatisfaction was due to the fact that the town in which the workers must live was a dreary, unattractive place with little or no opportunities for wholesome recreation. The mining company was induced to provide a ball field, a running track, tennis courts, and other facilities for outdoor sports. A band and a dramatic group were organized. Entertainment was provided for the men and their families; and the procession out of the mine and town stopped. A publishing house moved from a large Eastern city to a smaller city of the Middle West. The president of the corporation indicated that the particular town was selected because of its "live-ability."

The rank and file of American workers are not anxious to assume the burdens of business management; but the typical worker is intensely interested in such matters as a fair wage, a short working day or week with its accompaniment of leisure, good working conditions, a job which is reasonably secure, a well-considered promotion plan, good foremen and bosses who will allow a man to keep

his self-respect, some opportunity for expression of opinion in regard to the work and working conditions through shop committees and suggestions systems, and inspiring leadership.¹ The management which attempts to study the human equation, to treat its workers in accord with the points outlined in this and other chapters of this book, will rarely have serious difficulties in gaining the goodwill of its employees and in stimulating interest in the work and prestige of the firm. It will be known as a good company to work for. If, however, the management merely puts up a false front in order to hoodwink the workers into believing that their purpose in business is broader than profit making, that management cannot long expect to retain the goodwill of its employees. The mental attitude of workers is of vital importance in human engineering.

The new type of leader in industry is studying men. He pays good wages, maintains a model plant, uses some form of the shop-committee system, and makes it possible for his employees to hold up their heads and be men. The up-to-date industrial leader recognizes that human energy can only be released and properly guided by utilizing the motives which underlie and determine human conduct. Human engineering may tend toward industrial democracy; it may spell democracy and mistakes instead of industrial autocracy and smooth action. But in view of the peculiar make-up of the human being, autocracy and smooth action may spell inefficiency through subtle forms of sabotage and the lack of zest or interest in the industrial process or in the amount or quality of output.

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¹ Quotation from Hopf, H. A., in *Trained Men*, Autumn, 1929.

CHAPTER XVIII

PURPOSE IN INDUSTRY

THE FUTURE OF HUMAN ENGINEERING

A scientific method may be used to accomplish results which one group may hold to be good and another assert to be undesirable. It is also clear that science and scientific methods may be utilized for destructive as well as constructive purposes. If employers — investors and managers — and wage earners are brought into agreement as to ends, aims, or purposes of human engineering, it will not be exceedingly difficult to unite upon methods of accomplishing the results desired. The prime difficulties in regard to the successful introduction of scientific methods into the management of men and the direction of industrial processes are experienced because of differences in aim and because of mutual distrust. If, for example, the prime purpose of an enterprise be increase in dividends for absentee stockholders, it is reasonable to anticipate antagonism on the part of the wage workers, or, at least, a lack of enthusiastic coöperation. Science, power, and scientific management have greatly increased the productive capacity of industry. If progress means solely or chiefly increased profits for the investing group, human engineering or organization engineering will meet serious obstacles in developing teamwork or morale among workers. What is to be done with the results of greater efficiency? — is the question.

As generations ago the worker was divorced from the ownership of the materials, tools, and output of industry and became a wage earner, so also the management (direction) of industry is in recent years being separated from ownership. The active management of corporations is more and more becoming employee-management, salaried management. A new type of professional or expert managers is in the making. Unless some profit-sharing or bonus plan is adopted, the new type of management is not directly dependent upon profits for income. This tendency narrows the field

in which the profit-making motive holds undisputed sway. A new factor is introduced into the business equation. Business purposes should be analyzed in the light of this new division of business functions. The future of human engineering is intimately linked with the future of the profit-making motive, with changing emphasis upon the purposes of industry, and upon the development of a profession of management.

WHAT IS THE "BUSINESS" OF BUSINESS?

Industry is carried on for the purpose of giving benefits to those connected with the industry as workers, managers, and investors, or for the purpose of benefiting those utilizing the output of industrial enterprise. In capitalistic society, doubtless the chief motive has been profits for investors and managers. Industry has been operated primarily to give income and prestige to one portion of the people in the industry. Satisfaction to the wage workers or to the consumers of the product has been almost wholly incidental. The profit-getting motive, however, may undergo considerable changes in its form as social and industrial conditions evolve. The itinerant trader seeking profits will use quite different policies from the large store operated by a corporation. The long-range view of profit making is more conducive of welfare for customers and employees than the short-run. The large corporation with absentee and non-functioning stockholders and bondholders, managed by salaried employees who have little or no investment in the industry, facing directly or indirectly the probability of the organization of its workers, and controlled in a greater or lesser degree by governmental regulations, and by increasing knowledge on the part of customers about the quality of goods, finds the profit-making motive pointing toward quite different lines of conduct from that which seemed desirable to the small-scale, short-lived business in which ownership and management were united in the same person.

Recently, the members of a club of executives within the Chamber of Commerce of a large American city were asked to turn in answers, for future discussion, to the following question: What is the purpose of business? Forty-two different answers were turned in. A few of these are cited in order to show the marked differences

in outlook and attitude. "To make profit for the owner." "To provide adequate returns to the stockholders in the form of profit and employment of its people over long periods of time." "To serve others." "To render a service of some kind to community or nation. To make profit by so doing so as to perpetuate itself." "To promote civilization." A representative of one large organization stated that the executives of that concern had, after careful consideration, definitely formulated the purpose of their business as follows: "To serve the community, our customers, our co-workers, and the stockholders." The objective of an industrial enterprise as outlined in the Industrial Employment Code, proposed for the Taylor Society, is: "Such an objective may be defined as supplying goods and services with the least possible waste of human effort and materials, at the lowest prices consistent with good quality of product, fair wages, healthful working conditions, and safety and fair returns for capital invested." A "plurality" of purposes is emphasized. Even corporations are finding that they "have souls." They are being guided in part at least by other motives than immediate profit making for the stockholders. Doubtless some of the formulations of purpose are little more than pious expressions with little relation to actual methods and programs. Nevertheless, the consideration of purpose is clarifying and significant. Two distinct points of view in regard to business aims were presented at a meeting of the American Management Association (March 11, 1932). The traditional point of view was expressed as follows: "It should be emphasized that a business is not created either to make or to sell a product. A business is created to produce profits." The newer point of view of those who are facing toward the interdependent future rather than pioneer days was presented in the form of a question. "Society is coming to the point where it is going to ask managers: Are you running business and industry in a way that entitles you to a profit?" Or, if an industry is not operated so as to benefit the community, is it entitled to profits? Does not the community often pay more in the form of profits than is necessary or desirable? — is the implied question.¹

¹ *Job Order Production Series*, No. 1, p. 8, and No. 5, p. 3. American Management Association.

WHAT ARE THE DIFFERENT GROUPS IN INDUSTRY?

The traditional division between labor and capital is obviously too simple to be significant in business today. There are at least five functional groups in the world of business.¹ These are the investors, the managerial group, manual and clerical workers — skilled and unskilled, the customers, and the general public. These functional groups have certain common interests and certain marked differences in purpose.

The purpose of the investor group is primarily to get as large a return as is consistent with security of investment. Management united with ownership has treated labor as a commodity. Margins of return were turned over to the owners of capital, the investors. However, with the separation of ownership and control, with the growth of a salaried management or of profit-sharing management, the growing intricacy of industry, and the necessity of obtaining the coöperation — goodwill — of the worker, it becomes possible to treat capital as a commodity which must be paid a reasonable return in order to obtain its services in industry. The idea that capital should receive a steady and definite return is accepted, or at least is on the road toward acceptance.

Industrial evolution is now tending to separate the capitalist (investor) from the administrator. Management is more and more becoming hired management. It is tending toward the professional outlook. For good or for ill, management is beginning to develop and accept new theories of business responsibilities — to workers, to customers, and to the public as well as to the stockholders of a corporation. The idea is developing that industry should and can be improved and stabilized from within, that it need not lean heavily upon legislation or be driven by legislation. Personnel management is one of the fruits of this new outlook.

The workers are looking for as large a return as is possible with reasonable work and working conditions; but the workers are also much interested in a steady job, in an adequate and certain yearly income, and an opportunity for advancement. A large percentage of wage workers wish to do a worthwhile job in an efficient manner. If the interest of the worker is not enlisted, he is absent in mind. Too many plants suffer a high "absentia" cost and others have a

¹ Tead, Ordway, *Bulletin of the Taylor Society*, Dec., 1925.

serious "dissatisfaction" cost which does not appear in their cost accounts. With expensive machinery and high overhead costs, the management cannot afford to hire inefficient workers for low wages. To be successful, the manager must pay sufficient wages and maintain such working conditions as to get interested endeavor from skilled workers. If management and investors are only interested in profits, workers are not likely to be enthusiastic over the work they are doing. Furthermore, some businesses are not doing worthwhile kinds of work. The customers wish an adequate supply of goods, of good quality, and at reasonably low prices. The general public is interested in regularity, in efficiency of functioning, and in progressive leadership in industry.

CAN THE PURPOSES OF DIFFERENT GROUPS BE HARMONIZED?

Can these purposes be "integrated"? In the United States, profit making has been unduly emphasized because here it spells power, control over others, prestige, personal significance, and public acclaim in an unusual degree. If profits and income from certain sources become quite generally looked upon as tainted, or if such income no longer gives prestige, the desire for that sort of profit making fades. With changing conditions, the shining goals of human ambitions are modified. Old goals and ambitions fade, and new ones attract. Current estimates of wealth and welfare are subject to change. The accepted notions of what is right and proper change with time and place. It is clear, historically speaking, that the purposes of men, business men and others, change. The basic instincts and impulses of mankind may be fairly fixed; but their expression in methods and ideals is affected by changing physical and social environments.

The human factor in our interdependent society of today is looming large. Without proper treatment of workers, efficiency and profits tend to drop. The business which overlooks the interests of consumers is in danger. In the words of a well-known industrial engineer, "the firm which looks only to profits is likely to fail." Human engineering, if successful, will benefit workers and consumers as well as investors and managers. Social and industrial psychology attempts to find ways of definitely and con-

sciously directing human efforts toward the betterment of society. Is it possible to develop a program which will cause the pursuit of private wealth, income, and profits to aid in the development of national and social well-being? Can a national policy finally be worked out "respecting profits, credit, taxation, and wages which shall induce capitalists, through their self-interest, continuously to promote the production of wealth and the happiness of mankind and at no time to restrict or stop production?"¹ It must be sorrowfully said in the face of the recent depression that we have not accomplished much along this line to date.

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¹ Commons, J. R., *American Economic Review*, Sup., March, 1923, p. 115.

CHAPTER XIX

STABILIZATION OF EMPLOYMENT

WHAT IS UNEMPLOYMENT?

Unemployment is not purely a labor problem. With improved methods of food production and a slowing down of the growth of population, it may be anticipated that a considerable fraction of the land area of the United States will be returned to forests and wild game. It will not be needed in agriculture. In times of depression there are unemployed land and capital as well as an unemployed labor force. Empty buildings and idle machines go hand in hand with unemployed workers and bread lines. Maladjustments because of modified tastes and the eccentricities of fashion affect both capital and labor. To the average wage earner the irregularity of employment furnishes an ever-present source of anxiety. Unemployment is one of the important causes of poverty and of lack of thrift and foresight on the part of the wage-earning population. Periods of idleness are often demoralizing to the individual, and increase the amount of debauchery, crime, and industrial inefficiency. Casual and irregular employment is almost universally recognized by students of practical sociology "to involve deterioration in both the physique and character of those engaged in it."

The human race has been nurtured in ages of scarcity. Until a generation or more ago the people of the entire world constantly faced the danger of famine and under-production. Suddenly science, invention, the machine, and power ushered the people of the western world into an epoch in which over-production is feared. Industry after industry is geared to make more production than the rank and file have purchasing power to buy. A new situation in the industrial and economic world confronts this generation. It cannot be met by thinking along the familiar lines of individualism, of laissez faire-ism, of the necessity for frugality, and of the saving of more and more capital goods.

The heart of the problem today lies in consumption and increas-

ing leisure rather than in production and in the amassing of more and more equipment for further production. It is true that further progress in invention and scientific achievement is of great import; but the prime problem is to find purchasers for the output of industrial enterprises. Or, in other words, how may employment be found accompanied by a rising wage scale, and what may the government do in furnishing the community services such as education, recreation, assurance against unemployment, old age, and ill health?

A worker is unemployed when he is able to work and is seeking a job "but is unable to find any suited to his capacity, under conditions which are reasonable, judged by local standards." Other groups approximate this normal body of the unemployed: (1) the temperamental man who is hard to get along with, and who is frequently out of a job because of his unattractive personality; (2) the drifters — migratory workers or hoboes; (3) the odd jobbers who stay in one locality, who shovel snow, ashes, or coal, who clean up yards, who work occasionally at temporary common labor. These three groups of subnormal wage earners are often out of work; but the problems involved are different from those connected with the normal unemployed person, as defined above. There are also large groups of unemployables — the sick, the defective, the young, the old, the tramp who aims to avoid work, and the criminal. Lastly, the idle rich may be counted as a part of the great army of non-workers. In this discussion of unemployment we are only concerned with the normal unemployed group.

Unemployment and vacation must first be differentiated. Vacation is a cessation from labor for the sake of rest and recuperation. Unemployment is caused by inability to work or to obtain employment. In certain border cases it is difficult to distinguish between a case of unemployment and of vacation. The building trades experience periods of slack work during the winter season. Since high wages are maintained in these trades, this period of idleness may be said to approximate in character a vacation. In the clothing industry the slack season, on the other hand, may be termed one of unemployment.

STATISTICS OF UNEMPLOYMENT AND OF IRREGULARITY
OF EMPLOYMENT

Unemployment is an ever-present phenomenon; but the amount varies greatly from month to month with seasonal variations and from year to year with cyclical changes. Reliable statistics in regard to unemployment in the United States are not abundant, and an ambitious attempt to provide unemployment statistics over a period of thirty years has been made by Professor Paul H. Douglas.¹ His estimates are based upon Census and Interstate Commerce Commission figures of employment and of population, interpolated for the years in which no reports have been made. The period covered is 1897-1926, and the industries studied are manufacturing, railway transportation, the building trades, and mining. The estimated percentage of unemployment for the opening year, 1897, is 18.0; and for the closing year, 1926, it is 7.5. The lowest percentage, 5.5, is found in 1918; and the highest, 23.1, in 1921. The average percentage of unemployment for the thirty-year period is estimated to be 10.2. The figures of Douglas, however, include those persons not working because of sickness and disability. It is probable that nearly one per cent of the total was due to these causes. The percentage of real unemployment may therefore be calculated as at least nine. Since these four lines of activity are doubtless more subject to seasonal and cyclical changes than many others, it may be assumed that the average percentage of unemployment in the United States during the period 1897-1926 was less than nine — perhaps seven to eight. In those four industries, the minimum percentage of unemployment (not including that caused by sickness, etc.) was approximately five. This appears to be the measure of chronic unemployment. Professor Douglas finds no clear indication during this period of thirty years that the relative volume of unemployment is increasing or decreasing. According to another investigator, the average number of unemployed, exclusive of farm laborers, was nearly ten per cent of the employable group, in the period 1902-1917.²

The Bureau of Labor Statistics estimates the trend of employment in manufacturing industries as follows: —

¹ Douglas, P. H., and Director, A., *The Problem of Unemployment*, Chap. 2.

² See Patterson, *Social Aspects of Industry*, p. 283.

1926 — 100	1930 — 83.7
1927 — 96.4	1931 — 70.9
1928 — 93.8	1932 — . . .
1929 — 97.5	

The census of 1930 gathered statistics of unemployment in April of that year. The following table presents the important items:—

<i>Class</i>	<i>Total</i>	<i>Percent of Gainful Workers</i>
A. Persons out of a job, able to work, and looking for a job	2,429,062	5.0
B. Persons having jobs but on lay-off without pay, excluding those sick or voluntarily idle	758,585	1.6
C. Persons out of a job and unable to work	172,661	
D. Persons having jobs but idle on account of sickness or disability	273,588	
E. Persons out of a job and not looking for work	87,988	
F. Persons having jobs but voluntarily idle, without pay	84,595	
G. Persons having jobs and drawing pay, though not at work (on vacation, etc.)	82,335	

The first two classes cover the persons who may be placed in the employed class as it has been defined in this chapter. The total number of unemployed in April, 1930, was 3,287,647, or 6.6 per cent of the gainfully employed. These figures were criticized and the Bureau of Census undertook a special unemployment census in 19 large cities in the latter part of January, 1931. As a result, the number of unemployed in the nation was estimated to be approximately 6,000,000 in January, 1931, or one in every eight of the "gainfully employed" was actually jobless.

There is much seasonal as well as cyclical unemployment. It has been estimated that nearly 400,000 workers in American industries "must annually face a period of unemployment of greater or less extent owing to seasonal factors."¹ The Report on Waste in Industry of the Federated American Engineering Societies estimated that the clothing workers were idle about 31 per cent of their annual working time; shoe workers, 25 per cent; and the

¹ Smith, E. S., *Reducing Seasonal Unemployment*, p. 9.

building trades workers, 37 per cent. The bituminous coal industry is notorious for its irregularity. The miners are estimated to lose, due to seasonal and cyclical changes, about 93 working days annually. In 1925, it was estimated that the typical American wage worker lost 60 days because of unemployment each year — 30 because of no work and 30 because of part-time work.¹ The full significance of these and other cold figures of unemployment and of irregularity of employment cannot be understood until the reader is able to translate them into terms of the disturbance to home life and of the effects upon human weal and woe. An attempt should be made to visualize the individual and social demoralization, the lowered morale, the decreased efficiency, and the social waste consequent upon the jerky method of operating our business mechanism which is unfortunately so characteristic of American industry. Unemployment and irregularity of employment and the fear of unemployment are important factors in producing the feeling of insecurity which haunts many a family in the wage earning and salary group.

THE RIGHT TO A JOB

Does an individual have a right to a job? Does the right to live and to have liberty imply the right to have an opportunity to earn a living? Even if the individual is denied such rights as an individual, the right to a job is entitled to a hearing on the ground of social expediency. Particularly is this true in a country favored with a democratic form of government and an efficient industrial system. After a period of probation, a wage earner should be assured of a fairly permanent job so long as he is efficient. Interest is paid on borrowed capital regularly whether the capital goods are or are not used. Do not workers have an excellent reason for demanding security of a job so long as the business is solvent? Business enterprises may fairly be asked to give their employees a "permanent industrial home" accompanied by a regular wage income. If the legal right to work were recognized, involuntary poverty would in a large measure disappear. Under a primitive economy, when conditions were normal, demand was always accompanied by an opportunity to make a direct effort to obtain satisfaction. Our present complex economic system gives this

¹ Forsberg, A. B., *The Master Builder*, July, 1925.

privilege to only a fraction of the community. In order to satisfy wants, the majority must obtain work from some other individual, that is, from an employer. An individual, in order to satisfy his wants, must find an employer who is willing to give him a job. Surely the conservation of the rights to life, liberty, and the pursuit of happiness is difficult unless the right to have an opportunity to earn a living is conceded. The practical difficulties to be overcome in successfully carrying out a policy guaranteeing to every able-bodied worker an opportunity to earn the minimum amount necessary for subsistence are many; but the problem of supplying either work opportunities to those who are able and willing to work or an amount of relief or unemployment insurance sufficient to maintain the family at a level somewhat above that of subsistence, is being forced upon the community in this age of great productive capacity. The responsibility for work opportunities or for maintenance should be divided between industry and governmental units.

CAUSES OF UNEMPLOYMENT

Unemployment is not a decree of fate. It is a price for industrial and economic progress which it is not necessary to pay. Unemployment is due to human blunders. It is caused by bad management, by the lack of business ability, and by the absence of consideration for the workers. Lack of industrial coördination is doubtless another reason for unemployment. Unemployment is the master test of defectiveness in our industrial order. It is a sure indication of important social and economic maladjustments. Unemployment may be called a social ill or disease. Industrial health can be achieved only by taking positive scientific measures. The type of brain power which has multiplied the productive capacity of the nation many times, that has greatly reduced the mortality from smallpox, typhoid fever, and tuberculosis, can find a way if it is actually directed toward this problem of bringing about a state of steady employment.

Many classifications of the causes of unemployment have been devised. For present purposes, the causes of unemployment may be grouped under the following general headings: —

Personal

Seasonal and style changes

- Maladjustments and cyclical changes
 - Excessive profits and savings
 - Over-expansion of certain industries
 - Changes in domestic and foreign trade
 - Changes in the money and credit situation
- Technological Changes
 - Introduction of new machinery
 - New methods of management
 - Mergers

Personal causes of unemployment play little part in the case of those who are able and willing to work but unable to find suitable employment. Many persons are unemployed because of sundry personal reasons such as youth, old age, sickness, accident, mental disability, temperamental peculiarities, intemperance, degeneracy, ignorance, and lack of adaptability or mobility. Changes in the season and in weather conditions affect the employment of various classes of wage workers such as sailors, farm laborers, workers in the building trades, maintenance of way men on the railway, construction gangs on the railways, canals, reservoirs, and the like. Workers in the clothing industry are affected by changes and demand due to weather conditions and to modifications in the fashion.

During a period of prosperity, while the swing of the business cycle is upward, profits, dividends, and the value of products increase faster than wages. The profits of the United States Steel Corporation increased from approximately \$88,000,000 in 1927 to \$197,500,000 in 1929. The profits of 1,509 corporations increased 39.3 per cent during the same period. Profits increase faster than dividends and the consequent growth in corporation surplus was utilized in a majority of cases to increase the capital equipment. The wages in all manufacturing industries increased from \$10,848,800,000 in 1927 to \$11,421,600,000 in 1929; but the value of manufactured products increased from \$62,718,000,000 to \$69,417,500,000. While the purchasing power of the wage workers in manufacturing enterprises increased less than \$600,000,000, the value of the product increased by \$6,700,000,000. The increase in productive power outran the increase in the purchasing power of the wage workers in the ratio of approximately 11 to 1. A large fraction of the profits of industry during a period of so-called prosperity is shunted back into the industry in the form of additions to the capital

equipment. The wage workers and other small income receivers do not obtain enough to buy what is being produced. Too much of income is saved, that is, spent for capital goods, and not enough is used for consumption goods. The masses do not receive enough to buy the products of large-scale and mass production. Productive capacity and consumption do not balance; "profits destroy prosperity"; and "the menace of over-production" is clearly discerned. The productive mechanism is clogged with a plethora of goods not balanced by purchasing power. Factories close, unemployment mounts, and a depression spreads its evils over the nation.¹

In a period of expansion and of good times, many businesses over-expand. They are prepared to produce more goods than there is a demand for at a price which is profitable. Examples of serious over-expansion in American industries are found in farming, coal mining, the iron and steel industry. Presently the plants in the over-expanded industry begin to curtail output and to run on part-time or with a portion of the equipment idle. Changes in demand often cause maladjustments. New types of commodities are demanded, and old plants are found to be useless or out-of-date. Fluctuations in foreign trade may likewise play havoc with business plans and equipment. A new tariff wall, a war, or a new source of supply may cause one or more foreign countries to demand more or less of a country's output. During the World War, American wheat found a considerable market abroad. With the coming of peace and the return of Europe to more normal pursuits, the foreign demand was somewhat curtailed, and some reduction in the home demand was also experienced. The farmers were prepared to produce more wheat than was demanded at home and abroad at a profitable price. When a country changes from the type of international trade in which there is an excess of exports over imports to the reverse, due to the payment of international debts and the interest upon the same, or of reparations, it almost inevitably experiences maladjustments which cause dislocation in industry and unemployment. Maladjustments are many. It is difficult to maintain an equilibrium even when attempts are made to get at the statistics of supply and demand; maladjustments are inevita-

¹ Hayes, G., *The New Republic*, Jan. 3, 1931; Frey, J. P., *Monthly Labor Review*, March, 1931, p. 68; *The Survey*, Jan. 1, 1932, pp. 347-348; Hamlin, S., *The Menace of Over-Production*.

ble when industry goes ahead blindly. Progress or change causes maladjustments. The practical problem is to reduce the pains growing out of maladjustment to a minimum. There is no normal or long-time equilibrium.


Changes in the value of the circulating medium or in the use of credit may lead to conditions which cause a slowing up of business and unemployment. During periods of falling prices business is likely to be hesitant. The prices of certain commodities and services are likely to be maintained with little change — governmental charges, rents, professional fees, the rates charged by public utilities, bond interest, etc. During a period in which gold is becoming more valuable relatively, or credit is more difficult to obtain, a large number of pegged prices will cause the prices of many uncontrolled articles to drop abnormally. Professor Slichter estimated in 1931 that the government fixes the price of goods and services valued at about \$13,000,000,000 per year — including railway rates. Prices of these goods and services do not fall rapidly in a time of falling prices. And the same is true of many other commodities. There is a considerable lag. Commodities which are not regulated or controlled are pushed down rapidly. Serious maladjustments result.

The introduction of a new "labor saving" device or machine displaces many individual workers; and it frequently destroys the importance of a trade. The introduction of machinery reduced, for example, the value of the shoemakers' trade. The invention of the linotype affected the printers' trade. It is not easy for the men who have worked for years in one trade to adjust themselves to new conditions when the demand for their skill is suddenly destroyed by the invention of a machine which does the work formerly required of them. Eventually the demand for workers may be increased as the result of introduction of machinery; but immediately many individuals lose good jobs because the machine is ready to do their work. They are thrown out of employment, or they are obliged to accept an inferior job at lower wages. For a time, in the "short run," many wage earners are undoubtedly adversely affected as a result of the introduction of machinery. It is not comforting to tell the man who is jobless, or whose income is reduced so that his standard of living must be lowered, or whose wife and children must become wage earners,

that in the "long run" and for the great mass of workers these "newfangled" machines will be beneficial. Perhaps for him there will be no long run. A profound philosophy of world progress and of human betterment does not appeal to the man with a family dependent upon his daily earnings when he faces the prospect of having his skill and training rendered unmarketable.

The displacement of workers by the invention and introduction of labor-saving devices is as old as the Industrial Revolution. Year after year, machines and factories have multiplied. Workers have been displaced; but it has been complacently assumed that they would soon find other jobs. The total number of factory employees increased decade after decade. Since the World War, however, certain significant changes have occurred. While the productivity of our factories continues to increase, the number of workers employed is no longer on the up-grade. Similar conditions prevail in steam transportation, farming, and mining. Technological changes have been coming so rapidly that the Iron Man is actually reducing the total number of flesh-and-blood men in major industries. Mergers have also been causing much displacement in the white-collar group. Certain investigations into the experiences of the displaced workers indicate a serious lag even in normal times between jobs; and the new job, if obtained, is frequently inferior to the old one.

Labor saving machines and improved management methods may save labor only to waste it. The problems introduced by the rapid improvement of machines and methods center around the development of new lines of endeavor, the re-training of workers for other jobs, and the readjusting of them into new positions. Can opportunities be found for these workers which will enable them to produce commodities and services which are desirable, and which will make it possible for these workers to receive adequate wages steadily? Can new frontiers or safety valves be found which will enable us to cope with the complexities of the maturity of the machine age, which will reduce to a minimum the friction of readjustments to new methods of production? Can increased productivity due to improved machines and better management methods be made to pay the cost of training and readjusting displaced workers? Technological changes are likely to increase rather than decrease in the future; consequently industry and society may



expect to be called upon to take a large portion of the burden of such changes off the shoulders of the disemployed worker. Placement elsewhere, re-training when desirable, unemployment insurance, and old age pensions are items in a program of easing the thrust of progress in technology and in invention.

The combined effect of excessive profits, unbalanced expansion, and technological displacements may also be approached from a somewhat different angle. As improvements in machines and processes have been made, two disquieting results become manifest. (1) Workers have been displaced and profits increased. In turn, these profits were used to obtain more machines or were shunted from purchases of consumers' goods to capital. At the same time, the total consumer's demand was reduced by technological unemployment. Or (2), prices were reduced to the consumer. Because of competition between producers, the weaker producers were hard hit; the latter proceeded to reduce wages. Gradually wage reductions worked up to the stronger competitors. Again purchasing power was reduced. However, reduction in prices benefited those having fixed or nearly fixed monetary incomes. But some of this reduction in cost of living was doubtless saved, and in consequence added more to the total output of capital goods.¹

HOW MAY UNEMPLOYMENT BE REDUCED?

When considerable numbers of men who are able and willing to work in order to support themselves and families are unable to find employment, a condition of maladjustment exists in the industrial mechanism which is of serious import to all members of the community and of the nation. The prevention of unemployment in the case of the normal individual is one of the vital social and economic problems of modern times. In this book, solutions of the problems of unemployment will be sought within the limits of the capitalistic order. The Communists and the Socialists declare that capitalism is bankrupt. From their point of view the only solutions to the unemployment problem lie in the overthrow of capitalism and the establishment of a new order of things. The single tax advocates are certain that the elimination of the private receipt of land rent will open economic opportunity to all; they

¹ Losely, H. P., *Factory and Industrial Management*, March, 1932, p. 120.

would not, however, overturn the capitalistic régime. Attempts to find a way out within the limits of the present order will lead to careful consideration of educational programs, taxation, currency and credit, property rights, ownership of land and natural resources, restriction of immigration, management methods, the functions of government, and the development of plans for the efficient organization and utilization of the resources of the nation or of the world considered as a unit.

As a preliminary requirement, accurate, complete, and up-to-date statistics of employment and unemployment should be gathered by the federal government. Programs for the reduction or alleviation of the evils of unemployment are of two general types: (a) finding work for the unemployed, or (b) providing income for the workless by means of unemployment insurance, a pension, or charity. Several of these proposals will be briefly considered.

(1) The amount of idleness because of sickness and ill-health has been reduced and may be further reduced by legislation in regard to sanitary conditions in workshops, factories, and dwelling houses, and by the education of the general public in regard to the danger to the individual of a lack of proper ventilation, of carelessness in the disposal of wastes, of a badly selected diet, of improperly prepared food, and so on through a long list. The introduction of domestic science into the public schools is a step in the right direction. The amount of debauchery and ill-health and, therefore, of idleness, is increased because the ordinary rules of right living in regard to diet, fresh air, and disposal of wastes are not followed. Under modern conditions these matters are as much social as individual. The sanitary conditions of the factory in which the wage earner works and of the tenement in which he and his family live, and the purity of the food they eat and the milk and water they drink are in no small measure beyond the control of the individual most directly concerned. It has been estimated that the average individual in the United States is seriously ill thirteen days in each and every year; the census of 1930 found 273,588 "persons having jobs but idle on account of sickness and disability."

(2) The reduction of rapid and senseless changes in demand at the behest of fashion would eliminate much of the irregularity in

certain industries. A campaign of education, however, would face almost insurmountable obstacles.

(3) The general introduction of industrial education into the public schools will increase the skill and mobility of future wage earners, thus enabling them to shift more readily from one occupation to another. The adaptable man is needed. This desired end might be partially accomplished by teaching each individual two allied trades. The "double-barreled man" will have two chances to get a job to one on the part of the man with one trade; and the former will be able more readily to adapt himself to changes in industrial conditions. A program of re-education of the displaced workers should be carried out. A period of unemployment is usually one in which the out-of-work deteriorate. Can it be made a period of re-training, of better training, or of broader education? Here the public school system with a new vision of adult education may take on added functions. The traditional courses and methods must doubtless be discarded or radically modified in this new field. Of course, adult education or a re-training program for the out-of-work will not go far toward solving the unemployment problem but it might under sympathetic and wise guidance do much to bolster up the morale and preserve the stamina of the displaced. Instead of being a total loss, a period of unemployment might be used to register certain individual and social gains. The drab period of unemployment might become something better than "poisoned leisure."

