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CENTER FOR INTERNATIONAL STUDIES
MASSACHUSETTS INSTITUTE OF TECHNOLOGY

ALTERNATIVE VISIONS OF ECONOMIC REGULATION, 1918-1930

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June 19, 1988

2546

A WORKING PAPER
From
THE CENTER FOR INTERNATIONAL STUDIES
Myron Weiner, Director

292 Main Street, Cambridge, Massachusetts 02139

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World War I came as the American political economy was experiencing fundamental change. An industrial system of large corporations was replacing the earlier economy of yeoman farmers and small manufacturers. The war was neither a cause nor a consequence of the transformation. It did, however, intensify the pervasive questions of legitimacy and rationality that the transformation had loosed. During the war, the American state assumed unprecedented powers of economic control. Simultaneously, capitalist associations proliferated and labor organizations achieved unprecedented levels of strength. Though to some the wartime situation was an aberration forced by exceptional international circumstance whose consequences were to be reversed as soon as possible, to many others the wartime developments suggested the direction in which the American political economy should be led. Despite a consensus among this latter group that aspects of the wartime system ought to be retained in the postwar era, there was emphatic disagreement over which wartime developments were commendable. Most capitalists envisioned an organized political economy in which the state was generally passive and from which unions were totally excluded. By contrast, progressive unionists and their allies looked to a political economy in which both the state and organized labor would play an active role. It was the capitalists' hegemonic vision that triumphed during the 1920s.

Though the unionist program was but a dissent and the capitalist project soon succumbed to the Great Depression, from a vantage in the 1980s each of the systems of economic regulation articulated in the 1920s deserves attention. First, subsequent responses to the Depression did not appear out of thin air. They were conditioned by the previous decade's debate and experience. As the Depression wore on and the NRA gave way to the Wagner Act, the manner in which the American political economy was regulated increasingly resembled the system envisioned by progressive unionists in the 1920s. Second, the end of America's international hegemony and the attendant collapse of the Keynesian social contract has prompted a debate that in many ways

recapitulates the debate of the 1920s. The search during the 1980s for a new system of economic regulation has again rendered problematic the role of the state and organized labor. In order to understand the genesis of the New Deal and to gain perspective on the emergence of its future successor, one should examine the programs of economic regulation current in the 1920s.

Historical Background

Before explicating the contending systems, however, the historical background from which they emerged must be described. The organization of capital, the organization of labor, and the state's relationship to each, especially as altered during World War I, compose this background.

Industrialization had transformed the organization of American capital by the beginning of the 20th century. Production had been organized by proprietors or partners in small shops for local markets.¹ Gradually, as the potential market expanded as a result of immigration and transportation advances, the scale of production increased. As the scale of production increased, the forms of management and the organization of production changed. Management and ownership were divorced as increased capital requirements were met through limited liability and general incorporation laws. Corporate hierarchies directed ever greater flows of material and information. Seeking predictability throughout their domain, these private bureaucracies integrated vertically and horizontally. As they stabilized their environment through internalization of previously external markets, industrial corporations simultaneously sought greater control over the production process itself.² Mass production of standardized goods became concomitant with if not synonymous for

¹Alfred D. Chandler, Jr., The Visible Hand: The Managerial Revolution in American Business (Cambridge: Harvard University Press, 1977).

²David Brody, "The American Worker in the Progressive Age: A Comprehensive Analysis," in David Brody, Workers in Industrial America (Oxford: Oxford University Press, 1980: 7-14).

industrialization. Mass production not only reduced unit costs but, by reducing the skill requirements of production, undermined the basis of craft control of the shop floor. The capitalists' desire to wrest control of production from workers and vest it in managers was expressed in both the "scientific management" and "open shop" movements.³ The premise of scientific management was that engineers could determine and dictate to workers the single best production method. The open shop, though nominally a system under which workers were employed without regard to union membership, in fact signified a system in which avowed and suspected unionists were excluded from employment. Thus, by World War I, the American economy was populated by large industrial firms characterized by consolidated corporate structures and standardized production processes.

The organization of labor, like that of capital, attended American industrialization. Early labor organizations were local affairs, reflecting the markets in which they operated. National associations, such as the Knights of Labor, came and went. Eventually, however, the American Federation of Labor (AFL) endured. The AFL was distinctive in both its structure and philosophy.⁴ The AFL was a federation of craft unions among which skilled workers were divided according to their trade.⁵ Thus, machinists, molders and boilermakers, as well as carpenters, shoe makers, and printers belonged to separate unions. The AFL's craft organization was complemented by a 'voluntarist' philosophy, a philosophy that guided the Federation's conduct internally

³David Montgomery, "Whose Standards? Workers and the Reorganization of Production in the United States, 1900-20," and "Machinists, the Civic Federation, and the Socialist Party," in David Montgomery, Workers' Control in America (Cambridge: Cambridge University Press, 1979): 113-127 and 57-63 respectively.

⁴James O. Morris, Conflict Within the AFL: A Study of Craft Versus Industrial Unionism, 1901-1938 (Ithaca: Cornell University Press, 1958): 5-9.

⁵Miners and others who worked around coal pits, members of the United Mine Workers (UMW), were a notable exception in that they, like the Brewery, Wood, and Textile workers, were organized in an industrial union regardless of trade. (Morris, Conflict Within the AFL, pp. 15).

and externally.⁶ Power within the AFL rested with the craft unions. Each union established its own policy regarding membership, strikes and bargaining. The central body, understood as an association of autonomous organizations composed of free individuals joined in self-defense, had no power other than adjudication of jurisdictional disputes among its affiliates. The outward expression of voluntarism was apolitical anti-statism. Concluding that workers in a pluralist society would invariably be divided by partisan politics, the AFL directed itself toward strictly economic goals.⁷ Since a paternalist or hostile state hindered the organization of workers in autonomous unions, the AFL opposed state intervention in the labor market. Thus, by World War I, the 7.5% of American workers who were unionized were part of a labor movement that was predominantly craft in structure and generally shunned the state.⁸

World War I was a critical conjuncture, a moment in which "social institutions become more elastic, and longstanding patterns of policy are especially subject to change."⁹ The organization of the American political economy was intensified by the industrial exigencies that accompanied the war.¹⁰ The powers of the state expanded

⁶Michael Rogin, "Voluntarism: The Political Functions of an Anti-Political Doctrine," in David Brody, ed., The American Labor Movement (New York: Harper and Row, 1971): 100-118. For an account of voluntarism's relationship to republicanism and American jurisprudence, see Christopher Tomlins, The State and the Unions: Labor Relations, Law, and the Organized Labor Movement in America, 1880-1960 (Cambridge: Cambridge University Press, 1985): 32-59.

⁷Nonetheless, unions did in fact participate in electoral politics, especially at the state and local levels.

⁸Unionization rate found at Irving Bernstein, "The Growth of American Unions," American Economic Review, Vol. 44, No. 3 (June 1954): 303.

⁹The definition is found at Peter Hall, Governing the Economy: The Politics of State Intervention in Britain and France (New York: Oxford University Press, 1986): 70. Samuel Gompers, president of the AFL, underscored the war's significance when he observed that it was a time in which "all social and economic forces are fluid and may crystallize into the form they will take for decade to come." (Cited in H. M. Gitelman, "Being of Two Minds: American Employers Confront the Labor Problem, 1915-1919," in Labor History, Vol. 25, No. 2 (Spring 1984): 204.)

¹⁰David Montgomery, The Fall of the House of Labor: the Workplace, the State, and American Labor Activism, 1865-1925 (Cambridge: Cambridge University Press, 1987): 352-356, 373-4; Murray Rothbard, "War Collectivism in World War I," in Ronald Radosh

greatly. Commodities such as fuel, food and clothing were subject to federal regulation, systems of communication and transportation came under direct federal administration, and, through the War Industries Board, the state allocated raw materials and controlled the utilization of the nation's industrial plant. The wartime expansion of state power was accompanied, not coincidentally, by an increased organization of capital and labor. The state, lacking a large permanent bureaucracy, used functional representatives and their organizations as agents of wartime administration. Trade associations, long stunted by antitrust regulation, grew swiftly when entrusted with allocative responsibilities. Unions, in tight labor market conditions, expanded rapidly under state aegis as de facto agencies of shop floor discipline. As a consequence of World War I, therefore, the powers of the state and the organizations of capital and labor were greater than ever.

