INDUSTRIAL RELATIONS--GERMANY, AUSTRIA, YUGOSLAVIA

22 September 1955

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Mr. Paul Fisher, Labor Economist, International Cooperation Administration, was born in Vienna, Austria in 1908. He was educated at the University of Paris (Sorbonne) and the University of Vienna (JD 1930). Mr. Fisher has served as Assistant to Arthur Lenhoff (University of Vienna) Labor Law and Social Insurance; Teaching Assistant, College of William and Mary, 1939-40; Research Assistant, Fordham University, Graduate School of Arts and Sciences, Department of Political Philosophy (Labor Law) 1940; Tilton Jr. College, Tilton, N. H., 1940-41; University of Maine, Instructor, 1941-43; Assistant Professor, Clark University, Worcester, Mass., 1943-46; and Assistant Professor, Dartmouth College, Hanover, N. H., 1946-52. He has been a lecturer, American University, Washington, D. C., since 1952, and is now a Labor Economist in the International Cooperation Administration. Among the various articles written by Mr. Fisher are: "Can Capitalism Survive Without Free Labor Markets" Proceedings of the second annual meeting of the Industrial Relations Research Association, December 1949; "Notes on the German Works Council" Visiting Expert Series, U. S. High Commission for Germany, No. 18, March 1951; "Co-determination in German Labor" Social Research, December 1951. He has also written various book reviews and papers presented at professional meetings and lectured at Cornell University, University of Virginia, Industrial College of the Armed Forces, and Harvard University. Presently, he is preparing a paper entitled, "Post War Works-Council Legislation Abroad." Mr. Fisher is affiliated with the American Economic Association, Industrial Relations Research Association, American Arbitration Association, American Association of University Professors, and has been awarded the following fellowships: Oberlander Trust, 1941; U. S. Department of State, Research Grant, 1950; and Social Science Research Council, Travel Grant, Area Research Training Fellowship, 1950. This is his first lecture at the Industrial College.

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COLONEL O'NEIL: General Hollis, General Calhoun, guests, members of the class: This morning we start our investigation of the manpower of Germany, Austria, and Yugoslavia. We have pointed this lecture toward industrial relations for two reasons: First, to gain an appreciation of labor-management relationships in these countries; and, secondly, to become acquainted with the implications of their manpower factors as they relate to our conservation and security position.

Our speaker has had extensive experience in the manpower area and he has written and had published many articles in the labor area. His latest was concerned with the codetermination problem. At the present time he is with the International Cooperation Administration as a labor economist. Incidentally, the International Cooperation Administration was formerly Foreign Operations Administration which Mr. Harold Stassen headed up.

It is our speaker's privilege to kick off the international phase of our Unit, and I take pleasure in welcoming to the platform and presenting to the class Mr. Paul Fisher. Mr. Fisher.

MR. FISHER: General Hollis, General Calhoun, and gentlemen: I must admit that I was slightly awed when I was asked to kick off this series of lectures on industrial relations abroad. I was flattered, but at the same time, I felt completely inadequate in handling three countries such as Germany, Austria, and Yugoslavia in the limited amount of time.

To make any contribution to the understanding of the industrial relations in such diverse countries as Germany and Austria, on the one hand, and Yugoslavia on the other hand, I shall have to ask your permission to concentrate on a very small number of the basic differences between the scene there and the scene with which you and I are more familiar, i. e., the status of industrial relations in the United States. I thought that if you should be asked to conduct any operations abroad, as the United States Army, Air Force, and Navy have been in the past, that you would want to get a picture of some of the basic characteristics which distinguish the scene you know from the scene

you are confronted with. Therefore, without much ado, I will start immediately with my few--three actually--characteristics which I want to concentrate on first.

The first thing I want to concentrate on is what I would call the cleavage between employers on the one hand and labor on the other hand which exists in these countries and with which we are not familiar here. Compared to Europe the United States has almost a classless society. In the European countries, labor and management are divided by language, by education, by consumption patterns, even by clothing, by their outlook, by politics, and their social status in such a way that the two appear to belong to different worlds. There is not the easy relations that exist in the United States of calling people by their first names. Management and labor form two different worlds.

This phenomenon dates back to the stratified society of the middle ages with its feudalistic social organization, and this feudalistic organization was never quite replaced by any other social pattern. The Industrial Revolution which reached these countries rather late never fully revolutionized the social order. It merely adapted itself to the prevailing institutions and mores. Except for Yugoslavia, there was no bloody revolution toupset the stratified society. There was merely a surface change of symbols following lost wars, leaving basic attitudes undisturbed.