(4) Unemployment and under-employment are no longer considered merely as problems to be assigned for solution to students of philanthropy. Unemployment and irregular employment are being recognized as important problems in industrial management. Consequently, emphasis is being placed upon the establishment of a well-organized and widespread system of employment agencies and upon the work of employment managers in industrial plants. The abnormal war problems and the reduction of the stream of immigrants during and since the World War have doubtless hastened the acceptance of this point of view. In times when considerable groups of the unemployed gathered each morning outside the factory gate, before the expense of hiring and training new workers to replace those let out was recognized by employers, and before cost accounting was deemed necessary or even desirable, the prob-

lem of stabilizing industry and of reducing labor was not judged to be one which business need tackle. Until recently, the problems of unemployment have been largely left in the hands of social workers; but today the hard-headed business man is beginning to understand that the study of employment and unemployment problems is an integral part of the program of industrial management. If the analysis made in this volume of scientific management, of the human element in industry, and of employee representation, be fairly accurate, it is not unreasonable to anticipate, in business circles, continued keen interest in the matter of unemployment.

In the past, employers as well as unemployed wage earners were often ignorant of the conditions of the labor market. Efficient employment agencies aid in bringing together the employer looking for workers, and the worker looking for a job. The employment agency obviously cannot create opportunities for employment; but it can aid in getting the unemployed jobs when vacancies exist. The method of going aimlessly from shop to shop and from town to town seeking a job is wasteful, disheartening, and frequently degrading and demoralizing; and it often provides a favorable opportunity for the employer to nibble at the wage scale. It is unsystematic and should be replaced by efficient employment bureaus which gather statistics and information as to the demand and supply of workers in different trades and in different sections of the country. A model employment agency should reduce maladjustment. Iron and steel, wheat, wool, stocks and bonds — all have known market places; but the demand and supply of labor continues to be equated by the pack-pedler method. These well-known commodities may be classified; but labor power is not standardized. Each worker is a special case. The task of developing an efficient organization for selling labor power is difficult. However, a model employment bureau should relieve an employing concern of the necessity of interviewing many applicants who are found to be unsuited for the work. The public employment agency should do the preliminary interviewing and classifying of applicants for jobs. The typical employment bureau is not a good sales agency; the manager does not “know its merchandise.” Employers distrust the employment agency because its recommendations are too frequently based upon insufficient knowledge of the qualifications and the record of the person recommended. Not in-

frequently, public agencies are looked upon as philanthropic instead of business institutions. One writer asserts that the public agency "suffers from democracy, and it lacks imagination." In too many instances, no classification is made of applicants. All, skilled and unskilled, are herded together in one unattractive waiting room, and interviewed by the same official. An employment bureau should aid the young worker in the selection of a suitable vocation. The personal characteristics of the applicant and the opportunities in a given occupation should be given careful consideration.

Employment agencies are of two general types — private and public. These in turn may be subdivided. Private agencies are of at least four kinds: fee-charging, operated for philanthropic reasons, conducted by associations of employers, and conducted by labor organizations. Public agencies are municipal, state, or federal, or some combination of the three types. The evils of the private fee-charging agency are many. Private fee-charging agencies are primarily interested in filling vacancies. Their managers are not interested in reducing the amount of unemployment or in the upbuilding of a stable labor force. They find a large labor turnover desirable. The federal Commission on Industrial Relations found that the private employment agency "business as a whole reeks with fraud, extortion, and flagrant abuses of every kind." In 1930 it was estimated that there were at least 2,000 fee-charging private agencies in the four important industrial states of New York, Pennsylvania, Illinois, and Ohio. Over forty states have passed laws regulating the fee-charging private agencies, but the laws have failed adequately to check abuses. Two states, Idaho and Washington, attempted to prohibit by law the collection of fees by employment agencies for placing workers. The Washington Act was declared unconstitutional in 1917 by the federal Supreme Court. The decision was favored by only five of the nine judges. The majority opinion declared that the police power had been stretched too far. The right of an individual to follow a useful calling was said to be denied under this act.

In 1927 a New Jersey statute which limited the maximum fee that could lawfully be charged by an employment agency, was also declared unconstitutional by the Supreme Court. Again, this act was held to place an unwarranted limitation upon the right of an

individual to operate a business. The court did not think that the business of conducting an employment agency was sufficiently "affected with public interest" to warrant a limitation of the charges for its services. Three judges dissented from this opinion. The net result of these decisions has been a definite limitation of the power of a state to regulate the fee-charging private employment agencies. A state may, however, require such agencies to take out a license in order to do business, and, presumably, may limit the number of such licenses granted.

The philanthropic agencies, such as those operated by charity societies, have been numerous. As a part of the mechanism of a charity society, these agencies have helped certain individuals; but as a factor in the development of an adequate labor market, they are negligible. The employers' employment agencies are feared by wage workers because they may be used as a big black-listing instrumentality; and employers are inclined to look with suspicion upon the union agency. The legitimate purposes of such agencies could be performed by a well-organized system of public agencies. The operation of a nation-wide and efficient system of employment agencies is certainly as legitimately the function of the government as is a weather bureau or a geological survey.

The first free state employment agencies were established in Ohio in 1890; but there was little demand for their services. Organized labor favored the opening of these offices, but employers were indifferent. The success of these pioneer agencies was not notable. The United Kingdom inaugurated a system of labor exchanges in February, 1910. In 1917, twenty American states had one or more employment offices under the partial or complete control of state officials. In addition, certain municipalities had established offices. The total number was 96. In 1930, there were 170 state and municipal employment agencies in 35 states. The number ranged from one agency in each of eleven states to seventeen in Illinois. The appropriations for the annual budget varied from approximately \$900 in Wyoming to \$231,000 in Illinois.¹ State agencies were maintained in 23 states.

Federal employment work began in a tentative fashion in 1907. The chief aim was to aid in the distribution of immigrants. The act establishing the Department of Labor recited that one of the pur-

¹ *The Business Week*, April 30, 1930.

poses of the new Department was to be to advance "opportunities for profitable employment." When the World War opened in August, 1914, the stream of immigration was greatly reduced and at the same time industry was temporarily disorganized and the amount of unemployment was not small. The Commissioner-General of Immigration decided to utilize the Immigration Service to gather information as to actual vacancies and to give wide publicity to such information. The coöperation of the Post Office Department was secured. After the United States became involved in the War, a well-knit organization was worked out. The city and state offices had not been united into a well-coördinated system. A new governmental agency, the United States Employment Service, was organized to take over the work which had been carried on by the Immigration Service. After the War ended, the appropriations for the Service were reduced, and little was done except in the placing of harvest hands in the wheat fields. From time to time efforts were made in Congress to pass a bill reorganizing the federal employment service. In the spring of 1931, a bill sponsored by Senator Wagner of New York was passed by both Houses of Congress; but it was vetoed by President Hoover. This bill provided for an annual appropriation of \$4,000,000 for four years, three-fourths of which was to be used to subsidize state employment agencies in the states which matched the federal appropriation dollar for dollar, and operated according to plans approved by the United States Employment Service. The remaining fraction of the annual appropriation was to be expended by the federal service in providing for labor clearing houses between the states, for conducting offices in states which failed to establish a state service, and for other specified purposes. The aim of this bill was to develop a nation-wide coördinated employment service without destroying local or state control of the agencies. It was to provide a federal-state-municipal service.

Granting that employment agencies for wage workers should be managed exclusively by governmental authority, two plans are feasible: the agencies may be placed under the direct control of the federal government; or the agencies may be placed under the guidance of state or local officials coöperating with federal authorities. The essence of the second plan is "federal-state-municipal coöperation, held together by federal subsidies." The advocates

of the first plan point out that it would have the advantage of centralization of control with resultant economies and uniformities of regulations, that the personnel would be superior under federal control, and that job seekers would have greater confidence in a federal than in a decentralized system. On the other hand, it is argued that employment is a local problem. The prime purpose of an employment agency should be to place workers in local establishments. Managers of employment agencies, it is held, should have an intimate knowledge of the local situation. "The ideal system would seem to be one in which the control and direction of the service rests in the federal government, and federal funds bear much of the expense; but in which through a substantial contribution to the cost of service, and participation in the management of the service, the local viewpoint is emphasized and given proper weight."¹ A joint advisory committee in each locality, composed of representatives of unions and of employers, may be desirable.

(5) A new departure in business organization is the establishment of personnel or employment departments. This step signifies that employers are becoming convinced that the hiring and discharging of workers is an important part of industrial management. It heralds the passing of the leadership of the old-fashioned employers who clung tenaciously to the "drive" policy of managing a factory, who insisted that their plants could be "run with proper discipline only when there are hungry men at the gate waiting to take the jobs of the unruly or too aspiring." The rise of the shop committee and the installation of departments of employment management are promising signs of a new era in industrial management.²

(6) A planned public works program should be carefully differentiated from the increase in construction of public works as an emergency program in a period of depression. The latter means the extraordinary use of public credit to push work on roads, on public buildings, and other public projects in order to obtain jobs directly or indirectly for the unemployed. Such an emergency program is likely to get tied up in red tape or to result in foolish and wasteful expenditures. A planned public works program is

¹ Lescohier, D. D., *The Labor Market*, pp. 215-216.

² See Chapter on Human Engineering for a discussion of the work of an employment department.

intended to attack the problem of cyclical unemployment. It does not aim to increase the amount of federal, state, and local expenditures for public works of various kinds. During a period of prosperity the amount of public construction work should be reduced. Projects in which delay of a year or more will not seriously discommode the public would be held back. Then in a period of depression the amount of such work would be increased. The successful carrying out of this plan would change the timing but not the amount of public construction. It is argued that the top would be scraped off the business cycle and the bottom partially filled in. The accumulative effects of putting men to work on construction work and in producing the necessary materials are depended upon. These men would buy more and in turn stimulate other industries and so on through a circle of helpful events.

In 1928 the total expenditure for public and private construction work in the United States was estimated at nearly ten billion dollars. Of this total, over one-third was public; and of the total public construction expenditures about ten per cent was federal; however, the influence of the federal government would be somewhat greater than the statistics indicated. It could set an example for the states and local governmental units and it might also stimulate the states and cities through federal grants in aid. A federal bill providing for advanced planning of federal public works became a law in February, 1931. A six-year program is authorized with provisions "for prompt commencement and carrying out of an expanded program at any time." At least three states have enacted advanced planning laws; and certain cities are interested in trying out such a program.

Students of the problem see certain difficulties and dangers. In a time of prosperity, credit is usually extended too freely to private industry — hence over-expansion. If adherence to a planned works program causes the public to reduce its demands for taxes and credits in the time of prosperity, will not the credit flow to private industry and lead to further unwise expansion? Again it is asserted that in a period of depression, when it is difficult to obtain credit, the entrance of governmental units into the field in order to obtain the funds for the enlarged public works program will multiply the difficulties confronting the private business looking toward industrial expansion or increased output. In short, may not such

a program increase rather than decrease the amplitude of the business cycle? This criticism seems to predicate a fairly fixed amount or pool of credit. If one instrumentality ceases drawing from the pool, more is left for others. In a time of depression, it may be difficult for a private individual or corporation to borrow, but the government with its superior credit might do so and, by starting certain forms of construction, increase the demand for materials, reduce unemployment, expand purchasing power, and make credit for other enterprises easy to obtain. The partial retirement of governmental units from the field in the time of prosperity and over-optimism does not necessarily mean that private borrowing will increase. Indeed such action might exercise a steadying influence upon the optimistic business man who borrows and the banker who extends credit.

The planned public works program is only one of a series of articulated plans for smoothing out the business cycle; it should not be analyzed as an isolated program. The advocates of advanced planning are prone to over-emphasize its importance in connection with the reduction of unemployment; but, on the other hand, it cannot be dismissed as impractical and futile. This program will probably be most effective when the amplitude of the business cycle is not excessive. Its success in the United States also is dependent to a considerable degree upon improved federal, state, and local administration. So long as purely partizan motives bulk large in determining the policies and programs of our administrative officials, the hope of inaugurating a well-developed public works program will be difficult of realization. The success of this and other programs for reducing unemployment and decreasing the amplitude of the swings of the business cycle depends upon beginning the effort in a period of prosperity. A period of feverish expansion and speculation is the germination time of a depression.

(7) Individual plants may do much toward the stabilization of employment and of plant operation. These plants are chiefly instrumental in smoothing out seasonal irregularities. To regularize plant operation requires the adoption of improved managerial technique and the elimination of managerial indifference toward the evils of jerky methods of doing business. It also makes imperative teamwork between the production and the sales depart-

ments of the plant. The policy of the organization should be to sell what the firm produced instead of attempting at all times to produce as much as could be sold. Among the notable examples of fairly successful attempts at the regularization of plant operation are the Dennison Company, the men's clothing industry, Henry A. Dix Sons Company, Hills Brothers, the Sherwin-Williams Paint Company, the Packard Motor Car Company, the Procter and Gamble Company, and the Western Electric Company. The experience of these companies proves that an ounce of successful practice is worth more than much theorizing about the stabilization of plant operation. Many executives following traditional methods and programs assert confidently that their business is different from others and consequently cannot be regularized. The firms mentioned above, however, represent different types of industry and they have experimented with quite different methods of regularization.

The important methods of achieving a high degree of regularization are four:¹

- A. Stimulate demand during the off-season. Lower prices may be regularly quoted during the off-season, thus stimulating demand when ordinarily there is very little. Skillful advertising may also stimulate demand during what has been an off-season.
- B. Schedule production so that employment may be distributed evenly throughout the year. A sales budget is estimated for a year; and production is spread evenly throughout that period.
- C. Side-lines and fillers are introduced. A manufacturer of women's dresses makes nurses' uniforms in the slack season. The dovetailing of the ice and coal businesses is well known.
- D. Use a flexible working day. A railway company and a canning industry have successfully used this plan instead of laying off a considerable number of their employees from time to time.

Management is becoming interested in plant stabilization because (1) the number of new men needed and the cost of breaking in new employees are reduced; (2) employees work more efficiently and there is less restriction of output when they are not afraid of working themselves out of a job; (3) machines and factory buildings can be used more economically; (4) the purchasing power of

¹ *Report of the Commission on Stabilization of Industry for the Prevention of Unemployment.* New York, 1930.

wage workers is protected and stabilized; (5) the employment problem will be partially solved by regularization; and (6) a regular job may allow a reduction in the wage rate per hour.

It should be pointed out that stabilization would not necessarily end unemployment. This program might reduce the amount of unemployment and at the same time increase the duration of the average period of unemployment of displaced individuals. It might be more difficult for a man out of a job to obtain work. Conceivably, stabilization might increase the dependency of workers upon their employers, because of the difficulties of obtaining new jobs. With increasing stabilization of industry, it may be anticipated, would come a feeling that the job is valuable and should be kept.

(7) Economic planning, rationalization, or scientific management broadened in scope so as to apply to the industries of the nation and ultimately of the world, gives promise of evolving a basic method of reducing unemployment and of giving security to the workers while retaining the characteristic features of the present industrial and economic order.¹

(8) Unemployment insurance is not a direct method of reducing the amount of unemployment. It is a negative rather than a positive remedy which should be used when others fail. An adequate system of unemployment insurance should serve two purposes: (a) alleviate the suffering and reduce economic insecurity consequent upon unemployment and irregularity of employment; (b) furnish a potent incentive to adopt industrial programs which will reduce labor turnover and eliminate the jerky way of conducting business enterprises.²

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CHAPTER XX

WOMEN AND CHILDREN IN INDUSTRY

THE CHILD LABOR PROBLEM

The child labor problem is only a part of the more inclusive boy and girl problem which has been thrust upon an unprepared nation by modern industry and city life. To the wage earner, child labor appears to be a form of subsidized labor. The dangers involved seem to be similar to those connected with the immigration of low-standard-of-living workers, with woman labor, and with convict labor. Child labor is not a new phenomenon, nor is it in essence an evil. The environmental conditions surrounding the modern child wage earner, the kind of work which he must perform, the regularity and routine incidental to its performance, and the competition between the child and the adult workers are elements which make child labor in factories, stores, and mines at the present time an evil and a menace to the race, to the nation, and to organized labor. For the boy and girl of ten to sixteen years of age, some opportunity to perform useful work — productive activity — is a valuable, almost an essential, part of his or her experience and training. On the other hand, long-continued, routine work, performed under unfavorable conditions is deadening, and inevitably causes physical, mental, and moral weakness.

The chores of the typical farmer boy of two or more generations ago, if not multiplied too freely, were excellent for the purpose of training and developing the youth. Work at home, before the day when the factory took almost all forms of industry out of the household, was not an unmixed evil for the child; but a long working day filled with routine work in a factory or a sweat-shop environment robs the child of childhood, retards the progress of the nation, reduces the vigor of the race, and endangers the maintenance of a high standard of living among adult wage earners. The advocates of the prohibition of child labor do not believe that idleness and irresponsibility are necessary or desirable for the normal develop-

ment of children. They do assert that long-continued, specialized labor is extremely deleterious to the child until after the period of adolescence is past. The child should be taught to use hand and eye in useful, regular, and constructive work. The mere passage and adequate enforcement of laws prohibiting child labor in workshops, stores, and mines are not sufficient.

CHILD LABOR BEFORE THE CIVIL WAR

With the rise of the middle class in England, headed by the Tudors, and with the breaking of the old feudal fetters was developed the idea that idleness was a sin of the darkest hue. The Tudors were ever crying at the English laborer: "Ye are idle, ye are idle; go, therefore, now and work." The Puritan with his convictions tinged by religious ardor held firmly and fanatically to the view of the Tudors. According to the Puritan, the man, woman, or child who was idle stood in slippery places. In studying the facts in regard to woman and child labor during the first half of the nineteenth century, the effect of this inherited puritanical idea must never be lost sight of. A century or more ago, to give a child work in the crude factory of that period was considered to be desirable. In a plea for the introduction of cotton mills, it was suggested that "here will be found a never-failing asylum for the friendless orphans and the bereft widows." Today, all far-sighted men and women are anxious to keep the child out of the factory, store, or mine, and to give him a reasonable opportunity to play.

Before the factory era, children were employed in many kinds of household industry and served as apprentices in certain skilled trades. The growth of factories called them outside the home, massed them together in considerable numbers, introduced greater regularity and specialization into their occupations, and gave more publicity to the evils of excessive child labor than was the case under the older form of household industry. When the factory system was in its infancy, one argument frequently used in favor of the introduction of factories was that the factory could utilize the labor of women and children who were idle. The old puritanical idea that idleness was a sin and a waste was effectively used to break down opposition to the factory system and to obtain favorable legislation. Alexander Hamilton and other early protection-

ists declared that the factory would enable the manufacturer to employ child and woman workers in a more systematic and profitable manner than they could be employed under the old system. As a consequence, increased production in the factories would not necessitate the withdrawal of the efficient adult male workers from agriculture, shipping, fishing, or the skilled trades. The introduction of manufacture would, it was solemnly argued, "give employment to a great number of persons, especially females, who now eat the bread of idleness." Writers calmly estimated the additional product which might accrue to a given town or state if all the children were employed in gainful occupations. The children, they asserted, could obtain their schooling in night schools. A writer in *Niles' Register*,¹ a prominent weekly newspaper of the first half of last century, made a cold-blooded calculation as to the additional amount of wealth which might accrue to the people of the United States if all the children, not then employed, could be placed in mills and factories. It was urged that such a step would be a benefit, not only to manufacture, but to commerce and agriculture as well. This enthusiastic calculator figured that two hundred children from seven to sixteen years of age ought to earn \$13,500 per year. Their clothing was estimated to cost \$5,000; \$8,500 would be left for boarding and educating the children. By placing them in factories, children would be enabled to pay for their maintenance, and thus one source of national waste would be dried up. The factory was a strange phenomenon. The men of the period did not and could not see the dangers involved in child labor in the mills; they had been taught to see the sinful side of leisure, and they clearly saw the opportunity to augment profits through the employment of children. Soon, however, the evils of unrestricted child labor in mills and factories became quite apparent, and agitation for legal restriction began. The wage earners and the humanitarian leaders were interested in the propaganda against child labor.

The factory system originated in England, and in that country the treatment of woman and child wage earners was perhaps worse than in this country. It is unnecessary to relate the oft-repeated story of the treatment of the "pauper apprentices" in the cotton mills of England. The wrongs of the slave pale when placed in

¹ Oct. 5, 1816, Vol. 11, p. 86.

contrast with the treatment of the child worker in Christian England of the first half of the nineteenth century. While England was enthusiastic over the emancipation of the Negro in the West Indies, her factory owners were filling their pockets with gold wrung from the vitality of thousands of young white children held in a bondage as pitiless as that of the far-away plantation owner. For several reasons the situation in this country never became as acute as in England. The factory did not appear in this country until after England had made some attempts at factory regulation. The presence of large areas of fertile and undeveloped farmland in the West and the absence of a large number of pauper children were also ameliorating factors.

Certain writers have apparently assumed that children were rarely employed in factories prior to 1860; but the early textile factories were operated chiefly by women and children. While it is true that the total number of children employed in gainful occupations is larger in recent decades than in the second quarter of the nineteenth century, it is also undoubtedly true that the relative number thus engaged has not materially increased and has probably decreased. Accurate statistics are, of course, not available, but a study of contemporary books, pamphlets, reports, and newspapers leaves little doubt as to the accuracy of the conclusion just drawn. In 1820 over 5,000 pupils were reported to be on the rolls of the public schools of the city of Philadelphia. With the return of prosperous times the demand for child workers increased and the school attendance correspondingly diminished. In 1821 less than 3,000 children were in the schools. "In 1822 the attendance was 450 less than in 1821, and in 1823, it was less than half what it had been in 1820."¹ In 1832 Seth Luther, a spokesman of the workingmen, in his pamphlet *The Education of Workingmen* called attention to the evils of child labor in England. In 1825 a committee of the state legislature of Massachusetts investigated child labor in the factories of incorporated manufacturing companies. Over nine hundred children under sixteen years of age were reported as employed in these establishments. The average length of the working day was twelve or thirteen hours. No investigation was made of child employment in unincorporated establishments. One sentence from this report is indicative of public opinion in 1825. "Regard

¹ McMaster, J. B., *History of the American People*, Vol. 5, p. 360.

is paid to the instruction of these juvenile laborers as opportunity permits, but some further legislative provisions may hereafter become necessary, that the children who are at a future day to become proprietors of these establishments, or at least greatly to influence their affairs, may not be subjected to too great devotion to pecuniary interest at the risk of more than an equivalent injury in the neglect of intellectual improvement.”¹

In 1828 a correspondent of the *National Intelligencer*, a prominent newspaper of the time, estimated that all the machinery in the country required about forty thousand persons, “principally women and children.” The following statistics of a cotton mill, owned by the Union Manufacturing Company of Maryland, were taken from a newspaper dated December 10, 1822. This mill had four thousand spindles and fifty power-looms. The number of employees was 184, of which number 120 were “girls,” and 58 boys between the ages of seven and nineteen years. Only six men were employed. “The girls and boys live with their parents on the ground, where there is now a population exceeding six hundred people, living in the dwellings in the factory village, for which they pay rent. There is a school-house under good supervision, which is also used as a house of worship, is well attended to by ministers of various denominations, and where all employed by the company have free access. . . . An extensive store is kept by the company, affording every article of provision and clothing sufficient for those employed in the neighborhood for many miles around.” The problems connected with child labor, night schools, the company store, and tenements were all involved in this factory of a century ago. The relations existing between this company and its employees must have been similar to those found in Pullman, in the copper country of northern Michigan, and elsewhere. It must not be forgotten that the first factory industries to develop were those which did not require considerable muscular development on the part of the workers; lightness of touch and rapidity of movement were demanded. The textile industries were particularly well adapted to the employment of women and children. With the growth of the iron and steel mills, little increased demand for women and child workers was manifested.

¹ *Documentary History of American Industrial Society*, Vol. 5, p. 59.

THE EXTENT OF CHILD LABOR IN RECENT DECADES

Prior to 1870 no adequate statistics in regard to child labor in the United States are available. The census of 1870 reported that 739,164 children between the ages of ten and fifteen years inclusive were engaged in gainful occupations. Of this number 114,628 were employed in manufacturing establishments. During the succeeding decade the number of child laborers increased with alarming rapidity. In 1880, 1,118,536 child wage earners were reported in all occupations. In 1900, 1,750,178 breadwinners, ten to fifteen years of age, were reported. Of the total, 1,264,411 were males and 485,767 were females. The census returns made no enumeration of child workers under ten years of age. This number was not large, however, as only 8.1 per cent of the total were ten years of age. Of the total in all occupations, 1,061,971 or 60.2 per cent were engaged in "agricultural pursuits," and 688,207 or 39.8 per cent were "in all other occupations." In 1920, 1,060,858 children were reported as gainfully employed. Of this total, 61 per cent were in agricultural pursuits and 17.5 per cent in manufacturing and mechanical industries. The percentage of children ten to fifteen years of age engaged in gainful occupations was 16.8 in 1880; 18.4 in 1910; and 8.5 in 1920. In 1930, 667,118 children were reported as gainful workers; or approximately 4.7 per cent of population ten to fifteen years of age were listed as breadwinners.

EARLY LEGISLATION IN ENGLAND

During the last years of the eighteenth and the opening years of the nineteenth century the distinctive evils which are now recognized as inseparably connected with child labor in factory, mine, or store appeared. "The beginning of the present [nineteenth] century found children of five, and even of three years of age, in England, working in factories and brickyards; women working underground in mines, harnessed with mules to carts, drawing heavy loads; found the hours of labor whatever the avarice of individual mill-owners might exact, were it thirteen, or fourteen, or fifteen; found no guards about machinery to protect life and limb; found the air of the factory fouler than language can describe, even could human ears bear to hear the story."¹ Pauper

¹ Walker, F. A., *Political Economy*, p. 381.

children were "farmed out" to factory owners. Frightful accounts are given of the day and night work of children, and of the relay system in factory and boarding house — one gang worked while another slept; thus the beds in the boarding house were kept occupied practically all the time.

These evil conditions soon attracted public attention. Through the exertions of Sir Robert Peel and other humanitarian leaders of the period the first child labor law was passed in 1802. The title gives evidence of the limitations of the act — "Health and Morals Act to Regulate the Labor of Bound Children in Cotton Factories." It was a crude piece of legislation which only attempted to regulate the employment of pauper apprentices. The employer was required to clothe his apprentices properly; and the hours of labor lawfully required of the apprentice were limited to twelve per day. No child under nine years of age could legally become a "bound child." Night work was prohibited, and the provisions of the law required daily instruction of the apprentice. The walls of factories were to be whitewashed, and the rooms adequately ventilated. This act is important because it was the first act of its kind. It was practically inoperative; but it established the principle of parliamentary interference in behalf of working children. As the factory system developed and towns sprang up around the factories, the need of pauper apprentices was reduced. The children of residents could readily be obtained. In 1815 a committee was appointed by Parliament to investigate the conditions of working children. The testimony given before this committee disclosed the fact that very young children, some not over six years of age, were employed in factories, and that the length of their working day was twelve hours or more. As a result of this investigation the "second factory act" was passed in 1819. This act also only applied to cotton factories; but protection was extended to children who were not "pauper apprentices." The act prohibited the employment of children under nine years of age, and limited the working day for all children between the ages of nine and sixteen years to twelve hours. Night work was prohibited. Other acts of minor importance were passed from time to time. In 1833 after another investigating committee had reported that conditions were still deplorable, a more adequate statute was enacted. This law of 1833 applied to all textile mills. Children between the

ages of nine and thirteen years were permitted to work only eight hours daily; and children between the ages of thirteen and eighteen, twelve hours daily. The prohibition of night work was continued. A certain number of holidays and half-holidays were granted, and a physician's certificate of fitness for labor was required. The earlier laws had not provided for adequate inspection and means of enforcing their provisions. The most important innovation in the act of 1833 was the provision for salaried inspectors. The inspectors were granted power to make rules for the execution of the law, and were required to prosecute violations of its provisions. In 1842 the employment of women and of children under ten years of age in underground mines was prohibited. Two years later the "Children's Half-Time Act" was passed. The labor of children under thirteen years of age was restricted to half-time. The remaining half of the working day was to be spent in school. In 1848 all women and all children under eighteen years of age were restricted to a working day of ten hours. By the middle of the century the right of Parliament to pass what are known as "factory acts" was definitely established.

LEGISLATION IN THE UNITED STATES

In 1836 Massachusetts enacted legislation regulating the instruction of children employed in manufacturing establishments. In 1842 the working day for children under twelve years of age was limited to ten hours. Ohio enacted her first child labor law in 1852, Illinois and Wisconsin in 1877, and Michigan in 1885. These early laws fixed the age limit under which no child could be employed, prescribed the maximum number of working hours per day or per week for those who might be employed, and prohibited the employment of children in certain dangerous or unhealthful occupations. Penalties were provided for violations; but the acts were, as a rule, somewhat indefinite and the provisions for enforcement inadequate. The real precursors of adequate child labor legislation were the two Massachusetts acts of 1866 and 1867. The employment of children under ten years of age in manufacturing establishments was forbidden. Three months' schooling each year was required in the case of wage-earning children ten to fifteen years of age. No child under fifteen years could lawfully be employed in

any manufacturing establishment for more than sixty hours per week. Provision was made for inspection, and annual reports were to be made by the inspecting officer to the governor. Penalties were provided for the violation of the act.

All of the forty-eight states, the District of Columbia, Alaska, Hawaii, and Porto Rico have laws relating to child labor upon their statute books. There are practically as many different laws as there are different states. States like Massachusetts, New York, and Ohio have elaborate statutes, while several of the Southern states have inadequate laws which are often poorly enforced. The most important regulative measures in regard to the employment of children are the establishment of an age limit below which children may not lawfully be employed, limitation of the number of working hours per day or per week, prohibition of night work, issuance of working papers, compulsory education, and the administration of the law. The minimum age of lawful employment varies, with some exceptions, from twelve to fourteen years. The majority of the states have fixed upon fourteen years as the minimum age in the ordinary factory and mercantile industries. Each state usually classifies employments and fixes more than one minimum age. As a rule states fixing fourteen years as a minimum in ordinary industries require each wage earner between fourteen and sixteen years of age to obtain a working paper or certificate certifying that the child has completed a required amount of schooling, and is in sound health and physically able to do the work required in the employments in which such a child may legally be employed. In occupations dangerous to life, limb, health, or morals the minimum age limit is usually placed higher.

An excellent child labor law in one state may conceivably act as a check upon its industrial development. Certain industries may temporarily suffer in competition with those from other states having lax child labor laws upon their statute books. The significance of this point has undoubtedly been over-emphasized by the opponents of child labor legislation; but uniformity in labor legislation as in regard to coinage, weights and measures, and bankruptcy is very desirable. National regulation would be one way of bringing about uniformity. The other method is the slow process of publicity, education, and agitation in every state in the union; and there is a temptation on the part of certain states to maintain

lax child labor laws as well as lax corporation laws. The federal Constitution does not specifically give Congress the power directly to regulate or to affix minimum standards for child labor throughout the nation. Three methods have been proposed by means of which federal intervention might be provided for. In the first place, it was proposed to establish minimum standards for child labor in mines and factories in the United States through the exercise of control of interstate commerce.

