

**THE FUTILITY OF STRIKES
AS A MEANS OF
IMPROVING THE
ECONOMIC
STATUS OF
LABOR**



There's a Better Way . . .

A Plain Talk to the Wage Earner

By

DON L. THOMPSON
Economic Analyst

6829

FOREWORD



This little brochure represents the ideas of a man who for the past thirty years has supported the cause of labor and who in turn, has had the endorsement of organized labor for political office. Not only has the writer been privileged to view the problem from the employer's angle, but from that of the employe as well. While he is fully in sympathy with the aims of organized labor to improve the economic conditions of the workers, he is forced to differ with many labor leaders as to the means for accomplishing this end.

In this brief appraisal of the problem, only a few high spots have been covered and little attempt has been made to deal with specific remedies.

DON L. THOMPSON

October 10, 1946.

Spokane, Wash.

THE FUTILITY OF STRIKES

There's a Better Way

The strike as a means of increasing the earnings of wage earners as a class, has been most ineffective, and too expensive to make its use worth while. To the extent that it has caused industrial shut downs, boosted prices and discouraged industrial investments, it has made not for the enrichment of labor, but for its impoverishment.

That strikes have resulted in giving the organized worker higher take-home wages is not disputed. On the other hand, when such wage boosts result in higher labor costs per unit of output—and this is always the case where there is no corresponding increase in output—such wage increases do not make for greater buying power. In this case, prices simply advance to the point where they cancel out the wage gains. One doesn't have to be an economist to figure this out.

It is only when money wage boosts are accompanied by increases in output per man hour sufficient to offset the higher labor costs that they give the worker any greater buying power, hence higher real wages. Despite the facts in the case, there are those who persist in arguing that we must have higher money wages if there is to be more buying power and better markets. Such people simply do not know their economics.

Footnote: The recent steel, automobile and coal strikes have cost the strikers many millions of dollars in wages alone. In addition to this wage loss, which will require them to work from one to five years to make up at their present wages, they along with other workers are paying more for steel products, automobiles and coal. As other industries dependent on those closed by the strike were also forced to close their doors, thousands of non-strikers also lost much in the way of time and wages.

How Buying Power Is Increased

The truth, as we have seen, is that high money wages (take-home wages) may buy no more goods and services than low money wages. We must not overlook the fact that labor costs go to make up prices and are the big end of prices. It therefore follows that when production costs go higher, prices go higher. Yes, economists fully agree that prices cannot be prevented from rising, thus cancelling out money wage gains unless there is an increase in the per man hour output sufficient to offset the higher money wages paid. There are just two ways by which this increase can be attained. The wage earner can speed up production by working more hours, and by applying himself more efficiently to his job, or management can install more and better labor saving equipment—providing they are to be had—so as to enable the worker to produce more, thereby cutting down production costs. Where the workers are already doing their part to keep production at a high level, the only hope of increasing their output is to be found in the installation of more and better tools of production.

Do Employers Absorb Higher Labor Costs?

The belief that employers can be made to absorb advancing labor costs has been exploded time after time. Not only can the industrialist pass such costs on in higher prices, but in the majority of cases, he is forced to do just this if he is doing business in a competitive market. This is especially true of the marginal industry. The recent attempt by the OPA to saddle these higher costs upon industry has ended in almost complete failure as everyone knows. Later,

this same agency tried desperately to correct its mistake by granting one price increase after the other. It finally discovered that the holding of the price line depends on the holding of the wage line, other things remaining the same.

It is clearly obvious that higher labor earnings cannot be measured by what the wage earner takes home with him in his pay envelope. It is his **real wages** that count, and they can only be measured by what **the money in his pay envelope will buy**.

That strikes have failed as a means of increasing **real wages** is further borne out by the fact that strikes lead to further strikes, the strikers always contending that living costs have eaten up their former wage gains. Thus a vicious circle is established which leads only to inflation and finally to deflation and depression.