This goes far to explain the position of the owner-manager as the fountainhead of a semimilitary discipline within the shop and as an authority on all questions affecting the life of his workers and as upholder of law and order. He is indeed "Master in his house." It means, in other words, that managerial prerogatives are very anxiously safeguarded in the German and in the Austrian cases.

Like any responsible lord of the manor, the Medieval lord had not only rights but also duties. One of his duties was to protect "his people" against the effects of economic adversities. This is still largely true of the German and Austrian employer. He is often honestly concerned about the material--and often the spiritual--welfare of his people. As a rule he pays a higher wage than that established by minimum wage laws or collective agreement. Large enterprises provide a great many fringe benefits. You find well appointed canteens; you find hospital services, and supplemental pensions. I remember one case where a German employer actually had his wife visit the poor and ailing in the tradition of the middle ages, not in 1812, but in 1952.

Remnants of this feudalism also explain the very striking division of the labor force in hierarchically differential groups. The government officer with life-long tenure is held in highest esteem. He is followed by the white collar worker, with the manual workers at the bottom rank of the social ladder. These are three quite distinct groups. So strong are these differences, that the three groups in Germany, for instance, don't easily fall into one labor federation. There are three labor federations, one for the officials, one for the white collar workers, and one for the manual workers.

The feudalistic pattern is also expressed in a certain amount of loyalty of the work force to the employer, the industrial dynasty, which guides the lives of succeeding generations of workers. This feeling has an effect on the mobility of the work force. The mobility is much lower than in the United States.

The second characteristic to which I want to call your attention is the far greater concern for job security among workers in Germany and Austria than you find in the United States. The great depression of the thirties, the prolonged large-scale unemployment, and the worsening of wages, hours and working conditions deeply affected the workers faith in the Continental European brand of feudal and paternalistic capitalism. The unemployed and the never-employed turned radical. Belief in the effectiveness of gradual reform waned among the shrinking number of workers still holding jobs. The fear of losing the job was reinforced by the fear of losing hard-won social recognition. It reinforced labor's desire to safeguard the "right to the job" by all kinds of legal devices not too well understood over here, as for instance, dismissal notice, dismissal compensation, protection by the courts, etc., against unjustified dismissal. By these means the proletarian sought, not only job security, but he also sought to approximate the greater tenure of the next higher social order, the white collar employee.

The European worker's far stronger desire for job security reduces further his mobility and explains his unwillingness to engage in prolonged economic strikes. Of course, severe economic strikes are also not very popular because of the prevailing low wages and small savings. But the tendency toward a very expanded social security of the "cradle to the grave" type is nothing but another manifestation of the basic feeling of the worker that he needs security on the job and security against all economic events which affect his rights to the job.

We find here not only the typical social security measures of the United States but also special health insurance and the family allowance systems.

I mentioned to you that the various measures designed to allay the fear of losing the job are secured through legal means in Germany, Austria, and Yugoslavia. In these countries labor-management relations are covered to a far greater extent by law and regulation than in the United States. There is a far greater reliance on legalism and courts to settle grievances than in the United States. This, by the way, has presented one of the greatest problems to the United States Armed Forces in employing natives in Germany and Austria because the former were constantly confronted with the problem of having the native labor law applied to them. This led to demands which the Armed Forces sometimes found unacceptable, but which had their basis in the labor laws which had been developed in these countries.

However, this reliance upon the law quite obviously separates the parties even further. The minima turn into maxima, and the interpretation of the law and court decisions replace the need for seeking practical, common sense solutions such as we have in this country.

It is interesting to look at the question of why the Europeans are looking to the law for the settlement of their labor-management problems. This problem has its roots in the nature of the employer, and labor organizations. German, Austrian and Yogoslavia unions are not trade unions in our sense or in the sense of the British experience. They are not primarily interested in maximizing the product of wage and employment for their members. They were and still are reform movements. Historically, their aim was to change the economic system, to change the feudalistic pattern of society. They were not there only to wring concessions from employers.

As a reform movement, they were not content to limit their activities to bargaining for wages. They were seeking to direct the entire lives of the workers. That is one of the reasons why you find that these unions devote a great part of their income to youth activities, to cultural activities, to education, to sports. In effect, you have a feeling that the labor movements of these countries are trying to produce a separate cultural sector within the nation, which again sets labor completely apart from the rest of the community.

As a reform movement, their aim is not restricted to the protection of the scio-economic interests of their members, but aims to extend their activities in the interests of the entire working population. As a reform movement, the fighting arena is not the plant but the nation. The primary weapon of the worker is not economic action but the vote for the favored party and political action, which, if successful, leads again to favorable legislation.