In 1916, Congress passed a statute forbidding the acceptance in interstate commerce of the products of factories employing children under fourteen years of age, or employing children between fourteen and sixteen years of age for more than eight hours a day, six days a week, or at night. The lower limit in the case of mining was sixteen years. This act was declared to be unconstitutional by the United States Supreme Court. In essence, the Court held that Congress was merely attempting to do by indirection that which it did not have power to accomplish directly. A second attempt was made by the federal government to control child labor. A tax of ten per cent was levied upon the annual net profits of a concern employing children. In the face of previous decisions which upheld the right to use the taxing power for the purpose of regulation rather than obtaining income, this federal act was also declared to be unconstitutional. Without an amendment to the federal constitution it seems clear that the regulation of child labor must be left to the states. An amendment giving Congress power "to limit, regulate, and prohibit" the labor of children under eighteen years of age has been submitted to the states; but to date only a few states have ratified it. There seems to be no likelihood of its adoption in the near future.

OPPOSITION TO THE PROHIBITION OF CHILD LABOR

In the face of so many obvious economic, moral, and racial disadvantages, the continued prevalence of child labor indicates the existence of powerful forces favorable to its utilization. The disadvantages either affect society as a whole or are relatively remote in incidence. Child labor legislation is coercive; and compulsion must be used to insure enforcement. This legislation operates against certain powerful direct and personal economic

motives. The advantages to be derived from child labor seem immediate and personal. (a) The manufacturers desire to hire cheap labor. In the long run it may not be difficult to prove that "cheap" labor is "dear" labor, and in certain industries employers are refusing to hire children under sixteen years of age because of their inefficiency and carelessness; but in a large number of important industries the opportunity to hire children at low wages helps to swell the dividends paid this year to the anxious stockholders. (b) Many parents are desirous of obtaining income from the work of their children. The family may be in want or the head of the family may be indolent or avaricious. In either case the immediate opportunity of increasing the family income overbalances any fear of the possible remote injurious effects of such labor upon the child. (c) The child himself is anxious to earn money. He wishes to have money of his own to spend; and he too often sees little that is of practical value in the education offered by the public school. He asserts that there is "nothing doing" in school, and he craves activity. The desire for spending money today bulks larger than any remote and intangible disadvantageous effect upon the earning capacity. Many backward and stupid children leave school early in life because they are ashamed to stay in a class with children younger than themselves.

The forces opposing child labor legislation are powerful. Coercive legislation is always difficult of enforcement. Scientific legislation — legislation which follows the route of least social resistance — will work along other lines. A law prohibiting child labor may be extremely desirable; but if the income of the family is so meager that proper subsistence cannot be provided for the members of the family, that family is imperiled, and the future of the children endangered. Mere coercive legislation which restrains children from earning wages is only a palliative; it brushes the surface. Indeed, sometimes it is a sedative which prevents further study and investigation. Questions pertaining to wages, employment, sanitary home and working conditions, educational facilities, private property, and taxation are more fundamental. The prohibition of child labor in factories, stores, and mines is only one link in a long chain of measures making for social betterment.

Free education and free text-books reduce the direct expenses of attending school, and consequently many children continue in

school who would drop out if the parents were forced to pay for tuition and text-books. Paying a pension to mothers to keep their children in school and paying children to go to school may be necessary steps in this program. Such measures would directly attack the child labor evil. The motives (*b*) and (*c*) would no longer act effectively to draw children out of the schoolroom and into the factory. Such legislation will be called paternalism; but the free school system is paternalistic. Paying children to go to school is a form of scientific child labor legislation. It removes or minimizes the force of two of the three powerful motives which lead children to become wage earners. Coercive legislation would be less necessary and less difficult of enforcement if children were paid to attend school. A minimum wage law for minors would cause employers of children to substitute adults for the former. This measure would directly affect motive (*a*). A decent wage for the head of the family will also reduce the temptation to allow the young children of the family to become wage workers.

WOMAN LABOR BEFORE THE CIVIL WAR

It is often stated and quite generally believed that the movement of women into industry is a new and startling phenomenon. Woman, however, was the first industrial worker; the primitive man was a hunter and a fighter. In 1789 some French women petitioned the king to exclude men from the trades belonging to women, "whether dressmaking, embroidery, or haberdashery. Let them leave us, at least, the needle and the spindle, and we will engage not to wield the compass or the square." Miss Edith Abbott, after a painstaking investigation, came to the conclusion that women are today relatively to men a less important factor in industrial life than they were three-quarters of a century ago. The statistics upon which this conclusion was based have been severely criticized. Nevertheless, it seems beyond controversy that the wives and female relatives of the head of the family in the wage-earning class were workers throughout the nineteenth century. If they did not work in household industry, they were found in the factories. The recent movement, which is attracting so much attention, is really a middle class exodus from the home. Women and children, as was stated in a preceding paragraph, constituted

the bulk of the workers in the first factories — textile mills — of the United States. “Women formed, roughly speaking, from two-thirds to three-fourths, and in some districts as high as nine-tenths, of the total number of operatives in the first half of the century; but this proportion has been declining until, in the twentieth century, the men outnumber the women.”¹ The preceding quotation referred to cotton factories only; in the woolen industry the percentage of women workers has undergone only a slight modification. The largest percentage is less than fifty per cent. The oft-quoted generalization of Harriet Martineau, that in 1836 only seven occupations were open to women, was probably based upon insufficient data. In fact, in another connection, Miss Martineau mentions an additional industry in which women were engaged.

The women operatives in the early cotton mills were born in America; many of them were the daughters of farmers living in the vicinity of the mill towns. With the influx of immigration in the forties, the character and nationality of the women operatives rapidly changed. The conditions in the early factories were frequently pictured as far superior to those obtaining in a factory of the present time. As a matter of fact, the working day was long, the mills badly ventilated and poorly lighted, and the corporation boarding houses were overcrowded and insanitary.² A delegate to the first convention of the National Trades' Union, held in 1834, declared the cotton factories to be “the present abode of wretchedness, disease, and misery.” The Committee on Female Labor made a long report to the convention of 1836. This committee stated that factory work injured the health and lowered the moral standards of the female employee, and that “when females are found capable of performing duties generally performed by men, as a natural consequence, from the cheapness of their habits and dependent situation, they acquire complete control of that particular branch of labor.” The committee recommended legislation prohibiting women “under a certain age” from working in “large factories.”

¹ Abbott, Edith, *Journal of Political Economy*, Vol. 16, p. 607.

² *Ibid.*, Vol. 16, pp. 680-692; Vol. 17, pp. 19-35.

WORK AND WAGES OF WOMEN

According to Census Reports, of all persons gainfully employed, women and girls constituted in: —

<i>Year</i>	<i>Percentage</i>
1900	18.8
1910	23.4
1920	21.1
1930	22.1

In 1930, the total number of gainful workers was reported to be 48,832,589. Of this total, 10,778,794 were women. Women constitute over one-fifth of all the gainfully employed workers in the United States. In the large cities, the percentage of employed women is larger. In addition to this number are the housewives engaged in keeping their own homes who are not considered as gainfully employed. A considerable fraction, approximately one-fourth of the gainfully-employed women, are married. The depression of 1929-1932 probably caused a decrease in the number of married women working. However, in some cases, unemployment of the husband leads the wife to attempt to obtain work. Women workers are found in a great variety of occupations. They are no longer confined to a restricted group of jobs.

On the whole, the wages of women workers are lower than those paid to men for similar work. The Women's Bureau of the federal Department of Labor secured statistics regarding the earnings of 100,967 white and 6,120 Negro women working in 1,472 plants in thirteen states in the period 1920-1925. These wage-earning women were working in manufacturing industries, stores, and laundries. The median ¹ weekly earnings of the white women in manufacturing industries ranged from \$19.30 in Rhode Island in 1920, to \$8.35 in Mississippi in 1924. The median earnings of the Negro women engaged in manufacture ranged from \$4.89 to \$8.92 per week. In five-and-ten-cent stores the median wage ranged from \$8.25 in Alabama in 1922, to \$12.20 in Rhode Island in 1920. The median weekly wage paid to Negro women working in these stores in Missouri in 1922 was \$5.10; in Arkansas, \$5.05; and in South Carolina, \$5.25. In 1928, a study was made of over

¹ One-half earned more and one-half less than the median wage.

6,000 women employees of five-and-ten-cent stores. The median wage was estimated to be \$12.00 per week. This was less than a living wage for women living independently in that year. The depression has tended to lower the wage of women as well as of men workers. A bulletin of the Women's Bureau declared that "the New York division of women in industry compared the earnings of women placed by public employment agencies in January, 1929, and in the same month in 1931, and found that a considerable decline had occurred. For example, stenographers formerly offered \$15 to \$35 could in 1931 earn only \$9 to \$20; saleswomen formerly offered \$13 to \$25 were offered a wage as low as \$12, though the highest ran to \$30; while sewing-machine operators before offered \$18 to \$25 could make only \$15 to \$20 in 1931.¹

REASONS FOR THE LOW WAGES OF WOMEN WORKERS

Why do women usually receive lower wages for similar work, or for work requiring a comparable degree of skill and training, than are paid to male wage workers? A variety of reasons have been advanced. (a) Women are physically weaker than men and in certain occupations cannot perform all of the operations which can be assigned to male workers. (b) Women are more liable to attacks of sickness than men; but dissipation causes greater irregularity among men than among women workers. (c) Women are limited to a somewhat smaller number of occupations than men, thus tending to increase competition for jobs. It is also more difficult for women than for men to go from one locality to another seeking employment. (d) Women workers are more frequently subsidized than men, by living at home or through aid furnished by relatives. However, a large number of women workers are entirely responsible for their own support and many who live at home help to support the family. (e) Women workers have not been organized into strong unions because many have expected to remain for only a brief period in the industrial field, because the past experience of women has been such as to make it difficult for them to organize and to act unitedly, and in many cases because union men have not looked with favor upon the admission of women into labor organizations. These obstacles seem to be of diminishing importance as the

¹ *Bulletin of the Women's Bureau*, No. 91, p. 62.

years pass. (f) The custom of paying women less than men is an influence which is not wholly negligible.

INDUSTRIAL HOME WORK

In pre-factory days the home and industry were closely joined. The home was a hive of industry. With the coming of the factory, productive activity has gradually moved out of the home and the descendants of home workers have followed it into the factory and other workplaces detached from the home. What was once the normal under primitive pioneer and small-scale business conditions is now abnormal and undesirable. The sending of articles from the factory to the home or the small workshop leads to "sweating" in industry. Industrial home work and work in any "sweated" industry are characterized by low wages, a long working day, insanitary workshops and, as a rule, irregular work. Of these four characteristics, the first and third may be emphasized. The adjectives — low, long, insanitary, and irregular — are more or less indefinite, unstandardized, and changing. The conditions favorable to the development of sweated industries or of industrial home work are found in large cities and their suburbs where it is not difficult to obtain women and children as wage workers, in industries in which inexpensive or no machinery is used and in which the demand for the products is irregular or non-standardized. A factory owner may resort to sending out work in a rush season in order to save in overhead expenses. The clothing industry has been the most important sweated industry; but the growth of clothing factories has reduced greatly the relative importance of home work in that industry. A considerable variety of products may be wholly or partially produced for wages within the home — embroidery, lamp shades, powder puffs, gloves, bead necklaces, artificial flowers, cloth-covered buttons, and many other small articles in which hand work predominates. Regularization of work in a factory will reduce the incentive to send out goods to the homes or small shops for finishing. The enactment of a minimum wage law is one method of combating sweated industries. Many states require a written permit before a room or apartment in any home or tenement may be used for the purpose of manufacturing goods not for use by members of the family. Efficient regulation

of industrial home work is not easy of accomplishment since the work is carried on in so many small and obscure workplaces and rooms scattered over a wide area. In New York, in the year ending June 30, 1927, 21,500 persons were found to be engaged in industrial home work in licensed houses. In the period 1925-1928, the typical family engaged in home work added only about six to ten dollars per week to its income.¹

CHILDREN IN THE MACHINE AGE

The lives and activities of children, as well as of adults, have been markedly affected by the growth of cities. With the advent of the power-driven machine and the removal of industry from the home or its immediate surroundings, the young no longer have intimate contact with the activities of those making a living, the chores of an earlier and simpler civilization have disappeared except in the rural districts, and the opportunity for wholesome recreation and play has been reduced in the crowded parts of urban centers almost to the vanishing point. Cities and children do not mix well; and much of our school work makes little appeal to the interests of the child. The environmental background of the human race and the routine, crowding, and sedentary living in the American city are as far apart as the poles of a magnet. The destructive street gang and the juvenile delinquent of the modern American city develop quite naturally out of crowding and the lack of play opportunities. Child labor in a factory, in a store, or on the street is a poisonous survival of the child work of an earlier day; and the city street is not a proper substitute for fields, streams, and forests. The White House Conference on Child Health and Protection (1930) has placed before the American people a series of "drab facts"; and the depression has doubtless added to the dark lines of the unpleasant picture. In 1930, of the forty-five millions of children under eighteen years of age: —

6,000,000 are undernourished

1,000,000 have damaged hearts

1,000,000 have defects of speech

675,000 are called "problem children"

(These are the maladjusted, the queer, the neurotic.)

¹ *Industrial Home Work, Bulletin of the Women's Bureau, No. 79.*

500,000 are dependent
 450,000 are mentally retarded
 382,000 are tubercular
 342,000 are hard of hearing
 18,000 are totally deaf
 300,000 are crippled
 200,000 are delinquent¹

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¹ See article by Averill, L. A., *The Scientific Monthly*, Dec., 1931.

CHAPTER XXI
LABOR LEGISLATION

LEGISLATIVE AND CONSTITUTIONAL DIFFICULTIES
IN THE UNITED STATES

Labor legislation in the United States meets obstacles peculiar to this country. Our system of written constitutions and our dual form of government, dividing responsibility for action or inaction between the federal government and the various state governments, introduce many complications. Constitutional objections and state jealousies bulk large in preventing the passage of statutes protecting wage workers, and in emasculating or annulling those which are actually placed upon the statute books. State laws must conform to the framework of a state constitution and to that of the federal Constitution. A law passed by Congress must conform to the latter. If not, such legislation may be declared unconstitutional by the courts, and no longer be enforceable. The courts do not pass upon the constitutionality of legislative acts unless brought before them in a formal manner; that is, by means of a case involving an alleged violation of the law. The court of final jurisdiction in regard to a state constitution is the supreme court of the particular state; the United States Supreme Court is the final arbiter in regard to constitutionality under the federal Constitution. The ideals embedded in the American constitutional system are essentially English in origin; but the student must not overlook the fact that those ideals originated in a unique epoch in the history of English political philosophy. The federal Constitution was formulated and adopted by the American people at a time when the pendulum swing of sentiment had reached a maximum in favor of non-interference on the part of government with the conditions of industry.

Under our dual form of national and state governments, nearly all the legislation regarding the regulation of industrial plants

is in the hands of the states. The regulation of interstate and foreign commerce is delegated to the federal government. Unless the workers affected are directly engaged in interstate or foreign commerce, labor legislation rests with the state governments. As there are forty-eight states, uniformity in legislation is very difficult of attainment. Each state may, however, become an experiment station in legislation. The mistakes of one state may be avoided by others; and successful legislation in one state may be utilized by another state. This advantage due to state control is counterbalanced by the fear that a state passing a new piece of legislation — for example, requiring a short working day — may find itself at a disadvantage in competition with the industries of neighboring states which have not adopted such legislation.

Under the guild system in the medieval cities, and in the developing nations of the sixteenth and seventeenth centuries under the mercantile system, industry and trade had been minutely and rigidly regulated. In the eighteenth century, as the old industrial forms broke down and were replaced by those which may be called modern, the pressure against mercantilism became strong and finally irresistible. The restrictive barriers were pushed aside, and a new economic epoch opened. The sudden release from the strong and unyielding bonds of custom and law which were characteristic of feudalism and mercantilism produced the inevitable reaction. The new slogans were “non-interference,” “freedom of trade and of contract,” and “competition is the life of trade.” Individualism and “the return to nature” were placed prominently in the foreground.

The individualism of the period conceived that external control of industrial affairs was not only unnecessary but an actual menace to economic progress. Each and every individual was to be left free to work when and where he pleased, or to hire and discharge whomsoever he saw fit. Wages and prices should be fixed as the result of free and untrammelled competition. The general welfare of society was to be conserved by allowing each individual to pursue unhampered what seemed to be his own best interests. “Enlightened self-interest was the incentive, universal free competition was the force” which held economic society together and caused progress. These individualistic ideals sternly opposed all legislative interference with freedom of contract and the labor bargain,

and considered all combinations for the purpose of affecting prices or wages to be inimical to the public welfare.

But the individualism of the eighteenth century and of the first half of the nineteenth was abnormal and one-sided. It was the product of the conditions which made England the world leader in commerce and in industry. Earlier centuries were much less individualistic, and the intricacy and interdependence of modern life cause greater emphasis to be placed upon social needs, upon coördination and teamwork. This ultra-individualistic epoch is the bridge between the old era of medieval restriction of the aristocratic and paternalistic type which fixed maximum conditions for the mass of the workers and the era of modern social and industrial legislation of the democratic type which determines minimum standards for industry. The feudal idea was to keep men and women of the lower classes in their places and to ameliorate the conditions within their particular social compartment; the modern democratic ideal is to remove the artificial obstacles which tend to perpetuate social and economic inequalities, and to give each individual an opportunity to help himself. Opportunity for each and for all, not paternalism or philanthropy on the part of a few, is the aim of modern industrial legislation.

The exaggeration of the non-interference system and the glorification of the ideal of negative liberty was due to the enthusiasm and the hopes of a strong and aggressive class of English merchants and industrialists who were at that time leading the world in commerce and industry. To cut the old medieval bonds which favored "well-ordered" trade and "fair" prices signified progress, freedom, and wealth-getting to shrewd men conscious of their superior strength and ability. They were eager to play the fascinating commercial game without harassing rules. Just at the flood-tide of this reaction against medievalism and mercantilism, and before the evils of unrestrained competition and of unregulated industry became apparent, the American nation was formed and the American people adopted written federal and state constitutions.

To the Americans of the last of the eighteenth century, familiar with the harassing restrictions imposed by the English governors and proprietors, and accustomed to the self-reliant life of the frontiersman and primitive agriculturalist, any system of constitu-

tional or of statute law which allowed the imposition of restraints in regard to the disposal of property or of labor power seemed to contain elements of tyranny. Their past experience on this continent and in England wrought into the very fiber of their being a distrust of a military chieftain and of an overlord of the semi-feudal type. The environment and past experience of the American pioneer naturally led him to accept the *laissez faire* doctrine with extraordinary avidity and enthusiasm; and he exhibited his extreme confidence in the universal and perpetual validity and desirability of that system by crystallizing into bills of rights and rigid constitutional forms these principles of an exceptional or unique epoch in the world's history. And this crystallization occurred at the very threshold of an era in which the fundamental postulates of the non-interference and decentralized system of governmental control were being consigned to the scrap-heap by the uplift of a new industrial system. At the very time when a weak and growing wage-earning class needed protecting legislation to guard it from the aggressions of the economically stronger employing class, the *laissez faire* philosophy was invoked to prevent the erection of adequate protecting barriers. Using liberty and freedom as slogans, *laissez faire* philosophy is favorable to the interests of the economically strong, and inimical to the interests of the economically weak.

According to the *laissez faire* theory, unrestrained competition automatically leads to fair wages, fair prices, and decent conditions of working and living; and legislative interference in regard to the relations between labor and capital was held to be unwise and unnecessary. This individualistic theory may not have been very unjust or wide of the mark in a country of undeveloped resources, small businesses, and local markets. The employer and employed of a century ago were closely in touch with each other both during and after the working day; and the producer and consumer were acquainted with each other. In our early national history the theory of non-interference may have been carried to an extreme, even for that day and generation; but, if so, it was a natural reaction from the oppression of colonial trade restriction.

Since the time of the adoption of the federal Constitution, industrial conditions have undergone revolutionary transformations which have greatly modified the relations between the employer and the employee, and between producer and consumer. Large

business combinations, the disappearance of free land, the growth of world-wide markets, and the use of minute subdivision of labor have produced conditions such that competition is no longer adequate to insure proper working conditions in industry, or proper composition of products. Trade-union and legislative action must now be resorted to in order to accomplish what in a simpler industrial order may have been fairly well brought about by competition. But the legal rules and formulæ applicable to a crude industrial society are still applied in this country. Of course, these principles have not remained unchanged. Legal interpretation of the Constitution and of the common law has slowly modified as the years have rolled by. Today it would be difficult for one of the members of the Constitutional Convention of 1787 to understand our interpretation of certain important sections of the Constitution. Social and economic adjustments have been so obvious and so striking that many laws affecting the condition of employment now pass the constitutional test which only a few years ago would have been summarily rejected. Nevertheless, it is true that we of the twentieth century are still controlled by the ideals generated at the time of an enthusiastic reaction from the regulations imposed by medievalism and mercantilism. It has come to pass that a legal doctrine and a social ethic which were especially acceptable to a frontier people who had been harassed in colonial times by England's restrictive policy, through incorporation into the federal and state constitutions have continued as potent and compelling forces long after their advocacy has been given up by the majority of the people of the nation.

WHAT IS LIBERTY?

The older view of liberty was purely negative; the concept which is gradually winning favor is a positive one. According to the older idea liberty consisted in the absence of restraints; the savage, unhampered by the legal restraints, social conventions, and ethical imperatives of modern life, was a free man par excellence. Liberty in its negative aspect is like a geometrical area, and every law restraining the individual in any manner signifies a reduction in the extent of this area. The modern positive view conceives of liberty as thriving in the presence of law. Laws

regulating the mutual relations between individuals of various classes and interests may increase liberty, instead of interfering with the rights and privileges of men. Under certain conditions freedom to do without legal interference means the loss of real freedom of action. With the establishment of the right of contract came the refusal to give the free person the right to contract himself into slavery. What, upon superficial examination, might seem to be a fetter may after further experience prove to be liberating. The savage or the solitary frontiersman may rationally cherish the negative ideal of liberty, but the member of a modern crowded and interdependent nation finds that the negative type of liberty leads to the coercion of the weak by the strong. Negative liberty carried to its logical extreme leads to anarchy. Liberty does not mean the same today as it did yesterday, and tomorrow's interpretation will be made in the light of tomorrow's industrial and social conditions. The worker is at liberty to quit his job and seek another. He is not bound as was the slave or the serf; but much of this freedom is not real, it lacks substance. The worker has practically no voice in modern industry in regard to working conditions.

Men often overlook the fact that there are two important kinds of restraint placed upon individuals living in a civilized community — economic and legal. Individual liberty, or the freedom of an individual from restraint, may often be increased by adding certain legal restraints. The sum total of restraint may be decreased by adding to legal restraints which remove economic restraints. Many American judges seem rarely able to comprehend the simple fact that the addition of restraints may increase actual and concrete freedom of action. As an example, consider the law fixing the maximum number of hours per day in which women wage workers may be employed in factories. Manifestly such a law adds to the legal restraints thrown around women workers; but to assert that such a statute, framed for the purpose of protecting women wage workers from undue economic compulsion, means interference with any sort of freedom which is worthwhile to them is absurd or disingenuous. Such legislation leads to relief from the steady pressure of economic coercion which forces women to work many hours each day, to injure their health, and to endanger posterity. Such a statute can only constitute an interference with

any real and tangible form of freedom of contract when both parties to the contract are equal as bargainers. Mrs. Robins, the former president of the National Women's Trade Union League, has said in words tinged with irony: "Every one who knows what is going on in the world (except judges and lawyers) knows that freedom of contract can exist only between parties on an economic equality." Equity between equals is often injustice when applied to relations between unequals. In short, it is not difficult, by fixing the attention upon the past and upon our outgrown industrial system, so to interpret liberty and freedom of contract as to lead to injustice and to coercion of the weak. "The law, in its majestic impartiality, forbids the rich and the poor alike to sleep on park benches or to beg in the streets."

TREND OF COURT DECISIONS

The extreme aversion to legal limitations upon the independence of the individual and the excessive fear of governmental control have led to some unanticipated consequences. Certain negative clauses which restrain constituted authority were incorporated into our state and federal constitutions. These clauses were aimed at the ever-present specter of tyrannical government. By a peculiar transmutation through judicial interpretation they have become bulwarks behind which property owners are able strongly to entrench themselves. The familiar clause declaring that no person shall "be deprived of life, liberty, or property, without due process of law," was originally inserted into our constitutional system in order to prevent confiscation of property by tyrannical officials. Another familiar prohibition incorporated into our constitutional system for similar reasons declares that no law may be passed which interferes with the freedom of private contracts or engagements. Again, more or less well-defined prohibitions of special or class legislation which grants special privileges are found in the constitutions of many states; and the fourteenth amendment to the federal Constitution among other things declares "that no State shall make or enforce any law which shall abridge the privileges or immunities of citizens of the United States." Strictly interpreted, these clauses seem to frame a constitutional prohibition of legislation which interferes with the so-called freedom of

contract, and of class legislation. In reality, these prohibitions artificially strengthen what are called individual and corporate rights, and give those rights an almost impregnable position. "The general status of the property owner under the law cannot be changed by the action of the legislature, or the executive, or the people of a State voting at the polls, or all three put together. It cannot be changed without either a consensus of opinion among the judges, which should lead them to retrace their old views, or an amendment of the Constitution of the United States by the slow and cumbersome machinery provided for that purpose, or, last — and I hope most improbable — a revolution."¹ These prohibitions, which are so firmly embedded in our legal system, have been construed to prohibit any legislation which deprives a citizen of the right to buy or sell labor power whenever and under whatsoever conditions he may desire to buy or to sell.

The courts have never rigidly adhered to a strict interpretation of these phrases. A certain amount of class legislation has been allowed as a matter of practical expediency. Protective tariffs and child labor laws have long been allowed. Contracts which are "contrary to public policy" are held to be null and void. Agreements in restraint of trade and contracts not to marry are held to be contrary to public policy. The elastic element in our constitutional system in so far as it touches the question of labor legislation is found in the concept of "contrary to public policy." Inevitably the interpretation, judicial or otherwise, changes as industrial and social forms and relations undergo modification. The law is a progressive science; but its progress is deliberate. This regulative power which modifies the right of freedom of contract and introduces certain limitations upon the exercise of property rights is called the "police power of the state." The police power is a comprehensive and somewhat vague term. It has two chief attributes; "it aims directly to secure and promote the public welfare, and it does so by restraint and compulsion."² As long as social and industrial conditions change, the police power must be capable of development. It is a safety valve in any community whose highest authority is derived from a written constitution which cannot readily be amended. The problem is to secure an

¹ Hadley, A. T., *The Independent*, April 16, 1908.

² Freund, E., *The Police Power*, p. 3.

extension of the police power which keeps pace with industrial and social change; and this problem is a difficult one in an age of revolutionary industrial and commercial changes. An extension of the police power is usually accompanied by an enlargement of personal freedom for individuals in under-privileged groups. History indicates that such programs are "resisted by the powerful as a blow aimed at the foundations of society."¹ Each group likes to think that its welfare signifies also the welfare of society. Politics consists, it has been asserted, in making one's interest appear to be the interest of the nation.

The inalienable or natural rights in which colonial and pioneer Americans were interested related to tangible property — rights of acquiring, possessing, and protecting property. These are the rights indicated in the Declaration of Independence. As commercial and industrial enterprises became important, or as marketing and bargaining became prominent, the right to withhold property — capital or labor power — from use and the right to do business without interference, became of great significance. These are rights relating to intangibles.² But, in today's interdependent industrial and social order, the typical wage worker insists upon the significance of an entirely different list of rights: the right of a job which means access to the necessities and decencies of life; the right of regular employment; the right to maintain a decent standard of living.³ These "rights" are not safeguarded by constitutions and by the precedents of the common law. If legal standing is acquired, it will come as the result of legislative action and through the enlargement of the police power of the state.

Labor legislation constitutes an interference with the original and unmodified doctrines of liberty and of the freedom of contract. Labor legislation when sustained by the courts is sustained as a legitimate exercise of the police power. The decisions are as yet conflicting, and the outcome in a given case involving the application of the police power, uncertain; but the philosophy underlying our judicial system is undoubtedly undergoing radical and far-reaching modifications. The members of the Supreme

¹ Ross, E. A., *Principles of Sociology*, p. 373.

² Commons, J. R., and Andrews, J. B., *Principles of Labor Legislation*, pp. 5-9.

³ Tugwell, R. G., *Industry's Coming of Age*, pp. 218-220.

Court of the United States are invariably men past middle age. These men received their training and had their ideals and philosophy of life quite definitely formulated a generation before their elevation to the supreme bench. In that period the fundamentals of economic and political science have been subjected to important transformations. As younger men, trained in the newer school of economics and saturated with the recent teachings of our colleges and universities, come to the front in the legal profession, we may confidently expect the older individualistic theory of the law and of justice to be more rapidly modified. The trend of court decisions has been away from the traditional idea of freedom of contract and of *laissez faire*, and toward an increase in the police power of the state in the interests of practical and tangible freedom for the individual. The pressure of industrial change has been so potent and compelling that legal precedents, social inertia, and the direct opposition of certain classes in the community have gradually, but tardily, yielded. Many of the limitations which have been deemed essential by our courts may soon be seen to be non-essential and subversive of free institutions. The validity of this thesis must be maintained by a presentation of the history and present status of labor legislation. One student of this problem has arrived at the conclusion that the constitutionality of a restrictive labor law depends upon its wisdom. "In other words, granted that a restriction is wise under the given condition, it is an easy task to prove that it is also constitutional."¹ This over-enthusiastic statement is borne out in a large measure by the court decisions relative to the constitutionality of laws limiting the hours of the working day. It is perhaps needless to remark that the interpretation of what is wise or unwise in a given situation will be subject to wide variation.