It is conceded of course, that so long as only a part of the workers are organized, those belonging to the union do stand to profit temporarily in a small way at the expense of the unorganized workers, providing they are willing to stultify themselves—which most of them do—to buy non-union goods or services.

Footnote: While there are a few industries which undoubtedly can increase take-home wages without having to boost prices, especially if they are well managed or have a monopoly of the market, there is no good reason why their particular employees should share in the rewards for good management or in the fruits of monopoly. If they are to share in the rewards for good management, then they should be willing to share in the losses resulting from poor management. As for unearned profits resulting from monopoly, neither management or wage earners are entitled to such earnings. Automobile workers, for example, are entitled to no better wages than are workers who are doing similar work, in other industries, where profits are lower.

The moment however, the balance of the workers join the union, this advantage is lost to them for they must now buy union made goods or services, which in most instances, are higher in price. They then find themselves paying out as buyers of goods or services, what they have gained as sellers.

We must not overlook the fact that sellers are also buyers. The carpenter, for example, may boost his take-home wages from \$10.00 to \$15.00 per day, but if the wages of other workers are correspondingly boosted, his wages will buy no more of their goods or services than they did before. Surely there can be no difference of opinion on this point. There is also the possibility that the better organized workers may price themselves out of the market by boosting their wages too high, comparatively speaking. This can easily happen where the customers for their services or products have not received corresponding increases in income. This can and does lead to less employment for the higher paid, organized workers with the result that their yearly earnings are often less than they otherwise would be.

Why Real Wages Have Increased

That real wages have increased with the growth of labor unionism is conceded. This is proved by census records. The increase, however, has come about not as the result of the boosting of take-home wages, by our labor organizations, as our labor unionists would have us believe, but is traceable almost entirely to improvements in productive processes which have enabled the worker to produce more. In enabling him to increase his output, such labor-saving improvements have brought about a reduction in the

unit cost of production, hence lower prices and higher nominal wages.

To the extent that there has been competition in the sale of the products turned out, the wage earner has gained as much as any other class by the **reduction of prices** which has followed, or by the **improvement in the quality of the products**. In either case, he has been able to get more for his money, **which is the thing that really counts**. Too often organized labor overlooks the fact that real wages can be increased without the need for boosting money wages. Price decreases may often mean more to our wage earner than money wage increases.

The True Source of Wages

We should keep this most important fact in mind; that wages are not paid out of either the earnings of capital or of management. Economically speaking, wage earners **create their own wages from the product they turn out**. The amount or value of this product determines in large measure, the amount of real wages which they receive. The main reason why the American wage earner receives higher real wages

Footnote: The fact that a larger percentage of profits are not distributed in wages does not necessarily mean that wage earners do not get the benefit of them. In most cases they either go to modernize and enlarge the industrial plant, thus providing more employment and lower prices, or they are set aside as reserves for a rainy day, when perhaps earnings are insufficient to meet payrolls. It is a very healthy sign when profits are sufficient to meet these needs. The amount of industry we have at any time depends largely on the amount of profits being earned by management. Needless to say we could use much more industry right now and must have more if there is to be full employment and more wealth to divide between producers.

than does the Chinese wage earner, is because he produces more. His output is greater. What is more, as his output has grown, so have his wages. Economically speaking wages are mainly determined by output. No economist of any standing will dispute this proven economic formula.

While it is true that there are maladjustments in distribution which do take from producers, be they employees or employers, some of their rightful earnings, this does not alter the fact that they must look mainly to an increasing industrial output for any substantial increase in their share of the things produced. **The problem of production is still our major unsolved economic problem**, despite the enormous development of productive processes over the years.