I would like to turn now to the postwar picture as it confronted us after the end of World War II in Germany and Austria. The postwar situation favored, in all three countries, the emergence of numerically strong unions, of unified unions, and of unions which operated in a power vacuum. Actually, German and Austrian unions had originated a significantly higher percentage of the wage and salary earners than our unions represent in the United States--Germany, 40 percent; Austria, 62 percent; Yugoslavia, 85 percent.

Division according to party affiliation, which characterized these labor movements before World War II, has given way to unified movements. These unified movements contained elements in their ranks of various political outlooks. They had to be, in theory at least, nonpolitical. They had to be trade-union movements and not political parties. One big confederation in each country speaks for the 16-odd industrial federations encompassing all or nearly all of organized labor. In the period immediately following the defeat of fascist regime, labor's voice rang loud and authoritatively in the power vacuum which the temporary eclipse of the previous elites, particularly in Germany, had created.

The unified labor movement could have profited by this unique revolutionary situation. Instead, it acted with a remarkable restraint, with an unsurpassed sense of responsibility. Within the limits of the policies of the occupation powers, labor could have conquered the reins of government. The German labor movement did not then establish a dictatorship of the proletariate, because it did not consider itself only a representative of labor. The German unions considered themselves as representatives of the entire nation. Therefore they acted like the statesmen of the nation.

True to its historical role as a movement, looking not for immediate gains, but rather towards the gradual reform of society by democratic means, the German labor movement forewent the revolutionary gesture; It rejected dogmatic Marxism; it restrained wage demands, and bent all

efforts to first rebuild the shattered economy and that democratic society which the labor movement ultimately wants to change by peaceful means.

As I said, German labor is a big movement. There are about six million members in the German Federation of Labor. There are one million, 400 thousand workers organized in the Austrian Federation of Labor; and one million, 700 thousand from the Yugoslavia Trade Union Federation. But large membership by itself does not necessarily indicate strength. Just the same it may come as a distinct surprise to some of us when I now state that today these imposing structures, with their arms reaching into many legislative, executive, and industrial positions of power are actually economically and politically weak. Their weakness results partly, as in Germany and Austria, from the well disciplined and effective strength of organized employers, eager to protect their prerogatives. This strength surpasses any comparable organization in the United States.

It is due also, as in Germany, partly to the decline of the parties and politicians upon whom labor relied in the past, and in Austria labor is weak partly because of its close tie to a long-term government coalition partner which long ago lost freedom of action. In Yugoslavia it is weak, because this is the nature of a trade union organization operating in a so-called socialistic state, because of the intertwining of union and political office in a communists dictatorial state which reduces the union to a tool of party and government. But above all, the weakness of these unions results from some inherent difficulties within the unions themselves.

Let me go back for one second. I explained that the unions started as a reform movement. As a reform movement, they could live only by virtue of a more or less complete identification of members' hopes and aspirations with the union doctrine. This philosophy could be, in the prewar period, Marxist, Gradualist, Catholic, or even Anarcho-Syndicalist. Unions of this type would be successful only where effective leadership succeeds in keeping the messianic hope alive and where occasional political and legislative gains bring the final goal nearer.

If you have such a movement, then the members' interests do not center on the job or on the local union. It centers on the movement itself. As a consequence, there is no need for the movement to develop mere close bread-and-butter relations on the job level. As a matter

of fact, there is no need to reply upon the economic strike. The strike becomes a political and not an economic weapon. It becomes the short-lived, one day walkout against recalcitrant legislators to attain union demands. The economic strike becomes the exception.

In all of these countries, the every-day demands of the workers are not taken care of by the union at all. They are taken care of by the works-council. The works-council, which deals with work problems and grievances, is the creation of the period following the revolution of 1918 and the First World War. It is basically an elected representative committee of the employees in a given plant, irrespective of union affiliation. All workers vote regardless of whether they do or do not belong to the union. Seen from the viewpoint of the U. S., union experience, the works-council is to all intents and purposes a rival and dual organization. It represents a potential threat to the union and was initally regarded as such by the unions both in Germany and in Austria. At the time when it came into existence, the unions could not openly attack it since it represented to the workers one of the few revolutionary gains of the working class.

Since then, German and Austrian labor has attempted to come to terms with this institution by seeking to influence its composition and by maintaining liaison through a variety of means. Although a modus vivendi thus emerged, it is quite obvious that the works-council prevented effective grass-roots identification of the workers with his union on bread and butter issues. This doesn't mean that the union doesn't provide something for the worker's income through its collective bargaining agreements on an industry-wide basis, but these union activities, these collective contracts are pretty far removed from the actual experience of the worker in the shop. They establish area-wide minimum wages, while the typically higher wages and working conditions in the shop result from works-council shop agreements entered into between the works-council and management. Some of the latter are not so much of result of bargains but of patronizing unilateral employer action. Unions in this situation quite obviously had to rely on their ideological appeal and their political effectiveness.