What would come of the wartime developments? That question, raised even before the United States had entered the war, preoccupied capitalists, unionists, and state actors. Prewar issues of legitimacy and efficiency, intensified by the protagonists' aggrandized stature, reemerged at the war's end.¹¹ The demarcation of public and private had been blurred by both corporatism and detailed economic intervention by the state. Furthermore, wartime corporatism and state intervention had renewed debate over the competing logics of competition on the one hand, and cooperation and consolidation on the other. Finally, the simultaneous growth of unions and the traditional bastions of the open shop, trade associations, had heightened the standing conflict between the respective rights of employers and workers within the

and Murray Rothbard, ed., A New History of Leviathan: Essays on the Rise of the American Corporate State (New York: E. P. Dutton, 1972): 66-110; and, Ellis Hawley, The Great War and the Search for a Modern Order: A History of the American People and Their Institutions, 1917-1933 (New York: St. Martin's Press, 1979): 20-6.

¹¹Hawley, The Great War, pp. 1-11, 43-55.

factory. These issues would be addressed, though not definitively resolved, as a system of economic regulation was built during the postwar period.

Though each is by definition organized around a different internal logic, all systems of economic regulation are concerned with the matter of equilibrating production with consumption. In addition, most are oriented toward achieving such equilibration at ever higher absolute levels.¹² Among those who sought a reconstituted system of economic regulation in post-World War I America, it was generally understood that any system would have to tackle four functional issues.¹³ First, debilitating competition in product markets would have to be tempered. Second, workers would have to be integrated into the production process. Third, productivity would have to be fostered. Fourth, business cycle fluctuations would have to be attenuated. Since the problems were interrelated, solutions (as use of the term 'regulatory system' suggests) came as packages. Though there was never a comprehensive, authoritative statement of either,¹⁴ two distinct systems were

¹²As Roger Karapin has observed, regulatory systems are political as well as economic constructs and as such are designed to assure civil peace. There is, however, a peculiar yet pervasive presumption that economic growth will alleviate class conflict and thereby contribute to civil peace. But, why should distributional struggles be fought only over the additional increment of national product and not over the entire product? Why should distributional fights be any less severe when total product is growing than when it is stable or diminishing? Why should economic growth reduce political conflict in general, even if it reduces distributional conflict? Isn't distributional conflict in fact less divisive than conflict over values which cannot be adjusted at the margins?

¹³See Robert Zieger, "Herbert Hoover, the Wage-Earner, and the 'New Economic System', 1919-1929," in Business History Review Vol. 51, No. 2 (Summer 1977): 162; William J. Barber, From New Era to New Deal: Herbert Hoover, the Economists, and American Economic Policy, 1921-1933 (Cambridge: Cambridge University Press, 1985): 1-8; and Steve Fraser, "Dress Rehearsal for the New Deal: Shop-Floor Insurgents, Political Elites, and Industrial Democracy in the Amalgamated Clothing Workers," in Michael H. Frisch and Daniel J. Walkowitz, eds., Working-Class America: Essays on Labor, Community, and American Society (Urbana: University of Illinois Press, 1983): 220-1.

¹⁴Like all ideological constructs, the dichotomized typology employed here is problematic. Each of the juxtaposed 'systems'--economic regulation by hegemonic business and economic regulation through progressive unions--is a composite assembled from a variety of (primarily secondary) sources. Though the analytic utility

proposed, each of which proceeded from the political economic transformation that had culminated in World War I. The tendered alternatives can be distinguished by the roles each accorded the state and organized labor. Most capitalists favored a system in which business was dominant, the state subservient and unions non-existent. Most unionists favored a system in which unions and the state enjoyed powers equal to or greater than those of business.

Economic Regulation by Hegemonic Business

The business hegemonic program emerged victorious in the 1920s. Product markets were regulated by capitalists organized in either consolidated firms or trade associations. Production was the exclusive domain of managers as unions were driven from the field. As a result, or so proponents argued, productivity rose almost continuously through the decade. Ultimately, of course, the system foundered on the Great Depression. But at the time, having weathered the recession of 1921 and having arguably mitigated the post-1929 downturn, partisans of business hegemony could plausibly maintain that the system they championed was one which dampened cyclical dysfunction. Organized labor, generally defensive and largely defeated, had no direct influence on the system that emerged. The state's role was active, but nonassertive as it either encouraged or acceded to capitalists' designs. "The business of America is business," Calvin Coolidge declared.

The problem of product market stabilization had long been recognized. Wild swings in user demand wreaked havoc among business planners. Unexpected demand meant lost opportunity while undue optimism meant idle capacity. The more capitalized

and historical accuracy of each composite must be examined, the assay of the unionist composite is especially debatable. Not only do victors tend to write history, but historians tend to write about victory. Thus, much less has been written about labor than business in the 1920s. Of that which has been written about labor, there is no systematic examination of labor's economic vision. Regardless of whether this reflects a particular lack of systematic thought on the part of labor or simply a gap in the literature, the evidence on which the unionist composite is based is sparser than that upon which the business composite is formed.

the firm, the greater the risk. Given that an entire production process might be paralyzed for want of a single input, the uncertain availability of a raw material or intermediate good was similarly confounding. The response of many firms was to integrate vertically. When successful, such internalization of theretofore market coordinated exchange "permitted a more intensive use of personnel and facilities by maintaining a high volume flow of goods through the processes of production and distribution."¹⁵ As Chandler observes, stabilization through vertical integration was self-reinforcing:

Building the purchasing and marketing organizations that were essential to mass-producing and distributing many goods, in turn, created powerful barriers to entry by other firms into markets. New competitors had to set up comparable buying and wholesaling networks before they could achieve the volume necessary for competitive unit costs. As a result, industries where administrative coordination lowered costs and provided essential services quickly came to be dominated by a few large, integrated firms that competed with one another in an oligopolistic manner, that is, in a market they dominated but did not individually control.¹⁶

Antitrust legislation notwithstanding, vertical integration and horizontal consolidation into unitary firms was accepted by the courts.¹⁷ Thus, by World War I, highly capitalized manufacturing firms, located in oligopolistic industries governed by a mass production logic, achieved market stability through their corporate structures.

Firms in other sectors, however, found no such relief. "The modern corporation," Chandler notes, "evolved more slowly and failed to flourish in industries where the processes of production used labor-intensive methods that required little

¹⁵Alfred D. Chandler, Jr., "The United States: Seedbed of Managerial Capitalism," in Alfred D. Chandler, Jr. and Herman Daems, eds., Managerial Hierarchies: Comparative Perspectives on the Rise of the Modern Industrial Enterprise (Cambridge: Harvard University Press, 1980): 26.

¹⁶*ibid.*

¹⁷Morton Keller, "The Pluralist State: American Economic Regulation in Comparative Perspective, 1900-1930," in Thomas K. McCraw, ed., Regulation in Perspective (Cambridge: Harvard University Press, 1981): 69-76; Chandler, Visible Hand, pp. 333.

heat, power, or complex machinery."¹⁸ Because they lacked such an internally generated mechanism of extra-market control, much of the postwar effort to construct a system of economic regulation was centered around competitive industries.

Many capitalists sought to stabilize their product markets through voluntary cartels. The dilemma of pure competition is well known. Though each firm individually and all firms collectively have an interest in maximizing profit, uncoordinated rational behavior will lead, through price cutting and productive expansion, to lower profits for all. Cartelization, wherein firms agree to maintain prices and limit production, is the classic solution. Trade associationalism was its American incarnation. Hawley reports that by 1917 there were hundreds of industrial and trade associations "organized to achieve greater mastery over their environment and enhance their power to predict, plan, and control economic behavior."¹⁹ The system of wartime administration spurred the formation of trade associations.²⁰ Prices and production levels were regulated by the commodity sections of the War Industries Board in conjunction with war service committees. The former were generally staffed by businessmen on wartime service to the government and the latter were composed of representatives appointed by trade associations. Wartime cartelization administered by trade associations, though formally voluntary, was backed by strong moral suasion (and the government's discretionary procurement powers). Many capitalists, however, readily embraced fortified trade associations as the means by which cooperation would replace competition. In the words of Harry Wheeler, president of the US Chamber of

¹⁸Chandler, "Seedbed of Managerial Capitalism," pp. 29.

