

LABOR MANAGEMENT RELATIONS SINCE 1935

24 October 1955

CONTENTS

	<u>Page</u>
INTRODUCTION--Mr. S. S. Hill, Jr., Member of the Faculty, ICAF	1
SPEAKER--Mr. Frederick P. Mett, Management Consultant in Industrial and Public Relations	1
GENERAL DISCUSSION	15

Publication No. L56-48

INDUSTRIAL COLLEGE OF THE ARMED FORCES

Washington, D. C.

Mr. Frederick P. Mett, Management Consultant in Industrial and Public Relations, was born in Milwaukee, Wisconsin, 23 August 1910. He graduated from the University of Wisconsin in 1933 and from the Law School in 1935. After a short period of private employment, he joined the National Labor Relations Board as a member of its legal staff, remaining until 1944. For the following two years, he was Midwest counsel of the Amalgamated Clothing Workers of America, Chicago, Illinois. He has been with the Frederick P. Mett Associates for the past nine years.

LABOR MANAGEMENT RELATIONS SINCE 1935

24 October 1955

MR. HILL: This morning we have the second and closing lecture in our section on industrial relations. Your work heretofore has been directed toward acquiring a background of what the struggle is all about.

Fred Mett will talk to us this morning about developments since the Wagner Act--the National Labor Relations Act of 1935--and will focus from the Wagner Act, through the Taft-Hartley Act, through Korea, down to the present.

After all, what we are all trying to become to a greater or lesser extent is a manager of industrial relations from the standpoint of management. That is to say, today we are trying to present to you the management-labor relations man in action.

His lecture will perforce take up the legislative framework of what has gone on between 1935 and the present, but insofar as he can, perhaps in the question period, he will try to give you the reactions of the warrior who perhaps leans on his shield during the fight and says, "Now what is this all about? Where are we headed?"

Last summer I had the privilege of going to the Industrial Relations Institute at Madison, and there I was pleased to find Fred Mett. He is quite well thought of in the industrial relations fraternity. He has had a rich background on all three sides of the table, labor, government, and management. I found that at Madison his opinion was consulted by other people who were serious and recognized students in industrial relations.

This morning I asked him to make his comments particularly with regard to Taft-Hartley, and you may be interested in knowing his response. He said, "Frankly, I think Taft-Hartley is a reaction to what labor was asking for." He has some new ideas to give you on that legislation and I think I am as anxious as you to hear what they are.

Fred, it is a pleasure to welcome you back with us again.

MR. METT: Thank you, Sam Hill. General, Members of the Faculty, and Students of the Industrial College of the Armed Forces: I

might refer to the latter group as the future military executives of America. We are always coining alphabetical phrases here in Washington so let me do that, too.

I have been asked to come down to visit again with you and this time on the subject of labor-management relations since 1935. There have been lots of relations between labor and management since 1935, and the offspring or progeny have been many and varied. Depending upon what side you are on and based on the environmental, economic, political and other emotion-producing considerations, you might be tempted to describe the results as either a prize baby or as monstrous.

The 20-year period from 1935 to the present, which has been made the subject of our inquiry today, has seen many dramatic and revolutionary developments in labor-management relations. That we will here, in the 40 to 45 minutes of lecture time allotted to me, do more than survey these developments, I doubt very much. Certainly, we will not be able to deal extensively with any of them in my formal remarks, but I will try to elaborate on them further in the question period, if that is desired by anyone.

In talking to Mr. Hill the other day by telephone, I was told--and I thought it was a rather delightful warning--not to concern myself with background--not to discuss the Philadelphia Cordwainers case, not to discuss Commonwealth vs. Hunt, nor to concern myself with the Sherman Act, the Amendment thereto, the Clayton Act, and the developments under both of those Acts, not to talk of the Yellow Dog Contract in the Hitchman case, nor to talk about the Bedford case, the Duplex Printing Company case, etc. Why? Because you gentlemen have been thoroughly grounded in this background up to and including the year 1935.

So it is in the light of that wonderful background and understanding that you all have with respect to labor-management developments prior to 1935, that my remarks are coming to you today. But as I was reciting just a moment ago these many things which you already know and I am to stay away from, I was reminded a little bit of the story of Farmer Jones and the trouble I might have gotten into in talking to you about this background.

Farmer Jones got his wagon out to the gate one morning and got off the wagon to open the gate. He took the reins and tied them around his middle, and that is the way he approached the matter of opening the gate. As he was doing that, along came the Hiawatha Limited and as it came

closer it made a frightening whistling sound and the horses took off through the gate. Hundreds of yards beyond lay the farmer. When the horses had come to a stop, a neighbor came to offer aid. He saw the farmer was still conscious. He said, "Farmer Jones, what a mess! Look at the shape you are in. Didn't you realize you made a mistake?" Farmer Jones said, "Come to think of it, before I went 20 rods I knew I had made a mistake."