Now let us turn to Germany in the postwar period. The old union philosophies were dead issues. The prewar ideological slogans had been discredited by the course of time, by Nazi propaganda, and Nazi reality, and by the Communist presence. And, of course, some of the slogans had been usurped by the Communists, and were hence no longer acceptable to a democratic labor movement. As a consequence, the unions had to look either for economic action or for new ideologies.

Occupation policy and the economic situation, however, prevented the union from achieving economic gains, the only language which a hungry labor force tired of all ideology--Nazi, Communist, and many others--cynical and without much hope, would have understood best.

A new ideology had to be found. This new ideology had to take into account that you were dealing now with a new unitarian movement, covering all political parties, and in particular Socialists and Christian Democrats. As a consequence, the new ideology had to please both. Furthermore, it has to be non-political in the sense that it could not compete with the doctrines of any party. It had to be laboristic, trade-union oriented, to emphasize the non-political character of the German Federation of Labor.

In addition, it had to be popular. It had to appeal to the basic desires of the workers, and still be broad enough to promise reform of the entire economy and not be restricted just to a reform of plant relations.

Codetermination seemed to present the answer. It promised labor--union and works-council--participation in the management of the enterprise through two major means: representation of the worker or unions on the board of directors; and union nominations of personnel managers. As a third means a bipartite business policy committee was introduced which would receive at stated intervals pertinent information on the course of business and advise management.

Beyond the level of the individual enterprise codetermination tried to reduce the powers of the various semi-official representative organizations of the employers like the Chamber of Commerce by making them into bipartisan local, regional, and industrial economic councils. Codetermination renewed an old proposal, i. e., to add to the Federal legislative bi-cameral structure a third legislative body, a national economic council, again on a bipartisan basis.

What did labor try to achieve by codetermination? Well, it tried on the one hand to realize the ideals of Industrial Democracy, which look towards a syndicalist penetration of the economy. It aimed furthermore to take a good share of the authority away from the employer without conferring it at the same time upon the state. In this way this doctrine seemed to differ from the communist doctrine, of state communism, state socialism and nationalization. On the other hand this demand seemed to appeal to labor's social aspirations.

Within the hierarchic society of Germany, labor claimed equality of hierarchy-status with management.

This was a new myth. Parts of it were actually written in a law for Germany's steel and coal industry. A watered down version applies to all other enterprises. The chance of establishing regional or national bipartisan economic chambers is slim. While codetermination inspired DGB membership for a short while, actual experience with this new instrument of labor policy has been disappointing. As the worker's enthusiasm waned, the employer resistance grew, in the same relation as their economic and social position, and their political influence profited from the miracle of German economic recovery.

The new ideology failed to keep membership interest alive. Membership in the German Federation of Labor declined for the first time since the postwar period. The unions had no longer a choice. They had only one way open to win their membership back. They had to appeal to the immediate economic interests of the membership. Indeed, we find that within the last year or so, spearheaded by the powerful metal worker federation, the German Federation of Labor proclaimed an "action program" for higher wages and shorter hours, a language which the American observers understand better. They are no longer seriously asking for a share in the management of the plants or in the management of the economy. They are asking now for a share in German prosperity, in German productivity gains. Purely economic strikes occurred. As a consequence the center of activity has now shifted from the central federation to the industrial federation which forms the German Federation of Labor. Whether this is a permanent change, we do not know. We will have to rely upon future developments.

At the present time, the German Federation of Labor is asking for a 40-hour week and 48-hour pay. It will be interesting to watch whether this will be achieved through national legislation, in which case no real change has occurred, or whether it will be achieved by collective bargaining, only in the latter case will a change in the basic policy of the German labor movement have taken place.

While German labor was forced to seek and failed to find a new doctrine to cement millions of disillusioned and disinterested workers into a strong labor movement, Austrian labor faced a different problem.

The prewar philosophy of the Austrian Federation of Labor was largely identical with that of Austria's Social-Democratic party. The workers were never very much attracted by the intellectual doctrine

of Marxism, but they were interested in the practical social reforms which the Social-Democratic party before the war had advocated and carried out, as, for instance, in Vienna's well known worker's housing projects, kindergartens and swimming pools. Pragmatic, municipal social reforms had never been discredited by the Nazis or Communists. Further, party and trade union tradition had been kept alive through workers' participation in the underground resistance to Nazi-ism. It had never been interrupted for quite such a long period as in Germany. The old labor leaders, who, after liberation, returned from concentration camps and exile, provided the link between the past and the future. Hence, Austrian labor did not need a new doctrine quite as badly as the German labor union did.