¹⁹Hawley, The Great War, pp. 7.

²⁰Rothbard, "War Collectivism," pp. 72-8; Hawley, "Three Facets of Hooverian Associationalism: Lumber, Aviation, and Movies, 1921-30," in McCraw, Regulation, pp. 98.

Commerce, the wartime system laid "the basis for a truly national organization of industry."²¹

Incorporating trade associationalism into a peacetime system of economic regulation was problematic. The courts were generally hostile, considering many trade association activities to be conspiracies in restraint of trade and hence proscribed by the Sherman Antitrust Act.²² Therefore, would-be cartelizers, such as the US Chamber of Commerce and the National Association of Manufacturers, sought revision of the "antiquated" antitrust laws.²³ Their efforts failed, however, as first A. Mitchell Palmer and then Harry Daugherty, the Attorneys General under Wilson and Harding respectively, attacked trade associations both publicly and in the courts.

But trade associations found a strong ally in Herbert Hoover, Harding's Secretary of Commerce.²⁴ Hoover, a wartime food administrator and an engineer by training, had a penchant for both efficiency and voluntarism.²⁵ Although he rejected statist bureaucracy as inefficient and illiberal, he assigned the state a central role in economic regulation. The state, by encouraging the formation of trade associations and their use as conduits of information, would foster efficiency through enlightenment. Such enlightenment assumed several concrete forms. The Commerce Department, in conjunction with trade associations, issued recommendations on the elimination of waste in production.²⁶ Similarly, and again through the agency of trade associations, it

²¹Quoted in Rothbard, "War Collectivism," pp. 78.

²²In the E. C. Knight case, the Supreme Court distinguished between consolidated corporations, no matter how large, and associations of distinct firms, no matter how small. See Chandler, Visible Hand, pp. 333.

²³Robert F. Himmelberg, The Origins of the National Recovery Administration: Business, Government, and the Trade Association Issue, 1921-33 (New York: Fordham University Press, 1976): 5-6.

²⁴ibid., pp. 10+.

²⁵Robert Zieger, Republicans and Labor, 1919-1929 (Lexington, Ky.: University of Kentucky Press, 1969): 60-4; Hawley, "Three Facets of Hooverian Associationalism," pp. 99.

²⁶Barber, New Era to New Deal, pp. 13.

encouraged the standardization of sizes among manufacturers. But the most significant and, from an antitrust standpoint, most controversial trade association activity promoted by Hoover was the dissemination of cost and production data. Hoover seemingly never intended that such information would be used for price fixing.²⁷ Rather, the information was to enhance market efficiency by allowing more rational planning. Indeed, it would facilitate competition "by giving the small unit the same advantages which are already possessed by big business."²⁸ The advantages to which Hoover referred were those that accompanied business planning, particularly the ability to predict and stabilize demand.

Thus, the trade association was in competitive industry the functional equivalent of consolidation in oligopolistic industry. Its coordinating power approximated that of consolidation to a greater or lesser degree depending on whether or not it was accompanied by price fixing. After Daugherty's departure from the Justice Department and Harlan Stone's ascendance to the Supreme Court, the legality of exchanging cost and production data was upheld.²⁹ In Keller's words, "Trade associations flourished in this benign atmosphere."³⁰

Product market stabilization through trade associationalism was but one component of the business hegemonic system of economic regulation. All capitalists, regardless of whether they operated in competitive or oligopolistic markets, confronted a common source of instability: labor. Herbert Hoover was ambivalent on the question

²⁷"Collusive price making," in Barber's words, "was antithetical to his concept of a health economic order." Barber, From New Era to New Deal, pp. 11. See also Himmelberg, The Origins of the NRA, pp. 45. For a contrary assessment, see Murray N. Rothbard, "Herbert Hoover and the Myth of Laissez-Faire," in Radosh and Rothbard, A New History of Leviathan: 111-45.

²⁸Barber, New Era to New Deal, pp. 12

²⁹Himmelberg, The Origins of the NRA, pp. 47.

³⁰Keller, "The Pluralist State," pp. 78.

of labor.³¹ Much as the experience of the War Industries Board informed his approach to product markets, the experience of the National War Labor Board informed his approach to the labor market. Production within the factory, like production throughout the economy, was to be founded on the principle of voluntary cooperation. The basis of such cooperation within the factory was collective bargaining and employee representation. Hoover, however, never specified what part unions were to play in bargaining and representation. To him, unions were neither necessary nor anathema. The attitude of employers, in contrast, was unambiguous. They would brook no "outside interference".³² This meant reversing wartime developments. Unions, which had grown dramatically, would have to be broken, and state agencies, which had effectively abetted unionization³³, would have to be dismantled. In short, capitalists sought absolute managerial autonomy within the factory.

World War I had been very good for organized labor. As a result of increased demand and a reduced labor force, the wartime labor market was very tight. In an effort to maintain production in the face of wildcat strikes and high labor turnover, the state promoted collective bargaining and employee representation as instruments of stability.³⁴ The National War Labor Board (NWLB) protected the workers' right to organize and insisted that employers bargain with workers collectively through shop councils. Though the NWLB never compelled employers to recognize previously

³¹Zieger, "Herbert Hoover, the Wage-earner, and the 'New Economic System'."

³²Haggai Hurvitz, "Ideology and Industrial Conflict: President Wilson's First Industrial Conference of October, 1919," in Labor History Vol. 18, No. 4 (Fall 1977): 509-524; Montgomery, The Fall of the House of Labor, pp. 392-3.

³³The National War Labor Board and other agencies had been, in Montgomery's description, "established at business's requests and then turned under pressure from labor into Frankenstein monsters." (Montgomery, The Fall of the House of Labor, pp. 392). On the origin of the NWLB and capitalists' subsequent attitude toward it, see Gitelman, "Being of Two Minds."

³⁴Dubofsky, Industrialism and the American Worker, pp. 119-123; Montgomery, The Fall of the House of Labor, pp. 373-4.

unrecognized unions, de facto recognition ensued as union activists dominated the shop councils.³⁵ As a consequence, union membership rose from 2.8 million in 1916 to 3.5 million in 1918, and by 1920 exceeded 5 million.³⁶ Worker militance accompanied union growth and over 4 million workers struck during an unprecedented strike wave in the heady days of 1919.³⁷

It was in this tumultuous context that the postwar quest for managerial hegemony within the factory began. An end to the state's direct involvement in labor relations came quickly as the NWLB and other wartime agencies were abolished soon after the war.³⁸ Thus, reassertion of managerial autonomy remained problematic only in regard to the unions. The drive to reestablish managerial autonomy took the form of a revived open shop campaign. Business leaders enunciated their position at President Wilson's First Industrial Conference: the open shop was a "fundamental and vital" principle on which they would not yield.³⁹ Unions, argued capitalists, fostered industrial strife and hindered productive efficiency. Domestic tranquility and economic prosperity were said to depend upon managerial autonomy.⁴⁰

³⁵Montgomery, The Fall of the House of Labor, pp. 414-5, 445.

³⁶U. S. Department of Labor, Handbook of Labor Statistics, 1950 ed., Bulletin #1016, table E-1 (Washington, DC: Government Printing Office, 1951): 139.

³⁷Jean Trepp McKelvey, AFL Attitudes toward Production, 1900-1932 (Westport, Conn.: Greenwood Press, 1974 [Ithaca: Cornell University Press, 1952]): 46.

³⁸Hawley, The Great War, pp. 45; Montgomery, The Fall of the House of Labor, pp. 393. The politics surrounding the postwar withdrawal of the state from detailed economic regulation should be examined further. The state's (enforced?) retreat seems to undermine the "corporate-liberal" interpretation of the New Deal which portrays collective bargaining as institutionalized in the Wagner Act as a class-conscious capitalist rationalization of capitalism. If capitalists possessed the requisite omniscience to rationalize capitalism and did so in a way that built upon the National War Labor Board, why wasn't the board retained at the war's end? Why would capitalists be omniscient in 1935 but not in 1919?