I don't want to delve any further into background other than to tell you that knowledge of background is extremely important in understanding foreground.

What we have today is the result of what we did yesterday. That is particularly true in the field of human, labor or industrial relations; although I must say this, that prior to 1935 change was somewhat slow in the labor-management field; since 1935, however, change has been dynamic and swift.

Now for a moment I think you should listen to some of the dissonant voices of the past, in order that you might better appraise present or recent developments in labor-management relations.

Labor was behind the "eight ball" until 1935. Union organization wasn't given a chance neither by industry nor by Government. Some of the legal scholars appreciated this and they raised their voices from time to time, but theirs were voices in a wilderness. But let us go to that wilderness and pick out a few of these voices and hear what they said a long time ago.

Justice Oliver Wendell Holmes way back in 1896 in *Vegeahn vs. Guntner* said:

"It is plain from the slightest consideration of practical affairs or the most superficial reading of industrial history that free competition means combination, and that the organization of the world, now going on so fast"--that is 1896--"means an ever-increasing might and scope of combination. It seems to me futile to set our faces against this tendency. Whether beneficial on the whole, as I think it, or detrimental, it is inevitable unless the fundamental axioms of society and even the fundamental conditions of life are to be changed.

"One of the eternal conflicts out of which life is made up is that between the effort of every man to get the most for his services

and that of society, disguised under the name of capital, to get his services for the least possible return. Combination on the one side is patent and powerful. Combination on the other is the necessary and desirable counterpart, if the battle is to be carried on in a fair and equal way."

This was in 1896. Back in 1921, with all of this antilabor picture unfolding itself, Chief Justice Taft, in the Tri-City-Central Trades Council case, stated the following--again a dissonant note, but a note that was declaring the symphony of the future. Said Justice Taft:

"Labor unions are recognized by the Clayton Act as legal when instituted for mutual help and lawfully carrying out their legitimate objects. They have long been thus recognized by the courts."

That language seems to have been "tongue-in-the-cheek" language. He said it, but the meaning behind it was not fortified by experience or the factual developments. Going on with the statement:

"They were organized out of the necessities of the situation. A single employee was helpless in dealing with an employer. He was dependent ordinarily on his daily wage for the maintenance of himself and family. If the employer refused to pay him the wages that he thought fair, he was nevertheless unable to leave the employ and to resist arbitrary and unfair treatment.

"Union was essential to give laborers opportunity to deal on equality with their employer. They united to exert influence upon him and to leave him in a body in order by this inconvenience to induce him to make better terms with them. They were withholding their labor of economic value to make him pay what they thought it was worth. The right to combine for such a lawful purpose has in many years not been denied by any court. The strike became a lawful instrument in a lawful economic struggle or competition between employer and employees as to the share or division between them of the joint product of labor and capital."

Although there was this dissonant note recognizing legitimate labor activities, we never, until the year 1926, in the Railway Labor Act, had that declared as a legal right and implemented by a remedy in the event of its violation.

Then came a deep depression, the real depression of our time, and the focus of attention of our political economy was upon an alleviation of

the basis for that depression. Among other things, we came to view our economic depression as partly the result of a basic depression in wages, and to the economic consideration that unemployment was brought about by the fact that we had not ever before accorded to labor a right to organize which was protected by law.

So in the year 1935, after considerable experiments beforehand, the Congress of the United States passed the Wagner Act. The Wagner Act, from which all things start, declared in Section 7:

"Employees shall have the right to self-organization, to form, join, or assist labor organizations, to bargain collectively through representatives of their own choosing, and to engage in concerted activities, for the purpose of collective bargaining or other mutual aid or protection."

Some language similar to that had been employed in the Railway Labor Act of 1926, but the enforcement code was nothing like the enforcement code which came into existence under the Wagner Act to implement Section 7.

Keep in mind that at the time the Wagner Act was passed, labor stood about four million organized--not a very large group but a group that had been held intact despite the Yellow Dog contracts, despite the civil and criminal conspiracy approach, despite all of these cases that I have mentioned, all of which were decided against labor and its right to unionize and to effectively implement its right to unionize.

Now when we got Section 7, which declared labor's right to organize, we got it because there never had been such a right before and the violation of employee's interests was causing, so the legislators found, a state of depression.

Now it was a long step. By that step of the declaration of the rights of employees, we wiped out the power of the courts to do what they did in this long series of cases that I mentioned, in the repression of labor.