Besides, there was no time for ideological discussions. Physical reconstruction of the society and economy, the new problems arising from the nationalization of Austrian basic industry--the same problems as confront labor in Great Britian--and, above all, concern for Austria's survival and ultimate independence, demanded action and doctrines. It was action which the Austrian labor union took there. Had it not been for the courageous action of the Viennese organized electrical workers, the Communists coup of October 1950, to bring Austria within their own zone, might well have succeeded.

But the political action which the constant threat of Communist annexation forced upon Austrian labor left little room for other trade union activities. The predominant vote of the political problem tied the Austrian Federation of Labor even closer to the coalition government, itself partly a result of the need for a common defense against the communist danger. This strong liaison between unions and the parties in the interest of national survival led, of course, to some remarkable statesmanlike economic actions, as, for instance, the wage-price-farm products agreements of the postwar years.

These agreements imposed wage restraints. The action was statesmanlike; it was responsible union policy, but it was not very popular with the workers. Although the unions gained some of their objectives by participation of a few of their major leaders in the government, they lost at the same time to a considerable degree their independence of action. With their power to protect member interests impaired, they may also have to look sometimes to new ways of keeping the allegiance of the workers.

So far, Austrian labor has no reason to experiment with the Anglo-American type of business unionism. Participation in the coalition government is still paying off, but a regrouping of political forces which the end of occupation makes possible may also require a change in basic union policy as well.

I am coming to the end of my talk and to the Yugoslavia situation. This is a horse of a different color. Not only does this country offer an excellent picture in miniature of the eternal problems of the trade union in the "worker's state," but in addition the fascinating result of a superficial adaptation of a modified Soviet pattern of industrial relations to Western concepts of a more effective organization of the economy. You can actually distinguish three phases of development.

In the first one, the immediate postwar period, Yugoslavia, like all other Russian satellites, imitated closely the Soviet system. All the familiar elements were present: A nationalized industry, subject to the directives of the economic planning board and the unions which no longer have the function of protecting the worker against his enterprise, the enterprise of a worker state in which he has a share. The unions are merely an arm of the party-state to educate the worker politically and to force him to produce willingly without regard to his personal freedom, his health, his safety, or fortune. Above all there is the party which permeates the entire web of the economy. The union has the major purpose of inspiring workers to fulfill the five-year plan production goals and to increase their output. To this end, the union devises incentive wage systems, seeks to increase the supply of skilled workers, and to improve discipline and mobility. The union has little to do with the wage because the national wage bill is, of course, determined by the planning authority and the hours of working conditions are determined by law, as in Germany and in Austria.

The second phase results from the break of Yugoslavia with the Soviet regime. Then Yugoslavia devised a new series of symbols. The symbols were created to hide the fact that the change in the international field does not really have any parallel in industrial relations. Although the party apparatus continues to reign supreme over managers and workers alike, Tito's communist regime must develop a new set of slogans. They use two well-worn shiboleths of socialist doctrine, Decentralization of Power and Management by the Workers. According to this gospel, managerial decisions are reached jointly by management and the works-council.

Under this doctrine, management itself is not completely free of influence by the workers because the general manager is in this period elected by the works-council, which hires and fires him. In reality, of course, the actual center of managerial decision lies in the party-state. Of course, there may be strong personalities in the works-council, on the management side and on the party side, which have a great deal to do with the details of implementation. But the power to decide major issues rests squarely with the economic administrative organs of the nation. It cannot be any other way because a planned economy obviously cannot tolerate a management which would permit the works-council to favor the immediate demands of the workers in the shop without regard to the income and consumption level of the entire nation, in favor of some of the constituents.

In theory, worker control carries the idea of a check against the central bureaucracy into the business world. In fact, central planning cannot tolerate unplanned veto powers. Propaganda needs require emphasizing the fiction that the worker not only manages but actually owns the enterprise. In this vein he is not supposed to receive wages; he receives advance distribution of revenue, to be supplemented by his share in the profits, the so-called surplus wage fund. In addition, through the works-council, he is supposed to participate in the decision of how much of the profits should be distributed to him in terms of a bonus instead of being used for reinvestment, for welfare or community purposes. In fact, however, party pressure curtails any such freedom of decision because it has to prevent disparity in incomes and it has to prevent inflation.

Now we come to the third phase. The period of Western influence and the need for increased output led to major modifications of this system. Surplus wage funds were nearly taxed away. The disposition of what was left has to be decided, not by the works-council and the enterprise, but by the local communes, the political administration. The management function is no longer collegiate and divided but reverts solely and openly to the appointed director. He is no longer elected. Wage administration, although initated by a wage committee (consisting of the works-council, the works-collective and the management of the enterprise) shifts to tripartite arbitration committees and permanent government wage commissions. There is still lip service paid to some of the glorious concepts of Soviet make-believe, but they have lost substance and meaning. Economic necessities superimpose some of the Western concepts upon the Soviet base. At the same time, the unions also underwent an important change.