³⁹Hurvitz, "Ideology and Industrial Conflict," pp. 519-23.

⁴⁰The open shop was anointed the "American Plan", and the campaign for it became enmeshed in the broader postwar Red Scare. Managerial autonomy was equated with traditional rights of property while unionism was depicted as an assault by foreign radicals on American individualism.

The postwar open shop campaign employed techniques, both traditional and innovative, that built upon wartime developments. Trade associations were the traditional vehicle of open shop campaigns.⁴¹ In addition to propagandistic efforts, they engaged in industrial espionage and strike breaking. As noted above, the system of administration established by the War Industries Board spurred the growth of trade associations.⁴² Thus, the veterans of previous open shop campaigns, such as the National Metal Trades Association, the National Founders' Association, the National Erectors Association and the National Association of Manufacturers, had been substantially reinforced. A network of local organizations further augmented the open shop ranks. In keeping with prewar practice, state action frequently supplemented private antiunion efforts.⁴³ While local police, state militia and federal troops suppressed strikes,⁴⁴ the Courts issued sweeping labor injunctions, enforced yellow-dog contracts, and construed otherwise narrowly interpreted antitrust laws as broad prohibitions of union activity.⁴⁵

The postwar open shop campaign, however, was not simply a replay of earlier efforts. A new device, company unionism, expanded the traditional repertoire of antiunion tactics.⁴⁶ Though they might have wished otherwise, many employers were

⁴¹Gitelman, "Being of Two Minds," pp. 194; Bernstein, The Lean Years, pp. 148-56.

⁴²Though the literature does not distinguish between an increase in the number of distinct associations and an increase in the membership of pre-existing associations, both presumably occurred.

⁴³Some instruments of state action were wartime developments. The 1917 Lever Act, which empowered the president to control the production and allocation of food and fuel, was used against both miners and railroad workers in 1919. Deportation of radicals, censorship of publications and restrictions on assembly persisted into the 1920s. (Montgomery, The Fall of the House of Labor, pp. 387-402).

⁴⁴Montgomery, The Fall of the House of Labor, pp. 397; David Brody, Steelworkers in America: The Nonunion Era (New York: Harper and Row, 1969 [Cambridge: Harvard University Press, 1960]): 250; Zieger, Republicans and Labor, pp. 127.

⁴⁵Bernstein, The Lean Years, pp. 190-215. On the backlash against injunctions, see Zieger, Republicans and Labor, pp. 141, 259.

⁴⁶Though a number of nonunion employee representation plans predated the war, it was not until the war and its aftermath that they proliferated. For mention of prewar

compelled by historical circumstance to acknowledge workers' obvious if not intrinsic tendency to solidaristic behavior. The question was one of controlling that tendency. Company unionism was animated by the belief that plant-specific or firm-specific solidarity was preferable to craft, class or industrial solidarity. Labor organizations confined to a particular plant or firm would be weaker and therefore more amenable to management domination. Many company unions were created from scratch, but many others were wartime shop committees, reincarnated on a nonunion basis.⁴⁷

Though invariably intended as instruments of managerial autonomy within the factory, the relation of company unions to the hegemonic capitalist system of economic regulation evolved over the course of the decade. In the immediate postwar period company unionism was little more than a defense against impending unionization. "This is quite evident," Bernstein notes, "from the statistics of the National Industrial Conference Board: the Board found 490 firms that established plans during the turbulent years 1919-24 and only 73 that did so in the calm period 1924-28."⁴⁸ In the later period, however, employee representation through company unions became part of a broader strategy of 'welfare capitalism'.⁴⁹ Welfare capitalism sought worker quiescence as a goal in its own right and as a means to greater productivity. Worker loyalty, perceived as the basis of the desired quiescence, was to be secured through

schemes see: Henry Gudza, "Industrial Democracy: Made in the U.S.A.," in Monthly Labor Review, Vol. 107, No. 5 (May 1984): 28; and, McKelvey, AFL Attitudes, pp. 57. For a discussion of the most significant of prewar plans, the Colorado Industrial Plan, see Montgomery, The Fall of the House of Labor, pp. 348-50; and Bernstein, The Lean Years, pp. 157-169.

⁴⁷Montgomery, pp. 414, 456. McKelvey suggests that wartime shop committees established on a voluntary basis were more enduring than those created under state coercion. (McKelvey, AFL Attitudes, pp. 57).

⁴⁸Bernstein, The Lean Years, pp. 157.

⁴⁹David Brody, "The Rise and Decline of Welfare Capitalism," in Brody, Workers in Industrial America, pp. 48-81; Bernstein, The Lean Years, pp. 157-188. Montgomery asserts that, like narrow employee representation, "there was little advance in corporate welfare practice anywhere in American industry after 1921." (Montgomery, The Fall of the House of Labor, pp. 455).

material benefits and employee representation. Thus, high wages, stock options, insurance plans and health services augmented company unions in the capitalist effort to integrate labor.⁵⁰

Though firms of all sizes had established company unions shortly after the war, by the middle of the decade company unions and welfare policies more generally became the province of large firms.⁵¹ The trend is explicable. Representation and welfare plans were generally administered by 'personnel managers' in industrial relations departments. But, only large firms had sufficiently developed corporate bureaucracies to support industrial relations departments. Furthermore, only large firms operating in oligopolistic industries were able to afford high wages and other welfare programs. The strategy of integrating labor through welfare capitalism appears, therefore, to have been limited to the same firms that were able to stabilize product markets through unitary corporate structures.

In contrast, firms in competitive industries seem to have pursued an intransigent strategy toward labor. This pattern might result from a combination of economic logic and historical circumstance. Firms in competitive industries are, by definition, sensitive to cost differentials. To the extent that labor costs are particularly significant because competitive industries tend to be labor intensive, each individual firm has a great incentive to suppress wages. Labor costs could be equalized across an industry by means of a national agreement. Most competitive industries in the prewar era, however, had chosen a strategy of minimizing wages through implacable antiunionism.⁵² Trade associations were a primary instrument of that antiunionism. But, in the postwar period, trade associations assumed broader functions as institutions

⁵⁰Of course, the promise of welfare capitalism far exceeded the reality. Company unions were generally supine and high wages were generally a misnomer.

⁵¹Bernstein, *The Lean Years*, pp. 171-81; and, Brody, "Welfare Capitalism," pp. 59.

⁵²Montgomery, "Machinists," pp. 49-59.

through which firms in competitive industries sought product market stabilization. Thus, as a result of institutional history rather than intrinsic logic, the manner in which competitive industries sought to stabilize product markets reinforced the approach they took to labor relations.

Product market stabilization and integration of labor through welfare capitalism simultaneously benefitted from and promoted diminution of business cycle fluctuation, the third component of the capitalist hegemonic system of economic regulation. The 1921 recession, in which the wholesale commodity price index fell 33% and the gross national product declined over 6%, underscored the importance of dampening the business cycle.⁵³ Herbert Hoover was at the center of what might be anachronistically referred to as 'macroeconomic' stabilization efforts.⁵⁴ In the introduction to a 1923 volume entitled The Stabilization of Business, Hoover wrote:

We are constantly reminded by some of the economists and businessmen that the fluctuation of the business cycle is inevitable; that there is an ebb and flow in the demand for commodities and services that cannot from the nature of things be regulated. I have great doubts whether there is a real foundation for this view.⁵⁵

Typically his scheme relied on private efforts coordinated by and augmented through state action. Trade associationalism, high wages and countercyclical spending constituted a stabilization triad.⁵⁶

Trade associationalism was to moderate cyclical swings by facilitating business planning. Trade associations were to collect price and production data which the government, through Hoover's Department of Commerce, would publish. The regular collection and exchange of such data would, according to Hoover, "contribute greatly to

⁵³George Soule, Prosperity Decade: From War to Depression, 1917-1929 (New York: Rinehart and Company, 1947): 96.

⁵⁴Barber, From New Era to New Deal; Zieger, Labor and Republicans, pp. 91-7.

⁵⁵Cited in Barber, From New Era to New Deal, pp. 15.