Now employees had the right to organize and to bargain collectively, and they were protected. In the Wagner Act, the Congress said that a violation of the rights declared in Section 7 would constitute an unfair labor practice, and it provided a Board to administer the Act. It also provided that the courts could enforce the orders made by the Board against employers.

Keep in mind that the Wagner Act didn't talk about unfair labor practices of employees or of labor unions or their agents. There were some of those. There were some unfair labor practices. There were some unfair tactics which were engaged in by labor prior to 1935, but those stood as nothing compared to the unfair labor practices of employers. So under the Wagner Act it was not at all unusual, in the setting of 1935, that the concentration should be upon a declaration of unfair labor practices on the part of employers and an absence of a declaration of unfair labor practices on the part of employees or their unions and their agents.

The unfair labor practices under the Wagner Act were stated like this: First of all, under the Act, it was an unfair labor practice for an employer to interfere with the rights of an employee under Section 7. There was a lot of that prior to 1937. Every time a legitimate labor union got into the picture, the employer would run for the technical protection of his own union and forced his employees to join that union. Now under the Wagner Act the section on discrimination outlawed the firing of employees because of union activities, or the treating of employees in such a manner that labor union membership would either be encouraged or discouraged.

It was made an unfair labor practice under the Wagner Act to discriminate against an employee or fire him because he filed charges or gave testimony under this Act. It was also made an unfair labor practice for an employer to refuse to bargain collectively with the representatives of his employees.

Well, now, there was a reason for the Wagner Act just as there is a reason for every other Act of Congress, and I think the format and framework of the Wagner Act is in great part a responsibility of management. Management didn't take very seriously in 1935 the fact that there was going through Congress a Wagner Bill.

Just shortly before that bill was passed, decisions had been rendered by the United States Supreme Court in several cases, in which the Court clearly indicated that the commerce power under the constitution could not be made to apply to sustain legislation on the part of Congress in this intimate field of labor-management relations in production or in manufacturing.

Of course, with those decisions in the background, management felt, "Well, so they are passing the Wagner Act; that will come to naught as

well." Soon after the Wagner Act was passed and was on the books, a group of lawyers got together--some 58, I believe--and they got out a brief which was widely distributed among all employers of the United States, which brief indicated that what had just been passed under the Wagner Act was an unconstitutional control, and everyone was urged to forget about it; it would all be knocked out.

One of the significant developments then is the Wagner Act.

The next significant development in this period of 1935 to 1955, and one that is just as important as the passage of the Wagner Act with its declaration of rights, is the sustaining of the constitutionality of the Wagner Act by the United States Supreme Court in 1937.

I will never forget that day. At that time I was with the National Labor Relations Board here in Washington. I knew the cases had been argued and waited for that Monday on which the court would hand down its decisions in the Jones and Laughlin case and other companion cases. I happened to have worked on an economic brief to show that there was a relationship between labor disputes and commerce, and that labor disputes have the effect of burdening and obstructing commerce. The court read that brief and predicated its decisions under the commerce clause upon that economic brief.

So management woke up on 2 April 1937 with a very, very powerful instrument on the statute books of the United States and with a powerful National Labor Relations Board to enforce it. The war was on, and truly it was a war.

Management, and I believe unwisely so, at that time continued to fight the exercise by its employees of their rights under the National Labor Relations Act, under the Wagner Act. There is an old phrase, "When you know you are licked, admit it." Management didn't learn that. But management had friends, and congressional committees began to get active, to ferret out weaknesses in this framework of the new law and its administration.

Away back in 1939, Congress went to work through a committee known as the Smith Committee to investigate the National Labor Relations Board and its administration of the National Labor Relations Act. That Smith Committee made certain recommendations which came to naught only because we were at the threshold of international conflict, World War II.

00007

Now World War II, with its labor relations and labor-management problems, is an additional significant factor deserving of attention here this morning. We had the Wagner Act at the time yet the exigencies of war and the exigencies of production for war, in the light of a series of controls on wages and on prices, produced a considerable aggravation in labor-management relations.

Shortly after the Stabilization Act of 1942, the National War Labor Board, which had come into existence prior thereto by Executive Order, in the early part of 1943, got official status through the War Labor Disputes Act. I won't go into the working of that particular War Labor Disputes Act, other than making a few comments about the results of the Federal Government's intervention in labor-management relations during the last war through the War Labor Disputes Act.

The War Labor Board, a tripartite organization, composed of an equal number of representatives of labor, management, and the public, had to do a considerable amount of juggling, adjusting and compromising between labor and management litigants appearing before it, and out of that juggling, adjusting, and compromising grew some working conditions which were ordered and prescribed in cases which came before the Board, and those were, among other things, vacation clauses, paid holiday clauses, maintenance of membership clauses, and arbitration clauses.