The YFTU has lost the political education function to the Socialist Alliance of the Working People, but has regained some influence, as a tool of the government, upon the determination of the wage fund, upon the wage system, and upon the actual setting of wage rates production norms. Since rest homes are open only to members, membership in the union pays, at least in this respect.

But these are unessential details. The fact remains that Yugoslav unions operate still within the strict limits of party rule and government economic planning. Unlike the German and Austrian unions which function free from state control in a free enterprise society, and which, in spite of all differences to our unions, are at least now vitally interested in the economic interests of the workers, the Yugoslav worker cannot rely upon his union for this purpose. His fate is determined by party and government, which make use of unions as one of several means of obtaining the goals of a "prosperous democratic people's respublic." These goals, unchecked by independent and effective worker representation, may or more often may not coincide with the best interests of the workers.

The time has come to conclude our presentation. The few remarks I was able to make were intended only as an introduction to the theme. I hope in the following question period to be able to fill in some of the gaps, which my discussion must have left in your mind.

QUESTION: Mr. Fisher, in this move towards more participation of German labor and the management in synicalist, do you know whether or not certain elements of American labor fostered that movement in Germany as a testing ground?

MR. FISHER: The American labor movement has shown a definite lack of enthusiasm for the German drive towards codetermination. This happened to be true for all parts of the American labor novement. Their basic reasoning seemed to be this: They felt that if labor representatives would appear on the board of directors and would appear as personal managers and then would be confronted by wage demands or any labor demands on the part of the union, the union would be sitting on both sides of the bargaining table. If then an undesirable settlement would result, the dissatisfied workers may hold not only this part of the union responsible which was sitting on the management side of the table, but the entire labor movement.

As a matter of fact, if you go back to the history of codetermination which took place when we, the United States, were still one of the major occupying powers in Germany, you will find that the American trade unions of this period, outside of government, protested against the move, and that the trade unionists who were then in uniform and were sitting in the Military Government and HICOG did their very best to prevent this solution.

However, there occurred something which is well known in literature; American management took a very definite stand against codetermination. It sent a delegation to Germany and approved the enactment of this legislation. Evidently management was fearful that codetermination would provide a pattern which would have some influence in the United States. This move resulted in this: American labor unions suddenly could no longer remain hostile to coordination. As a consequence, they now maintained that codetermination may be very fine for Germany although they didn't want anything to do with it in the United States. As far as German labor was concerned, American labor was now in great sympathy with German labor's demands. At the same time, American unions kept on asking the DGB under their breath, "For Heaven's sake, why do you want this codetermination so badly?"

QUESTION: I was not quite clear. Did codetermination actually come about or was it a hope?

MR. FISHER: Because I have been writing on the subject, I thought I didn't want to burden you with too much about codetermination in this talk. There are two basic laws in Germany, one which applies to the coal and steel industry and one which applies to all enterprises. The first one is the most far-reaching one. It says that all boards of directors in the coal and steel industry must be composed of 11 persons, 5 to represent management, 5 to represent unions, and the work-council, and 1 so-called impartial chairman to be elected by the two groups of 5 each. It also provides for a top management group consisting of 3 persons, a commercial director, a technical director, and a labor director. The labor director, in charge of personnel matters is nominated by the unions. This law applies only in the coal and steel industry.

The general works-council law, which was enacted later on, provides for one-third participation by labor in the board of directors of large corporations and does not provide for any labor director (or

personnel manager). It provides for bipartisan public policy committees in large enterprises of more than 200 employees. These countries are recipients of business information. The nature of this information is determined by law. In practice it amounts to as much information as management feels inclined to give. You see the general codetermination provisions are the result of a considerable watering down of the rules established for the coal and fuel industry. Does that answer your question?

QUESTION: That's just the beginning. Here is the 64-dollar question. Would you consider this codetermination as the cause for the rapid recovery of Western Germany or was it the natural industriousness of the German people?

MR. FISHER: I don't think I want to go into the question of what caused the recovery of Germany at this point because I have a definite feeling that codetermination had very little to do with it. I would say at the same time, so I won't be misunderstood, that, while it didn't promote it, it also didn't hinder it. It was simply a side issue.

QUESTION: Would you care to comment on to what extent the national, the ethnic characteristics, the differences between the German and Austrian people and the Yugoslavs affected the development of industrial mobilization after the war, particularly as to whether or not the communist influence was an important factor in Yugoslavia?