⁵⁶In addition to the three components mentioned here, Barber identifies monetary and trade aspects of Hoover's thinking. See Barber, From New Era to New Deal.

stabilize commerce and industry as it works strongly to prevent over-expansion and over-speculation, over-stocking of foreign goods, etc."⁵⁷ The dissemination of information would not only temper optimism in boom, but mitigate pessimism in bust. It would provide "courage in times of depression" by documenting the considerable level of on-going business activity.⁵⁸ Reflecting the period's pre-Keynesian thinking, no distinction was made between macro and micro economics. The data gathered by trade associations would serve "to aid the individual business firms in basing their policies upon fact, and to stabilize business in general through proper coordination of production, prices, stocks, etc."⁵⁹

Though the concept of aggregate demand had yet to be invented, the importance of consumer purchasing power to general prosperity was recognized.⁶⁰ High wages, paid by enlightened employers, were seen as the key to consumer purchasing power. In times of expansion, high wages would buttress steady growth by maintaining consumer demand under conditions of rising productivity. Conversely, in times of recession, maintenance of consumer demand would arrest business contraction. The doctrine of high wages, however, was not universally accepted. In the midst of the 1921 recession the National Association of Manufacturers reaffirmed its faith in "the operation of economic law" which precluded the maintenance of wages at an "artificial" level.⁶¹ Orthodox economist Alvin Hansen predicted a "contest of high wage versus full employment".⁶² Nonetheless, the doctrine of high wages "became a

⁵⁷Quoted in Barber, From New Era to New Deal, pp. 8.

⁵⁸ibid.

⁵⁹ibid., pp. 9.

⁶⁰Soule, Prosperity Decade, pp. 218-220; Barber, From New Era to New Deal, pp. 27-30.

⁶¹Bernstein, The Lean Years, pp. 179. It is unclear from Bernstein's account whether NAM changed its position over the decade. He cites an unidentified 'thoughtful employer' to substantiate his claim that "the leaders of industry had drastically overhauled their philosophy of wages" by 1926. However, Bernstein may have confounded the views of competitive and oligopolistic capitalists.

⁶²Barber, From New Era to New Deal, pp. 47.

prominent article in the creed of many business spokesmen."⁶³ In practice, however, the policy was rather pallid. Though real wages were 28% higher in 1928 than in 1918, the rate of increase over the five years preceding 1923 was one third greater than that over the subsequent five years. Moreover, much of the increase is attributable to the fact that prices fell more precipitously than wages during the 1921 recession. "Verbal acceptance of the economy of high wages," in Soule's words, "was thus in large measure a rationalization after the fact."⁶⁴ Still, the doctrine of high wages cannot be dismissed as merely empty rhetoric. When push came to shove in 1929, oligopolistic industries steadfastly maintained wage (and price) levels.⁶⁵ Indeed, according to the AFL Executive Council, whereas 92% of firms reporting to the Bureau of Labor Statistics cut wages during the 1921 recession, only 7% of firms did so in 1930.⁶⁶

Hoover recognized that trade associations and high wages alone were inadequate to stabilize the business cycle. Countercyclical spending, expenditure inversely related to the level of autonomous business activity, was also necessary.⁶⁷ The now familiar but then novel theory of a 'multiplier' underlay the concept of countercyclical spending.⁶⁸ It was understood that in addition to any direct impact on economic activity, public works expenditure and business investment would percolate

⁶³Soule, Prosperity Decade, pp. 220. But, unlike the 1921 recession, real wages declined as prices proved stickier than wages. (Bernstein, The Lean Years, pp. 259-60).

⁶⁴ibid., pp. 220-1. The significance of the doctrine is diminished further when one notes that manufacturing productivity, measured as output per labor-hour, rose 43% between 1919 and 1929, a rate one and a half times that of real wages over the period 1918-1928. (Soule, Prosperity Decade, pp. 121). For a detailed critique of interpretations that present the 1920s as a period of prosperity and high wages see Frank Stricker, "Affluence for Whom?--Another Look at Prosperity and the Working Classes in the 1920s," reprinted in Daniel J. Leab, ed., The Labor History Reader (Urbana: University of Illinois Press, 1985): 288-316.

⁶⁵Brody, "Welfare Capitalism," pp. 67.

⁶⁶Barber, From New Era to New Deal, pp. 85.

⁶⁷ibid., pp. 15-22.

⁶⁸ibid., pp. 16-8; See also Barber, A History of Economic Thought (New York: Penguin, 1967): 243-4.

through the economy as resulting income was spent in an iterative process. The role of the state, at least in comparison with later practice, was moderate. The federal government was to serve a catalytic but otherwise nonparticipatory role. Lacking substantial fiscal authority of its own, it would signal state and local subgovernments as well as private industry when countercyclical spending was warranted. The projects to be undertaken were those that would be undertaken in any case, simply timed to coincide with recession.⁶⁹ Befitting pre-Keynesian orthodoxy, deficit financing was generally rejected. Expenditures were to come from reserves built during years of plenty. The 1921 Conference on Unemployment, orchestrated by Hoover, concluded:

If all branches of our public works and the construction work of our public utilities--the railways, the telephones, etc.--could systematically put aside financial reserves to be provided in times of prosperity for the deliberate purpose of improvement and expansion in times of depression, we would not only greatly decrease the depth of depressions but we would at the same time diminish the height of booms. We would in fact abolish acute unemployment and wasteful extravagance. For a rough calculation indicates that if we maintain a reserve of about 10 percent of our annual construction for this purpose, we could almost iron out the fluctuations in employment.⁷⁰

It is hardly giving away the story to suggest that this view was unduly optimistic. Sufficient or not, however, Hoover and others thought that the stabilization trinity of trade associationalism, high wages and countercyclical spending had mastered the business cycle.

The ostensible prosperity of the 1920s did little to shake that faith. In 1929 real GNP was 39% greater and real per capita GNP was 20% greater than in 1919.⁷¹ Much of that growth can be attributed to increases in productive efficiency.⁷² Improving efficiency through product market stabilization, labor integration, and business cycle

⁶⁹Countercyclical projects were to pay the "usual rates and wages". This would of course counteract deflationary tendencies. See Barber, From New Era to New Deal, pp. 16; and, Rothbard, "Herbert Hoover," pp. 114.

⁷⁰Quoted in Barber, From New Era to New Deal, pp. 19.

⁷¹Stricker, "Affluence for Whom?," pp. 290.

⁷²Soule, Prosperity Decade, pp. 121-2.

stabilization was the stated goal of proponents of the business hegemonic system of economic regulation.⁷³ Trade associationalism would foster productive efficiency through the promotion of product standardization and the dissemination of technical information. Reassertion of managerial hegemony within the factory would enhance productivity in several ways. Extirpation of unions would put an end to restrictive work rules and allow continued taylorization of the work process. Welfare capitalism, by increasing workers' loyalty to the firm, would reduce turnover rates and increase workers' attentiveness.⁷⁴ High wages would increase the relative and absolute price of labor, thereby inducing mechanization and improved managerial techniques.⁷⁵ Diminution of business cycle fluctuation would minimize both the number of marginal firms that entered the market during boom and the extent of idle capacity that afflicted the economy during bust.⁷⁶ The extent to which the business hegemonic system of economic regulation actually advanced productive efficiency in the 1920s is debatable. The greatest gains in productivity occurred immediately after the war, before the system was fully articulated or implemented.⁷⁷ The problematic correspondence between promise and reality notwithstanding, America's post-World War I political

⁷³On the postwar search for efficiency see: Barber, From New Era to New Deal, pp. 7-8; Zieger, Republicans and Labor, pp. 62; Hawley, "Hooverian Associationalism," pp. 97; and, Hawley, The Great War, pp. 81-5.

⁷⁴Brody, "Welfare Capitalism," pp. 52-3.

⁷⁵Barber, From New Era to New Deal, pp. 27-9; Soule, Prosperity Decade, pp. 127.

⁷⁶Zieger, Republicans and Labor, pp. 228; Barber, From New Era to New Deal, pp. 7-8.