Perhaps the most clear and definite example of judicial advance is found in two Illinois decisions upon laws limiting the working hours of female factory employees. The first decision of the Supreme Court of that state was handed down in 1895. An eight-hour law was declared unconstitutional. Fifteen years later the court declared a ten-hour law constitutional. The contrast in the two decisions is indicated by the following extracts from those decisions. In 1895 the court declared: "This enactment is a

¹ Seager, H. R., *Political Science Quarterly*, Vol. 19, p. 589.

purely arbitrary restriction upon the fundamental right of the citizen to control his or her time and faculties. It substitutes the judgment of the legislature for the judgment of the employer and employee in a matter about which they are competent to agree with each other. But the police power of the state can only be permitted to limit or abridge such a fundamental right as the right to make contracts, when the exercise of such power is necessary to promote the health, comfort, welfare, or safety of society or the public; and it is questionable whether it can be exercised to prevent injury to the individual engaged in a particular calling." Ten years earlier, in 1885, the New York Court of Appeals in declaring unconstitutional a law prohibiting the manufacture of cigars in tenements asked: "What possible relation can cigar making in any building have to the health of the general public?" In the 1910 decision the court recognized that a long working day might injure women workers even if it did not adversely affect male wage earners. It presented a very different view as to the police power. "It would, therefore, seem obvious that legislation which limits the number of hours which women shall be permitted to work to ten hours in a single day in such employments as are carried on in mechanical establishments, factories, and laundries, would tend to preserve the health of women and insure the production of vigorous offspring by them, and would directly conduce to the health, morals, and general welfare of the public, and that such legislation would clearly fall within the police power of the state." The early decision is permeated with the old individualistic and negative theory of liberty. The more recent decision accepts the doctrine that the welfare of the individual is essential to the welfare of the general public, and that legal restraints may increase the tangible liberty of the individual and promote the general welfare. A decision of the Supreme Court of the United States, sustaining an Arkansas statute providing for the payment of wages to coal miners according to the weight of coal mined before it is screened, has opened the way for much desirable social and labor legislation. The court took a sober view of the constitutional limitations placed upon its own powers to annul legislation. "If the law in controversy has a reasonable relation to the protection of the public health, safety, or welfare, it is not to be set aside because the judiciary may be of the opinion that the act will fail of

its purpose or because it is thought to be an unwise exertion of the authority vested in the legislative branch of the government.”¹

HISTORY OF LABOR LEGISLATION

The historical background for our labor legislation is found in England. Like other European countries in the medieval period England minutely regulated the activities of the laboring class. Wages, the length of the working day, apprenticeship, and the like were minutely determined by statutes, and combinations of workingmen were prohibited. Doubtless, as in recent years, the amount of regulation and restriction was theoretically greater as indicated by the mass of legislation than it was in actual practice. Again, as at the present time, legislation undoubtedly outstripped enforcement. In the eighteenth century, as the new industrial régime began to destroy the old, opposition to regulation developed. Gradually the old medieval system fell into disuse and disrepute. The old regulations became burdensome; mobility of labor instead of fixity was demanded by the rising manufacturing class. The customary regulations in regard to apprenticeship, formulated in the time of Queen Elizabeth, were destroyed piecemeal. After Lord Mansfield had voiced the sentiments prevailing during the first years of last century by declaring this famous statute to be “against the natural rights and contrary to the common law rights of the land,” it was removed in 1814 from the statute books. The assault upon the Navigation Acts began in 1796. In the forties the long struggle for the repeal of the corn laws was won. Step by step mercantilism had yielded to the system of non-interference; but while the life of the old system of regulation was ebbing away, unexpected evils and complications appeared. The harmony and beneficence of *laissez faire* had apparently been over-emphasized. Production increased; but misery multiplied or became more apparent. Displacement of labor, over-worked children, unhealthy working conditions, and dreary factory villages became common phenomena. “In many ways, therefore, it might seem that the great material advances which had been made, the removal of artificial restrictions, the increase of liberty of action, the extension of the field of competition, the more enlightened opinions on eco-

¹ McLean vs. Arkansas, 211 U. S. 539.

conomic and social relations, had failed to increase human happiness appreciably; indeed, for a time had made the condition of the mass of the people worse instead of better.”¹ The evils of the period of transition from the handicraft to the factory system led to the birth of a new system of industrial regulation even before the old was entirely swept aside. The competitive game was not allowed to be fought without rules, even in the period when individualism was at its flood.

In 1802 a law was passed to alleviate the condition of the overworked, underfed, and abused pauper children who had been taken from the poorhouses of the large cities of England and transported to the sparsely settled districts of the northwest which were developing manufacturing centers because of the presence of water power. This bill, entitled “Health and Morals Act to Regulate the Labor of Bound Children in Cotton Factories,” was, as the title indicates, restricted in its application; its importance lies chiefly in the fact that it is the forerunner of a vast array of factory laws for the amelioration of the conditions of workers of all sexes and ages in a variety of industries. “From the beginning the protection of the state was gradually extended to ‘young people’ and other textile industries (1833), then to women (1844), next to all large industries (1864), then to the smaller workshops generally (1867), and finally in 1878 blossomed out into a full-fledged factory act, regulating industry generally in behalf of the health and safety of the laboring population.”²

In the medieval period, since wages and other conditions of labor were subject to regulation by the government, concerted attempts to raise wages or to shorten the working day were illegal because such attempts interfered with governmental regulation. Beginning with the sixteenth century various “combination acts” were passed. The last of such acts was enacted at the close of the eighteenth century. All agreements between workmen entered into for the purpose of raising wages or of changing any other condition of employment were declared illegal. Workmen entering into such combinations were liable to be punished by imprisonment. This legislation made the essential methods and policies of organized labor unlawful. During the first years of the nine-

¹ Cheyney, E. P., *Industrial and Social History of England*, p. 239.

² Adams, T. S., and Sumner, H., *Labor Problems*, p. 464.

teenth century, not only were labor organizations illegal, but the weight of public sentiment was against them. Combination laws were relics of the old mercantile system carried down into a period when *laissez faire* was dominant; but the ruling classes felt that this exception was favorable to their interests.

Many English workmen were prosecuted in the first quarter of the century under the combination laws. In 1824 the combination laws were repealed; but in the following year the pendulum swung back slightly and another law was passed. The net result of the two laws was to allow wage earners to meet for the purpose of raising the wages or shortening the working day of those present at the meeting. Violence, "intimidation," and "obstruction" to accomplish these purposes were illegal. Under this legislation labor organizations became lawful, but their activities were confined within narrow limits. In 1859 it became lawful to demand higher wages or a shorter working day even when persons other than the strikers or petitioners were involved. Peaceful persuasion of fellow workmen was legalized. Finally, by laws passed by Parliament in 1871 and 1875, trade unions were definitely legalized and their normal activities were declared to be no longer subject to legal disapproval. Unions were no longer to be considered combinations in restraint of trade, and their funds were protected. Combinations to raise prices were still illegal, but combinations to raise wages were taken out of that category. The common law doctrines in regard to restraint of trade and special legislation were modified in favor of labor organizations.

In the United States a similar change may be noted; but in this country not only the common law but our constitutional system has acted so as to retard any modification of the doctrines of freedom of contract and of no class legislation which would allow the legalization of labor organizations and of legislation protecting the employee. Much labor legislation has been declared unconstitutional; and, as a consequence, American workingmen have come to distrust the courts more than their English brethren. With the exception of the mechanics' lien law, free school legislation, and a few isolated attempts to limit the hours of labor for women and children, no labor legislation of importance was passed until after the close of the Civil War. Massachusetts has led in labor legislation. In 1866 a child labor law was passed; in 1869

a state bureau of labor was established; in the seventies a ten-hour law for women and child workers and a factory inspection act were passed. These laws have served as models for similar legislation in many other commonwealths.

THE CHIEF FORMS OF LABOR LEGISLATION

Labor legislation in the states of the United States relates to a variety of subjects, such as the establishment of departments of factory inspection, limitation of the hours of labor, prohibition of night work or of Sunday labor, the exclusion of certain classes of wage earners from certain kinds of employment, provisions for the frequent payment of wages, prohibition of truck payment, guards for dangerous machinery, regulations as to the sanitary conditions within factories and workshops, regulations as to cleaning or oiling machinery, apprenticeship, discrimination against union men either in hiring or discharging workers, and many other matters touching upon the health, safety, and well-being of wage earners. In addition many regulations have been passed relating specifically to mines and mine workers.

The ease with which labor legislation may be enforced depends: (a) upon the efficiency of the inspection department; (b) upon the power given that department; and (c) upon the phraseology of the law — for example, a law limiting the hours of labor and fixing the limits within which the work of the day may be done is more readily enforced than one merely limiting the hours. Much labor legislation is rendered useless or is emasculated through the lack of proper inspection, or by technicalities which make enforcement difficult. Again, the insertion of some clause providing for certain exemptions may result in its annulment by the courts on the ground of special legislation. There is a bewildering complexity in American labor legislation, coupled with extreme variations among states. In too many cases, boards with overlapping jurisdictions have been created; in certain states eight or more distinct groups of officials have been concerned with the administration of the labor law. The factory inspectors have as a rule been too few in number adequately to perform the task assigned them; and appointments have often been made purely for political reasons. However, the administration of laws in regard to safety in factories

has been made comparatively easy as a consequence of the passage of workingmen's compensation acts. Employers now welcome the suggestions of inspectors.

In regard to the discretionary power placed in the hands of the officials charged with the administration of factory legislation, three methods have been used. (1) The law requires certain provisions for the protection of employees, but leaves the initial step to the discretion of the factory inspector. Much is left to the judgment of an inspector who is too frequently overworked, underpaid, and poorly trained. (2) The legislature carefully defines the necessary protection and states who must provide it. The inspector must determine whether the rigid requirements are complied with. As the legislature is not well equipped to pass upon such legislation and as it meets, as a rule, but once in two years, the laws cannot easily be modified to meet new conditions or to remedy defects. (3) The statutes provide that suitable and reasonable safeguards must be provided; but leave the exact definition of "suitable" and "reasonable" to a commission which may hire experts, instruct, and direct the factory inspectors. The third method is superior to the first and second. An industrial commission, subject to court review, may determine what provisions are necessary to insure "safe" conditions in factories and other workplaces. The commission may from time to time modify their rulings as changing conditions may demand. The specific provisions of the industrial code may in this manner be carefully worked out by an administrative body rather than by a purely legislative body. The factory inspectors are instructed to see that the standardized requirements of the commission are complied with. Among the states using the third or commission plan for the enforcement of factory legislation are California, Colorado, Massachusetts, New York, Ohio, Oregon, Pennsylvania, and Wisconsin.

PRESENT STATUS OF LABOR LEGISLATION

The police power of the state furnishes the legal basis for labor legislation; but the fundamental sanctions are social and economic rather than purely legal. These sanctions rest upon at least two well-grounded piers — racial improvement and humanitarianism or the protection of the weak from the aggression of the strong. Long working days, speeded-up workers, insanitary shops, dan-

gerous machinery — all tend to render workers and their descendants weaker and more inefficient, and to lower the physical, mental, and moral stamina of the race. “The fundamental purpose of labor legislation is the conservation of the human resources of the nation” is a familiar motto of the American Association for Labor Legislation.

Society is slowly coming to the realization of the fact that equal treatment of unequals often results in gross injustice. Strong, well-organized workers may not need protective laws; the professional man may not, although he usually wishes legal enactments as to professional requirements for entrance into the profession; but the child and unorganized or poorly organized men and women workers certainly are at a disadvantage in bargaining with well-organized capital. Legal protection is necessary in order to insure fair or even decent treatment.

Having thus briefly stated the reasons for protective laws for workers, and outlined the causes of the constitutional difficulties which obstruct progress, we may now turn to a consideration of some of the important kinds of labor legislation, actual and proposed. Factory acts relating to sanitary conditions in factories, workshops, and mines, to the guarding of dangerous machinery, and to provisions for fire escapes and the like, have not been greatly interfered with because of constitutional difficulties. The courts generally recognize such interference with industry on the part of state legislatures to be a legitimate exercise of the police power of the state. Such provisions are written into statute laws in the interest of public health and public safety. The courts recognize that the interest of society in these fundamental matters is more important than the individual right to an abstract and theoretical freedom of contract, that is, freedom to enter into a contract which will endanger health and life.

State laws relating to hours of labor, night work, dangerous or unhealthful working conditions, wage rates, methods of wage payment, and other matters affecting working conditions may be declared unconstitutional and therefore null and void under either the state or the federal Constitution. A federal statute can only be declared unconstitutional under the federal Constitution and in federal courts. The courts have not been easily convinced that labor legislation is a legitimate exercise of the police power of the

state and not unwarranted encroachments upon the freedom of contract and the rights of property guaranteed by the federal and various state constitutions. Before entering upon a somewhat detailed examination of the attitude of the courts toward these important kinds of labor legislation, it must be noted that there are three different classes of wage earners to be considered — children, women, and men. The courts look upon these classes differently. It may also be urged that from a social or an economic point of view lines of demarcation may also be drawn between these classes of workers. Wages and the possibility of organization differ, and the effect of working conditions upon home life and racial efficiency is not the same for all three classes. The police power of the state may readily be involved in favor of children since constitutional obstacles have long been swept aside in regard to minors. In the case of women workers the courts have sanctioned less legislative interference than they will in the case of children; but more than in the case of men. Two kinds of protective laws — those in regard to hours of work, and dangerous or unhealthful occupations — are inter-related and may be considered in connection with each other.

Laws regulating or prohibiting the employment of children as wage workers are now uniformly recognized as within the legitimate sphere of the police power. Minors have long been considered as the recipients of particular care and protection from organized society. As minors are not free to make contracts without supervision, child-labor laws are not held to violate the constitutionally guaranteed rights of children. The courts recognize the constitutionality of legislation relieving children from the economic pressure which tends to push them into industry at an early age.

Forty-three states have passed legislation limiting the number of hours per day or per week a woman wage worker may be permitted to work. The five states which have neglected to pass legislation of this type are Alabama, Florida, Indiana, Iowa, and West Virginia. At least ten states, the District of Columbia, and Porto Rico have enacted eight-hour laws for women workers; several of these states, however, permit a seven-day week. Other states which allow nine or ten as a maximum per day, limit the working week to 48, 50, or 54 hours. Ohio, for example, fixes nine hours per day, except Saturday, and fifty

hours per week as a maximum. About one-third of the states prohibit some forms of night work in the case of women wage workers. In most states, such legislation is limited to specific employment instead of including all gainfully employed women.

The chief decisions relating to the regulation of women wage workers are as follows. In 1876 Massachusetts sustained a ten-hour law. In 1902 a ten-hour statute applying to women workers was declared constitutional in Nebraska and in Washington. In 1906 the Oregon ten-hour law was upheld in the state courts; and two years later by the United States Supreme Court. In 1910 a statute modeled after that of Oregon was sustained in Illinois, thus reversing an earlier decision in regard to an eight-hour law for women wage earners. In 1909 an inferior court in Michigan declared a nine-hour law of that state unconstitutional in so far as it related to women workers. The act was held to be a form of class legislation because an exception was made in favor of the canning establishments of the state. The Supreme Court of the state in 1910 declared the law to be constitutional. In 1907 the New York statute prohibiting the night work of women wage workers was declared unconstitutional by the state courts. Another law was enacted in 1913 and sustained in 1915. In 1924 the Supreme Court of the United States declared constitutional a New York law forbidding night work for women in restaurants.

The most important case in regard to the limitation of the working hours for gainfully employed women was the Oregon laundry case before the Supreme Court of the United States in 1908. The constitutionality of a law restricting the hours of labor for female employees was upheld. Louis D. Brandeis, now on the supreme bench, was the lawyer chiefly responsible for the brief in the case. It was almost entirely devoted to a careful and painstaking presentation of the evil effects of a long working day upon the health of women — the mothers of the race. The appeal did not rest so much upon legal precedent as upon the evils which result from long-continued work of women in factories, stores, and laundries. The presentation was convincing and the law was sustained as being a legitimate and desirable exercise of the police power of the state.

In cases of this type the employers are often insistent upon pointing out that a law limiting the working day or week inter-

feres with the worker's freedom of contract. Is it not peculiar and significant that associations of employers should suddenly become so solicitous of the rights of their female employees that they will fight this and similar legislation? Years ago the National Women's Trade Union League declared for an eight-hour day. Its members evidently are not afraid of any loss of freedom as a consequence of such legislation. This question is a pertinent one: Are these anxious employers actuated by humane or selfish motives? Since women have been allowed to vote, it has been argued by certain groups of middle-class women that no special legislation favoring the working-class woman should be passed. Women and men workers should be treated alike, it is urged, in the matter of labor legislation.

Protective laws in regard to adult male workers have encountered many difficulties in running the gantlet of constitutionality. The courts do not assume the same attitude toward an attempt of organized labor to obtain an eight-hour day that they do toward an attempt on the part of aggregated capital — a corporation — to acquire property. The right to daily leisure is not legally safeguarded so securely as is the right to acquire and control property. It is a phase of the old question of the relative rights of capital and of horny-handed men. A text-book in ethics has stated the case clearly and accurately. The "legal attitude toward pressure exerted by business corporations for the familiar end of acquisition" is very different from that toward pressure "exerted by the union for the novel end of a standard of living" — that is, for a shorter working day. The courts have recognized the danger of long working days in the case of mothers and future mothers; and they are beginning to understand that the general welfare also demands healthy fathers who are not overworked. The good citizen and the good father must have a reasonable amount of leisure each day. Man is more than a mere working, eating, and sleeping animal or machine. Legal recognition is being given to these self-evident truths.

Laws regulating the hours of labor of adult male workers may be divided into three classes: for public works, dangerous and unhealthful occupations, and other industries. Over one-half of the states and the federal government have passed laws fixing the working day for public employees at eight hours. The federal statute of 1892 established an eight-hour day for employees on

all governmental work; but interpretation by the courts and by federal officials was to the effect that the law did not apply to governmental work let out to private contractors. The act of 1912 provided that an eight-hour clause must be inserted in all contracts made by the federal government involving the work of mechanics and laborers.¹ Many cities have eight-hour provisions in their charters or have enacted eight-hour ordinances covering municipal work of various kinds. The second class of laws relates to employees in mines, smelters, laundries, and other more or less dangerous and unhealthful workplaces.

At least a dozen states limit the hours of labor in mines and smelters to eight per day. New York, New Jersey, Pennsylvania, and Massachusetts limit according to a sliding scale the maximum working hours per day for workers subjected to the pressure of compressed air in tunnels. The higher the pressure, the shorter is the length of the working day legally allowed. Several states have also passed laws regulating the hours of labor for adult males in one or more industries held by the legislators to be dangerous or unhealthful. A majority of the states and the federal government have passed legislation regulating the hours of labor of employees on railways, and over ten states have passed similar laws in regard to street railway employees. These regulations are intended primarily to protect the traveling public; but the protection of the employee is also an important consideration. For this reason and because the railway business is quasi-public in character, these laws constitute a valid exercise of the police power of the state. The Adamson law, passed by Congress in 1916 in order to prevent a railway strike, established eight hours as the basic working day for railway employees engaged in interstate traffic. The law has acted as a wage-fixing device rather than as a measure determining the actual length of the working day. Lastly, two states, Mississippi and Oregon, have passed statutes limiting the hours of adult male workers to ten hours per day in factory employment.² Each law contains a clause granting exceptions in cases of emergency. The Oregon act provides that the overtime in cases of emergency may not exceed three hours and shall be remunerated at the rate of "time

¹ A few exceptions were allowed and provisions were made for emergencies.

² North Carolina has an eleven-hour law on the statute books. It applies, with exceptions, to all male factory workers.

and one-half." This statute specifically states that it was passed for the purpose of promoting the general welfare. Several states have passed laws determining the length of the working day in ordinary occupations in the absence of a special contract. The constitutionality of such statutes is not in doubt; but they are ineffectual.

In order that the real status of protective legislation for adult male workers may be definitely presented, a brief statement must be made of four important decisions of the United States Supreme Court. These decisions relate to laws limiting the working hours of adult male workers in specific industries. In *Atkins vs. The People*,¹ October, 1903, the Supreme Court sustained the right of the state to provide by statute for a working day of eight hours for the employees of a state, a county, or a municipality within the state. The law may relate to work done directly for the state, or indirectly through contractors. This decision does not rest upon an enlargement of the police power of the state. The question of healthfulness or unhealthfulness of a particular occupation did not enter. The decision rested upon the broad basis that the state had the right to prescribe the conditions under which services might be performed for it.

In the famous case of *Holden vs. Hardy* (the Utah eight-hour case, 1898)² the United States Supreme Court upheld the Utah act which limited the length of employment of workmen in all underground mining work to eight hours per day, except in cases of emergency. The right to leisure in occupations distinctly dangerous to health or limb was recognized. Prior to this decision state supreme courts, following the 1895 decision of the Illinois Supreme Court, had held that laws limiting the working hours of females, and consequently of males, were in contravention of the fourteenth amendment to the United States Constitution. The courts of the states had been limiting the right of the state legislatures to pass laws protecting employees. The Utah case strengthened the power of the state legislatures. However, this decision is not binding upon state courts.

In the case of *Lochner vs. New York* (the bakers' case)³ the New York statute forbidding the employment of wage earners in

¹ *Bulletin of the Bureau of Labor*, No. 50, pp. 177-181.

² *Ibid.*, No. 17, pp. 625-637.

³ *Ibid.*, Nos. 57 and 59.

bakeries and confectionery establishments for more than ten hours daily was declared null and void by the decision of five judges; four dissented from the majority opinion. The New York Court of Appeals had, by a divided decision, upheld the law as a reasonable health regulation, and, therefore, as coming within the police power of the state. The adverse decision of the United States Supreme Court seems to have hinged upon the question as to the healthfulness or unhealthfulness of employment in bakeries. If unhealthful, the matter of the restriction of the hours of labor came within the legitimate sphere of the police power of the state. If not distinctly unhealthful, the law interfered with the freedom of contract. In this case the majority of the Court decided that the limit had been passed. It seems quite possible, even probable, that if the attorneys for the state had followed the course later taken in the Oregon case, if they had presented to the Court definite and concrete facts and statistics in regard to the unhealthful conditions in the baking industry, the case might have been decided differently.

The *Lochner* case illustrates in a remarkable fashion the difficulties which judges experience in deciding how far the police power may be extended and to what degree the older notion of freedom of contract may be modified. An employer, *Lochner*, was tried in a city court for violating the ten-hour law. Since *Lochner* was found guilty, the law must have been upheld by the judge as constitutional. The case was appealed to an appellate court of five judges. By a three to two decision, the constitutionality of the law was upheld. In an appeal to the highest court in New York, the State Court of Appeals, the law was again upheld by a vote of four to three. Finally appeal was made to the United States Supreme Court composed of nine judges. The highest tribunal in regard to the constitutionality of a state law under the federal Constitution, declared the law unconstitutional. In the progress of the case from the local court to the United States Supreme Court, twelve judges held the law to be constitutional and ten unconstitutional; but five of the ten were a majority of the highest legal tribunal in the nation. Over a score of labor cases in which the constitutionality of a labor law was involved have been decided in the United States Supreme Court by a vote of five to four or four to four.¹

¹ *Bulletin of the Bureau of Labor Statistics*, No. 321.

Finally, in April, 1917, the Supreme Court upheld the Oregon law limiting the hours of adult factory workers to ten per day, except in emergencies.¹ The clause providing for the payment of wages equal to time and one-half in case of overtime was held to be in the nature of a mild penalty for employers who worked their men longer than the maximum specified in the law. The Court did not refer to the bakers' case; but the Supreme Court of Mississippi in upholding the Mississippi ten-hour law held that the decision in the bakers' case did not apply because the New York law made no provisions for emergencies. The Mississippi law, like the Oregon act, made such provisions.²

From these decisions of the Supreme Court of the United States, the following conclusions may be drawn in regard to the constitutionality of laws limiting the length of the working day of adult employees: (1) The state legislature may determine the length of the working day in the case of work done directly or through contractors for the state, county, or municipality. (2) As a health measure, the state legislature may limit the working day to ten hours in any occupation, providing, at least, that exceptions are made in case of emergencies.³ The attitude of organized labor is unfavorable to legislation limiting the working day of adults. Unionists are in favor of getting a shorter working day by union action rather than by the decree of a state legislature. Therefore, it seems not improbable that few laws limiting the length of the working day will be passed in industrial states — although it now appears quite clear that such laws will run the gantlet of the courts.⁴ The depression and the insistent demand for a short working day or week may modify the attitude of organized labor.

Laws providing for one day of rest in every seven are on the statute books of several states. Such laws allow the continuous operation of certain industries which Sunday-rest laws would not permit. "Until 1915 the American seaman was kept in a condition

¹ *Bunting vs. Oregon*, 37, *Supreme Court Reporter*, p. 435; *Bulletin of the Bureau of Labor Statistics*, No. 224, p. 160.

² *Bulletin of the Bureau of Labor Statistics*, No. 112, pp. 112 ff.

³ An Alaskan law, providing for an eight-hour day for all workers, was declared unconstitutional in 1918 by a federal circuit court. The case was not appealed. See Commons, J. R., and Andrews, J. B., *Principles of Labor Legislation*, rev. ed., p. 286.

⁴ Carlton, F. T., *Organized Labor in American History*, pp. 253-265.

of semi-slavery through employment under a contract which was enforceable by imprisonment." After a long agitation, Congress in 1915 passed an act which allows seamen to leave a vessel when a safe port is reached and abolishes the danger of imprisonment for leaving the ship. The act also provided for better working and living conditions on board American vessels. A variety of laws for the purpose of giving labor relief from harmful coercion on the part of the employer have filled the statute books of our states. Laws providing for the time and place of paying wages, laws prohibiting enforced dealing at company stores and the truck payment of wages, and laws in regard to deductions from wages are on the statute books of various states. Nearly all states make the wage earner a preferred creditor and also exempt his wages to the amount of fifty dollars or one hundred dollars or to one month's earnings from attachment for debt.

State laws have been passed for the purpose of preventing discrimination against union men in regard to either employment or discharge. As a rule, such laws have been held to be unconstitutional. A United States statute which declared it unlawful for interstate carriers to discharge employees because of membership in a union was held to be null and void by the Supreme Court of the United States. "Congress could not, consistently with the Fifth Amendment," said the Court, "make it a crime against the United States to discharge the employee because of his being a member of a labor organization." Six judges concurred, two dissented, and one did not participate in the decision. A point made in the dissenting opinion of Justice Holmes is worthy of notice as indicating the possibility of a modification in judicial opinion. The Justice said that he could "not pronounce it unwarranted if Congress should decide that to foster a strong union was for the best interest, not only of the men, but of the railroads and the country at large." This clearly foreshadows an important extension of the police power.¹ However, seven years later, in 1915, the Supreme Court held unconstitutional a Kansas statute which declared that an employer might not lawfully require an employee not to join a labor organization during his term of service. The act was held to be an unwarranted interference with freedom of contract. A decision rendered in 1930 by the Supreme Court may possibly con-

¹ Groat, G. G., *Yale Review*, Vol. 19, pp. 144-158.

stitute a reversal of these two cases.¹ By a unanimous decision (8 to 0) the Court held that a railway could be restrained from influencing or coercing its employees into withdrawing from a union and joining a company union or an employee representation group. The Railway Labor Act of 1926 provided that employees of railways might choose their representatives in collective bargaining without interference from the management of the railways. A few states now have on their statute books "yellow dog contract" laws. The federal anti-injunction act of 1932 contains a "yellow dog" clause. A "yellow dog contract" is one in which the employer requires the employee to sign a statement declaring (1) that the latter is not a member of a union and (2) that he will not join a union while in his present employment. The recent legislation declares such contracts to be null and void. Sooner or later a test case will reach the Supreme Court of the United States. The attitude of the Court in the railway case of 1930 may foreshadow a favorable attitude toward the "yellow dog" law.

As was foreshadowed in a preceding section, the conclusion to be drawn from this brief study of the judicial attitude toward labor legislation is that in the future broad social and racial considerations rather than narrow legal technicalities will be of greatest importance in weighing the merits and demerits of labor legislation.² The crucial question will not be — Does a given piece of legislation interfere with the traditional freedom of contract? It will be — Does or does not the law under consideration tend to improve the health, stamina, and efficiency of workers, present and future? This is a fairly definite criterion. Careful studies of industrial accidents, of industrial hygiene, and of the efficiency of workers under different working conditions are needed; and the testimony should be furnished by the medical and economic experts and by students of comparative legislation. Accurate, uncolored, and widely disseminated information as to present-day conditions is demanded.

THE MINIMUM WAGE

A minimum wage law is not necessarily a piece of radical legislation; it is in reality a conservative measure. Minimum wage

¹ Berman, E., *American Economic Review*, Dec., 1930, pp. 619 ff.

² The minimum wage law decision of 1923 runs counter to this conclusion.

legislation recognizes and aims to continue the present industrial régime. Where monopoly has replaced competition, minimum wage laws merely curb the power of the monopolist to reduce wages. In industries in which competition still obtains, such legislation modifies the plane of competition, thus directly affecting both employers and employees. The unscrupulous or inefficient "twentieth man" among business men will lose part of his power to force low wages and poor working conditions upon the entire industry regardless of the attitude and desires of the other employers. And the low-standard-of-living wage worker will lose a portion of his advantage in competition with those demanding a somewhat higher standard. New rules are introduced by minimum wage legislation according to which the competitive game must be played. Certain practices now enter the category in which are found "hitting below the belt" and "spiking the runner." The conditions under which competition and wage bargaining take place are changed, and the lower wage limit is artificially prevented from falling below a wage which will prevent the deterioration of the stamina and efficiency of the workers as a class. Like laws designed to stop the adulteration of food products, a minimum wage law will prevent "unfair" competition. Such legislation will aid the more progressive and humane type of employers by prohibiting the employment, by unscrupulous employers, of labor under parasitic conditions.

The representatives at the meeting of the International Association for Labor Legislation held at Lucerne in September, 1908, recognizing low wages as the fundamental cause of sweat-shop evils, urged that steps be taken to establish a minimum wage for weak and unprotected classes of labor. In 1909 the British Parliament passed an anti-sweating act which became a law in September of that year. The law provided for boards with power to fix minimum wages in certain industries. Penalties were provided for employers disregarding the findings of the board. Employers and employees were represented upon the boards. Separate boards may be established for each trade or branch of a trade or industry. At first, boards were established in only four industries — wholesale tailoring, cardboard box making, lace finishing, and chain making. Under the law, a board is expected to study the conditions in the industry for which it is appointed, and to fix minimum wages for both day and piece work. The Board of Trade may extend,

provided Parliament consents, the provisions of the law to other industries. Although Parliament sanctioned the principle of the minimum wage, it definitely maintained control over the extension of its application. In 1912, the coal mining industry was placed under the provisions of the act. In 1913, the law was applied to four additional trades, and afterward it was extended to cover agricultural workers. From time to time additional occupations were included, until "practically all of the important industries employing women and children in Great Britain had been brought under the Trade Boards Act." In 1915, France enacted a minimum wage law applying to women in certain clothing industries. The most famous attempt at establishing minimum wages by law has been made in Victoria. The law was first passed in 1896, and has been amended at various times. Minimum wage boards are in operation in a large number of trades and their findings affect a considerable percentage of the wage workers of Victoria. Other states in Australia have minimum wage laws closely correlated with legislation for compulsory arbitration.

In Victoria, "the two chief objections made to the law have been (1) that it was unjust to the old and slow worker, and that when conditions of competition make it worthwhile it creates a body of unemployed whose interest it is to evade the law, and (2) that it has a detrimental effect upon industries. Those who support the law maintain (a) that it has practically done away with sweating and has been an influence in favor of higher wages, (b) that it has not affected industries unfavorably, and (c) that it has been influential in preventing industrial conflicts between workers and their employers."¹

The minimum wage boards of Victoria and Great Britain were legalized in response to sentiment opposed to the sweatshop. Theoretically, the sanction for minimum wage boards and the sanction for boards of arbitration are quite different. The latter are means of obtaining and preserving industrial peace. The former rest upon the principle that social progress is retarded when workers are paid wages which are so low as to render it impossible for them to maintain themselves and family in an adequate and decent manner. Or, in other words, the lawmakers recognize that a parasitic trade is a menace to the well-being of any community.

¹ Clark, V., *Bulletin of the Bureau of Labor*, No. 56, p. 67.

No direct effort is made to prevent strikes or lockouts. In actual practice, however, minimum wage boards and courts of industrial arbitration accomplish almost the same ends. Possibly, fixing the maximum number of hours to be worked per week and per year may be a better and more practical method of attacking the sweated industries.

In the United States, no attempt has been made to apply a minimum wage law to adult male workers. The first American state to pass a minimum wage law was Massachusetts. This act was passed in 1912 and went into effect in 1913. In the latter year, eight more states enacted similar legislation — California, Colorado, Minnesota, Nebraska, Oregon, Utah, Washington, and Wisconsin. Later Arizona, Arkansas, Kansas, North Dakota, Porto Rico, Texas, and South Dakota also placed minimum wage laws for women and children upon their statute books. The federal government in 1918 enacted such legislation for the District of Columbia. Fifteen states, Porto Rico, and the District of Columbia have enacted minimum wage legislation.