MR. FISHER: The communist influence certainly was the important issue in Yugoslavia. When it comes to ethnical or national characteristics, I am afraid it would take too long to give you a satisfactory answer and I always hesitate to generalize.

I would feel that the real difference between Yugoslavia's case and the two other cases is not so much the fact that the one is a Slavic nation and the other two are Germanic nations. The real difference is the type society which was permitted to develop in the postwar period. The reason why I say this will become clearer later.

Yugoslavia is a creation of World War I, consisting basically of three nations, the Serbs, the Croats, and the Slovenes. The Croats were brought up for at least 150 years under the leadership of a Germanic monarchy, the Hapsburgs. The Slovenes were under the same Hapsburgs. The Austro-Hungarian Monarchy which had a major influence upon the economic development of that part of Yugoslavia introduced a Germanic

note in this area. The Serbs on the other hand were originally under Turkish influence. The basic development of Yugoslavia, if it hadn't been for the communist influence, would have been very similar to that in Austria because you had also very strong feudalistic influences in the Turkish Empire. The social order of the Ottoman Empire, quite different from that of the Germanic Empire, was in this respect basically the same. The Turks also knew the relationships of the feudal lords and the serfs. Both influences, Germanic and Turkish, would have combined to reach the same result had it not been for the communist reality, not the communist doctrine, which produced the great difference between Yugoslavia and the two other nations we discussed this morning.

QUESTION: Mr. Fisher, you mentioned the three strata of labor. Do they maintain the same identity postwar as they had prewar?

MR. FISHER: Yes. At one time it did not look this way at all. I am speaking only of Germany. I am not talking about Austria. The German Federation of Labor, divided into 16 industrial unions, tried to establish a monopoly of labor representation. It became politically wise under the occupation for everybody short of being the owner to become a member of a union because union membership seemed to some to offer slight protection against denazification and against being accused of being a fascist or national socialist.

So you had suddenly everybody flocking to the German Federation of Labor whether he had any sympathy with what may have been the outlook of the German Federation of Labor or not, simply as a need for survival. Each of the industrial labor federations, let us take the metal workers, for example, counted in this period manual workers in the fabricating industry but also the accountants, the sales managers, and even the vice presidents. Among its members, the unions forming the DCB thought then that they also had the white-collar employees sewed up. But already in 1945 we find the idea of a German Federation of white-collar employees taking form, and later we find that the German Federation of Labor is losing their white collar employees to the German Federation of White collar employees.

The German officials of the state governments, and Federation Government, were also soon reasserting their need for separate representation in the prewar pattern and the preindustrial revolution pattern.

These German government officials consider themselves as the representatives of the sovereignty of the state. These are the people

who take pride in their titles, their titles sometimes being replacements for wages. This is the layer of society where the wife of a conductor wants to be called Mrs. Conductor. The interesting point to note is that at the present time the German rank system has nearly completely reconverted to the interwar pattern and the prewar pattern. The great shock which the Hitler defeat created and which for a time gave rise to a number of wild ideological discussions is over. We are now back to normalcy, and German normalcy of 1955 doesn't differ very much from the 1941, or 1935, or 1925, or 1915 normalcy.

QUESTION: I got the impression in your discussion that there are many facets of the German and Austrian trade union method of operation or their statutes that our unions in this country would like to get, too, that they are trying to get, and you compared, I believe, the social relationship of the German laborer and the American laborer, that the American laboring class is more in the same social plane as everybody else, whereas in Germany and in Austria, there are three different levels. How does the German labor class compare economically with the American labor class?

MR. FISHER: I would say that the economic differentiation is one of greater disparity of income. To put it in oversimplified terms, the rich Germans are relatively richer than the rich Americans. Let me make this a little bit clearer. You can normally explain to our workers going abroad that German wages in German marks are approximately equal to our own wages. It means one mark equals one dollar, which would mean that the German worker gets one-fourth of what our American worker gets. While the German workers get one-fourth of their American counterpart, the German businessmen, top scientists, top administrators, receive comparable salaries to their American counterparts. So the diversity, the spread, the economic distance is greater in Germany than in the United States, an effect which is reenforced partly by our tax system.

Our tax system, as you realize, brings the two ends together. We and Great Britain are two countries which have revamped our social pattern much more than the Germans and Austrians. But of far greater importance is the social difference. If labor and management negotiators finally reach a collective bargaining agreement in this country, the people normally take off their coats and then try to celebrate the bargain by some refreshments. It is the same bottle of whiskey which is used to pour the glass of the representatives of management and the one for labor. Labor and Management do even occasionally meet socially. This is not common in the United States either, but it is possible. It is at least

true that they would not say, "I cannot go," if they knew the other party was going to be present at a social gathering.