⁷⁷Output per manhour increased 28% between 1919 and 1924 but only 21% in the 5 years thereafter (Soule, Prosperity Decade, pp. 121). Furthermore, the extent to which the business hegemonic system of economic regulation was actually implemented, and thus potentially responsible for the later advance, is also debatable. The lack of coercive enforcement of trade associational cooperation, the meagre reality of high wages, the impotence of worker representation plans, and the absence of legislative authority for countercyclical spending suggest that the system was not adopted in its entirety. On the incomplete implementation of the system's various components see Himmelberg, Origins of the NRA, pp. 75-7; Brody, "Welfare Capitalism," pp. 59-60; and, Barber, New Era to New Deal, pp. 21-2, 118-20.

economy approximated the business hegemonic system and the economy's growth (and subsequent collapse) were attributed to business hegemony.

Economic Regulation through Progressive Unions

Thus unionists confronted a comprehensive and seemingly successful system of economic regulation from which they were entirely excluded. Union membership, which had peaked at 5 million in 1920, fell continuously through the decade to approximately the prewar level. Unions were nonexistent in the core manufacturing industries--autos, steel, and electrical equipment--and were on the defensive in those industries--textiles, coal, and machining--in which they had had a foothold. By 1930 the unionization rate of the nonagricultural workforce was scarcely half of what it had been in 1920.⁷⁸ Perhaps worse than their weakened condition per se was the fact that the then dominant political economic thought accorded unions no role whatsoever. The prospects for recovery were seemingly bleak, and the popular press dyslegized the moribund labor movement.

Faced with this dire situation, progressive unionists articulated an alternative system of economic regulation, one in which unions and the state would play a significant role.⁷⁹ In order to create the space for this alternative, progressive unionists had first to explain the awesome weakness of organized labor. They rejected easy, exogenous explanations. Though they acknowledged both the severity of judicial antiunionism and the success of company unionism, each was dismissed as the primary cause of union weakness. In a 1928 volume Leo Wolman, Director of Research for the Amalgamated Clothing Workers and an instructor at the New School, wrote:

⁷⁸Bernstein, *Lean Years*, pp. 84-5.

⁷⁹The term 'progressive unionists' is used to distinguish people such as Sidney Hillman, head of the Amalgamated Clothing Workers, and William Johnson, head of the International Association of Machinists, from conservative AFL leaders such as Samuel Gompers and William Green. (See Montgomery, *The Fall of the House of Labor*, pp. 399-410; and, Morris, *Conflict within the AFL*, pp. 86-110). See the caveat at footnote 14 which warns of the problematic nature of the progressive unionist construct.

It is, for example, true that organized labor here encounters severe legal disabilities. But the record indicates that an imaginative and forceful policy more often overcomes these legal obstacles than not. Similar mystic potency attaches to such a development as the company-union movement, which is not nearly the barrier to bona fide organization that it is credited with being. The company unions survive and presumably prosper because they have not yet, in modern times, met direct and continuous attack. In this respect the non-union industry, safeguarded by a company union, appears to be in no different position from a non-union industry that deals directly with its unorganized labor. And in this country the last group is by far the more numerous of the two.⁸⁰

Progressive unionists attributed the seemingly imminent demise of organized labor to unions themselves. The failure was twofold nonfeasance. The labor movement had failed to organize the unorganized, and it had failed to respond to structural economic change.⁸¹ The two were closely related. Narrow conceptions of vested interest among craft unions weakened the AFL's organizing will, and outdated craft organization limited the AFL's organizing ability. Even if aggressive organizing campaigns were undertaken, craft unions addressed neither the concerns of industrial workers nor the needs of an industrial economy. The labor movement had become, according to progressive unionists, a mere vestige.

The solution to union atrophy lay in the refunctionalization of unions. Progressive unionists argued that so long as the ideology and structure of organized labor remained ill-suited to the prevailing economic environment, unions could not expect to survive. Only by redefining its relation to the national political economy could organized labor successfully challenge the business hegemonic system of economic regulation. Toward this end progressive unionists enunciated a system of economic regulation in which unions and the state figured prominently. The unionist alternative, like the business hegemonic system, built upon wartime developments. Moreover, it addressed the same functional issues as the business hegemonic system.

⁸⁰Leo Wolman, "Economic Conditions and Union Policy," in J. B. S. Hardman, ed., American Labor Dynamics in the Light of Post-War Developments (New York: Harcourt, Brace and Company, 1928): 41.

⁸¹*ibid.*, pp. 37-40. See also Morris, Conflict within the AFL, pp. 109-110.

However, in the unionist alternative: unions would assume the task of product market stabilization in competitive industries; unions would become the agents of increasing productivity on the shop floor; unions, protected by state agencies, would integrate workers through industrial organizations; and, the state, backed by industrial unions, would aggressively manage 'macroeconomic' stability. Thus the vision propounded by progressive unionists was diametrically opposed to the ascendant business hegemonic system of economic regulation.

Progressive unionists undoubtedly desired restoration of organized labor's lost status; but, the system of economic regulation they articulated was more than an ideological instrument of self-interest. The unionist dissent contained a critique of business hegemonic regulation that was couched largely in business hegemony's own terms. Unionists argued that business hegemonic regulation was unable to fulfill its purported goals of efficiency and stability.⁸² If workers were not protected from the consequences of technical improvement by independent unions, they would not participate in shop floor efficiency drives regardless of company representation and welfare programs. Similarly, unionists argued, in the absence of autonomous unions there would be downward wage pressure, especially in competitive industries. This would aggravate destructive competition and undermine 'macroeconomic' stabilization. Furthermore, if private cartels were given free rein, output would be curtailed and the mass production economy would be fettered. Therefore, unionists argued, strong unions and an active state were necessary in order to achieve stable growth.

Unions and the state were linked in the postwar period by progressive unionists who sought the nationalization of coal mines and railroads.⁸³ Nationalization was, in large measure, merely a means of perpetuating the wartime gains organized labor had

⁸²On this point progressive unionists and mainline AFL leaders agreed.

⁸³Montgomery, Fall of the House of Labor, pp. 392-401; Zieger, Republicans and Labor, pp. 24-5.

made in each industry under government regulation. Though efforts were made to forge a coalition of workers, consumers and administrators in support of nationalization, nationalization plans were never embedded within a broader conception of economic regulation. By the early 1920s it was clear that nationalization demands were moot, and progressive unionists focused on other aspects of their program.

Product market stabilization in competitive industries was important to labor because cutthroat competition among firms often took the form of wage reductions. Cost differentials are critical in competitive industries. The more homogeneous the product, the greater the pressure to minimize costs; the more labor intensive the production process, the greater the incentive to cut wages. Whereas the business hegemonic system of economic regulation sought to temper competition through trade associations, the unionist regulatory scheme sought stability through the establishment of uniform wage rates. The standardization of wage rates across an industry would serve as a "bulwark against the unscrupulous competition of certain employers at the expense of their workers."⁸⁴ The unionist approach to product market stabilization divested trade associations of their privileged role and excluded company unions entirely. Wage rate standardization was to be achieved through industry-wide collective bargaining, something considered impossible under a regime of firm-specific company unions.⁸⁵ Even if capitalists organized in a trade association could

⁸⁴Paul Wander, "The Challenge of Company-Made Unions," in Hardman, American Labor, pp. 235.

⁸⁵A strong trade union, wrote Paul Wander, "becomes an ally of the 'fair' employer. Having renounced for himself that anarchic competition which thrives at the expense of labor conditions, he henceforth stands to gain from the standardization and stabilization of those conditions through collective bargaining that is the union's program. It is a question of far-reaching import for the theory of company unionism, whether any employer who is not a dominant factor in his industry can permanently dispense with such trade-union support without being swayed in his own wage and labor policy by that same anarchic competition. Experience seems to supply a

unilaterally standardize wage rates across an industry, the agreement would likely founder on the same competitive pressure that spurred action initially. That competitive pressure afflicted not only management. Given its firm-specific basis, a company union, though potentially engaged in a distributional struggle with management, would rationally ally with management against other firms. Thus, company unions provided no check against destabilizing wage reductions. Only an independent union organized throughout an industry had both the power and incentive to enforce wage rate standardization across firms.