The laws are compulsory in all jurisdictions except in Massachusetts and Nebraska.¹ In these two states, public opinion is depended upon to enforce the rulings of the commission. In Arizona, Arkansas, South Dakota, and Utah, the minimum rates are fixed by legislative action; in the remaining states a minimum wage commission or industrial welfare board, appointed by the governor, is given authority to fix minimum wages and, as a rule, also to determine other conditions in industries employing women and children. The commission may undertake an investigation itself and make a wage determination, or it may delegate this work to a subordinate wage board, reserving the right to accept or to modify the findings of the board. In nearly all the states the law applies to all industries; but in Arizona, Arkansas, and Colorado certain industries are exempted from the operation of the law.

The principle of minimum wage determination is that of the living wage. In California, it is the "necessary cost of proper living"; in Oregon and Washington, the necessary cost of living; in Colorado, Massachusetts, and Nebraska, the cost of living and the financial condition of the business. The National War Labor Board adopted the following principle: "In fixing wages, mini-

¹ The Nebraska law was repealed in 1919.

imum rates of pay shall be established which will insure the subsistence of the worker and his family in health and reasonable comfort." The constitutionality of a compulsory minimum wage law applying to women and children was upheld by the Supreme Court of the United States in 1917. The vote was four to four; one justice took no part in the decision. Several state courts rendered decisions favorable to the constitutionality of a minimum wage law for women and children. In 1923, however, by a vote of five to three, the Supreme Court declared unconstitutional the law passed by Congress for the District of Columbia. In the majority decision, it was argued that the law constituted an infringement of the freedom of contract, and that it was not on a par with laws fixing a maximum working day. It was also stated that the constitutional amendment giving women the ballot equalized the bargaining power of men and women.¹ A state minimum wage law was later declared unconstitutional, the court holding it was bound by the decision in the District of Columbia case.

As the result of these two court decisions, all the mandatory state laws are no longer enforceable in so far as they affect women.² As it is not mandatory, the Massachusetts law was not affected by these decisions. In so far as the minimum wage laws relate to children, they are still enforceable. Evidently, in the opinion of the majority of the Supreme Court justices, the wage contract is for some reason more sacred than a contract in regard to hours of labor. A statute fixing a maximum number of hours in a woman's working day is constitutional; but one determining a legal minimum wage is not. It is difficult for the layman in legal matters to agree with this reasoning. Chief Justice Taft and Justice Holmes could not agree that a constitutional amendment practically equalized the bargaining strength of men and women workers. It might, however, be pointed out that the slow spread of minimum wage legislation compared with that of workingmen's compensation laws in the United States indicated that the American people did not consider the former a very important or especially desirable type of legislation. Organized labor in this country has not manifested much interest in the matter.

¹ Commons, J. R., and Andrews, J. B., *Principles of Labor Legislation*, pp. 227-229; Berman, E., *Journal of Political Economy*, Vol. 31, pp. 852-856.

² In 1932 eight states had mandatory minimum wage laws on their statute books.

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CHAPTER XXII

SOCIAL INSURANCE

THE AMERICAN POINT OF VIEW

The traditional American notion has been that insurance is a private matter. Only in recent years has the idea spread that it might be a matter of community concern. The four contingencies confronting industrial workers against which it is proposed to insure as the result of legislative action are: industrial accidents, sickness, old age and invalidity, and unemployment. The American states have quite generally accepted the first form as desirable; but favorable opinion in regard to the others has not developed sufficiently to lead to much legislative activity. Social insurance is compulsory, governmentally regulated insurance against the above-mentioned contingencies.

Pleas for compulsory health insurance, for old age pensions, or for unemployment insurance are still met by the old cry of paternalism. Individual savings accounts or voluntary insurance are pointed to as the proper methods of providing for sickness, old age, and unemployment. Our industrial and political leaders are dominated by the individualistic optimism of the so-called "self-made" man who completely overlooks the fact that revolutionary changes have occurred within the space of one or two generations. Our wealthy and "self-made" men have repeated over and over to the rising generation, and especially to the wage workers, the somewhat mythical story of their start in life. A graphic account is given of the way in which the first dollar was earned. Frugality and the saving of pennies are the magic passwords. Viewed in the colored light of such testimony, the idea of compulsory insurance and non-contributory pensions looks utopian and dangerous. It would appear that social insurance would inevitably destroy self-reliance and make the worker a weakling. If, however, a more searching examination is made of the careers of these self-made

men, it is usually discovered that the exploitation of natural resources and the ownership of valuable patents, privileges, or franchises, rather than mere frugality, furnished the basis of their economic prosperity. Today by mere frugality and saving neither the wage worker nor the average salaried man can hope to become moderately well-to-do. Multitudes of families in this country do not receive sufficient income to warrant any attempt to save for old age or for a "rainy day." In an epoch of small-scale industry, when competition was active and the capillarity of classes considerable, an old age pension scheme might and probably would have discouraged thrift and foresight. But today, in an advanced industrial nation, the conditions of industrial life, including the swings of the business cycle, and the increasing immobility of classes are such as to discourage individual frugality and saving. Under such conditions, the validity of the argument that non-contributory social insurance plans will discourage thrift and foresight may be questioned.

Sickness, unemployment, and old age are prolific causes of dependency. The arguments in favor of a system of compensation for industrial accidents as a desirable and humane method of reducing the amount of want, suffering, and need of charitable aid also apply in the case of other forms of social insurance. If wage workers cannot, without an undesirable lowering of their standards of living, save enough to provide for periods of sickness and unemployment and for old age, surely the government ought to relieve or prevent the distress by some more adequate and humane means than the poorhouse or the "dole." Social insurance may reduce individual initiative — although it may be questioned whether placing small sums at occasional intervals in a savings bank is very effective in stimulating individual initiative — but it certainly will promote the well-being of wage workers. The stern dread of an uncertain future will be replaced by a feeling of security. It is sometimes urged that pensioning and insuring workers against the various contingencies of industrial life will lead to unwise and harmful expenditure of present income. A hundred years ago Randolph argued against the establishment of free schools in Virginia for similar reasons. The day of rugged individualism of the frontier type is of the past. Our eyes should be turned toward the future which is bringing with it greater and greater need

for coördination and a wide field for group activities. Furthermore, uncertainty as to the future and the fear of unemployment often lead wage workers to spend their incomes recklessly.

EMPLOYERS' LIABILITY FOR INDUSTRIAL ACCIDENTS

The common law relating to employers' liability developed before the workmen were granted the ballot and while industry was in a simple and decentralized form. According to the old common law doctrine the determination of the liability for accidents in industry centered around the problem of fixing the responsibility for injury upon some definite individual — the injured workman himself, a fellow worker, or the employer. It is grounded upon the individualism of the eighteenth century. The doctrine may not have been palpably unfair to the employee in the days of the small shop and of the hand tool, but in the era of factories and railways, and of complicated and articulated machinery, the common law doctrine of employers' liability fails to deal adequately and justly with the injured worker and his family.

Under the common law the employer is required to provide "reasonably" safe machinery placed in a "reasonably" safe workshop and operated by "reasonably" careful workmen. In short, the employer must exercise "ordinary care." The employer is held responsible for the injury of a workman only in case he or his vice-principal has been guilty of negligence. But employers are not considered to be responsible for the danger connected with the occupation; the occupational risk is held to be assumed by the worker upon entering the service of his employer. As a matter of fact, the injured employee finds it difficult under employers' liability to compel the employer to pay adequate compensation in a large percentage of cases. Three important defenses complicate the matter and weaken the case of the injured worker — the fellow servant doctrine, the doctrine of contributory negligence, and the doctrine of the assumption of risk. By appeal to one or more of these defenses, the burden is often placed upon the shoulders of the worker and his family instead of becoming one of the expenses of the business.

The fellow servant doctrine was not early introduced into English and American law; and it is not found in other legal systems.

According to this doctrine the employer is released from his liability for the negligence of his agent, provided the injured worker is a fellow employee. In case of a small employer or a small workshop it is not difficult to determine what constitutes common employment; but in large industries the matter is not simple. Are the locomotive engineers and the switchmen fellow servants? Are the man who operates the elevator and the tool-maker fellow servants? Theoretically, relieving the employer from responsibility for the negligence of a co-worker is supposed to prevent accidents due to the carelessness of fellow servants. The worker in a small shop could demand and obtain the elimination of the careless fellow worker; but in large-scale industry an employee may be injured as the result of the negligence of another employee who may be unknown to the injured person. Yet, under a strict interpretation of the law these men may be judged to be fellow servants. The locomotive engineer has practically no means of ascertaining the carefulness or carelessness of a given switchman; yet the life of the former may frequently depend upon the efficiency of the switchman. Again, an injury may be due to the carelessness of fellow servants, but it may be impracticable to trace such carelessness to any one individual. Lastly, even if the responsibility for an injury can be definitely traced to a fellow worker, the legal right to hold him responsible is often of little or no practical importance. Wage workers are too frequently financially irresponsible. The net result of the fellow servant defense is to place the burden upon the injured man and his family in many cases where he has not been negligent. The courts have, in certain instances, manifested a tendency to modify the fellow servant doctrine by introducing what has been called "the departmental doctrine." An attempt was made to stretch the law to fit modern conditions by classifying employees. According to this doctrine employees in different departments of a large industry are not classified as fellow servants in the legal sense. Here again the difficulty of drawing a sharp line of demarcation often appears.

The doctrine of contributory negligence places all the legal responsibility for an injury upon the disabled person, providing that individual is partially to blame for the accident. In a few cases the courts have attempted to remedy the evident injustice of this defense by formulating a doctrine of comparative negli-

gence. In such cases the court has endeavored equitably to apportion the responsibility for an accident.

The courts are inclined to assume that the employee has fairly definite knowledge of the ordinary risks in his particular trade or occupation; consequently, it is frequently held that the worker assumes the occupational risk connected with his work. Again, notwithstanding laws requiring the employers of labor to provide a safe workshop, and tools and machines which are not defective, some courts have held that if the employee knew of negligence or of defects in the machinery or tools used by him, and did not notify his superiors of such negligence or defects, he could not hold the employer responsible for injuries received. Furthermore, if the employee did call the attention of his employer to the defect and the latter neglected to remedy it, continuance at work has been considered by some courts as evidence of the assumption of the risk. Under the unmodified common law a workman might sign, under pressure of the necessity of obtaining a job, a legally valid contract releasing the employer from all responsibility for accidents. In the case of a mining company each employee was expected to sign a contract stating that he was a "thoroughly competent and experienced workman" in the line of work in which he was engaged. The worker agreed carefully to examine practically all the equipment and appurtenances of the mine before exposing himself to the dangers in mining. In order to live up to the terms of this contract it was necessary for each worker to spend no inconsiderable amount of time each working day in ascertaining the exact condition of the equipment of the mine; and, if he actually carried out his part of the agreement, doubtless his discharge would follow.

Under the system of employers' liability, unless an agreement can be reached out of court, the only recourse left the injured workman is to bring suit against his employer. In either case the employee is at a disadvantage. His immediate necessities are pressing, and the ultimate outcome of a lawsuit is very uncertain. With the enlargement of the industrial unit and the consequent disappearance of the personal nexus between the employer and the employee, injuries to employees became more frequent and "enterprising lawyers who had no regard for the traditions of the profession began to promote lawsuits by the injured parties

upon an agreement for fees contingent on success." On the other hand, the harassed employer soon found relief from recurrent litigation by insuring in liability insurance companies. For a definite annual payment the burden of defending suits in injury cases was shouldered by the liability company; the insurance company also assumed the responsibility for all payments made to the injured employees. Skilled lawyers were employed for the purpose of defending the company. Thus another link was added in the chain between the injured workers and the parties responsible for the payment of damages. The insurance companies are organized primarily for profit; success for officers and lawyers means little or no compensation for the injured employees of the insuring industrial corporation. Under the liability system it is customary for employers to insure against damages in case of accidents which temporarily or permanently disable any of their employees.

The system of employers' liability does not work to the satisfaction of either the employer or the employee. (1) The system is not effective in reducing the number of accidents. (2) It is often difficult to prove negligence when negligence was actually the cause of the accident. (3) Legal redress is expensive, uncertain, and, when obtained, often long delayed and inadequate. A large percentage of the cost of the system is absorbed by lawyers and insurance companies; only a small fraction of the total cost to employers actually reaches the injured worker and his family. (4) The employers' liability system tends to increase the friction between employers and employees. The lawyers of the liability company frequently use all available means to browbeat and defeat the injured employee, and the latter inevitably feels that his employer is responsible for such treatment. Because of these defects, the employers' liability system in the case of industrial accidents has been displaced by workingmen's compensation.

WORKINGMEN'S COMPENSATION ACTS

The United States had the unenviable distinction of adhering to the theory of employers' liability after nearly every other important industrial country had adopted some definite system of compensation for accidents to employees. For years we stretched and patched our antiquated scheme of employers' liability, but it

proved to be a vain endeavor. The system was inadequate, unjust, uneconomical, and it did not tend to reduce the frequency of industrial accidents. By the end of the nineteenth century most of the European countries had passed compensation acts. In addition to definite and certain compensation in case of accident, provision had also been made before the opening of the World War in 1914, in all important industrial nations of Europe, for health insurance; and several countries provided for old age pensions. During the first decade of the century, public opinion in the United States rapidly crystallized in favor of the adoption of a system of workingmen's compensation. Official commissions, unofficial organizations, and students of social and industrial problems investigated. The American Association for Labor Legislation opened a vigorous campaign in favor of the compensation system. At first organized labor was somewhat skeptical about the merits of the system; and many business men were afraid of the disastrous effects of added business expenses.

In 1902 Maryland passed the first American workingmen's compensation law. The bill was badly drawn and it was soon declared unconstitutional; but the court did not consider the legal merits or demerits of a system of compensation for industrial accidents. In 1906 the United States Philippine Commission enacted a compensation law applicable to employees of the insular government. During disability because of injuries, wages were continued for a period not exceeding ninety days. In 1908 Congress passed a compensation measure which applied to certain laborers employed by the federal government. Subsequently, the scope of the law was extended, and in 1916 it was superseded by a well-drawn law covering civilian employees of the federal government. In 1909 the state of Montana passed a crude compensation act to cover injuries received by workers in coal mines. This law was declared unconstitutional on technical grounds. On September 1, 1910, a compulsory act went into effect in New York which applied to a specified number of hazardous employments. In March, 1911, this act was declared unconstitutional by the New York Court of Appeals.

The first permanent compensation acts became effective in 1911. In that year compensation acts were placed on the statute books of California, New Jersey, Washington, and Wisconsin. After 1911,

the enactment of such legislation was rapid; the compensation system apparently soon proved its desirability in actual practice. In January, 1932, forty-four states, the District of Columbia, Alaska, Porto Rico, Hawaii, and the Philippine Islands had workmen's compensation laws in force; the federal government protected all civilian employees of the United States, and the longshoremen and other harbor workers were protected by a federal compensation law. Railway workers engaged in interstate commerce were not covered by compensation legislation; this class of workers were under a federal employers' liability act. The four states which cling tenaciously to the antiquated employers' liability system are Arkansas, Florida, Mississippi, and South Carolina. These are Southern states without extensive industrial development.

The advantages of the compensation system for industrial accidents are practically the obverse of the disadvantages of the system of employers' liability. A good system (1) should guarantee, without the taint of charity, prompt and adequate compensation for injuries; (2) it should reduce the number of preventable accidents; (3) resort to the courts should be eliminated; (4) the extent of the employer's liability should be very definitely fixed so that the probable expense can be estimated with a fair degree of accuracy; (5) a contract waiving the right to receive compensation should be null and void; (6) the system should be carefully supervised by competent officials; and (7) provision should be made for re-training such workers as have been crippled by industrial accidents.

Under the old liability system, some individual was assumed to be responsible for each and every accident — the employer, a fellow workman, or the injured person himself. Under workmen's compensation, the burden of economic compensation in case of accident is placed, like fire insurance, among the expenses of business operation. This burden is reduced as the accident rate is lowered by the increased use of safety devices and by the greater emphasis upon carefulness. The prime test of a workmen's compensation law is found in the reduction in the number of preventable accidents. There is good reason for asserting that in no small degree the stress upon "safety first" is the fruit of workmen's compensation legislation. A system of compensation

for accidents makes it profitable to be humane and to protect employees; the old system of employers' liability, with its burden of legal technicalities, often made it seem profitable to be cruel, and careless and wasteful of human life and limb. Under an adequate workingmen's compensation law, the firm having more accidents than its competitors will have an extra expense to bear. Such legislation is scientific; it is far better than coercive laws which aim to force the use of safety appliances by means of legal penalties.

The constitutionality of a compulsory workingmen's act was definitely established in two decisions rendered by the federal Supreme Court on March 6, 1917. In the first decision upholding the constitutionality of the New York compensation act of 1914, the Court held: "It is plain that, on grounds of natural justice, it is not unreasonable for the State, while relieving the employer from responsibility for damages measured by the common-law standards and payable in cases where he or those for whose conduct he is answerable are found to be at fault, to require him to contribute a reasonable amount, and according to a reasonable and definite scale, by way of compensation for the loss of earning power incurred in the common enterprise, irrespective of the question of negligence, instead of leaving the entire loss to rest where it may chance to fall — that is, upon the injured employee or his dependents." In the second decision in regard to the Washington act the Court indicated clearly that it was of the opinion that compulsory compensation acts constitute reasonable extensions of the police power.¹

The compensation laws enacted in the various states differ greatly in regard to the benefits provided, the number of workmen covered by the legislation, the waiting period, the provisions for payment of the compensation award, and the administration of the system. In all except two states the amount of cash compensation is based upon the weekly wages paid. Certain states, however, provide for lump-sum payments for specified injuries. As a rule a fixed percentage of the wage received, within a maximum and a minimum limit, is allowed for all injuries. In case of permanent or partial disability or of death, the percentages vary from fifty in several states to seventy in Wisconsin. Sixty-six and two-

¹ *Bulletin of the Bureau of Labor Statistics*, No. 224, pp. 232 ff. and 252 ff.

thirds is the percentage used in fifteen states. For total disability, seventeen states and the federal government provide for the payment of benefits during the continuance of disability. Other states fix a maximum number of weeks during which payments shall be made. The majority of the states provide for greater benefits in case of permanent total disability than in the case of a fatal accident. It is recognized that the family would suffer a greater economic loss if the breadwinner were permanently disabled than it does if he were killed outright. Provisions are also made for medical aid in addition to cash benefits. Progress has been made in recent years toward increasing the coverage or the percentage of the entire number of workers placed under the protection of the compensation laws. Farm laborers, domestic servants, and casual employees are, as a rule, excluded from the operation of the compensation laws.

Except in Oregon and South Dakota, no compensation is paid for a definite period at the beginning of the disability. This "waiting period" is usually three to seven days; in seven states, the period is more than seven days. In certain states, payments are made for the waiting period, if the disability extends beyond a specified length. Four different methods are used in carrying the insurance provided under compensation laws: a state fund into which employing firms pay the required premiums; insurance in a private insurance company; insurance in a mutual insurance company; or the risk may be carried by the employing company. Eighteen states provide for a state fund; in seven of these states (minor exceptions in two) the state fund is exclusive of other methods. The American Association for Labor Legislation suggests that "sentiment is rapidly developing in favor" of the exclusive state fund. A responsible administrative body should be organized to see that the injured worker and his family receive the payments provided for in the law, that these payments are paid promptly, and that the necessity of litigation is removed. In seven states, Alaska, and the Philippine Islands, however, no provision is made for such an administrative body.¹

The chief weaknesses of the compensation laws of American

¹ For a brief analysis of the compensation acts of American states, see *Bulletin of the Bureau of Labor Statistics*, No. 496, and the annual pamphlets issued by the American Association for Labor Legislation.

states have been lack of uniformity, insufficient coverage, failure to include disability resulting from industrial or occupational diseases, and the lack of provision for vocational reëducation of disabled workers. Industrial diseases result from sudden changes of temperature in such plants as glass or iron and steel factories, extreme humidity of the shop atmosphere, abnormal air pressure, industrial poisons as in lead-working plants, and dust as in stone cutting or in the use of emery wheels. An industrial disease is as certainly an industrial hazard as is an industrial accident. The former is produced by small, oft-repeated, unnoticed injuries; the latter is more spectacular and is the result of one definite injury. The danger of contracting an industrial disease is, however, an occupational risk; and this risk may be reduced by preventive measures. All the arguments in favor of a compensation law for industrial accidents may logically be used in arguing for the coverage of industrial diseases. Ten states, Hawaii, the Philippines, Porto Rico, and the federal government have compensation laws which cover all or certain specified industrial diseases. Compensation alone is not enough; it is highly desirable from the point of view of society, as well as from that of the injured worker and his family, that the permanently injured worker be so treated and re-trained as to allow him, if possible, again to become a wage worker. It may be necessary for him to learn a new trade or occupation. In 1920 federal aid was granted on the fifty-fifty basis to states carrying on rehabilitation work. Nearly all the states now make provision for the re-training of industrial cripples. Provisions should also be made for greater flexibility in awards in case of permanent disability; among the factors to be taken into consideration are the age and occupation of the injured employee and the nature of the injury.

HEALTH INSURANCE

In 1932 nearly all the important European nations provided for some form of health insurance for industrial workers. In the United States, however, no state had adopted any form of health insurance. The desirability of such insurance has been urged upon several state legislatures. In 1919 a bill was introduced in the State Legislature of New York providing for health insurance. Prior to that time the American Association for Labor Legislation

had prepared a draft of a standard bill for compulsory health insurance. This proposed piece of legislation provided that forty per cent of the necessary premiums be paid by the insured employee, forty per cent by the employer, and the remaining twenty per cent by the state government. This triple form of payment was held to correspond roughly with the relative burden of responsibility for the sickness of the wage worker. The insurance was to be carried in one of three ways: (1) by a state fund; (2) by approved societies or unions; or (3) by district mutual insurance associations. The benefits to be provided by insurance carriers were medical, surgical, and nursing attendance; funeral benefits; maternity benefits; and cash benefits. The cash benefit was to begin on the fourth day of illness; it was to be equal to two-thirds of the weekly wages of the insured; and it was not to be paid for more than thirteen weeks in any one year. The system was to be supervised by a state insurance commission. Provisions were made for varying the premium rates in accord with the sickness rate; and provisions were inserted for the purpose of securing competent and acceptable medical service.

Sickness is a far more important cause of poverty and dependency than accidents; and much sickness is preventable. The primary purpose of health insurance should be to prevent sickness rather than to relieve the distress in the families of wage workers caused by the illness of the breadwinner. Scientific health legislation will stress prevention rather than philanthropy; it will cause the employer, the employee, and the public generally to look upon sickness not merely as a personal misfortune but more particularly as an economic calamity in which the nation is vitally interested. A properly drawn health insurance act will make the reduction of the sickness rate financially desirable to both employer and employee. After workmen's compensation acts went into effect, the services of safety experts were in demand; for similar reasons after the passage of health insurance acts the service of medical experts will be called for in order to eliminate much sickness and thus to reduce insurance rates. Instead of trying by means of coercive legislation to punish employers for insanitary and unhealthful conditions in their workplaces which will increase the sickness rate among their employees, let the plan of rewarding them for improving workshop conditions by

lowering insurance rates be given a thorough trial. Such are the arguments advanced in support of compulsory health insurance. It is much more complicated than workingmen's compensation. No state should enact a health insurance act without very careful and detailed study. For a decade or more there has been little or no agitation in the United States for compulsory health insurance.

OLD AGE PENSIONS

The extraordinary rapidity of industrial and social change in recent decades has endangered the economic security and discounted the worth of the counsels of the aged. The changes in the home and in family life, and the increase of urban living in relatively cramped quarters, have also made the aged less desirable members of households dominated by a younger generation. As a consequence, the dignity and security of age are being undermined. The problem of pensions for the aged is a by-product of recent industrial transformations. In farming and in the simpler and less specialized and integrated processes of earlier industry, the aged worker could do his bit; but he often becomes a weak link in the chain of mass and highly specialized production.

Provision for the old age of industrial workers may be made through charity, savings, insurance, or pensions. Charity is an undesirable and repulsive makeshift. For the great majority of workers receiving a low wage, voluntary saving or insurance sufficient to provide adequate maintenance after the work period is ended, is difficult of accomplishment. To the young, old age seems a distant and uncertain contingency; it does not seem sufficiently near to cause systematic saving. Adequate protection against want or charity in old age demands for the rank and file of industrial workers either an insurance or a pension plan. Such plans may be governmental (social) or private. Private plans, whether fostered by a labor organization or by an employing corporation, will not cover all workers. Many do not belong to labor organizations, and up to date, few, if any, have adequate actuarially sound plans. Only a few corporations have developed a pension system for their workers; and, as a rule, such plans are not grounded on any definite contractual basis. Almost invariably the plan may be ended at any time by the employing firm. The conclusion

seems inevitable that any adequate old age pension or insurance scheme for industrial workers must be compulsory and governmentally directed. It has been estimated that about one-third of the persons sixty-five years of age or over in the United States are dependent upon charity or relatives; and the percentage of the old reported as gainfully employed is steadily declining. On the other hand, the average expectancy of life is increasing. Evidently, the solution of the problem of adequate financial protection for the industrial worker from the menace of poverty and dependency in old age is too difficult for private initiative. Furthermore, the aged worker who is forced into the almshouse is considered to be an unworthy outcast.

The United States, China, and India have the distinction of neglecting to adopt "any form of constructive care for the aged." At least thirty-eight countries have adopted some form of old age pension or insurance for wage workers. Of this total, twenty-five use insurance or the contributory principle. Great Britain, Germany, and France are in this group. Contributions are made by employers, employees, and the state. In some countries in this group, the contributions are made by employers and employees without governmental subsidy. In twelve countries the pension or non-contributory plan is used. Australia, Canada, and Denmark are in this group. Japan provides only for voluntary insurance. When European countries first recognized the desirability of protection for the aged, plans for voluntary insurance were encouraged; but the futility of such schemes soon became evident.¹

In the United States, the legislative enactment of old age pension laws began in Arizona in 1914. This act was badly drawn and was soon declared to be unconstitutional. The Territory of Alaska passed an old age pension law in 1915. The next laws were passed in 1923, in which year Montana, Nevada, and Pennsylvania adopted state systems of old age pensions. The Pennsylvania act was declared to be unconstitutional. At the end of 1931, seventeen states and Alaska had laws upon their statute books providing for non-contributory old age pension systems. Neither the employer nor the employee is asked directly to contribute. The money to provide for the payment of pensions is raised by taxation. Of these seventeen state laws, ten are mandatory and state-wide

¹ Epstein, A., *The Challenge of the Aged*, pp. 295-298.

and seven are optional with the counties. The federal government has not as yet passed legislation pensioning the veterans of industry. A federal law granting a subsidy in addition to the pension allowed by a state would doubtless hasten the general adoption and standardization of state laws. Delaware bears the entire expense of old age pensions, and, in five states, the state bears a fraction of the expense; but in the remainder of the seventeen states the cost of old age pensions falls upon the local governmental units. The maximum amount of pension granted varies from \$250 per year to \$1.00 per day. In order to obtain the meager pensions allowed under the various state laws, the aged dependent must be a worthy citizen of sixty-five or seventy years of age who has resided within the state for several years and who is in indigent circumstances. In fact, the cost of maintaining the aged in almshouses is as great as the pension allowed under the most liberal state laws; but a pension which will keep the aged and retired wage earner out of the depressing atmosphere of the almshouse is certainly a humane measure.

A contributory insurance plan for old age protection may be theoretically superior to the non-contributory pension. It will not, however, aid those who have already reached or are near the age of retirement. In a country in which workers frequently move from one locality to another, the contributory pension plan demands "complicated administrative machinery for the collection of payments and preservation of records over long periods of time." There are state and federal laws providing for contributory pensions for certain groups of state, municipal, and federal employees. Federal employees on the classified civil service list pay $3\frac{1}{2}$ per cent of their salary into an insurance fund which is supplemented by public funds. Employees of the Panama Canal and the Panama Railway Company are protected by a "compulsory, contributory old age pension law." State supervision of voluntary old age insurance has been tried without notable success in Massachusetts and in Wisconsin.

UNEMPLOYMENT INSURANCE

It has been pointed out that unemployment is the result of a complex of diverse causes. A consideration of this form of social insurance may well open by asking: What is the purpose of

unemployment insurance? What is it intended to accomplish? Is it a relief measure? Or is it designed to stimulate business managers to reduce seasonal, cyclical, or other irregularities in employment and plant operation? The term *unemployment insurance* is ordinarily used to cover two similar but not identical programs: unemployment insurance, such as is found in Europe and New Zealand, and unemployment reserves, of which the plan provided by the Wisconsin law of 1932 is an example. Unemployment insurance in this narrower sense is a relief measure. Unemployment reserves are secondarily for relief but primarily for the reduction of seasonal and cyclical irregularities in employment. Two other programs are closely related to that of providing unemployment reserves: a dismissal wage and employment guarantees. A dismissal wage is primarily introduced for the purpose of reducing and partially shifting the financial burden of technological changes and progress now resting on displaced workers and their families. The displaced worker would be paid a wage for a period after displacement. Workers who are promised a definite number of weeks' work a year are given employment guarantees. The worker is assured of his job; and the employing concern stabilizes its production.

It should be reiterated at the outset of the discussion of an unemployment insurance program that the workers of the nation are entitled to regular and suitable employment. A nation's fundamental responsibility is to keep its citizens and their families from destitution and starvation, to find suitable jobs for all who are willing and able to work. There is no adequate substitute, whether unemployment insurance or some other scheme, for a good job. The cry for a compulsory system of unemployment insurance or of unemployment reserves in the United States has arisen because American business men and our governmental representatives have failed efficiently to operate the big industrial machine, the United States of America, Inc., because we as a nation have failed to provide adequately and regularly for one hundred twenty-four million people. If we learn to operate this giant machine smoothly and continuously, there will be little unemployment and consequently little need for unemployment insurance. If, however, the best brain power of the nation is not directed toward the reduction of unemployment and the elimina-

tion of the extreme peaks and hollows of the business cycle, we must expect insistent and persistent demands for unemployment insurance or for more radical programs. "Employment insurance" instead of unemployment insurance is the preferable program. Employment insurance would be a positive program. It would put the idler to work and give him purchasing power. In the words of Ethelbert Stewart, "There is plenty of work to be done in this country and plenty of people to do it."