Strikes Against Management Are Strikes Against the Community

Strikes that are aimed at employers generally end up by injuring the community more than they injure employers. As the community is made up largely of workers, it is they who foot most of the bill through the loss in production and higher prices, once the strike has been won. That the higher take-home

Footnote: Nor must we overlook the fact that much of the bad relations which have existed between management and labor is traceable to the arrogance and the shortsightedness of many employers. Their indifference to the rights of employees and their failure to treat them as partners has done much to widen the breach between them. The more extensive use of the profit sharing plan, if honestly administered, would undoubtedly help to improve labor and capital relations. Employers are unquestionably partly responsible for the class hatred which prevails among the workers and which offers the most fertile field for the growth of communism.

wages do not come out of the pockets of the employing class, is clearly evident. While this class may suffer some temporary loss while the strike is on, this loss is soon recovered through higher prices once production is resumed. The fact that the profits of business have **not declined** as money wages have risen, is in itself proof that the higher labor costs do not come out of the pockets of our industrialists.

When our coal miners recently received their raise in pay, it wasn't the coal operators that stood the cost of this raise, but John Q. Public. He paid the bill by paying higher prices for coal. The people who suffered most by this boost of coal prices were the wage earners of the country who live in homes that cost more to heat and who have less money to spend for fuel. If anyone should have contributed to the higher wages paid these coal miners, it should have been those who live on the royalties from coal lands, yet there is nothing to indicate that these people are receiving any lower royalties than they received prior to the strike.

The True Road to Higher Earnings

The way to higher earnings for the wage earner is to be found not in making war on capital or management, but in greater cooperation between wage earners and management, not only in the workshop but in the field of government as well. If such cooperation has for its objective the removal of the obstacles to industrial expansion, the increasing of output and the restoration of a truly free competitive economy that will insure fair and equitable prices, it will not only result in giving all producers **much higher earnings than they are now receiving**, but it will also insure ample employment as well.

It is only as we are able to provide more industry that we can wipe out unemployment. With this accomplished, the wage earner will be in a position to bargain on equal terms with management. Under such favorable working conditions, management will be obliged to show a more conciliatory attitude toward employees. There is little need for collective bargaining or strikes when jobs are competing for men, as was the case during the war. With more industry, we can have as much employment as we had during the war. This in turn will give us all the buying power needed to absorb the greater output of commodities.

A Common Ground for Labor and Capital Cooperation

Yes, there is a common ground upon which both labor and management can unite and work together for their mutual interests, and in a general way, we have pointed out the basis for such cooperation. We have seen that more industry, greater production and a freer and more competitive market would be to the interest of both these partners to production. No one can honestly contend that there is any real conflict of interests between labor and management in the attempted realization of these aims.

Needless to say, we cannot have ample industry, full production and reasonable prices if there is to

Footnote: Industrial monopolies can be rooted out if we have the will to do so, and without losing any of the economics resulting from large scale production. We can restore competition without returning to the horse and buggy days. The revision of our patent tariff and tax laws, and the enforcement of our anti-trust laws, are the keys to the situation.

be any slowing down on the job by either labor or management. Neither must there be any further reduction of working hours until such a time as we have put scarcity behind us. Everyone knows that the nation is facing scarcity on every hand.

Obstacles to Production

Neither can we tolerate monopoly in either natural resources, industry or labor, as monopoly makes for scarcity, and excessive prices, which in turn, reduce the demand for goods. Real wages are always lower as a result of monopoly prices. **Labor has far more to gain by the restoration of a free competitive economy than it has by the winning of strikes.** The worker has also much to gain by the elimination of trade barriers as this would enable him to buy more products for less money. Too long he has been fooled into supporting high tariff policies which have only led to his impoverishment.

Two of the major economic obstacles to industrial expansion and a greater output of wealth are to be found in the growing tax and land cost burdens on industry. Every business man knows that much capital needed for productive purposes is being siphoned off by way of taxation which would otherwise be used to improve productive processes and expand the industrial plant. What most of them do not know is that even more capital is being siphoned away from industry through land speculation. Because of such speculation, producers are forced to pay far more for permission to use natural resources to carry on production. It is not difficult to see that the more industry is forced to pay either in taxes or land (natural resources) costs, the less it will have left to **put into fac-**

tories and equipment or to pay out in wages. In the last analysis, both these costs of carrying on industry must come out of production and are paid by producers in higher prices or in lower take-home wages.