There was historical precedent for unions to act as stabilizing agents in competitive markets. In 1900 the International Association of Machinists and the National Metal Trades Association entered a ballyhooed but short-lived agreement designed to stabilize the machining industry.⁸⁶ Unionist efforts to stabilize the bituminous coal industry proved more enduring.⁸⁷ Coal markets, in which many operators produced a homogeneous product, were paradigmatically competitive. Wages constituted the bulk of production costs and were under constant competitive pressure. Miners, therefore, sought to establish a uniform wage rate across firms organized in regional markets. The largest bituminous region, the Central Competitive Field (CCF), extended from Pennsylvania to Illinois. As settlement of the massive 1897 strike in the CCF, the United Mine Workers and the CCF operators concluded a far-reaching agreement.

[A]n elaborate scale of payments, designed more to equalize employers' labor costs than to equalize wages per se, was coupled with a general wage advance, a formal eight-hour day, and a checkoff of union dues. It was evident that the operators signing the agreement had a vested interest in a large union strike fund, because strikes were the only means to bring recalcitrant employers into

generally negative answer to the question." (Wander, "Company-Made Unions," pp. 235).

⁸⁶Montgomery, "Machinists," pp. 49-57.

⁸⁷The following discussion relies on Montgomery, The Fall of the House of Labor, pp. 341-3, 387-8, 396-8, and 408-9.

the agreement. Mine operators in bituminous had been unable to organize themselves to stabilize prices, because powerful buyers of coal, such as the railroads and the steel industry, owned mines of their own, which helped them hold down prices. The UMWA thus provided a rationalizing agency for the industry.⁸⁸

The union's ability to police the market was dependent upon extensive unionization, and the CCF agreement ultimately foundered on competition from nonunion operators outside the CCF.

Like organized labor generally, the UMW had been strengthened by World War I. The Fuel Administration, desirous of steady wartime production, sanctioned a CCF agreement in October 1917 that granted a pay increase, protected workers against dismissal for union membership, and levied a daily fine against strikers. Settlements modelled on the so-called Washington Agreement were reached in each of the nation's regional coal markets. As a result of the nondiscrimination clause, the UMW was able to expand its base into antiunion strongholds such as West Virginia and Alabama. The armistice, however, meant an end to the government-backed agreements. Nonetheless, when the UMW struck in November 1919 for shorter hours and better pay, the President invoked the wartime Lever Act in order to enforce Washington Agreement. Within the CCF, the operators and the union accepted the government's settlement, thereby renewing the prewar stabilization strategy. However, in the previously nonunionized fields that lay outside the CCF, fields that had grown in importance as a result of wartime demand, the operators ignored the mandated settlement.⁸⁹ In the face

⁸⁸ibid., pp. 342.

⁸⁹The behavior of the CCF operators is curious. Why didn't they actively seek the imposition of the settlement on their competitors? The state's selective use of coercion, directed almost entirely against the union, is also curious. Why did Wilson reactivate lapsed wartime authority? Having done so, why didn't he impose the settlement on recalcitrant operators nationwide? Similarly one might inquire why the Harding Administration, having censured the railroad companies, didn't enforce the Railroad Labor Board's decisions against the companies. One might also ask why the Coolidge Administration refused to enforce the 1924 Jacksonville Agreement which it had brokered between the CCF operators and the UMW. (See Zieger, Republicans and Labor, pp. 119, 235). The instrumentalist state-as-executive-committee-of-the-bourgeoisie approach does not explain the state's behavior. First, the state had already taken pro-

of state coercion and cyclical downturn, unionist efforts to impose the settlement outside the CCF failed. Subsequent attempts fared no better. As a consequence, the unionist stabilization strategy collapsed. According to Montgomery, "By 1925, only 40 percent of the country's bituminous coal was mined under union contract, as compared with 72 percent in 1919, and the unionized sector remained under intense pressure to reduce labor costs."⁹⁰ The unionist stabilization strategy failed for lack of unionization, not conceptual weakness.

In the unionist system of economic regulation, the stabilization of product markets through wage standardization was closely linked to the promotion of productivity through union-management cooperation. The linkage was both passive and active. In the passive vein, uniformly high wages were to spur mechanization and improved managerial technique. UMW President John Lewis, bemoaning the retardation of mechanization that resulted from competitively depressed wages, observed that "it is better to have a half million men working in the industry at good wages...than it is to have a million working in the industry in poverty."⁹¹ In addition to indirectly inducing mechanization through imposition of high wages, unions were, in the conception of many progressive unionists, to actively promote productivity on the shop floor. Unionist concern for productivity stemmed, in part, from a recognition that high wages could be sustained only under conditions of high productivity.⁹² This

union actions. Second, significant numbers of capitalists would potentially benefit from unionist stabilization policies.

⁹⁰Montgomery, The Fall of the House of Labor, pp. 408-9.

⁹¹Quoted in Bernstein, The Lean Years, pp. 125. Of course, as Lewis's critics noted, the high wage policy was suicidal in the absence of a complementary policy of aggressive organizing. See John Brophy, "Elements of a Progressive Union Policy," and Corwin D. Edwards, "The Dilemma of the Coal Union," in Hardman, American Labor Dynamics, pp. 186-91 and pp. 179-85 respectively.

⁹²Both progressive unionists and the AFL officialdom came to accept this proposition. Prior to 1920 the AFL had maintained that unions ought only be concerned with distributional aspects of wage determination. The AFL's formal recognition of the importance of productivity came at the 1925 Convention. See McKelvey, AFL Attitudes, pp. 1-11, 91-8; and, Wolman, "Economic Conditions," and Arthur W. Calhoun, "Labor's

was true not only in the macro sense, but in a more immediate micro sense as well. If a firm in a competitive industry incurred comparatively high labor costs as a result of unionization, it could survive only if labor productivity was correspondingly high. Thus, in the context of incomplete unionization, the promotion of productivity was a necessary complement to the unionist strategy of product market stabilization. Furthermore, to the extent that the open shop campaign was legitimated by appeals to efficiency, unionist promotion of productivity was a defense against capitalist hegemony. Unionists argued that organized labor was not only compatible with, but in fact necessary for the maximization of efficiency.⁹³

In productivity promotion, as in market stabilization, the union was to perform a rationalizing role that management was unable to perform unilaterally. In the business hegemonic system, intrafirm productivity was to be secured through Taylorization of the work process. This meant that management, unencumbered by union resistance and uninformed by worker input, would impose what its engineers deemed the optimal production process. Unionists and their allies in the progressive wing of the Taylor Society argued that the result of such a dictatorial process was bound to be suboptimal. They maintained that workers possessed information crucial to any efficiency effort and that such information could not be obtained through coercion.

New Economic Policy," in Hardman, American Labor Dynamics, pp. 37-42 and pp. 320-8 respectively. In 1928 the AFL Executive Council noted: "With the principle formulated by the Federation some years ago--standards of living can be permanently raised only by increasing production--organized labor has a basis of common interests with management and therefore finds cooperation an advantage." (See "Report of A. F. of L. Executive Council," in Report of Proceedings of the Forty-Eighth Annual Convention of the American Federation of Labor 1928, pp. 23.) See also: "Report of A. F. of L. Executive Council," in Report of Proceedings of the Forty-Fifth Annual Convention of the American Federation of Labor, 1925, pp. 38-9; "Report of the Committee on Resolutions," in *ibid.*, pp. 231-3; and, "Report of A. F. of L. Executive Council," in Report of Proceedings of the Forty-Sixth Annual Convention of the American Federation of Labor, 1926, pp. 45-7.

⁹³Progressives and AFL old-liners agreed on this point as well. For its expression by the AFL, see McKelvey, AFL Attitudes, pp. 86.