In 1930 eighteen European countries, Mexico, and Queensland in Australia had "either voluntary or compulsory insurance schemes fostered and aided by the State."¹ New Zealand also had an employment relief measure for male workers maintained out of funds provided by the workers and the government. Employers do not make payments toward the relief fund. Ten of the twenty countries have compulsory unemployment laws upon their statute books; the remaining ten provide for voluntary plans. In the majority of the compulsory laws, the employers, employees, and the state contribute. In Italy, the state pays nothing; in Russia, the employers alone contribute. In Germany, over eighteen millions of workers are protected by the unemployment insurance program. Employers and workers contribute equal amounts toward the fund; the states and the central government provide funds in case of deficits and for an emergency fund. Benefits are paid in accordance with an elaborate classification based upon wage payments. Benefits are normally payable up to twenty-six weeks; but in a time of abnormal unemployment the period may be extended. In this case, payments are made out of the emergency fund. In Great Britain, contributions are made by employers, employees, and the government. The English plan was first put into effect in 1911. It originally applied only to a small fraction of British workers; in 1920, the scope of the measure was broadened so as to include under its provisions a large percentage of the wage workers of the nation. As the amount of unemployment has been abnormally large since 1920, it has been necessary for the government to lend large sums to the fund, and benefits have been extended beyond the period provided according to law. Under the British law, the amount of benefit paid is not fixed in proportion to the wages which the unemployed person had been

¹ *Monthly Labor Review*, Oct., 1930, p. 82.

receiving before losing his job. Flat rates are paid to all persons within a group based upon age and sex classification. Additional allowances are made for dependents. The English measure, like practically all the European unemployment insurance plans, was not intended to be an instrument used for the reduction of the amount of unemployment. It was expected to be a factor in relief for the unemployed and their families; it has been the means of placing a certain amount of purchasing power in the hands of those out of work. This measure was planned to help sustain the total purchasing power of the nation, and to aid in reducing the dip of the business cycle. From this point of view, the British system of unemployment insurance should not be called unsuccessful.

As has been indicated, the leading European statutes providing insurance in case of unemployment do so primarily for relief purposes. Unemployment appears to be accepted as inevitable and incurable. On the contrary, the American proposals look toward the reduction of seasonal irregularities in employment and also toward relief if seasonal irregularities are not eliminated. The notion prevails that employers and business managers can prevent or at least reduce the amount of unemployment. The American plans for unemployment reserves aim at the reduction of seasonal fluctuations in plant operation, and offer relief in cases of unemployment due to such irregularities; but, since these proposals limit payments to the unemployed worker to ten to thirteen weeks in a year, they do not provide for the catastrophe of a depression period of considerable duration. In the United States, it is proposed to penalize the employer who runs his plant irregularly. The advocates of unemployment reserves point to workmen's compensation. The laws providing for compensation in the case of an industrial accident put additional financial burdens upon the employing concern which neglects to provide adequate safety appliances or to adopt methods which tend to reduce accidents. The American proposals for unemployment insurance aim to stimulate interest on the part of the employer in regularization. All the proposals to date (1932) seem to be aimed at the reduction of seasonal rather than cyclical irregularities in plant operation. In the case of technological unemployment, unemployment reserves would act like dismissal wages. The displaced worker who is unable to obtain suitable employment

would receive for a short period of time the insurance payments provided under the law.

In January, 1932, Wisconsin passed the first American law providing for unemployment reserves. The administration of the law is placed in the hands of the Industrial Commission. This body is authorized to develop an extensive system of public employment agencies so that suitable employment may be found, if possible, for the unemployed. The law will become operative on July 1, 1933, unless employers with total payrolls of 175,000 workers guarantee steady work or adopt an unemployment reserve plan acceptable to the Industrial Commission. According to the provisions of the statute, each employer must pay into the state treasury two per cent annually of his payroll, excluding those who receive over \$1,500 a year, until a fund is accumulated equal to \$55 for each insured employee, after which he is required to pay one per cent until the fund reaches \$75 for each employee. No further payment is required unless the fund is drawn upon to pay benefits. No payments are made by workers.

Each employing firm builds up a fund entirely separate from that required of other employers. One employer is in no way financially responsible for unemployment in another concern. Each eligible employee in case of unemployment may receive benefits equal to fifty per cent of his weekly wage, within a maximum payment of \$10 and a minimum of \$5 per week. The maximum period within which benefits may be received is ten weeks in a calendar year. A considerable group of employees, including farm labor, domestic servants, railway workers, public officials, and those who receive more than \$1,500 per year, are excluded from the benefits of the law. Workers who have resided less than two years in Wisconsin or who have not worked for at least forty weeks within the state during the last two years are also excluded. The voluntary quitting of a job renders a worker ineligible to receive unemployment benefits; a worker discharged because of misconduct is also ineligible to benefits. A claimant for benefits must register with the public employment agency in his district, and must accept suitable employment when offered. Debatable questions as to what is suitable employment and what constitutes misconduct will be decided by the Industrial Commission.

If a reasonably well-drawn plan of unemployment reserves,

similar to the Wisconsin law, is on the statute books of a state, industry within the state is held responsible for ordinary seasonal irregularities and for a payment of a fraction of the wage for a period of ten to thirteen weeks in the case of technological and management changes which cause displacement of workers. Under this law, however, the industry is not responsible for long periods of unemployment due to a serious depression or for technological unemployment after a short period of unemployment has passed. Unemployment reserves are primarily advocated in order to reduce the irregularity of industrial operation, and to take from the shoulders of displaced workers part of the burden of irregularity of employment and of technological advance. Under the operation of such a measure the cost of change, which has been in a large degree placed upon the consumer and the worker, will be placed more directly upon those responsible for the change.

If industry is made responsible for unemployment reserves which provide payment to the displaced or laid-off worker for ten to thirteen weeks, governmental units may reasonably be held responsible for the care of the unemployed and their families after that period is ended, and provided no suitable job can be found for the breadwinner of the family. If the community and business fail in operating the industry of the United States of America in a systematic fashion, then direct aid or relief should be given to the unemployed. If industry is paralyzed as in 1929-1932, public and private relief must be called upon. Unemployment insurance cannot reasonably be expected to fill the gap. If all the methods of reducing unemployment fail, then and then only should the community be called upon for charity or doles.

Any public unemployment or reserves plan confronts at least two obstacles. (a) How can the willingness to work be tested? In England and Germany, excellent networks of public employment bureaus have been organized. To these the unemployed must apply before they become eligible to receive benefits. If the bureau cannot find a suitable job for a registered workless person, he is in line to receive insurance benefits. (b) What is suitable employment? Shall a skilled worker out of a job be obliged to take one requiring little skill if no other be available, or forfeit his rights to benefits? In clear cases, the answer is no; but in actual practice many border cases will appear to perplex the authorities. Any un-

employment insurance plan which can be well administered must be supplemented by a good system of public employment agencies.

Private unemployment benefit plans in the United States may be divided into three groups. (1) *Union Plans*. In 1931 three small national unions composed of skilled workers, and a considerable number of locals, maintained unemployment benefits for their members. About 45,000 were eligible to benefits. (2) *Employing Company Plans*. Fifteen plans established by individual employers or groups of employers were in existence in May, 1931. Of about 116,000 employees only slightly more than 50,000 were eligible to the benefits provided for the unemployed. Six of these companies guaranteed employment for a definite number of weeks per year. The Procter and Gamble Company, for example, guarantees employment at full pay for 48 weeks per year. The Dennison Manufacturing Company, the Dutchess Bleachery, Leeds and Northrup, and three companies jointly in Fond du Lac, Wisconsin, have developed unemployment benefit funds toward the maintenance of which the workers do not contribute. The General Electric Company and a few other firms have organized joint contributory schemes. (3) *Joint Agreement Plans*. These are established by an agreement between labor organizations and employers. Approximately 65,000 workers were covered in May, 1931. The most important and well-known plans in this group are found in the men's clothing industry, based on agreements made with the Amalgamated Clothing Workers. In Chicago, employers contribute 3 per cent and employees $1\frac{1}{2}$ per cent of the payroll. The fund is controlled and administered by a Board of Trustees. Subject to certain qualifications, employment benefits will be paid at the rate of 30 per cent of full-time weekly wages. In New York City, the cost is borne by the employers, and, in Rochester, equally by employers and employees. In the ladies' garment industry in Cleveland by joint agreement, the employers guarantee 38 (was 40) weeks' work each year. If work is provided only for less than the 38 weeks, one-half of the regular wage is to be paid for the idle time beyond the 14 weeks not covered by the agreement. To date, private plans have provided for only a small percentage of the total number of wage workers.¹

¹ *Bulletin of the Bureau of Labor Statistics*, No. 544; *Monthly Labor Review*, Dec., 1931, pp. 31 ff.

Several foreign nations have enacted laws applying to the discharge of industrial workers and providing for dismissal wages. In the United States the practice of paying a dismissal wage has been growing. It has been estimated that during the five years preceding 1932 over "half a hundred formal and an equal number of informal dismissal compensation plans have been adopted." Among the companies which have used the dismissal wage plan are the United States Rubber Company, Hart Schaffner & Marx, the Norton Company, the American Rolling Mill Company, the Dennison Manufacturing Company, General Foods Corporation, and the Delaware and Hudson Railway. The General Foods Corporation, for example, gives thirty days' advance notice and aids in finding other jobs. A dismissal wage is paid according to the following schedules: "Employees with a service record of from eighteen months to four years and six months each receive two per cent of their last yearly salary multiplied by full years of service; those with service records of from four years and six months to nine years and six months each receive two and one-half per cent of their last yearly salary multiplied by full years of service; and all employees with a service record of more than nine years and six months receive three per cent of their last yearly wage multiplied by full years of service."¹ The dismissal wage program is a recognition of the notion that industry should rightfully bear at least part of the cost of obsolescence of labor as well as of machinery and other forms of capital.

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CHAPTER XXIII

COÖPERATION

TYPES OF COÖPERATIVE ENTERPRISES

Coöperative enterprises may be divided into at least four general classes: (1) consumers' coöperation, represented by the coöperative store; (2) producers' coöperation, of which a factory operated by the workmen in the plant is an example; (3) distributors' coöperation as in the case of the marketing of fruit by a coöperative association; and (4) credit coöperation, illustrated by a credit union. The third and fourth forms are usually organized and controlled by others than wage earners; and, consequently, will only be given brief consideration. Indeed, producers' coöperation is the only one of the four forms which is strictly a wage workers' association.

Unlike profit sharing, coöperation of the first or second class involves a fundamental change in the present industrial order. Profit sharing is a device proposed and inaugurated by the employer primarily to increase his profits, and to enable him to cope more easily with his competitors or to reduce industrial or political friction and opposition. The control of the business remains in the hands of the management, the representatives of the owners. On the other hand, coöperation places the business in the hands of the employees or the consumers, and sweeps the employer aside as a useless encumbrance. The management of the business is placed in the hands of a manager or superintendent selected by the workers or by the customers. Consumers' coöperation has been designated as the "third tool" of the workers; by its use they are organized as consumers. The other two "tools" are labor parties and labor organizations. Producers' coöperation is clearly a form of industrial democracy. The employer and the employee are merged into one. The workers participate in the profits of the business, and its control is in their hands. While coöperation means a radical change in industrial control, it has confronted

little opposition because it comes about in a piecemeal fashion, does not require political action, and does not demand direct-action methods.

THE COÖPERATIVE STORE

A store operated by a corporation or by a partnership and a genuine coöperative store exhibit marked differences. In the coöperative store, the profit or surplus after paying running expenses, including depreciation, and interest on the capital stock, is divided among the coöperating purchasers in proportion to the value of the goods purchased. The family of a coöperator purchasing twice as much at the store as another, receives double the rebate or dividend received by the latter. In a store operated by a corporation, the profits are distributed among the stockholders in proportion to the amount of stock owned. To become a co-operator, one must buy at least one share of stock — usually of low par value — upon which a definite rate of interest is paid. In a coöperative store, each coöperator has one vote only; in the case of a corporation, the stockholder has as many votes as shares of stock. Voting by proxy is not ordinarily permitted in a co-operative organization. As a rule, credit is not allowed on purchases made at a coöperative store. The sale price is usually the market price of the goods purchased. Non-members may purchase goods; but will not receive a dividend or rebate upon such purchases. A genuine coöperative store distributes dividends according to purchases, pays interest upon the money invested by the coöperators, and allows one vote per coöperator. Not all organizations, however, called “coöperative” are genuine.

CONSUMERS' COÖPERATION IN GREAT BRITAIN

The first practically successful coöperative stores were organized in Rochdale, England, in 1844. Other movements, however, preceded the attempts of the “Rochdale Society.” Robert Owen was much interested in the movement. According to the late Professor Frank Parsons, in 1830 there were 250 coöperative societies in England. But the weavers of Rochdale seem to have been the true pioneers in this important movement. In recent decades the growth of consumers' coöperation in Great Britain

has been notable. In 1927 the coöperative retail stores of Great Britain had a membership of nearly 5,000,000. Approximately one-third of the families of the country were represented. Two important wholesale coöperatives were controlled by the retail establishments. These in turn operated manufacturing enterprises, fishing fleets, steamships, and plantations. The wholesale societies of Great Britain are reported to be "the largest importers of tea, grain, butter, sugar, and dried fruits."¹ The coöperative establishments of Great Britain constitute one of the great businesses of the world. It is a business that "has never been accused of raising prices, has not created even a moderate fortune for anybody, has not a single officer who is a 'magnate,' a 'captain of industry,' or even a 'high financier.' It has no securities on the market, and has never had an underwriting syndicate." Some British coöperatives have extensive libraries; classes in art, science, and literature, and lectures upon a variety of subjects are conducted under the auspices of the societies; concerts, entertainments, and excursions are arranged for the members; and some societies conduct evening continuation schools. The movement has also achieved considerable success in Belgium, France, and other European countries.

CONSUMERS' COÖPERATION IN THE UNITED STATES

In the United States, some ephemeral attempts were made soon after 1831, by the New England Association of Farmers and Mechanics, to organize coöperative stores. The life of these ventures into untried fields was short. During the unique period of the forties and fifties, characterized by an extraordinary amount of political and social ferment, coöperative stores were organized by associations of farmers and mechanics. Many stores, possibly as many as 700, were doing business at one time in the early fifties; but with the opening of the Civil War came an abrupt termination of the movement. In the latter years of that struggle there was much agitation and discontent among the workers, and some ephemeral coöperative stores were established. Soon after the war ended, coöperative associations were formed in connection with certain farmers' organizations and some labor unions.

¹ Warbasse, J. P., *Coöperative Democracy*, p. 35.

The Patrons of Husbandry, popularly known as the Grangers, established many coöperative stores early in the seventies. In 1876 the highest officer of the order said: "Hundreds, and, it may be, thousands, of coöperative stores have been established in the various States and Territories of the Union with various amounts of capital, and perhaps as various in other features and their fortunes." At one time there were grange stores in nearly every county in Ohio and in one-half of the counties of Illinois. "The enthusiasm of the Grangers for coöperation gradually died away as prosperity followed the panic of 1873, and with the relaxation which usually follows the rapid growth of any organization." Coöperation was a basic principle of the Knights of Labor; and a considerable number of coöperative stores were established during the period, 1881-1888, under the auspices of that labor organization.

In 1929 the Bureau of Labor Statistics found 656 consumers' coöperative establishments in the United States—retail store societies, 422; distributive departments of marketing associations, 52; societies operating gasoline filling stations, 146; others operating boarding houses, bakeries, restaurants, etc., 36. Several college coöperative stores have been successfully operated. These societies operated 845 establishments of various kinds, employed over 4,000 full-time workers, and reported a combined membership of over 200,000. Eight coöperative wholesale organizations were in existence in 1929. Consumers' coöperation in the United States has not as yet been notably successful. A membership of 200,000 compared with 5,000,000 in Great Britain is indicative of the lack of interest in the movement in this country.

Why has consumers' coöperation obtained only a precarious foothold in the United States? Several reasons have been advanced by students of the movement. In this country, department stores, five- and ten-cent stores, mail order houses, trading stamp schemes, and expert advertising have been obstacles in the path of the coöperative store movement. The American people have been too individualistic; coöperation has not appealed to them. The mobility of the American workman is much greater than that of the European worker, who usually remains in the town in which he was born. Americans have been less thrifty than Europeans; the prospect of obtaining small savings must attract those

who make good members of coöperative associations. Our higher standards of living have led to the demand for a variety of food, clothing, and other commodities. Only stores with a considerable amount of fixed capital can successfully compete when it is necessary to carry a large and varied stock. The lack of powerful wholesale coöperatives has also interfered with the growth of retail coöperatives. The ignorance of the farmer and the wage earner as to the desirability of expert managerial skill has caused many coöperative ventures to end in failure. A man taken from the farm or out of the shop without much business experience will rarely make a successful manager of a coöperative store. "Poor business methods, injudicious purchases, over-stocking, wastes in weighing, and many other practices, all of which bring disastrous results, are very prominent in the coöperative movement."

PRODUCERS' COÖPERATION

In the pure and simple form of producers' coöperation a number of workers unite to operate a productive enterprise. They furnish or borrow the capital, and elect the manager of the business. The ultimate control of the enterprise rests with the workers, not with the owners of capital. Each worker is allowed one vote, and all workers in the establishment are admitted to membership. Such is producers' coöperation in its normal condition. The plan is theoretically excellent; it appeals to the idealist. In actual practice, however, producers' coöperation has encountered many obstacles.

The guilds of the medieval period were in reality forms of producers' coöperation. The employer or capitalist function was not as yet differentiated from that of the worker. With the downfall of the guild system, producers' coöperation vanished. The first isolated example of a coöperative society of producers is found in England in 1777. A few tailors on a strike formed a coöperative association. But France is the real cradle of producers' coöperation. A society of jewelers was formed in 1833, a decade before the attempt of the Rochdale Pioneers. The revolutionary disturbances of 1848 ushered in many attempts at coöperative activity. The government loaned money to certain associations, and favored associated groups of workmen in granting public contracts.

The movement was based on the quicksands of enthusiasm and sentimentality. Failure was the end of practically all of these ephemeral and subsidized ventures.

In the United States attempts have also been made to establish producers' coöperative associations. There is reason for believing that in 1730 a coöperative movement was started among the fishermen of New England. The first well-authenticated movements were those of the Philadelphia cabinet makers in 1833, the molders of Cincinnati in 1848, and the Boston tailors in 1849. During the decade of the eighties, the Knights of Labor were responsible for the organization of many coöperative associations. The most famous of the American attempts was that of the coopers of Minneapolis. After two failures, a successful venture was made in 1874. In 1886, there were seven coöperative associations; in 1905, only three survived; in 1931, the last association ended its career. The cooperage business as an adjunct to the milling industry of Minneapolis was a declining industry. The Bureau of Labor Statistics found 39 producers' coöperative associations in 1925, and 20 in 1929. Those existing in 1929 were distributed among the following industries: box, cigar, shoe, and veneer factories, coal mining, enameling plants, fish canneries, laundries, and shingle mills.¹

The longshoremen have utilized producers' coöperation in a simple but interesting manner. Local groups divide their members into gangs. Each gang elects its own foreman; and the union distributes the work among the gangs. The foreman collects the wages for the entire gang, and divides the amount equally among the members, himself included. The union under these conditions is practically a contractor. Loafing is corrected by the public sentiment of the gang, as it is to the interest of the gang that all work and work efficiently.

It is difficult for manual laborers to give sufficient weight to managerial ability. Coöperating workmen are usually loath to pay sufficient wages to secure an efficient manager; nor are they willing to give him adequate authority in the management of the plant. Industrial democracy, as found in producers' coöperation, has thus far exhibited the faults of early political democracy —

¹ *Monthly Labor Review*, Dec., 1930, p. 28; Virtue, G. O., *Quarterly Journal of Economics*, Vol. 46, pp. 541-545.

lack of emphasis upon experience and expertness, frequent changes in officials, and the like. In a self-governing workshop some person or group of persons must be given authority to issue orders based upon expert judgment, and which must be obeyed. A factory cannot be successfully operated if technical decisions are subject to a referendum to the rank and file of the workers. "The willingness to take orders will be the chief test of the new consciousness of industrial democracy. . . . Here is the supreme problem of morals and intelligence. It is the crux of democracy in whatever field of conduct."¹

A producers' coöperative association cannot obtain large amounts of capital, and it is not easy to attract and hold customers in the face of fierce competition from non-coöperative business rivals. Unless the work is practically of a uniform character, the problem of a fair division of the profits between different types of workers is not easy to solve. When losses instead of profits appear the danger of disruption is not small. Indeed, the menace is a double one. When the venture is successful, and additional workers are needed, the original members are prone to hire workers instead of admitting them as full-fledged coöperating and profit-sharing members. Thus, the successful plant soon becomes in essence a corporation. The producers' coöperative association is in a position of unstable equilibrium. If successful or unsuccessful financially, its life as a coöperative association is soon ended.

A producers' coöperative establishment is in the most favorable condition for successful operation (*a*) when the managerial ability required is slight, (*b*) when the business is not complex, (*c*) when the work requires little difference in the skill of the workers, and (*d*) when only a small amount of capital is needed for the efficient operation of the business. An investigation of producers' associations in the cooperage industry of Minneapolis reached the conclusion that this form of organization has given greater permanence and regularity of employment to the membership of the association; it has improved and strengthened the character of the workers; and it has proved that democratic control does not necessarily involve dishonesty, insubordination, or frequent changes in the personnel of management.²

¹ Hobson, J. A., *Incentives in the New Industrial Order*, p. 125.

² Virtue, G. O., *Quarterly Journal of Economics*, Vol. 19, pp. 527-544.

DISTRIBUTORS' COÖPERATION

In this class are found such enterprises as coöperative creameries, coöperative elevators for the grain of the Western farmer, and coöperative associations for the purpose of growing and marketing raisins. The coöperative elevators are established by combinations of farmers in order to cope successfully with the so-called "grain-buyers' trust." The California Raisin Growing Association, formed in 1898, was evidently organized to control prices. Every member of the association is required to sign a contract putting the management of his raisin crop in the hands of the association. The raisins are to be packed and marketed in such a manner as seems best to the officers of the association. Each member delivers his raisins to an association packing house. An inspector of the association weighs them and credits the amount to the grower. A large fraction of the citrus fruit grown in California is sold by coöperative associations. In the grain-growing states, farmers have organized large numbers of coöperative elevators. The Division of Coöperative Marketing of the United States Department of Agriculture estimated in 1928 that approximately 2,700,000 farmers sold all or a part of their products through coöperative societies. Grain, fruit, dairy products, livestock, cotton, vegetables, tobacco, and other products are sold by coöperative societies. The aggregate business was estimated to be \$2,400,000,000 annually. Such associations are of little importance to the wage workers; they are examples of middle-class coöperation.

CREDIT COÖPERATION

Credit coöperation attained its greatest success among the farmers of Germany. The movement started about the middle of last century. By means of these associations farmers, small business men, and wage earners are enabled to borrow at reasonable rates of interest. One authority on agricultural conditions in Germany declared that "the German peasantry were saved from ruin when by means of coöperation personal credit was established." The wage earners, however, do not appear to have profited in any considerable degree by the establishment of credit associations. But the farmers have been saved from the clutches of the astute and avaricious money lender.

At the end of 1929, there were 974 credit unions operating in the United States. Of this number, 299 were located in Massachusetts, and 125 in New York. Thirty-two states had passed credit-union legislation. The shares in credit associations are of small denomination — \$5.00 to \$25.00 as a rule. Usually a limit is placed upon the number a member may purchase. A member is allowed to pay for his shares in small weekly installments. Only members of a credit union may borrow from it; but a member can borrow at a reasonable rate of interest. The membership in a credit union is as a rule “limited to a group having a common bond of occupation or association, or to persons residing within a well-defined neighborhood, community, or rural district.” The credit union may be called “the poor man’s bank.”¹

THE BUILDING AND LOAN ASSOCIATION

This specialized form of credit association is found chiefly in Great Britain and the United States. These associations were organized for the purpose of aiding wage earners and small salaried workers in acquiring homes. Later, persons who did not wish to borrow became depositors. A depositor merely wishes a safe investment. The building and loan association makes an appeal to the pride of home building and home owning. The typical association is local in scope. A group of people living in a city or town agree to merge their savings in a fund for building homes. A corporation is organized in which a member of the group becomes a stockholder to the extent of one or more shares. Payments upon shares are made in small monthly installments. Interest is allowed upon the sums paid in; and the interest thus credited reduces the total amount of the payment. The money collected monthly is loaned to members to be used to build or purchase homes under the supervision of the officers of the Association. No sum larger than the face value of the shares for which the member has subscribed is loaned. The property is held as security by the Association. The loan is usually made to the one who offers the highest premium in addition to the customary rate of interest. A borrowing member pays the interest on his loan and the monthly installment on the share which he holds;

¹ *Monthly Labor Review*, Nov., 1930, pp. 1-11.

but eventually the paid-up stock is used to cancel the debt. The following table presents statistics of the building and loan associations of the United States: —

<i>Year</i>	<i>Number of Associations</i>	<i>Assets</i>	<i>Membership</i>
1895	5,973	\$624,700,318
1900	5,490	614,119,175
1905	5,326	646,765,047	1,686,611
1918	7,269	1,769,142,175	3,838,612
1930	11,777	8,828,611,925	12,350,928

Through the instrumentality of these associations many skilled workers and salaried men have become real estate owners, thus increasing the number of conservative wage earners. The great majority of workers whose wages are small are not affected by this method of coöperation, as their wages are insufficient to allow them to become members. The insecurity of the job of the average unskilled or semi-skilled worker makes him hesitate about joining a Building and Loan Association. Finally, many unionists fear that certain hard-boiled employers will take advantage of the home-owning employees, and will lower, or refuse to increase, their wages. In that event, the home-owning employee must accept the situation or move and perhaps dispose of his home at a financial sacrifice. The Building and Loan Association offers no important aid to the average member of a labor organization.

CONCLUSION

The coöperative store eliminates certain wastes in the competitive field; but the large department store accomplishes the same result. In one case, the consumers receive a larger percentage of the reduction in the cost of doing business than in the other. If, however, the reduction in the cost of living due to the economies resulting from membership in a consumers' coöperative association makes possible a reduction in wages or prevents an increase in wages, consumers' coöperation may be of little or no real value to the wage worker. And if wages in industries affected with public interest are to be fixed in the future by means of a careful estimate of the cost of living, made by wage boards or courts of arbitration, the helpfulness of coöperative buying to the wage worker in those industries is problematical. It may be asserted

that, if the wage worker is to retain the advantages of coöperative buying, consumers' coöperation must be accompanied by strong union organization.

Unless consumers' and producers' coöperative enterprises are united there is an element of antagonism between these two forms of coöperative endeavor. The former seeks to reduce prices, while the latter is interested in raising the price of its own products. Producers' coöperative associations come into competition with each other in the same way that competition arises between rival non-coöperative firms. Only as these enterprises become nationwide is the element of rivalry and competition eliminated. In that case a condition approximating Socialism is attained, and voluntary coöperation would pass into compulsory coöperation. The benefits to be derived by the wage worker through coöperative activity "are limited by the possibilities of the two varieties of coöperation, the one which gives the profits to the purchaser, but cannot raise wages, and the other which gives the profits to the producer, but cannot prevent the action of cut-throat competition."¹ Coöperation is not a substitute for trade unionism. If used in conjunction with union action it may be of use to the wage-earning group; but there may be danger of weakening the solidarity of organized labor by looking constantly at the small gains which may be derived through coöperation.

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¹ Adams, T. S., and Sumner, H., *Labor Problems*, p. 431.

CHAPTER XXIV

IMMIGRATION AND POPULATION PROBLEMS

WHAT IS IMMIGRATION?

Migration is as old as the human race. In primitive times groups of men wandered from place to place. Later came invasion, conquest, and colonization. But not until comparatively recent times do we find a movement of men, women, and children in a thin and fluctuating stream from one organized community or nation to another. Such a movement is immigration. The first European settlers on American soil were colonists; recent comers are clearly immigrants. When did colonization end and immigration begin? When did the first immigrant land on these shores? When did America begin? No one can answer these simple questions with any considerable degree of precision. Clearly, however, after the United States was formally organized, newcomers were immigrants.

The immigration or the restriction of immigration from foreign nations may be of direct import to the wage workers and to the employers of the United States because immigration affects the supply of workers, because the incoming workers may possess a lower standard of living than the native workman, thus endangering the existing scale of wages, and because such immigration may increase subdivision of labor and thus modify working conditions. Less directly, immigration will affect the wage earners by modifying the character of labor organizations, by introducing new factors into state, local, and national politics, and by increasing racial differences.

HISTORY OF IMMIGRATION TO THE UNITED STATES

Definite records of immigration to the United States begin with the year 1820. Before that date no accurate statistics are available. Nevertheless, it may be assumed that immigration was inconsiderable and that the natural rate of increase of the population was

not small. In 1751 Benjamin Franklin estimated that the one million inhabitants of the Colonies were the descendants of immigrants not exceeding eighty thousand in number. From 1776, the year in which the Declaration of Independence was signed, to 1820 there were few incentives for immigration into this newly organized nation. A commonly accepted estimate of the total immigration from 1776 to 1820 fixed the number at 250,000.

After 1820 westward expansion became rapid, and American industrial advance began. A graphic chart showing the number of immigrants coming to this country during the century from 1820 to 1920 presents a wave-like appearance. As a rule each succeeding wave is higher than the one which preceded it. The first wave reached its highest point in the fiscal years 1836 and 1837. The second wave culminated in 1851 to 1854; the third in 1866 to 1873; the fourth in 1882; and the fifth in 1892. The sixth and mightiest wave reached a maximum in 1907; the seventh and last big wave appeared in 1914. The number of immigrants in 1837 was 79,380; in 1854, 427,833; in 1873, 459,803; in 1882, 788,992; in 1892, 579,663; in 1907, 1,285,349; and in 1914, 1,218,420.¹ Following the crest of each wave is a period in which the number of immigrants is reduced. The low-water marks are found in 1838, 1862, 1878, 1886, 1898, 1909, and 1918. The figures for these years are 38,914, 72,183, 138,469, 334,203, 229,299, 751,786, and 110,618 respectively. The outbreak of the War caused a marked contraction in the stream of immigration. For the decade ending in 1910, the average yearly gross immigration was approximately 879,000; for the decade ending in 1920, 570,000; and in 1930, 400,000.

From 1820 to 1910, nearly thirty millions of Europeans migrated to this country. This stream of human beings is larger than was the total population of the United States in 1850; it is almost equal to the number of people dwelling within our borders when Lincoln was elected President. During 1910, the number of immigrants coming to our shores, many of whom were seeking homes and were to become citizens and the parents of future citizens, was greater than the population of New Hampshire, Vermont, and Delaware; it exceeded in amount the population of five young Western commonwealths—Idaho, Wyoming, New Mexico, Arizona, and Nevada.

¹ The figures for the years preceding 1867 are for "Alien Passengers."

In 1910 only twenty-seven states exceeded in population the number of immigrants who came in one year, 1907. That incoming horde was equal to one-third of the total population reported by the first census (1790). In the words of Professor Ripley, "we have to do, not with the slow processes of growth by deposit or accretion, but with violent and volcanic dislocation. We are called upon to survey a lava-flow of population, suddenly cast forth from Europe and spread indiscriminately over a new continent."

The total immigration during a given time is always more than the net gain, because many immigrants return each year to their home country. Accurate statistics of emigrant aliens were not gathered until the fiscal year of 1908. During that year the alien immigration amounted to 782,870, and the alien emigration to 395,073; or the net gain through immigration was 387,797. In 1911, the net immigration was 512,085. During a period of depression the outward flow becomes considerable. From November 22, 1907, to January 1, 1908, 103,848 persons were reported to have sailed third class from the ports of the United States and Canada for Europe. In the calendar year of 1931, the number of immigrants was drastically reduced as a result of the strict enforcement of the "likely to become public charge" provision of our laws. The aliens departing exceeded the immigrants arriving. The number of immigrants arriving in 1931 was 43,353; and the number of emigrants departing was 89,570. About 207 left the country for every 100 admitted in the year 1931.