But in Germany it is quite different. The relations are conducted very formally. It is not conducted by the employer in the first place. The employer receives only the works-council. Bargaining with the industrial union is in the hands of trained negotiators of the employer association. Bargaining is conducted in an atmosphere of high ideological speeches. These speeches are completely meaningless and have nothing to do with the subject, but are a part of the ritual. Then the parties finally reach a contract. Everyone goes home, and the one drinks wine and the other drinks beer, the wine being the beverage in higher social esteem than beer. The two groups do not after business associate with each other. Parties frequented by one would not be frequented by the other. Does that answer your question?

QUESTION: Pretty much so. In this country we are all beer drinkers and we all drink whiskey, too, and occasionally we have a glass of wine. What I was really trying to get at was a comparison of the standard of living. Now just what we mean by standard of living is, I know, pretty indefinite. Sometimes it means how many automobiles do you have and sometimes it means do you have inside plumbing.

MR. FISHER: Well it is very difficult to compare standards of living internationally. There are a great many different patterns of differentiation. One of the least dangerous comparisons is the amount of working time necessary for a worker in one country to acquire a loaf of bread, a suit, or a coat as compared to workers of other countries. We have such comparisons. I don't have the figures with me and I don't remember them offhand. I would feel that generally the German and Austrian worker is better off today than he ever was. If you want to compare working time, there are a great number of goods for which the German worker has to work five, six, or eight times as long as his American counterpart. But you should remember that we in the United States are extremely well off. It is a wonderful country to be in.

QUESTION: Mr. Fisher, will you say something about the manner in which management is organized which gave it such tremendous power and strength as opposed to the loose association we have in this country?

MR. FISHER: We have, first of all, in Germany, in Austria, and also in Italy and France, industry-wide organizations. This means that all the manufacturers of soap form one organization of soap manufacturers in a given country. They also form regional organizations of the manufacturers of soap products. Then there is an organization of manufacturers for the chemical industry, nationwide and province-wide. For each industry you will find in addition to trade associations also parallel employers, again organized on an industry-wide, regional, and nationwide basis. These organizations are only concerned with the employment relationships. They are not used for general decisions on trade aspects. Employment relations are considered so important, that separate organizations for this purpose are created. We don't have anything like that in the United States, as a rule.

Second, these organizations have powers of compulsion. It means rules and agreements are binding on every member of the industry, who is, has been or ought to be a member. Practically you cannot refuse to become a member of the association of employers. Legally you can; actually you cannot, as I will explain in a minute. Once you are a member, you cannot say, "I am not going to adhere to the conclusion which my association has reached." You cannot be a maverick. You cannot say, "But I am going to pay more," or "I am going to pay less." This association can enforce its ruling on its members by very much the same methods which we have typically applied here but which never work in the United States because we have so many mavericks. We are, on the employer side, individualists and in Germany they are very much joiners, and once they have joined, they must live up to it. If not they have in addition to powerful economic sanctions also a social penalty of not inviting people to meetings, which is extremely effective.

One of my friends who has made a study of employer associations in California has come to the conclusion that the association of employers of San Francisco Bay, strong as they are, probably the strongest of the whole nation, is nothing compared to what has been developed in Germany. You have the top employer associations in commerce; you have the top employer association in industry; you have the employer association in agriculture in the handicrafts, etc., and all of these employer associations speak with one voice and this voice is binding on the members.

QUESTION: Where does the stockholder come in in the management of these German corporations? If five members are presumably members of the corporation, where does the stockholder have any voice in the management of the corporations?

MR. FISHER: You are talking only about the coal and steel case where you have five members from the two groups. The power of the board of directors is actually much smaller than in the United States. It has been so because of the corporation law which Hitler had established and which is still the law of the country. This law centers all corporate power in the management, and not in the stockholders. The board of directors only meets once or twice a year to make broad business policy decisions. The stockholders elect the five members, the unions select their five members. If the two groups of five cannot agree on the eleventh man, a complicated machinery for its determination comes into place. The sense of the complicated legal provisions leaves the final decision in the hands of the stockholders. In theory the stockholders reign supreme over the board of directors. In actual practice this has never been a problem because stockholders and labor board members always agree on the eleventh man. Nor have the representatives of labor on the board of directors been found very troublesome. The power still lies with management.

QUESTION: Who in turn appoints the triumvirate that actually runs the company?

MR. FISHER: Supposedly, the board of directors. Here again the labor director could be out-voted by the two others. In practice so far all decisions are reached unanimously, even in the board of directors. A very interesting, but not necessarily inevitable phenomenon.

COLONEL O'NEIL: Mr. Fisher, speaking for the Commandant and the students, thank you very much for a very informative lecture and spirited question period. Thank you very much.

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