The War Labor Board had a pattern and it applied the particular pattern in these various fields. The Board ordered that certain set provisions be included in the collective bargaining agreements between labor and management. I mentioned the maintenance of membership. Specifically it was ordered, as you will recall, that if a labor union could establish responsibility, if it was not a wildcat, quicky type of organization and it was seeking security; a union would get union security from the War Labor Board if it could show it was responsible, in return for labor's giving up its right to strike. So we had through the war period of World War II this and other significant developments.

We added certain basic conditions or provisions to the collective bargaining contract. But this was all following a period of active unionization. Employees were under the friendly legal climate of the National Labor Relations Act or the Wagner Act, and now labor got its second lift through a relatively friendly War Labor Board.

Again, when people live well they sometimes fail to concern themselves about the impact of their living well upon those who aren't living so well. So abuses began to reveal themselves in the ranks of labor.

As I indicated, away back in 1939 an effort was made to pass some amendments to the Wagner Act but that failed. Now management got a little bit more serious and committees of one kind and another concerned themselves with the matter of amending the Wagner Act, getting at these abuses that were showing up. Unions were refusing to bargain collectively.

That happened in my good old home town of Milwaukee, where a Communist-dominated union at the Allis-Chalmers plant decided it was a good idea not to bargain collectively, and it didn't. It would not come to a resolution of bargaining relations through a contract with management. We saw that happen. Yet it was not an unfair labor practice under the Wagner Act for a labor union to refuse to bargain collectively.

Another serious abuse labor engaged in was the charging of excessive dues and initiation fees. A host of other abuses of contracts were part and parcel of what next developed of significance in the labor-management picture, legislatively speaking.

Now, coming out of a war, I think sometimes we don't pay as much attention to the aftermath of war as we should. So we fell into the great error, although we had been warned by scholars and thinkers that it was wonderful to have your economy keyed up and running as smoothly and productively as it was during wartime, but you must think of how to get back into a civilian economy, when wage controls are off, when price controls are off, and the economy will perforce go through a series of adjustments. We were told to get ready for it. We were told to plan. But the rush in getting the conflict over with, getting controls wiped off as swiftly as possible were so demanding that we forgot about what we were about to face.

So the year 1945, after VJ-day, and 1946 found us with a tremendous upheaval in labor-management relations. Wage controls were off; price controls were off; maladjustments were with us; and labor was on the march.

Labor then had been living in a very, very friendly legislative climate since 1935 but they had been unable during the war to secure wage adjustments that they thought they were justly entitled to. Suffering somewhat in certain areas under inflated prices, they just began to pull the pins, and in 1945 we experienced 38 million man days of idleness and strikes. In 1946, there were 116 million, with a total just short of 5,000 strikes during that year.

0000

The public had been seriously injured by these strikes, particularly by strikes such as the strike of the coal miners when John L. Lewis told the Interior Department to go to, and called a strike because the Interior Department, operating the mines under Government order, would not reopen the contract at the great John L. Lewis' request.

These and other events produced what followed, the Taft-Hartley Act. I think I have detailed them for you rather swiftly, but they are the basis and background of the next major development in the labor-management relations, the Taft-Hartley Act or the Labor-Management Relations Act of 1947.

I might, in introducing that particular act read what one of the authors of the Act had to say about the step that they were taking in inaugurating a new law. This is in 1947, and this is Representative Hartley speaking in his report to Congress:

"For the last 14 years, as a result of labor laws ill-conceived and disastrously executed, the American workingman has been deprived of his dignity as an individual. He has been cajoled, coerced, intimidated, and on many occasions beaten up, in the name of the splendid aims set forth in Section 1 of the National Labor Relations Act. His whole economic life has been subject to the . . . domination and control of unregulated monopolists. He has on many occasions had to pay them tribute to get a job. He has been forced into labor organizations against his will. At other times when he has desired to join a particular labor organization, he has been prevented from doing so and forced to join another one. He has been compelled to contribute to causes and candidates for public office to which he was opposed. In short, his mind, his soul, and his very life have been subject to a tyranny more despotic than one could think possible in a free country."

To think that in the short period of time between 1935 and 1947 we could get such a radical change of opinion on the part which labor was playing in our economy! In 1935, labor was presented as downtrodden, browbeaten, and in need of help; in 1947, it was presented as the monopolistic culprit that needed to be placed in restraint.

There were many who disagreed that labor was engaged in the practices which were made the subject of control in the Taft-Hartley Act. Labor itself reacted violently against the law which was passed in 1947 and called it the "Slave Labor Act." Management, on the other

hand, felt that Congress had not gone far enough in its imposition of restraints upon labor. Let us take a very, very short look at the Taft-Hartley Act.