The World War brought new phases of the immigration problem into prominence. The selective draft disclosed to the American people that many recent immigrants had "experienced only the faintest initiation into the real life of the nation." As a consequence of this new vision and of the ultra-radical agitation in 1919 and the years immediately following, a vigorous demand for Americanization arose. It was felt that the famous "melting pot" was not succeeding in the assimilation of large numbers of recent immigrants.

CAUSES

The stream of immigration does not flow smoothly and uniformly. Immigration and emigration are caused by repulsive and attractive forces, by pushes and pulls. Prosperity and depression,

religious and political freedom and persecution, and disturbing or reassuring social conditions are factors in determining the stream of immigration. The most important factor is economic. Prosperity in this country and bad times in the homeland start men and women from their homes in search of better opportunities to gain a livelihood. Other forces have modified the course of immigration to the United States; but the close connection, before restrictive laws were put on the statute books, between prosperity in this country and the influx of immigration is evident even to the casual observer. The years tracing the high-water mark of immigration are almost invariably preceded by epochs of prosperity and of business expansion, and are as invariably followed by years of depression and of business retrenchment. The wave culminating in 1854 seems to have been an exception to this statement. In that case the ending of acute political and economic disturbance in Europe and the Know-Nothing agitation in the United States operated to cause a marked diminution in the amount of immigration in the midst of a period of prosperity on this side of the Atlantic. The small immigration in the fiscal year of 1862 is due to abnormal conditions accompanying the Civil War. Political and religious persecutions have played an important part in stimulating the migration of people to America which has been so often and so vividly painted as a haven of refuge for the weak and oppressed of all nations. Persecution was a potent factor in the colonization of the Atlantic coastal plain. Puritans, Roman Catholics, Quakers, and Scotch-Irish migrated to escape persecution and to reach a locality where they might be free from the fetters of European tyranny. After the revolutionary disturbances in Germany large numbers of political liberals came to this country. Many Russians, Jews, and Poles have migrated to our shores because of religious and political persecution. The desire to escape compulsory military service has also been a factor in inducing migration to this country.

Another cause is found in the low wages and bad economic conditions in certain European countries. The great migration of Irish from 1847 to 1854 was induced by the suffering in connection with the potato famine and the landlord system. During this period of eight years nearly 1,200,000 Irish crossed the Atlantic to seek homes in America. Others were attracted by the possibility of obtaining farm land. In recent years the man from Southern

Europe has been induced to leave his native land because of the high money wage paid in the United States. The fundamental causes of immigration to the United States since 1820 are found in the apparent contrast between political and religious persecution or oppression in the Old World, and religious and political tolerance and freedom in the United States; and also in the apparent contrast between the economic and labor conditions in the old and exploited countries of Europe and the young nation of the New World, abounding in land and undeveloped resources.

In addition to the underlying causes of immigration several secondary forces materially increased the total volume in the decades immediately preceding the opening of the World War. The ease of transportation and communication tended to increase the flow of immigration. To cross the ocean was no longer a dangerous and trying experience. The trip could be made quickly, cheaply, and surely. Immigration was not restricted as had been the case in pioneer days to the self-reliant, the ambitious, and the forceful. "The sea formerly acted as a sieve, now the meshes let through every species of voyager." Before the War, steamship companies had thousands of agents eager to stimulate immigration from the various European countries to the United States. "Runners" went from village to village in Southern Europe attempting to induce the natives to emigrate; they were paid commissions by the steamship companies. Boarding-house keepers, liquor dealers, and others whose business brought them in contact with many people were utilized as subagents. Steamship lines encouraged the peasants of Europe to purchase tickets to the United States. Many American employers of labor are also very anxious to increase the volume of immigration. Professor Commons has well said: "The desire to get cheap labor, to take the passenger fares, and to sell land have probably brought more immigrants than the hard conditions of Europe, Asia, and Africa have sent." The demand for cheap labor and for profits brought to our shores the Negro slave and the indentured white servant; and it greatly stimulated the immigration of unskilled labor during and immediately following the Civil War. It is an ever-present and potent force; but the old method of kidnaping people and shipping them to Colonial America is now replaced by more genteel and less direct methods.

The presence of friends and relatives in this country has been

another cause of immigration. It was estimated that in the years immediately preceding 1914, about one-third of the total number of immigrants were assisted by friends. Of course, this factor is peculiarly effective in times of prosperity. On the other hand, during an era of depression intending immigrants will be discouraged by their oversea friends. Before the passage of the acts of 1875, 1882, and 1891, foreign governments, and particularly local authorities, were often guilty of dumping members of the delinquent, dependent, and defective classes upon our shores.

CHANGES IN THE NATIONALITY OF IMMIGRANTS

Before 1880 immigration to the United States was confined chiefly to the countries of North-Western Europe. Great Britain, Ireland, and Germany furnished a large percentage of the total influx. Southern and South-Eastern Europe sent few immigrants previous to the opening of the decade of the eighties. The people coming before 1880 were not dissimilar to the early American colonists. The early immigrants were accustomed to a representative type of government; they were skilled artisans or progressive farmers of the thrifty, self-reliant type. By 1890 a shift in the sources of immigration was becoming apparent. People were coming in large numbers from Southern and Eastern Europe. The typical immigrant of the period 1890-1914 was not accustomed to a representative form of government. He was an unskilled worker, he was not self-reliant, and he was not a man of initiative.

During the decade 1851-1860, Germany, Great Britain, and Ireland furnished 88 per cent of the total immigration, while Austria-Hungary, Italy, Russia, and Poland sent only four-tenths of one per cent. During the decade 1881-1890, the percentages were 55.6 and 17.6, respectively. Then the balance turned. Free land was disappearing; and our famous westward-moving frontier line had vanished. The days of the pioneer and the backwoods farmer had become historic rather than actual. Centralized and subdivided industry — railway, mine, and factory — were calling for the unskilled and docile peasant worker of Southern Europe. During the decade 1891-1900 the three countries of Northern Europe only sent 31.6 per cent of the total, while Austria-Hungary, Italy, Russia, and Poland furnished slightly more than one-half

of the entire stream. Of the one and one-quarter millions of immigrants coming to our shores in 1907, approximately three-fourths came from Southern and Eastern Europe.

The warp and woof of American civilization was inevitably modified by such a striking change in the character of the immigration coming to this country. It caused far-reaching modifications in our industrial, political, and social fabric. On the other hand, the changing nature of the stream of immigration was in no small measure the result of important industrial transformations which have taken place since the outbreak of the Civil War. Our complex, subdivided, and routinized industrial mechanism provided positions for the man without initiative, for the "beaten man from beaten races." The small shop and the farm of the anti-trust days could not utilize men who work only according to orders given by the foreman or the overseer. Modern economic progress made a place for the man from South-Eastern Europe; on the other hand, his presence and the ease with which immigration was stimulated hastened the development of complex large-scale industry with its minute subdivision of labor. The presence in America of large numbers of men and women from Southern Europe was both a cause and an effect of far-reaching industrial and social changes.

EARLY OPPOSITION TO IMMIGRATION

Although legislation restricting immigration is of a recent date, opposition to immigration is by no means of recent origin. It has not developed solely because of the recent influx of the men from Southern Europe and Asia. The debates in the Constitutional Convention of 1787 disclose some fear of the political influence of the foreign settler. The Constitution specifies that no person may be a member of the House of Representatives who has not been a citizen of the United States for seven years; or a senator without a citizenship extending over a period of nine years. Still more clearly is the distrust of the foreigner expressed in the clause which debar foreign-born citizens from the office of President. Washington did not favor immigration; and Jefferson wished to stop all immigration. During the administration of John Adams a law was passed requiring a residence of fourteen years before naturalization. This severe requirement was removed under the following

administration. The Alien and Sedition laws, also passed under Adams' administration, bear further testimony to the hatred of the Federalists for the alien. Gouverneur Morris did not believe that a man could become firmly attached to an adopted country. The following quotations from newspapers indicate in the flowery language of the period the opposition to the "old" immigration during the administrations of John Adams and Thomas Jefferson. *The Columbian Centinel* of March 2, 1799, denounced "the inconsiderate, short-sighted policy of indiscriminately inviting foreigners among us." It also asserted that "honest men and good citizens are as rare among them as worshippers of the true God in Sodom and Gomorrah." *The Massachusetts Spy*, dated March 10, 1802, declared that "Exotics from the hotbeds of foreign countries have been so fostered in this country as to overtop its native plants, which languished under their rank and pestiferous shade. . . . Foreign vices are imported to your once virtuous shores."¹ The Hartford Convention in 1814 desired to make every person thereafter naturalized ineligible to hold any civil office under the federal government. The Convention held that the population of the United States was then "amply sufficient to render this nation in due time sufficiently great and powerful." This early feeling of opposition to the influx of foreign elements appears to have been due to an anticipation of political dangers. It was felt that the newly organized republican institutions might be undermined and destroyed by the votes and influence of people from monarchical Europe.

With the increase of immigration which came in the thirties, nativistic sentiment grew rapidly. Ireland and Germany contributed a large percentage of the immigration of the thirties. In 1836 the number of immigrants from Ireland was 30,578 and from Germany, 20,707; these two countries sent 51,285 out of a total of 76,242 immigrants. Racial and religious differences generated antagonism between the newcomers and those already here. It was also asserted that England was "shoveling" her paupers upon American cities. In 1832 Seth Luther, a labor agitator, declared that American manufacturers were sending agents to Europe in order to induce working people to come to this country so as to increase the competition for jobs and thus lower the scale of wages. The forties and early fifties brought large numbers of Roman

¹ Quoted in *The New Republic*, Dec. 19, 1923.

Catholic Irish and German liberals to our shore. Violent attacks upon Catholics and Catholic churches occurred. "Native American" Congressmen were elected. A national convention of Native Americans was held. Delegates from nine states were present. After 1848 many of the Germans who came to this country did not immediately seek naturalization. This fanned the flames. A period of rabid Americanism followed; and "manifest destiny" became a fetish. The superiority of the American and of American institutions was universally believed.

Daniel Webster's defiant note to Austria is symptomatic of the hysterical and self-satisfied feeling of the nation. "The power of this republic at the present moment is spread over a region one of the richest and most fertile on the globe, and of an extent in comparison with which the possessions of the House of Hapsburg are but a patch on the earth's surface." "Democratic individualism" was in the saddle. Emerson and Thoreau were the philosophical mouthpieces of the era. In 1852 the Know-Nothing or American party came into prominence. This spectacular organization began its rocket-like career as a secret society. The purpose of the Know-Nothing party seems to have been the exclusion of foreigners and Roman Catholics from all national, state, and local offices, and the extension of the period of residence before naturalization. It was urged that immigration was increasing political corruption, and that the immigrants were lowering the moral standards of the American people. Southern members of the Know-Nothing party declared that immigration was enabling the North to gain upon the South in influence in the halls of Congress. The slavery question was not unrelated to the rise of Know-Nothingism in the South. Political and religious factors were ever placed in the foreground during the Native American agitation. But it is probable that lurking in the background may be found the fear of the foreigner as an industrial competitor. Mr. Hall remarks: "It is probable that the Know-Nothing movement was not purely the result of solicitude for the moral welfare of the country or the apprehension for permanence of religious liberty."¹ As the slavery agitation grew more and more furious and the movement toward disunion became strong, the Know-Nothing party disintegrated and disappeared.

¹ Hall, P. F., *Immigration*, p. 209.

With the opening of the Civil War the pendulum of public opinion suddenly swung to the opposite extreme. The army was diverting men from productive industry; and labor-saving devices were multiplied. Women, apprentices, unskilled workers, Negroes, and immigrants were demanded in industry. By 1864 less than a decade after Know-Nothingism was at its height, immigrants were welcomed by all classes except the wage earners. In that year Congress passed an act to encourage immigration. This act was passed as a war measure and was not utilized after the close of the war. Immigration was stimulated during the war period by the high nominal wages, by a depression in certain European countries, and by the artificial encouragement of immigration by American interests and by the American government. The double need of workers and soldiers caused the hatred of immigrants to be transmuted into desire for their presence. "Few instances of such a rapid and complete transformation in public sentiment can be cited in the whole history of the country."¹ The labor interests naturally opposed the stimulation of immigration, because it would tend to keep down wages and to reduce the standard of living. But the voice of the imperfectly organized workers was drowned by the insistent demand of other classes in the alleged interest of the general welfare and of industrial progress. Industrial necessity brushed aside racial and religious antagonism.

IMMIGRATION PROBLEMS

Between 1880 and 1914, the immigrant performed a large fraction of the rough, hard, and routine work which was done in this country. The immigrant, with his low standards of living, threatened those of the native wage workers; but he also helped to make opportunities for many native Americans in skilled, administrative, and "white-collar" jobs. The influx of large numbers of immigrants gave an impetus to the expansion of industry and to the multiplication of industrial and professional opportunities. Immigration tended for a period of years to increase the minuteness of the subdivision of labor. Finally, however, subdivision of labor and the increase in routine performance made feasible the invention and utilization of the automatic machine of the self-feeding variety.

¹ Fite, E. D., *Social and Industrial Conditions during the Civil War*, p. 195.

The Iron Man began to displace the flesh-and-blood man in the routine tasks of industry. When that period opened, the insistent call for the immigrant worker was stilled in this country.

Immigration caused by the demand for cheap labor, and leading to a conglomeration of races and nationalities, and to a gradual, stiffening stratification of classes, has been an important factor in complicating politics in a nominally democratic country. Political corruption is not solely the product of the influx of immigrants unaccustomed to democracy or liberalism; but the successive waves of immigration have prepared a fertile soil for the cultivation of corrupt practices which eat out the vitals of democracy and promise to leave it a hollow mockery which conceals a powerful plutocracy. Corruption in politics is primarily due to the interference of private economic interests with public business; but wide differentiation of interests and races increases the opportunities for such interferences. The political machine, directed by the boss, maintains and strengthens its power and influence by carefully and skillfully balancing nationalities and interests against each other. The colorless man possessing a flexible backbone and no important and well-defined opinions of his own comes to the front; and the colorless man is the visible tool of the boss. The latter in turn is controlled by men desiring special privileges and favorable legislation.

Immigration has complicated our economic, social, and political problems by introducing into the midst of the nation a conglomeration of races and of nationalities. It has been the fashion when confronted by the evils of crime, by radical movements, or by political corruption, to make a scapegoat of the foreigner in our midst. Americans have insisted that Americanization or the assimilation of the immigrant should be our goal. After the melting pot had done its work we were inclined confidently to insist that our difficult political and social problems would be easy of solution. On the other hand, certain nations desire that their emigrants continue to look to the mother country for guidance, and in case of war or international stress, support the homeland rather than their adopted country. Under these circumstances, immigrants are difficult of assimilation. They are subjected to cross-currents of influence.

During the World War, Americans saw that our surface man-

nerisms such as slang and fashions in dress were accepted by immigrants with celerity, but in the "things of the spirit," in the intangible, the new and the old stock manifested vital differences. So many hyphenated Americans or "bigamists in citizenship" were found that the older stock became alarmed. It was felt that the loyalty of certain groups of comparatively recent immigrants would be determined by our international policy. In short, Americans came to feel that assimilation or Americanization was a longer and more difficult process than we had assumed in the years immediately preceding the World War.

Doubtless much of the literature upon racial superiority and inferiority is not scientific. There are no adequate reasons for insisting that certain races are inherently superior or inferior to others. An isolated or pure race is not likely to go forward in the scale of civilization; it stagnates. It has been asserted by capable students that the meeting places of cultures and civilizations furnish the ferment out of which come new civilizations and new cultures. Nevertheless, social difficulties arise from the close contact of two very dissimilar races. Although social prejudice may be illogical, it is a state of mind which should not be disregarded. The mixture of different races in the same territory is charged with social dynamite.

LEGISLATION

The first general immigration law was not passed until 1882. Previous to the Civil War several acts were passed for the purpose of insuring to immigrants decent treatment and safety while crossing the ocean. Acts were passed in 1862, 1869, 1873, and 1875, dealing with coolie immigration from the Orient. With one exception, until 1882, the federal government left the control of immigration almost entirely in the hands of the seaboard states. This exception was the temporary act of 1864 passed as a war measure to encourage immigration. The general law of 1882 marks the first step toward definite federal control over immigration. This act provided for a head-tax of fifty cents and excluded certain undesirable classes of immigrants. The law, however, provided for coöperation between state and federal authorities. Other general acts were passed in 1891, 1893, 1903, 1907, and 1917. The office of Superintendent of Immigration, now denoted Com-

missioner-General of Immigration, was created under the Act of 1891. Under pressure from the Knights of Labor and other labor organizations, Congress passed contract labor laws in 1885 and 1888. These acts aimed to prevent the importation of unskilled labor under contract to work for American firms. They have been strengthened by later legislation. The admission or rejection of the alien who knocks at our gate for admission is a function of the federal government; but after he has been admitted, the responsibility for fair treatment, for his welfare, and for his betterment depends chiefly upon the state governments. The fashioning of the immigrants and their children into good American citizens and efficient workers is a task for the state and the local communities to shoulder. The real immigration problem has been state rather than federal.

The aim of immigration legislation preceding the first quota law passed in 1921 was the exclusion of all aliens who are mentally, morally, or physically deficient. Under the present law, illiterates, convicts, persons possessing physical and mental deformities, or afflicted with contagious diseases, beggars, vagrants, stowaways, persons suffering from chronic alcoholism, paupers, or those likely to become public charges, anarchists, and contract laborers are the chief excluded classes. Provision is made for careful inspection of immigrants and for detention of those suspected of belonging to one of the excluded classes. The Act of 1917, which provided for the literacy test, also, by means of a "geographical delimitation," practically excluded all orientals except Japanese; and the latter were kept out under the terms of a "gentleman's agreement" formulated in 1907 between the American and Japanese governments. Provision was made for the inspection of immigrants and for the detention and return of those belonging to one of the excluded classes. Up to 1921, our immigration laws, with the exception of those restricting the influx of orientals and possibly of the literacy test law of 1917, were based on the principle of selection rather than of restriction.

The opening of the World War greatly reduced the stream of immigration; but after the War was ended, it was clear that many Europeans were planning to migrate to the United States. The first restrictive or quota measure became a law in May, 1921. It was hastily passed as an emergency measure. Originally its life

was to extend only over one year, but it remained on the statute books until July 1, 1924. This act and the subsequent quota legislation were superimposed upon the then-existing selective legislation. The Act of 1921 provided that the number of alien immigrants of any nationality entering the United States in any one year be restricted to 3 per cent of the number of foreign-born persons of such nationality resident in the country according to the Census of 1910. Of the Western Hemisphere, only certain non-independent countries of Central and South America were included in the quota provisions. Native-born citizens of Canada and other countries of North and South America were not subject to the quota restrictions.

In 1924 the second quota act was passed. The percentage was lowered to 2; and the Census of 1890 was taken as the standard for the application of the quota provisions. The use of the earlier census reduced the relative number of immigrants who might be admitted from Southern and Eastern Europe. It was assumed that persons coming from that section of Europe were not readily assimilated. This act also provided that "no alien ineligible to citizenship shall be admitted to the United States"; and our naturalization laws apply only to persons of the white race or of African descent. The Act of 1924 therefore definitely excluded the Japanese as well as many other Asiatics. The number of immigrants eligible to admission annually under the quota provisions was slightly more than 160,000. This act provided that after three years "the annual quota of any nationality for the fiscal year beginning July 1, 1927, and for each fiscal year thereafter shall be a number which bears the same ratio to 150,000 as the number of inhabitants in continental states in 1920 having that national origin" bears to the total population in 1920. The minimum quota is 100. The "national origins" provision of the Act of 1924 did not go into effect until 1928. The Western Hemisphere is again excluded from the restrictions of this statute. The Act of 1924 as modified in 1928 is now (1932) on the statute books.

WHY WERE RESTRICTIVE LAWS PASSED?

Although opposition to immigration is not a matter of recent decades only, it was not until 1921 that the advocates of restriction

became sufficiently numerous and politically powerful to put restrictive legislation of a sweeping character upon the federal statute books. Our traditional policy had been based upon the assumption that this country was and should be an asylum for the oppressed and disinherited of other less attractive and desirable portions of the globe. Our experience during the World War to which the attention has been directed in a preceding paragraph led many to fear the effects of unrestricted immigration upon our national life and unity. We were in danger of becoming a "polyglot boarding house," and the confidence that good governmental conditions would transform undesirable human material into good citizens had been weakened. In the decade following the close of the World War, more emphasis was placed upon the potency of heredity than in preceding years. Our attitude toward immigration was also modified by the passing of the frontier and the realization a generation later that the American continent no longer contained vast areas of undeveloped resources. The recognition of the desirability of conserving natural resources led quite naturally to the demand for the restriction of immigration. Finally, the progress of invention led to the machine which did not need unskilled machine feeders, and which reduced the demand for backbreaking work. Technological unemployment, not scarcity of workers, became a topic of investigation and discussion.

WHAT WERE THE CONSEQUENCES OF A POLICY OF RESTRICTION?

Although the first quota law was passed in 1921, the reduction of the stream of immigration began seven years earlier with the opening in 1914 of the World War. What were the chief consequences of the reduction of immigration in the period, 1914-1929? The marked movement of the Negro from the plantations of the South to the industrial cities of the North and a considerable influx of workers from Mexico and Canada, countries not under the quota restrictions, were caused in a large measure by the reduction in the immigration of Europeans. The movement from the farms to the cities was accelerated for the same reason. After the quota laws were passed, many aliens were smuggled into the country. The Canadian and the Mexican borders are long and not easy to

guard. Aliens were smuggled over the line by auto, by wagon, by boat, by airplane. Others doubtless walked across the border. In 1923 it was conservatively estimated that one hundred persons daily entered the United States illegally. The exclusion of the Japanese people under the second quota act was bitterly resented by that nation.

RESTRICTION OF IMMIGRATION AND INTERNATIONAL PROBLEMS

Countries having a dense population, low standards of living, and a high birthrate as a rule desire to find an outlet for a portion of the population. Laws restricting the free movement of people toward a country of less dense population, in which the normal standards of living are high and birthrates lower, are resented by the country of emigration. Countries of immigration consider laws restricting immigration to be purely domestic matters; countries of emigration are prone to insist that important international problems are raised when barriers are erected against an influx of immigrants. Is it ethically just for a land-grabbing people to erect barriers against the inhabitants of an over-crowded area? May a people maintaining a high birthrate justly insist that other nationalities move more closely together in order to make room for the surplus population of a densely populated area? The answer which the American people are making is that the hope of maintaining high standards of living here and elsewhere may conceivably depend upon the erection of barriers to the free movement of populations across international borders. Nations having fairly high standards of living and without great density of population cannot be expected to become asylums for the surplus populations of densely populated countries burdened with a high birthrate.

POPULATION TRENDS

The population of the United States has increased rapidly; not until the decade ending in 1920 did the percentage of increase during a census period of ten years fall below twenty. The following table presents the statistics in regard to the rate of population increase. If the Census of 1920 had been taken in April

instead of January, the last two figures would be approximately 15.4 and 15.7, respectively.

<i>Decade</i>	<i>Percentage of Increase</i>
1790-1800	35.1
1800-1810	36.4
1810-1820	33.1
1820-1830	33.5
1830-1840	32.7
1840-1850	35.9
1850-1860	35.6
1860-1870	22.6
1870-1880	30.1
1880-1890	25.5
1890-1900	20.7
1900-1910	21.0
1910-1920	14.9
1920-1930	16.1

Since the birthrate is declining and immigration is small or negative, a further decline in the rate of population growth may be forecast for the present decade.

The reduction in the birthrate, the decrease in immigration, and improvements in medical science not only affect the rate of population increase but these changes also modify the relative numbers in different age groups of the population. The table below presents the percentages in different age groups for three census periods, and also an estimate by an authority in population problems, of the percentages in 1950.¹

<i>Age Period</i>	<i>Year and Per Cent</i>			
	1950	1930	1900	1880
0-4	7.6	9.3	12.1	13.8
0-19	30.6	38.8	44.3	48.1
20-44	40.8	38.3	37.7	35.8
45-64	20.8	17.4	13.7	12.6
65 and over	7.8	5.4	4.0	3.4

While the population of the United States increased over 17 millions from 1920 to 1930, the number of children under five years

¹ Thompson, W. S., *The Annalist*, Jan. 15, 1932.

of age *decreased* 128,840. The percentage of the population under twenty years of age has decreased in the fifty-year period, 1880 to 1930, from 48.1 to 38.8, while the percentage of those over twenty years of age has increased from 51.9 to 61.2. Age is gaining upon youth in relative numerical importance in the ranks of the American people.

Because of these extraordinary increases in the population, American industry has been speeded up to meet the demands of an ever-rapid expansion of the population. The slowing down of the growth of population will cause many adjustment pains. Business will also face a new situation in regard to demand for the products of industry because of an increasing relative number of older people in the population, and, possibly, because of increasing decentralization of population. If the population expands slowly, a higher average standard of living may be predicted than in case of a rapidly expanding population. If this view is correct, relatively more of comforts and luxuries will be demanded in the near future than would be the case if the population continued to increase at the old rate of from 20 to 30 per cent each decade. Moreover, there is a greater probability of changes in the demand for comforts and luxuries than for basic necessities. The slowing down of population growth may add elements of uncertainty to many industrial enterprises. The cost of obsolescence in industry as a whole may increase. Industries having high fixed expenses and much highly specialized machinery will be difficult to direct in a financially successful manner. Over-expanded industries producing necessities or producing articles especially demanded by children or young folks may face a serious outlook in the immediate future.

The decrease in the relative number of the young in our total population will cause marked changes in demand schedules. Less relatively of children's clothes and toys will be required. The high-powered and sport-model automobile will be in smaller demand. The middle-aged and the old will demand more radios, good housing, and books than the young. Gadgets and gewgaws may experience a decreased demand and the more conservative and less sensational types of goods may more readily find a market. A larger percentage of the population will be of working age as the rate of population growth is retarded. The problem of finding jobs for older workers and of re-training them for new jobs will

become of greater moment — or a considerable extension of the old age pension system may be anticipated.

In 1932 the attitude of the American people toward immigration restriction was such that it seemed safe to insist that immigration would not again become an important factor in population growth or composition. Since the immigration of the period preceding restriction went largely to the cities, restriction of immigration will be one factor in slowing up the growth of cities. Other factors in the industrial field are operating in the same direction. It is no longer necessary for people to live near their workplaces. The radio, the telephone, and the automobile have nearly eliminated rural and small-town isolation. Manufacturing establishments located in small towns can today get such power as they may need from an electric wire. Power can usually be obtained as cheaply as in large cities, and taxes in rural and suburban communities are as a rule less than in the large cities. With a general recognition of the undesirability of much hiring and firing, the need of a reservoir of out-of-job workers to draw upon is reduced; and this reservoir of available workers has been alleged to be an excellent reason for locating a manufactory in or near a large city. The trends in population growth — the slowing down of population growth, the increasing percentage of the upper-age groups in our population, and the probability of increasing decentralization of population — briefly considered above are of much importance in business and in industrial relations. The alert business leader is studying the probable influence of such trends upon the industry in which he is interested.

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CHAPTER XXV

NEW ASPECTS OF EDUCATION

EDUCATION AND INDUSTRIAL EVOLUTION

Education is a labor-saving device; its function is to pass on to a new generation the fundamentals of the experience and accumulated information of those who have preceded. If each generation were obliged to begin at the bottom and recapitulate the growth and experience of all the preceding hosts of men and women, progress would necessarily be almost impossible.

Changes in the educational program and the methods utilized in the educational process are closely related to the evolution of industry and the changes in the ways of securing a living or a living plus comforts.¹ In a pioneer society, the duties of educational institutions were few; in a complex industrial society with crowded population centers, practicing division of labor and specialization of industry, educational functions become varied and important.

In an epoch in which change takes place slowly, in which a person is born and dies in almost the same environment, in which few technological inventions occur in the span of a generation or more, education may profitably emphasize specific information and training. Vocational methods undergo little alteration within a period of years; the obsolescence rate is low. In a dynamic epoch — and the Western World is now in the most dynamic period of all history — education confronts a very different task. To pass to an oncoming generation a mass of specific information and of vocational blueprints is not measuring up to the demands of the time. The student of today will become active in a few years in a world greatly changed. Methods and processes in the professional and business world are in constant flux. In recent years many trades and vocations have been rendered obsolete because of technological advance. If education is to light the path over which the

¹ Carlton, F. T., *Education and Industrial Evolution*.

car of progress is to pass, it must provide nourishment which is adapted to the educational requirements of all classes of individuals.¹ Education in a dynamic world must perforce stress fundamental principles, broad training, ability to reason from cause to effect, and the power of initiative which enables one successfully to cope with a new and unexpected situation. Education should point out clearly the underlying forces which are operating in a rapidly changing world. The truly educated man is adaptable; he is able to change his point of view so as to get a proper focus upon a new world in the process of evolution. Schools should foster, not destroy, intellectual curiosity. It has been suggested that education should help to make opportunities, rather than to accept the view, of doubtful validity, that opportunities always exist.

As has been indicated elsewhere, one important consequence of the rise of large-scale industry, the use of power, and the spread of specialization has been the loss of the traditional educational functions of the home and the workshop, and the relative and absolute increase in the duties and responsibilities of formal educational institutions in vocational as well as in avocational training. The increased use of machinery and power in recent decades has been a factor in decreasing the working day and week, and gives promise of additional increases in leisure time for workers of all types. Educational institutions are, as a consequence, faced with the duty of providing education for leisure as well as for the working period. The development of night and late afternoon work in institutions such as Cleveland College is a direct result of technological progress. Adult education is here to stay. The big problem is the determination of the methods and content of an educational program which is intended for those already a part of the active working force of the community.

The trained man of the near future should be a coördinator and a "generalist" rather than a narrowly trained specialist. The "jack-of-all-trades" may again be given a higher rank in the eyes of the employer and the community than he was allowed in the pre-depression days when mass production was placed on a pedestal. In a recent discussion of the vocational requirements of an engineer, it was asserted that outstanding civil engineers have had a "broad

¹ Carlton, F. T., *Education and Industrial Evolution*.

cultural education" as well as technical training. The engineer needs a mastery of English and "the ability to discuss non-engineering subjects intelligently with all types of men with whom he comes in contact in his profession."¹ The trained man in almost any field of endeavor should acquire the habit also of constantly examining his business for new opportunities and for obsolete practices and ideas.

EDUCATIONAL IDEALS

The chief standards for the measurement of educational values are four in number — practical, cultural, psychological, and social. The practical standard is important because of the demand for trained and efficient workers in business and professional life. Commercial, trade, industrial, agricultural, and professional training are grouped under the head of practical education. Today the emphasis is placed upon trade and commercial education; but professional training for the law, theology, medicine, and pedagogy was in former generations the most important of the practical work of the educational system.