This or Socialism

The removal of these obstacles to the growth of industry and to a more equitable division of the things produced is the problem of labor as well as management. Their removal is the only answer in a capitalistic economy to our labor problem. Any other road leads to socialism. Of course, if it is the purpose of those in the organized labor movement to wreck our system of private enterprise,—and I do not believe that it is,—then and only then are they justified in tying up production through strikes and in adding to the tax and other burdens which industry must bear. It is only the Communists in our labor movement who knowingly would sabotage our industrial system.

Footnote: In making it profitable to own natural resources other than for actual use we place an additional burden upon users of such resources in the way of higher land costs. We also force industry to make use of inferior sites when more productive, hence more advantageous sites remain unused or poorly used. To remedy this situation, it is only necessary to raise more of our public revenues from site values which incidentally, would enable us to lift much of the tax burden from the back of industry. Taxes on industry are one of the costs of carrying on business and like all other costs are included in the price of the things produced. They come out of production leaving that much less to distribute in wages and the returns to capital. Everybody pays taxes if not directly, then indirectly, through higher prices. Today taxes are taking \$1.00 out of every \$3.00 of the national income.

Labor Unions Have Improved Working Conditions

While labor unions have accomplished little in the way of raising the earnings of labor, they must be given credit for greatly improving the working conditions of the workers, which fully justifies their existence. If they can now be brought to see the futility of strikes as a means of raising the earnings of labor and can be persuaded to work for an economic program such as we have outlined here, they will gain even more than they have ever hoped to gain by strikes. They can accomplish this too, without working any hardship on the balance of the community.

Monopoly of Either Capital or Labor Must Be Curbed

We have learned from experience that strikes in our basic industries which can almost completely paralyze business in general, must of necessity, bring suffering and financial loss to millions of people who are not a party to them. To continue such a policy, especially at this time when the nation is facing scarcity on every hand, will lead to such business stagnation and national impoverishment as to bring about the most drastic action against our organized labor movement. The patience of the American people is being stretched to the breaking point. The last general election when the friends of organized labor were turned out of Congress, should be sufficient proof that the voters are becoming fed up on strikes.

Whenever any labor or business organization becomes so powerful as to enable it to close down the industries of a nation and bring want and suffering

to millions of innocent people, it is time for the Government to step in and take away such power. The failure to do this can only result in contempt for government and the trampling under foot of human rights and collective security. Not only is government instituted to protect and preserve human rights, but property rights as well, for to protect one is to protect the other. There can be no preserving of human rights where property rights are threatened or denied. It is plain to be seen that property rights are not being safeguarded when either majority or minority groups are permitted to conspire to close down industry and by intimidation, collusion and even force, prevent others from working.

Strikes Are a Form of Warfare

Anyone in his right mind knows that a strike is a conspiracy on the part of organized workers to coerce and force employers to come to their terms. Furthermore, for the strike to accomplish its purpose, collusion, intimidation and coercion must be used and have been used in every major strike that has occurred. This strike weapon is just another kind of gun pointed at the head of business. The fact that it generally backfires renders it even more dangerous to labor. It has no place in this modern age when the world is desperately trying to outlaw the use of force in the interest of world peace. Let us hope that our labor unionists will come to realize this fact before it is too late, and their unions are either destroyed or our democratic form of government has given way to some kind of dictatorship.

What has happened in other countries can also happen here, and will happen here unless labor and

management relations are improved. The American worker may not enjoy all the economic security that he is entitled to, but in gaining more economic security he may lose his personal freedom, if in the future he is compelled to take his orders from the man on horseback.

Footnote: Nor can involuntary poverty be completely stamped out by the solving of our economic problems alone. As long as a large percentage of the nation's wealth goes for wars, militarism and for the support of the liquor traffic, there will still be plenty of poverty throughout the nation, no matter how perfect an economic system we may have. The solving of these moral and social problems is also as much the responsibility of organized labor as any other class. Four-fifths of all federal taxes collected goes chiefly for war purposes.