The Taft-Hartley Act also declared the same unfair labor practices on the part of employers that were declared by the Wagner Act. The Taft-Hartley Act also prescribed a method of determining who were representatives of the unions. At this point the similarity between the two acts ceases. Whereas the Wagner Act had declared simply that there were rights of employees which had been abused by employers, which rights needed protection, now along came the Taft-Hartley Act which said, not only that, but that there were rights of employers that needed protection from the labor unions and their agents. So the Taft-Hartley Act declared certain unfair labor practices on the part of labor organizations and their agents. It declared that it shall be an unfair labor practice for employees, their labor unions, and agents to interfere with the right of employees to join or to refrain from joining a labor organization--a new development in our law.

The Wagner Act said that "Employees shall have the right" and implemented it so employees could go out and organize and get strong on an equal basis with the employer. Along came Taft-Hartley and said that that is important, but that it is also important to protect employees in their right not to organize.

Now employers had in this period after 1935 contended that not every employee wanted to be organized, and they were quite right. There are quite a number of employees who don't want to organize.

It was also declared to be an unfair labor practice on the part of labor unions and their agents to cause or attempt to cause an employer to discriminate against his employees and to refuse to bargain collectively.

Then Congress did one other important thing in the Act. It defined collective bargaining. I hope that time will permit me to get into that in just a moment.

I have indicated a few of the unfair labor practices on the part of employees which Taft-Hartley wrote into law and which corrected the Wagner Act provisions which were felt to be one-sided. Moreover, the closed shop under the Taft-Hartley law became an illegal institution. The union shop was a proscribed and controlled item of collective bargaining. The union shop was not available for inclusion in the collective

bargaining agreement when the Taft-Hartley law was passed, unless a majority of the employees authorized an organization to bargain for it in an election conducted in accordance with Section 9. The only change that has taken place between 1947 and 1955 in terms of the basic overall labor relations code, known as the Labor Relations Act of 1947, was the removal by Congress of this requirement of a union shop election.

Where were other controls placed upon labor and upon collective bargaining through certain other provisions of the Taft-Hartley Act. I hope that we can get to these in the development of other subjects when we have our question period. I can't cover a period of 20 years in such a short period. I would like a lot longer period. So we must hasten over some of these items.

We have moved to 1947; and I have indicated the significant developments. There were some other developments. In 1946, we had a few legislative enactments. We had an Act also in that year, known as the Petrillo Act, the Lee Act, which was passed to control certain un-economic activities engaged in by the musicians union in the broadcasting industry. That was a little warning that sooner or later there would be other controls. Those came later. We also had some other new controls on labor in the year 1946.

Let me go back for a moment. I have been talking about legislation and the impact of legislation upon labor-management relations, the development of this code that we have to live under today in labor-management relations, namely the Taft-Hartley Act. There were additional legislative enactments in this period after 1935 which are of equal significance.

To mention these gives me the creeps because what I am going to talk about now seems so unrealistic, seems so far away, and yet it is not very far away. Twenty years is what we call a generation, and within our generation there were practices extant in America which were no credit to employers and never will be a credit to employers or management.

We had wage rates in America in commerce and in industry which were shameful and which needed correction by legislative imposition of a minimum wage law of 40 cents an hour. In 1938, Congress passed the Fair Labor Standards Act which progressively required employers in industry affecting commerce to institute, within a period of seven years after 1938 a minimum wage of 40 cents an hour, starting at 25. This is

all within our time, gentlemen. But that even was a significant step-- to establish that kind of a minimum.

In 1950, we had a further amendment to the Fair Labor Standards Act, establishing as of 24 January 1950, a 75-cent per hour minimum wage in industries affecting commerce. And recently, in the month of August of this year, there was another significant development. We have now made that minimum wage floor one dollar per hour, effective at the end of March of this coming year.

It is surprising how many industries and how many employees, these respective minima did affect and will affect in the future. Management says you don't pay high wages for the reason that you are in a state of competition and this competition requires you to get your labor as cheap as possible simply to stay in business a while.

It has never been good management practice, under the concept that you have to live with the thing that you make, to abuse labor or treat it unfairly. I open labor-management meetings with a statement something like this--the union sitting on the other side of the table: I say, "Boys, I think I am pretty sharp and I think I will catch something that may be a curve and stop you, but should I miss it and you get by with a curve, boy, you had better watch out for my curve. By the same token I know if I abuse you, I will get it back sooner or later." It is never good business for any representative of management to abuse the employees or their representatives. That is true in all human relations.

I say that if I give a fellow man my right hand, I will get his right hand back. If I raise my clenched fist, in 99 out of 100 cases I will get a clenched fist back. Every action has a reaction; every good action has a good reaction; every bad action has a bad reaction.