The prestige which still surrounds the cultural or the classical form of education is purely traditional, and is based in a large measure upon class prejudice. The purely cultural form of modern education was formerly the practical; it was once a part of the necessary training of the professional man. By a curious, but not unusual, process of slow evolution it is now esteemed because it bestows upon its possessors ideals and mannerisms which are distinctly opposite to those of present-day practical education. Modern cultural or classical training is an outgrown, out-of-date form of practical education. The effect of such training, unless coupled with instruction in the social sciences, is to carry old ideals, habits of thought, and class demarcations down into modern industrial society. It leads to conservatism and tends to focus the mind upon problems which do not directly and vitally touch modern and complex society. Classical education directs the attention toward the distant, the uncommon, the immaterial, and the conventional. The cultural ideal glorifies the safe and sane, and art for art's sake; but it carefully and conscientiously avoids

¹ *The American Observer*, May 25, 1932.

contact with the radical or the insurgent. The old shaded paths of quietude and isolation are sought. The scholar in search of the cultural goal will not linger in "the house by the side of the road where the race of men pass by." The cultural ideal of education is chiefly valued because it is to be attained only by the chosen and sheltered few. Its charm, like that of the diamond, is in no small measure due to scarcity and exclusiveness.¹

Modern psychological study and investigation show that a certain variety and sequence of training are necessary in order that each individual may develop his maximum mental and manual ability. The psychological demand is for a well-rounded development of each individual. The social criterion for educational efficiency is based upon the democratic demand for good citizenship. It places a high valuation upon that which tends to break down class demarcation, to reduce artificial inequality, and to uplift the human race as a whole. Scientific students of child and adult life are attempting to evaluate the curriculum and pedagogical methods from the psychological point of view.

Until recently, business interests have emphasized the importance of the practical standard. Management has been prone to insist that students in our public schools and technical institutions be trained to fit into some definite place in the business world. But along with personnel administration and shop committees has come a new concept of the ideal worker. The forward-looking business man is discarding the idea that, except for a few skilled men, the worker should be a plodding, unthinking, and narrowly-trained piece of human machinery. The so-called educational and social reformers and the leaders and thinkers among organized labor are urging the importance of the psychological and social demands. These interests stand firmly for the view that the school system of today is for the training of thinking, as well as of working, men and women. Organized labor has demanded that the vocational training of the schools "make the apprentice or graduate a skilled craftsman in all branches of his trade." The unionist objects to "conditions which educate the student or apprentice to non-union sympathy and prepare him as a skilled worker for scab labor and strike-breaking purposes, thus using the children of workers against the interests of their organized fathers and broth-

¹ Carlton, F. T., *The Industrial Situation*, pp. 67-68.

ers in the various crafts." The social point of view emphasizes training for leisure, enjoyment, and citizenship as well as for the active duties of earning a living.

THE TRAINING OF APPRENTICES

Originally apprenticeship rules applied alike to the trades and to the so-called learned professions. Although concealed under new names, these have been adhered to quite rigidly down to the present time in the professions. With some exceptions, the division seems to have been made according to the character of the product. If the product of the trade or profession is material, apprenticeship rules have gradually been changed, and, in a large measure, have become obsolete. If the product of the trade or profession is immaterial, the rules have been successfully upheld by the guild of the profession and legalized by appropriate legislation. The old apprenticeship system reaches back to the time of Queen Elizabeth. During her reign it was enacted that no person should exercise any trade or "mystery" without serving an apprenticeship of seven years. The apprentice was indentured to a master for that period. The apprentice lived in the home of the master as a member of his family. The master became the guardian of the boy. He was responsible for the physical well-being and the intellectual, moral, and manual training of the apprentice.

As long as the handicraft system prevailed, the old apprenticeship program served its purpose fairly well, although doubtless many boys were not properly taught and were exploited in the interests of their masters. With the Industrial Revolution and the introduction of machinery came the decadence of the system of apprenticeship. By 1864 the old system was practically only a matter of history. In the decade of the sixties the attitude of the wage earners has been summarized somewhat as follows: (1) The period of apprenticeship should be fixed at not less than five years. (2) The number of apprentices in a trade should be limited. "The unanimous feeling among mechanics was that the cause of low wages, lack of work, and powerlessness of workers to withstand oppression by employers was due to an excessive number of workers in the various skilled trades, and that the outlook for the future was getting increasingly darker because of the continual pouring

in of more boys.” (3) The apprentices should be more thoroughly trained. The complaint was made that the employer was teaching the apprentice only a fraction of his trade. (4) A legal system of indenture somewhat modified from that of the old and outgrown system was advocated.¹ The modern system of training apprentices is the fruitage of the period since the close of the Civil War era.

Two very important reasons may be given for the evolution of a new system of training apprentices. (a) The introduction of machinery and the subdivision of labor have made the training of apprentices a burden. (b) The introduction of accurate quantitative and qualitative methods of measurement into all industrial processes, and the use of the blueprint and of interchangeable parts, have made a knowledge of the rudimentary principles of mathematics, physics, and mechanics essential to the training of a skilled workman. The new system of training apprentices coordinates shop and school training. The old apprenticeship system is dead; but a new form is being evolved. The training of the apprentice is now an integral part of the broader problem of vocational education.

Although the methods employed in training apprentices vary considerably in different shops, at least two general types may be discerned. In the first type, the shop and the school are both carried on directly under the control of the employing company. In the second, a certain amount of school training is required or expected of apprentices outside working hours; but they attend public schools or private schools not under the immediate supervision of the officials of the employing company. The Wisconsin and the Oregon apprenticeship laws are examples of recent constructive legislation in regard to the training of apprentices. Three parties are recognized in the agreement — the employer, the young employee, and the state. In Oregon, a State Apprenticeship Commission is given authority to supervise the indenture of apprentices. “It shall be the duty of all school officials to cooperate with the State apprenticeship commission, the State board for vocational education, and employers of apprentices in providing the necessary training classes for apprentices.” As a part of his obligation, an apprentice is required to attend training classes for not less than

¹ Wright, C. D., *Bulletin of United States Bureau of Education*, Whole No. 389, p. 16.

four hours per week.¹ The Wisconsin law authorizes the State Industrial Commission to supervise the indenturing, training, and schooling of apprentices in that state.

In certain trades or occupations in which the safety, health, and general welfare of the workers or of the general public are quite directly dependent upon the efficiency and skill of the operators, the government, acting under the police power of the state, has passed laws regulating and restricting employment, and requiring that these trades or professions shall not be practiced except by properly qualified persons. The federal government and a considerable number of states have enacted laws requiring the examination and licensing of persons practicing various trades. Among the occupations are those of barbers, horseshoers, plumbers, stationary firemen and engineers, steam and street railway employees, and certain classes of mine workers. These requirements, which possibly grow out of the decay of the apprenticeship system, increase the demand for school training. In some respects this tendency appears to be a recrudescence of the old method of granting a monopoly to those who have attained a certain proficiency. If the state establishes minimum requirements for entrance into certain trades, it is certainly the duty of the public school authorities to offer adequate opportunities for obtaining the legally requisite knowledge and training.

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¹ *Monthly Labor Review*, May, 1931, pp. 80-81.

CHAPTER XXVI

TODAY AND TOMORROW

THE AFTERMATH OF THE "NEW ERA"

In the final chapter, it is our task to recall some of the points discussed in the preceding chapters, and to attempt an interpretation of present tendencies in the industrial and political world. The nation and the world sorely need, in this period of rapid change, interpreters of present-day trends. Interpreters are needed whose vision is not distorted by prejudice, traditional imperatives, or group or local interests. To perform the task of interpreting today is not easy; but to forecast the future is much more difficult.

The decade from 1919 to 1929 was an era of extraordinary progress in productivity. The natural optimism of the American people was made more prominent by the remarkable strides in invention and in productivity. Americans complacently concluded that the genius of the hustling business man and the high-pressure salesman would keep the business machine going steadily onward and upward. The "new era" was conceived of as a plateau which would continue to slope upward as the years passed. Gorges and Grand Cañons ahead were not anticipated. Speculation became the order of the day. Men and women "made money" by selling securities to other men and women who in turn expected to do likewise. Feverish activity and unbridled optimism led toward the inevitable slump and crisis. The fever of 1924-1929 was the direct cause of the chill of 1929-1932. After the great debacle of 1929-1932 occurred, it became crystal clear that the much-glorified "new era" was merely an old one in disguise. The operation of each business firm from a purely individualistic point of view led to maladjustments, to over-expansion and over-production in many industries, and to a breakdown of the machinery of production. In the interdependent industrial economy of today, efficiency in individual plants is not a guarantee of great and well-distributed total output. The statistics of business activity in 1928 compared

with those of 1932 indicate that industry and finance are today delicate mechanisms which are easily thrown out of "high."

There is no dearth of the great majority of staples. Indeed, over-production of staples — articles for which the demand in technical language is said to be inelastic — is the fear of today. Poverty in the face of plenty is the paradoxical situation into which competition and capitalism have led the peoples of the Western World. Wheat, coffee, sugar, coal, automobiles, rubber, shoes, are among the articles which we are geared to produce in excess of probable demand. And this over-expansion has led to unemployment and further decrease in effective demand — that is, demand backed by purchasing power. The increase in the equipment used to produce essential commodities and the improvement in the methods employed in their production actually tends to decrease the demand for these articles. In the words of another, "we cannot use up the many useful and necessary things we have and would be in worse trouble had we more of them." It is, indeed, a "vicious circle." The nation is physically able to produce a sufficiency for a high standard of living for every man, woman, and child included in its population; but we were actually moving in 1932 toward lower standards of living. From the point of view of the nation as a unit, a serious depression is a financial disease. Men, machinery, and materials are in as great abundance as in an era of expansion and optimism. The productive and marketing machinery has become maladjusted and semi-paralyzed.

If, in the Western World, the scientists, engineers, and personnel managers have solved the problem of sufficient production to lift the population out of poverty, our task is now one of regularizing industrial activity, and of balancing production and consumption at as high a level as invention, management, and material resources will permit. The nation possesses enormous potential productive resources. How may the benefits of science and management be made accessible to the masses? How can personal initiative be combined with public and social responsibility? How may abundance be secured for all, all the time? "The management of plenty" or "the management of civilization" is now a major community task. Walter Lippmann suggests that "the solution of that problem depends upon changes in human motives as great as those which distinguish a feudal peasant from the business man." Chang-

ing civilizations and new ways of getting a living change human motives although the "biology" of man may not undergo significant modifications. A complex and interdependent civilization is easily thrown into confusion or out of adjustment. It can hope to survive if, as the years pass, the emphasis upon "social objectives" is increased, and the honor and prestige accorded to those who work solely for "number one" and for speculative and unearned gains, is reduced; otherwise there is little hope or occasion for the survival of such a civilization.

In the United States, as has been pointed out, industrial progress has been extraordinarily rapid and far-reaching; but the American people are not far from the pioneer or frontier stage of development. They are clinging tenaciously to the individualism fostered by pioneer life and small-scale industry. In a world of bewildering technological changes, the effect of social inertia is not difficult of discernment. Many individuals are, indeed, proud of their prejudices. Men and women dislike to make mistakes in etiquette; but they too frequently insist on retaining old and worn-out mental furniture. To use a pronunciation which marks one as old-fashioned or provincial is something to be avoided; but to maintain a firm grasp upon an old prejudice, or an assumption of the "good old days," in an age of scientific attainment does not put one outside the pale of good society — it may be a card of admission. The stress and strain of adjustment to a new era is much more severe in the United States than it is in the older countries of Europe where coöperation is not unusual and where industrial progress has moved at a slower pace. While industry is demanding coördination, trade agreements, and a new type of leadership, tradition, custom, and inherited national ideals raise high the standard of the competitive struggle and of individual initiative.

THE TRADITIONAL AND THE ACTUAL

The contrast between the historical and traditional United States and the actual situation which the American people now confront, is notable. Unless we are to drift toward disorder and dictatorship, Americans must cease to think in terms of the ox-cart and the old-oaken-bucket era, and begin calmly to analyze the present in the light of today's industry and inter-relationships. Stagnation or

ultra-conservatism, the insistence that today's social and political programs be analyzed in the light of yesterday's philosophy, will lead sooner or later to revolution. The United States has been: —

- A country of undeveloped resources
- A debtor nation
- A country of rapidly expanding population
- A country of rural dwellers
- In need of more necessities and comforts
- A nation dominated by competitive activity
- A people interested in speculative affairs

Our business philosophy and methods have evolved in the atmosphere of the frontier. Rugged individualism has been worshiped. Americans have assumed that adjustments to change will be made automatically and without great difficulty or suffering.

In the fourth decade of the twentieth century, the United States is: —

- A country of well-developed resources
- A creditor nation
- A nation of slowly expanding population
- A country whose population is predominantly urban and suburban
- A community faced with the necessity of studying the economics of abundance or glut and of adjustment to rapidly changing economic and industrial conditions
- A country of relatively large-scale industry in which less and less emphasis is being placed upon competition and more and more upon the desirability of coördination and of regulation
- Characterized by excess of equipment in many lines of business — the result of over-expansion due to competitive struggles
- Faced with the desirability of reducing speculation to a minimum

In the industrial America of today, there are many socially-desirable steps which individual employers may take; but some policies cannot be successfully carried out by each separate organization. In such cases, either group — association — action or governmental action is necessary. The United States of 1932 is no more the United States of Jefferson or of Jackson than is our electrical engineering that of the famous kite-flyer, Benjamin Franklin. Washington and Jefferson could not be expected to anticipate the need for coöperative action through governmental agencies which

the modern city and the modern transportation and communication system have made imperative. To walk into the future with our eyes focused upon the glorious pioneer and individualistic past is to blunder and to fail.

AFTER THE DEPRESSION

A serious depression has usually been followed by a period of relative radicalism or more accurately of restlessness and discontent, by vociferous demands for the betterment of the condition of the rank and file, for an improvement in the efficiency of governmental units, and for a reduction of governmental expenditures. However, history shows that the radical or progressive movement does not as a rule gain much impetus until several years have elapsed subsequent to the acute phases of the depression. The crisis of 1837 was followed in the forties and early fifties by a humanitarian or "hot-air" period. A medley of voices was heard demanding sundry reforms. A galaxy of movements ranging from transcendentalism to Mormonism and to settlements organized by utopian Socialists, and from abolitionism to food-fad-ism and to mesmerism, attracted the attention of the discontented of that period. The panic of 1873 was followed by labor difficulties beginning about 1877. By the middle of the decade of the eighties, over ten years after the crisis, social unrest reached a maximum. Numerous fantastic reform movements drew the attention of farmers and wage workers. A "counter-reformation" was also started by the conservatives of the period. The attention of students in American colleges and universities was turned toward economic and labor problems. Dr. R. T. Ely's pioneer book on American labor problems was published in 1886; and the American Economic Association was organized in 1885. Again, the panic of 1893 was followed in 1896 by the election of the conservative Republican candidate, William McKinley. The practice of muckraking and trust-busting did not make much headway until a decade had elapsed after the collapse in the business and financial world.

If things run true to form, the depression beginning in 1929 will be followed within a few years from the date of this writing (1932) by vigorous demands for a reformation of capitalism. Movements looking toward radical changes will probably be numerous. Today, many are pessimistically or hopefully, as the case may be,

looking for a breakdown in the present order; but capitalism with its emphasis upon individualism has proved pliable and adaptable. With monotonous repetition, the radicalism of yesterday has become the accepted policy of today. Capitalism is more likely to change in form rather than to suffer immediate dissolution. In the judgment of the writer, among the items which may be reasonably anticipated are: an improvement in business ethics, the men at the head of large industries will pay more attention to the welfare and interests of consumers and employees than in the past, banks will get out of speculative activities and will be divested of investment affiliates, the juggling of securities by so-called wizards of finance will cease or be greatly curtailed, less emphasis will be placed upon mere bigness of a business enterprise and more upon efficient and regular operation, there will be more general adoption of plans for affording security of the jobs and incomes of wage earners, and, perhaps, the attention of economists and business leaders may be focused upon plans for preventing the extreme swings of the business cycle.

The serious depression of 1929-1932 caused a vast amount of fear and discontent among the employed as well as among the unemployed. Every employee feared that his job would soon disappear or that some other worker would displace him. Many employing firms followed a policy of maintaining wage rates, staggering jobs, and giving direct aid to their workers; on the other hand, other hard-boiled employers used the depression, with its vast reserves of unemployed, as a convenient excuse for cutting wages, speeding-up workers, eliminating bonus plans and personnel departments. By the end of the summer of 1932, the policies of the hard-boiled employers were followed by a large number of harassed firms whose business was "in the red" or near to that unfortunate status. Before the end of that summer, unrest was manifested in such spectacular events as the picketing of the capital by an army of ex-soldiers seeking immediate payment of "the bonus," as sundry other marches upon local governmental centers, and as strikes in various parts of the country. The tone of labor papers indicated an increase in irritation and bitterness among the mass of organized labor. In the summer and early autumn, it seemed probable that the nation was soon to face an extraordinary outcropping of discontent and radicalism among the

industrial workers, the farmers, and many of the so-called white-collar group. This should not be interpreted to indicate that the United States is in danger of a revolution which will overturn the present political and economic order. Students of revolutionary disturbances are of the opinion that revolutions are generated slowly; at least three generations are required after a given political and economic order begins to function badly.¹ Mental attitudes change slowly.

A depression brings in its wake demands for aid from federal and state governments. Individuals and organizations which in a time of prosperity emphasize the virtues of self-reliance and individual initiative turn in the time of stress and strain to the powers that are in control of the government for aid. Farmers, bankers, the railways, real estate operators, and war veterans clamored for and received aid in one form or another from the federal government in the depression of 1929-1932. In 1932 few indeed were the voices raised in favor of a *laissez faire* policy on the part of the federal government. The Reconstruction Finance Corporation is a long step toward putting the government in business. It is a form of state Socialism which in 1927-1929 would have been bitterly opposed by those who were later instrumental in bringing it into existence. How much vitality this movement to accept the guidance of the federal government will retain in the days which immediately follow the upturn of the business cycle is, of course, problematical; but organized labor and other groups of wage workers are not likely to forget that the most conservative of men, in an emergency, turn away from rugged individualism and *laissez faire*.

As in periods following other depressions, we shall probably witness the rise of a considerable group advocating a return to the "simple life," seeking a way toward a simpler and more secure mode of living. The simple life movement will look toward a revival of pioneer resourcefulness and economic independence. It will make an attempt to establish a new frontier. The agitations for communistic settlements and for free and inalienable homesteads on the part of the land reformers of the forties and early fifties of last century are illustrations of this type of demand. During the depression of 1929-1932 many of the unemployed made

¹ Edwards, L. P., *Natural History of Revolution*.

their way to the rural districts and established their families "upon the land." Numerous insurgents will be led again to proclaim the advantages of "three acres and a cow" or of a small farm bearing diversified crops for use rather than for sale. The security of the simple life will be stressed and contrasted with the insecurity of income, investments, and jobs in the complex, interdependent industrial and urban life of mass-production-mad America.

The paramount issue before the American people is: How may security accompanied by greater leisure and more respect be obtained for the rank and file of the wage workers of the nation? And the only satisfactory answer is found in results or in deeds. It will not be found in appeals or in pious platitudes. As Glenn Frank has aptly remarked, "men cannot eat words. Men cannot wear words. Men cannot trust their old age to words." We are greatly in need of the type of leadership which does not depend upon slogans, catch-words, and emotionalism. The post-depression era will be a time of testing.

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INDEX

- Absentee leadership, 98
Amalgamated Clothing Workers, 89, 228, 239
American Federation of Labor, 93, 102, 104, 105, 107, 109, 110, 116
American Iron and Steel Association, 66
American Management Association, 308
American Rolling Mill plan, 247
Americans losing resourcefulness, 19
Anarchy in business, 8
Apprentices, English system of, 441; limitation of, 157; training of, 441
Arbitration, compulsory, appraised, 218
Arbitration in the United States, 212, 213, 214, 222
Arthur, P. M., 97
Attitudes, changing, 448
- Baltimore and Ohio shop plan, 114, 235, 241
Benefit features of unions, 159, 160, 161
Bethlehem Steel Company, 192
Birthrate, falling, 11
Bishop, J. L., 45
Blacklist, 185
Bonus, length of service, 266
Boycott, 173, 179
Bucks Stove and Range Company case, 180
Building Trades Council, 87
- Business, a profession, 20; aims of, 307, 308
Business unions, 90
- Canadian National Railway, 114
Cannibalism precedes slavery, 30
Capital accumulation and saving, 16
Carelessness in work, 298
Carpenters and Joiners, United Brotherhood of, 89, 136
Census Report, 1930; unemployment, 315
Changes, social and political, 3, 4
Chase, Stuart, 18
Child labor, extent of, 340
Child labor and the factory system, 338
Child labor legislation, 340, 341, 342, 344
Child labor problem, 335
Cigar makers, organization of, 1843, 66
Cities, industrial, 45
City, strategic importance of, 7, 351
Clayton Act of 1914, 185
Closed shop, 143
Collective bargaining, 141, 194
Colonial, farm policies, 40; wage earner, 38, 42; indentured servant, 42; slaves, 42
Columbia Conserve Company plan, 254
Common law and employer, 386
Commons, John R., 42, 43, 47, 48, 52, 145, 361

- Communication, easy and rapid, 11
 Communist or Workers' Party of America, 126
 Community, living conditions in, 304; social attitude of, 8, 9
 Company union *vs.* organized labor, 245
 Competition and rivalry, interest factors in, 307
 Complexity and world unity, 6
 Conciliation service, federal, 215
 Conditions, working and living, 205
 Conditions of growth in unionism, 115
 Consolidation movement, 19; and the future of labor, 112
 Constitution of the U. S. and labor laws, 353
 Consumers' coöperation, 108
 Consumption, heart of the unemployment problem, 312
 Control in industry, 232
 Convict labor, 69
 Coöperative enterprises, building and loan, 415; consumers', 408, 409; credit, 414; distributors', 414; producers', 411; store, 408; types, 407
 Corporation stock, ownership of by workers, 20, 113
 Courts, attitude of toward strikes and boycotts, 174
 Craftsman's pride, 304
 Craftsmanship, decline of old, 14; new, 15
 Creative impulse *vs.* routine and monotony, 297
 Danbury Hatters case, 179
 Debs case, 181
 Democracy and the worker, 23
Dennison, Henry S., 285, 299
 Depression paralyzes industry, 13, 111, 448
 Design, a new element in industry, 189
Dewey, Professor John, 277
 Displacement of hand workers, 16
Donham, Dean H. B., 21
Douglas, Professor Paul H., 314
 Dutchess Bleachery Company, 254
 Economies of abundance, 446
 Education, and the new leisure, 19; for apprentices, 441; new aspects of, 437, 438; old and new ideals in, 439; for trained manpower, 440; world changes and, 438
 Eight-hour day, 68, 70
Einstein, Dr. Albert, 13
Ely, Richard T., 69
 Employee representation, 112, 244, 251, 252
 Employers' associations, 51, 129
 Employers' liability, 386
 Employment, irregularity of, 314
 Employment agencies, 326, 327
 Employment functions, 282
 Engineer *vs.* speculator in industry, 24
 Engineering, human, 5, 277
 Ethics, business, 449
 Ethics of little industry, 9
 "Exit" interviews, 284
 Experts in technology and economics, 22
 Factories in the U. S., 44, 45
 Factory system, 43, 337
Fairchild, H. P., 18
 Female labor report of 1836, 347

- Feudal system, 35
 Filene Coöperative Association, 246
 Food and purchasing power, 12
 Forces, social, 5
 Forecasts and foresight, 21
 Foreman, 11, 12, 300, 301, 440
 Foundries, coöperative, 70
Frank, President Glenn, 8, 451
Franklin, J., 13
Frey, John P., 33, 199, 319

Gantt, Henry L., 265
Gompers, Samuel, 93, 94, 97, 98
 Goodwill, 304
 Goodyear Industrial Representation Plan, 252
Greeley, Horace, 62
Green, William, 97
 Group bonus, 265
 Group interests in business, 309
 Groups in industry, 309

Hamilton, Alexander, 336
Hamlin, S., 319
 Handicraft stage of industry, 43
 Hart Schaffner & Marx plan, 240
 Hat Finishers, National Association of, 67
Hayes, G., 319
 Health insurance, 394
Hillman, Sidney, 97
 Hiring the worker, 281
 Hobo and tramp, 119
 Homestead Act, 61
Hopf, Harry A., 305
 Hours of labor, 154, 342
 Housing conditions, 69
Hoxie, Professor R. F., 90, 208
 Human engineering, 5, 277, 305, 306
 Human equation, 306
 Human society, 4
 Humanitarian and labor movements, 57
 Immigration, 418, 419, 420, 423, 424, 427, 430, 431, 432, 433, 434
 Imprisonment for debt, 58, 59
 Incentives, negative, 291; positive, 292; in production, 27, 113, 298
 Individualism, 24, 446
 Industrial manager, new type of, 230
 Industrial psychology, 278
 Industrial relations, commission on, 326
 Industrial revolution, 4
 Industrial Workers of the World (I. W. W.), 89, 121
 Injunctions and labor union, 5, 183; and public opinion, 184
 Insecurity and fear, 300
 Instincts, 294, 295, 297
 Interdependence, group and individual, 11
 Interests, common, 208, 242, 309
 International Harvester Company plan, 253
 International Typographical Union and the linotype, 139
 Interviewing employees, 255
 Inventiveness and adaptability, 22
 Investor's rights, 230, 309
 Iron industry, 65

Jacks, L. P., 18
 Job, analysis, 283; monotony, 10, 11, 291, 299; security, 11, 299, 300; worker's vested interest in the, 228
 Jurisdictional disputes, 136

- Kansas Industrial Relations Court, 217
 Knights of Labor, Noble Order of, 75, 76, 77
 Knights of St. Crispin, 73

 Labor, U. S. Department of, 215
 Labor legislation, 353, 354, 357, 359, 364, 367, 368, 378
 Labor organizations, 79, 80, 81, 82, 83, 88, 135
 Labor problems, 8, 74, 93, 94, 99, 157, 283, 286, 346
 Labor-saving devices, 66
Laissez faire philosophy, 356
 Large-scale business units, 11
 Laziness, 294
 Leadership in industry, 4, 97, 287, 288
 League for Industrial Rights, 131
Leiserson, W. M., 149
 Leisure for all, 11, 16
Lescohier, D. D., 329
 Liberty, 357
 Linotype and labor policy, the, 140
 Lockouts, 169, 175; and strikes, 162
Losely, H. P., 322

 Machine age, 15, 16, 351
 Machinery, introduction of, 138
 Manufacturers' Protective and Development Association, 131, 237, 299
 Markets, labor, 7
Martineau, Harriet, 347
Mathewson, S. B., 149
McMaster, J. B., 42
 Mechanical arts outrun social sciences, 21
 Mechanics lien law, 59
 Mechanization, 297

 Mediation, federal board of, 215; in the U. S., 212, 213
 Medieval period, 34
 Mergers, 19
 Middle class and syndicalism, 124, 125
 Midvale Steel Company, 192
 Migratory worker, 119, 313
 Mine Workers of America, United, 89
 Mitten plan, 247
 Mobility of labor, 151, 285
 Morale and leadership, 288
Morgan, Arthur E., 149
 Musicians, American Federation of, 87

 National Association of Manufacturers, 131, 132
 National Civic Federation, 133
 National Industrial Conference Board, 133
 National Labor Congress of 1866, 6
 National Labor Union platforms, 68, 69
 National Metal Trades Association, 131
 Naumkeag Steam Cotton Company, 241
 Negro workers, neglect of, 116, 127

 Ohio Industrial Commission, 220
 Old age pensions, 396
 Output, restriction of, 148, 150

Parker, Professor C. H., 294
 Party, first workingmen's, 49
Patten, Dr. Simon N., 13, 29
 Peace, industrial, 222
Peel, Sir Robert, 341

- Personnel department, 280, 282, 284, 298, 309
 Picketing, 170
 Pioneers, 6, 8
 Planning *vs.* planlessness, 7, 13
 Plant capacity, excess, 8
 Political action policies, 100
 Political aspects of the labor movement, 69
 Population, 11, 12, 418, 434
 Potters' Association, U. S., 130
Powderly, T. V., 75
 Predatory unionism, 91
 Premium or bonus wage plans, 264
 Printing industry and unions, 140
 Product sharing, 272
 Productive energy, human, 190
 Productivity per capita, 11
 Profit sharing, 270, 271, 272, 273
 Promotion policies, 285
 Propaganda, 11
 Property rights, 29
 Psychology, social, 298, 311
 Public, functions of business, 9; interest and labor disputes, 209, 212; opinion and industrial warfare, 10
 Public utilities and society, 212
 Public works program, planned, 330
 Publicity and prestige, 302
 Punctuality bonus, 266
 Purpose in industry, 306

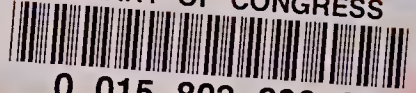
 Quality bonus, 266

 Radical groups and migrants, 119
 Railway Labor Board, 214
 Railway Shopmen's Strike, 1922, 182
 Rationalization, 203
 Regularization, 331, 332, 333
 Republican party platform, 1860, 62
 Research, industrial and commercial, 11; and labor, 114
 Restriction of output, 147
 Revolutionary unionism, 91
Robins, Mrs. Raymond, 359
 Rockefeller plan, 253
 Roman guilds, 33, 34
Roosevelt, President Theodore, 26
Ross, Professor Edward A., 300, 361
 Routine work, 291, 295

 Sabotage, 171, 305
 School system, free, 60
 Scientific management, 189, 190, 191, 192, 193, 194, 195, 197
Seager, Henry R., 362
 Shop committee, 245, 248
 Slavery, 3, 30, 39
Slichter, S. H., 303, 320
 Social inertia, 7, 116; mechanics, 11
 Socialist Labor Party, 127
 Specialization, 11
 Speeding-up, 153
 Stabilization of employment, 312
Stamp, Sir Josiah, 22
 Standard of living, 70
 Statesmanship, industrial, 8
 Statistics of employment, 315; of strikes and lockouts, 164
Steward, Ira, 71
 Stock purchase plans, 252
Stone, Warren S., 97
 Stove Founders' National Defense Association, 131, 237, 238
 Strikes, 108, 162, 166, 170, 172, 176, 224
 Subdivision of labor, 357
 Sweated industries, 212
 Syndicalism, 121, 124

- Taylor, F. W.*, 191
 Taylor Society, industrial employ-
 ment code of, 308
Tead, Ordway, 287, 309
 Teamwork in industry, 114, 298
 Technological achievements and
 lawlessness, 19; unemployment,
 318
 Temperamental workers, 313
 Tempo of life, 21
 Textile Workers of America,
 United, 114, 241
 Time wage, 262
Towne, Henry R., 193
 Trade, agreements, 213, 234;
 monopoly, medieval, 36
 Traditions, 447
 Typographical Union, Interna-
 tional, 87
- Unemployables, 313
 Unemployment, 69, 160, 298, 312,
 314, 315, 317, 322
 Union label, 186
 Union leadership, militant, 98, 113
 Unionism, industrial, 89, 116, 117;
 origin of trade, 47
 Unions, tests of strength of, 94, 95
 United Brotherhood of Carpenters
 and Joiners, 136
- United Mine Workers of America,
 89
 Uplift unionism, 91
- Violence in strikes, 166
- Wage, 113, 202, 257, 261, 263, 264,
 267, 268, 293
 Wages and scientific management,
 197, 201
Walker, F. A., 340
 War, Civil, 64, 65, 336; Labor
 Board, National, 247
 Waste in Industry, Report on, 315
 Welfare work, 275
Wells, H. G., 229
 Westward movement, 62, 65
 White House Conference on Child
 Health, 351
Wolman, Leo, 118
 Women workers, 28, 335, 339, 346,
 349
 Work and leisure, 18
 Workers, and social psychology,
 the, 298; instruction of the, 299;
 International Industrial Union,
 122; Party, 101
 Workingmen's compensation acts,
 389
 Works' councils, 244, 251

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