Good management realizes we have got to have codes such as I have been spelling out to you in tracing these developments from 1935 to date, but these codes are merely guides; they are the external limits. They are the codes that point out the abuses or the area of abuse and indicate the point beyond which it is not good legal or human practice to go. But beyond what those particular codes declare is this area of practice which the modern progressive labor and management consultant follows, and that is bringing more and more humanity into industrial relations.

You can't help but feel, because you see it in action every day, that the fellow who is greeted with a smile, smiles back; the fellow who is

treated well, can be depended on to do a good job. The fellow who is held in tight control and never given an opportunity to express himself is the kind of fellow you can't count on to ever come through in the pinches.

I know my 45 minutes is away over. I have some comments I would like to make briefly in connection with the subject of the "Guaranteed Annual Wage," which I hope some of you will ask about and which is one of the items in the current collective bargaining picture. I have some comments to make with respect to the Taft-Hartley Act in its provisions concerning certain labor union activities in opposition to management, with respect to labor's interfering in the management picture. I have given you a few things to begin thinking about for your question period.

I didn't want to make those the subject of my formal remarks, but I certainly will pull no punches in answering your questions.

We have been living in an economy of the greatest of plenty. We have never had it so well. The laws that are on the statute books today to take care of collective bargaining requirements, both upon management and labor, have a minimum effectiveness. I say that because of this: We don't have 4 million organized any more; we have 15 or 16 million organized. We don't have small, isolated labor unions; we have labor unions that are international in character, controlling employees in a whole industry--the automobile industry, the steel industry, the clothing industry.

We have today, in my humble estimate, as powerful a monopoly in labor as we ever had in management or can have, to wit, what happened here just a very, very short time ago. In my estimation that was not collective bargaining of the UAW in its approach to Ford with respect to the guaranteed annual wage. As long as the UAW can chip away segments of a large industry, that is in large segments of a large industry such as the automobile industry, it will be able to chip off not only guaranteed annual wages but anything else as well that it might decide at a given moment to chip off.

Ford had no choice. Ford had to come along. General Motors had to come along. Chrysler had to come along. American Motors will have to come along. They will all have to come along. The same thing with steel. If one of them comes along with 15 cents an hour, they have all got to come along.

If the UAW struck only a given employer among several competing employers in an industry, that employer could very well die, and to an

employer like Ford industrial death was not a particularly pleasant thing to contemplate. So Ford came along, and that to me in a large industry has ceased to be collective bargaining. I predict that there will be less and less collective bargaining as labor becomes even stronger organized than it is, and at this point it is very strongly organized.

One wonders whether we should entertain controls upon labor as a monopoly, the thing we condemned under the Administration of the Sherman and Clayton Acts. Maybe in the immediate future we must give serious concern to labor's position and to its potentialities.

Now, if we had throughout the ranks of labor a lot of John L. Lewises, I would cringe in my boots. Luckily, we just have one John L. Lewis. But there is no assurance that at any given time any given individual in a seat of power, with money behind him, strongly organized, will not seriously abuse that power.

These are thoughts that trouble folks in management when they have time to think, when they want to think. But these times have been really too good to be spending time in thinking and planning. Maybe people like you who spend as much as nine or ten months in study can give helpful thoughts to the problems that we are facing. Thinking and planning are wonderful weapons, but in the areas where it counts, we do little of that thinking and planning.

After we are overtaken by the hurricane, then we begin to act. I wish we would do the thinking first and get ourselves ready for the hurricane.

It has certainly been a pleasure to address you and I hope I have left a thought or two with you that will spring forward at me again in the session reserved for questions. Judging from the background of the class and the history of the college, you are the sharpest, and I am looking forward to some very sharp questions from you gentlemen.

QUESTION: During the depression years of 1932 to 1939, when we had considerable unemployment, the labor unions could barely organize and hold their ground, but now under both the Truman and the present Administrations in the concept of full employment, it seems that labor has been getting substantial benefits annually and they seem to be inflationary in character. Now under the CIO and AFL merger, it seems that will be an aggravated trend. What kind of a wringer are we going to have to go through before this gets back again?

MR. METT: There have been momentous developments. The merger, I think, will be effective at the end of the year. I don't know what responsibility the organized labor movement will rise to in the state of merger. If it envisions itself not only economically more powerful but politically more powerful, if the political atmosphere, with a sick President and the possibility of a change of administration, creates a favorable political base, we might have an aggravated power situation insofar as labor in the economy is concerned.

Truly, what has been happening over the last period of years, interrupted only by this mild recession before Korea and the mild recession just concluded a short time ago, if this history is any indication of where we are going, labor seems to be entirely in the saddle. Labor seems to be able to get--except in some isolated industries, such as the soft goods industry--what it wants. Of course, the buying public helps that situation. We seem to be able to absorb more and more of the better things that are produced at the higher and higher prices that they are produced at. We seem to love it. How long that cycle of spiraling can continue, I don't know.

There is a terrific resiliency in our system. Now admitting it, it seems a commonplace, but admitting it in the depth of the depression of the thirties was speaking in revolutionary terms. We are a very resilient economy. I don't like to be said to have a pessimistic fear about what is happening. I am, however, struck with the concept that labor has gotten pretty big for its britches and that labor has a good possibility of abusing its power status.

Now, if that happens--and they may get away with it for a time--there will be a day of reconciliation or payoff, just as there was a reconciliation and payoff in the Taft-Hartley Act. If the public's interests are sufficiently abused by labor through unwise use by labor of its increased power through merger, there will be a similar reconciliation. And it will be swift. With the pattern of the last 20 years, it won't take 100 years as it did to get rid of the doctrine of conspiracy; it won't take 100 years to get rid of an abuse. When we have maladjustments in our economy, people today have been cultured to feel them more immediately, to act more quickly. The Congress of the United States and the representatives of the states are more responsive to the wishes and will of a cultured and educated people, more so today than ever before in our history. So we will get a reaction.

But the better part of wisdom would be, particularly from labor's viewpoint, that they appreciate that they have been given over the last

20 years a status that they never enjoyed before which placed them in a position of extreme responsibility for the economic welfare of the nation.

They can continue that way. They can continue in that dominant position, and I say they are in a dominant position today, not only because of numbers but because of a basic friendliness in political circles toward labor.

It's a funny thing. Labor was browbeaten, there is no question about it, until 1935. There is no question that it was downtrodden. Since 1935, we have nurtured labor along to get it to believe actually that all it has to do is cry "wolf" and whether a wolf is there or not, help comes legislatively or through the office of our Executive Department, not so much in this administration as in the previous administration, but the help is usually there in a showdown.

Labor wants to be the dominant force. It also wants to be able to call upon the administration, to call upon the legislators for help, to appeal to the people, to the common man. It has that feeling. It reminds one of the grasshopper who spends all summer filling his belly and not laying away for the winter. When winter comes, he has no food, and suddenly complains that the world owes him a living.

Labor doesn't quite have that feeling of responsibility that leads down all avenues. We despise the implications of the Serman and Clayton Acts with respect to labor. The Acts were originally intended to restrain and control combinations and conspiracies in restraint of big business. We found those acts used against labor. I don't know but what today--as I indicated before--labor has risen to the state of an uncontrolled monopoly, despite all the controls we have on the books right now.

So we will have to begin thinking in terms of additional controls on labor, including the wisdom of requiring all bargaining to be done on an industry-wide basis.

I wish you would give that a little thought in your studies on the subject. I think we would have a more stable economy if bargaining were done between the large combine of labor and the large combine of capital.

This race that is going on for bigger and better working conditions--a race that is so easily won in the setup we have right now--by labor can

lead us only into higher and higher costs of production and into a disparity situation as far as world commerce is concerned. We are getting a soft goods competition from across the water, not only eastern waters but western waters, and now they are developing a hard goods field. Can we continuously go up and face that competition and stay in business? I don't think so. We have lots of resiliency, but we are not that much resilient. We are "one world" and we are still influenced by what goes on around the world as much as in our own backyard.

QUESTION: In connection with various of these incentive plans, it would seem there is a ray of light in regard to industrial peace, particularly in the profit-sharing plan where labor and management develop a mutuality of interest which might be of benefit to all of us. Discouragingly, though, one of the labor leaders recently said that profit-sharing as such was not very good from their point of view because it mitigated the principle of collective bargaining. Would you care to comment on profit-sharing, please?

MR. METT: Let me comment on that and bring in this concept of stock-purchase plans. Sometimes I wonder if labor knows where it is going. I was schooled originally as an employee of the National Labor Relations Board. I didn't know a labor union from an institution of capital to any degree at all. When I left law school in 1935, I trained to become an insurance lawyer. Jobs weren't available in the insurance field and I wound up as a New Deal employee here in Washington, D. C.

It was a revelation to me to find out about labor and its rights. If labor didn't have these rights, it was wonderful they were getting some rights. Much of labor felt that way, too. I was schooled in those days. In those days there was a legitimate area of concern on the part of labor and there was an area of concern good trade unionists weren't interested in. But today it appears the leaders of labor are getting themselves thoroughly confused.

They like the idea of a profit-sharing plan from one standpoint but not from another. For example, they like profit-sharing because that opens up avenues for bargaining to them. Once an employer has a profit-sharing plan, a union may bargain with him even if the employer doesn't want it. It permits the union to bargain on the problem of profit-sharing.

They don't like profit-sharing for various reasons. They like to pay lip service to the old trade union approach that labor is interested in labor and doesn't concern itself with management; that it concerns

itself with representing its own employees, its own members and does not concern itself with matters like profit-sharing or the purchase of stocks, or interesting itself in actual management decisions.

That trade union approach may sound wrong to you, but if actually practiced by unions it has in my estimate a considerable amount of wisdom behind it. Can you without concern see the Teamsters Union buying a tremendous block of shares of Montgomery Ward saying to Mr. Avery, "We are interested in your stores in Texas. You have been fighting us down in Texas, but in your scrap with Mr. Wolfson we will be happy to vote for your slate with those shares we just bought if we get things straightened out in Texas." That is only one step.

The next step, the Teamsters Union owns these shares of stock which carry voting power. These teamsters sit on both sides of the table. On one side of the table it is bargaining for its members; on the other side of the table it is voting its shares of stock as management. It is a rather peculiar situation, which might get labor into the position where, if things go wrong in the enterprise, if it finds itself interested in management affairs too deeply, then its own membership may say, all right, as long as things are going fine. But when things go wrong, it is held responsible by its members because it was on the Board; it helped make decisions.

I am a management representative, but I like the institution of labor in our economy to be a continuing thing. Just as in our constitution we have checks and balances, so in our industrial affairs, I like the concept of checks and controls. I shouldn't like labor to be in a position to run hog-wild, nor should I like to see management in that position. I should like to see them both fairly equal in their bargaining power, responsive to the public interest, and truthfully and actually doing bargaining rather than performing squeeze plays or getting into novel situations of purchasing stock or having a double attitude toward profit-sharing.

I agree with the man who was talking to you, they shouldn't. If management wants to sponsor stock-purchase plans, fine, but for labor unions and their members to concern themselves as unions of employees with the actual management of the enterprise could be the start of the death of labor. I would like to see both sides relatively equal in strength, no one abused legislatively, no one favored more than the other. Only by insuring that approach can we, as the public, be thoroughly protected. Our interests are the ones that are paramount. We are the consuming public; we are the public that gets hit by inflation; we are the ones that take the rap if anybody takes the rap.

QUESTION: Will you outline the Ford settlement on the guaranteed annual wage? You made it pretty clear that at least collective bargaining was collective in the union. The only way management industry-wide can achieve a balance would be to organize across the board. In the automobile business, why is this not being done?

MR. METT: That is a very good question. I heard a similar question out in the hall. I am glad you posed it the way you did. I think management is being driven to that particular approach. I think we will have management not taking the position in the future as it has in the past against industry-wide bargaining, but that management will drop that particular opposition and come out in favor of industry-wide bargaining because labor unions are organized on an industry-wide basis. We have Internationals. We don't have a Youngstown International, or a Pittsburgh International, or a Chicago International Union. We have an International Union of Machinists, of United Steel Workers, of United Automobile Workers, that type of thing, and management's real future strength lies in organization of trade organizations for purposes of effective collective bargaining. Years ago unions used to fear that, and I think they might very well in the future fear it, because they are helping make it a necessity that management turn to that avenue now.

QUESTION: Regarding this last point there, has any thought been given to the possible geographical dislocations and the social implications of such a move? Would it affect the textile industry in the Northeast even more than it has been affected socially?

MR. METT: I think I discern the import of your question and I must say I don't think our Congress, I don't think management, I don't think manufacturers have given enough thought to the sociological economic implications of movements that have been taking place, occasioned ostensibly in the past by economic considerations and in many situations by simply labor organization considerations.

The South, as you know, is a still depressed South from the standpoint of wages. It is not a developed South from the standpoint of union organization. It will be more and more so developed if the merger is concluded and if the joint efforts of both the AFL and CIO are directed toward building up the South economically. I think there will be less shifting of industries. I don't think the thing I was talking about of industry-wide bargaining would have any effect other than to stabilize enterprises where they are right now. It will be a stabilizer rather than a disrupter. It could readily have the effect of building up low-wage rate

areas faster to high-wage rate areas. It could take a long time to organize the South as things stand now. It would take less time to organize the South and bring it up to a comparable basis with the North, and make our economy more stabilized, not a hit-and-run economy of ghost towns, if a merged labor movement directed its organizing efforts to that area.

MR. HILL: I am sorry the time is running out. Mr. Mett has stated he would be coming back to my office after luncheon and anybody who wishes to come in and consult with him or get answers to questions which you have not had time to propound may do so.

On behalf of the student body, Fred, I want to thank you for a considered, thoughtful approach to the problem and for the contribution which you have made to our thinking. Thank you very much.

(5 April 1956--250)K/ibc