Advocates of business hegemony admitted so much; indeed, that was in large measure the rationale for welfare capitalism. Unionists and progressives in the scientific management community, however, went further. Extending the logic upon which the state's wartime labor policy had been based, they argued that workers would not cooperate with efficiency campaigns unless they possessed certain guarantees, guarantees that only independent unions could provide.⁹⁴ Worker cooperation would be withheld so long as workers believed that the benefits of increased productivity would accrue to management alone. Company unions, perceived by workers as ineffectual if not collaborationist, could not assuage such fears.⁹⁵ Unionists and their allies argued that in order to obtain workers' consent and thereby realize the full potential for technical efficiency, firms had to bargain with unions considered legitimate by workers.⁹⁶ Thus, in his valedictory address to the Taylor Society, Morris Cooke declared that he thought of "a virile labor union movement as a social necessity."⁹⁷

Productivity promotion through union-management cooperation won few converts within business; most firms remained committed to complete managerial autonomy within the factory. The Amalgamated Clothing Workers, led by the progressive unionist Sidney Hillman, engaged in one of the few notable examples of

⁹⁴See for example "Report of the AFL Executive Council," 1925: 34-5.

⁹⁵See the comments of Otto Beyer, architect of union-management cooperation on the B&O railroad cited in Montgomery, The Fall of the House of Labor, pp. 423.

⁹⁶Though it is easy to understand how bona fide unions might secure for workers a share of productivity returns that might otherwise have gone to profits, it is less clear how they might prevent technological unemployment. If demand is rising faster than productivity, there is no problem. If, however, productivity is rising faster than demand, workers must necessarily be displaced. Some sort of extra-firm remedy must be provided in order to relieve such externalities. Of course, as indicated by the Lewis quote above, not all unionists considered technological unemployment to be a problem.

⁹⁷McKelvey, AFL Attitudes, pp. 76. See also Sanford M. Jacoby, "Union-Management Cooperation in the United States: Lessons from the 1920s," in Industrial and Labor Relations Review Vol. 37, No. 1 (October 1983).

union-management cooperation.⁹⁸ As market stability, industrial relations and productive efficiency were closely related, so too were the union's policies of market stabilization and productivity promotion.⁹⁹ The ACW operated in a fiercely competitive industry in which labor costs were particularly significant. Competition undercut profit margins and labor standards. The consequent undercapitalization and exploitation, in addition to perpetuating market instability, fostered productive inefficiency. Turnover rates were high and work stoppages were rife. Small, ephemeral "contracting shops" produced goods of unpredictable quality while larger, more mechanized factories carried fixed costs in an unstable environment. These circumstances eventually led the industry's large manufacturers and mass retailers to embrace the ACW as a stabilizing agent.¹⁰⁰ Ideally, all firms, large and small, would be unionized and market stability, through wage standardization, established. Creation of such an orderly environment, according to proponents, would enhance productivity by reducing disruptive labor unrest and by allowing the negotiated introduction of advanced techniques. Since unionization was in fact limited to large northern firms, the promotion of productivity through union-management cooperation within those firms was especially important. The ACW made good on Hillman's promise to "put the firm's productive strength in shape."¹⁰¹ The labor manager for a Rochester firm reported that cooperation with the ACW permitted greater efficiency than did

⁹⁸Several other cases are noted in Jacoby, "Union-Management Cooperation," pp. 27. The discussion of the ACW follows Fraser, "Dress Rehearsal."

⁹⁹As Jacoby points out, four of the five significant experiments in union-management cooperation occurred in highly competitive industries in which demand was price elastic, labor the primary cost, and profit margins slight. Jacoby, "Union-Management Cooperation," pp. 28.

¹⁰⁰Some firms, such as Hart, Schaffner, and Marx voluntarily recognized the union. Others did so under the prodding of either the National War Labor Board or large retail customers such as Filene's. (In fact, Hart, Schaffner, and Marx had originally recognized the United Garment Workers. The ACW was founded when that union split in 1914.)

¹⁰¹Sidney Hillman, "Labor Attitudes," in Hardman, American Labor Dynamics, pp. 294.

"discipline which is purely mechanical and superimposed by officials vested with superior authority."¹⁰²

On one level union-management cooperation was a defensive reaction of organized labor to a difficult situation.¹⁰³ It was offered to capitalists as a quid pro quo for union recognition and to unionists as the route to revitalization of the labor movement.¹⁰⁴ But, for progressive unionists and their allies, union-management cooperation was something more than simply a defense; it was the harbinger of expanded participation by organized labor in industrial governance. Thus, Arthur Calhoun believed that cooperation would extend the scope of industrial conflict until "it inevitably proceeds to canvass and master the entire industrial process"¹⁰⁵ and Morris Cooke believed that union assumption of industrial responsibilities would "provide the best possible training for the larger responsibilities which would come to labor under any re-vamping of the present order."¹⁰⁶

Union-management cooperation was part of the broader system of economic regulation envisioned by progressive unionists. By definition the policy of cooperation meant a commitment by the union to increasing productivity. In practice

¹⁰²Quoted in Fraser, "Dress Rehearsal," pp. 217.

¹⁰³Many analysts, contemporary as well as current, have depicted union-management cooperation in this way. At the time some leftists described the policy as one of "class collaboration". Bernstein describes the AFL's endorsement of union-management cooperation and rapprochement with scientific management as "signs of growing conservatism". (Bernstein, The Lean Years, pp. 103.) Jacoby writes recently that union-management cooperation was undertaken "under dire economic circumstances" when "a continuation of normal bargaining postures could have proved fatal to either or both parties." (Jacoby, "Union-Management Cooperation," pp. 27.)

¹⁰⁴See Sidney Hillman, "Labor Attitudes," in Hardman, American Labor Dynamics, pp. 294.

¹⁰⁵Calhoun, "Labor's New Economic Policy," pp. 327. Calhoun was an economics instructor at Brookwood Labor College.

¹⁰⁶Quoted in Steve Fraser, "From the 'New Unionism' to the New Deal," Labor History Vol. 25, No. 3 (Summer 1984): 410. In contrast to Calhoun, Cooke sought to limit rather than extend industrial conflict. This was in keeping with the tenets of progressive scientific management as well as the New Era.

this meant the acceptance of mechanization and the disavowal of restrictive work rules.¹⁰⁷ Moreover, especially as developed during the war, it entailed the establishment of bureaucratized grievance procedures. Such policies, however, undermined traditional sources of craft control.¹⁰⁸ Thus, the unwavering commitment of the ACW leadership to increasing productivity must be seen as part and parcel of the progressive commitment to industrial unionism.

Progressive unionists argued that organized labor had no hope of resurrection so long as it retained its craft basis in an industrial economy. Industrialization, they warned, would continue with or without the cooperation of unions. As Leo Wolman observed, "The underlying economic forces, to which American organized labor has seemed unable to adjust itself, pursue their course and show no signs of changing their direction."¹⁰⁹ Mass production and the ever more detailed division of labor begat a mass of unskilled workers. Craft unions, they argued, were irrelevant to the daily experience of these workers.

What are the unions doing within their own house to withstand the attacks of the company-made councils? Do they realize how much the employer is stressing factory solidarity as against craft solidarity? Do they realize that this argument sounds persuasive to unskilled workers, with no trade or craft, who work in the increasingly mechanized industry? The manager who is introducing a representation plan...talks to the workers in terms of the plant. The trade-union organizer talks to them in terms of craft, using the hoary symbols of a generation ago....Which is likely to catch the workers' ear?¹¹⁰

If organized labor was to penetrate the core manufacturing industries, progressives maintained, it would have to do so on the basis of industrial unions.¹¹¹

¹⁰⁷Wolman, "Economic Conditions and Union Policy," pp. 40-2.

¹⁰⁸Again, see Fraser, "Dress Rehearsal."

¹⁰⁹Wolman, "Economic Conditions and Union Policy," pp. 37.

¹¹⁰Robert W. Dunn, "The Industrial Welfare Offensive," in Hardman, American Labor Dynamics, pp. 225.

¹¹¹Regardless of its relevance, mass production workers were unlikely to hear even a craft-based organizing appeal. The various craft unions asserted but did not exercise their claims to mass production workers. (The language here is Morris's. See Morris, Conflict within the AFL, pp. 109.) AFL organizing during in the 1920s consisted of

Industrial unionism was facilitated by state involvement in wartime labor relations. Within the already industrial ACW, federal pursuit of shop floor stability legitimated the leadership's efforts to squelch artisanal resistance. In other industries, at the local level at least, federally mandated shop committees undermined craft distinctions.¹¹²

In open-shop metal-fabricating enterprises, especially, the NWLB's shop committees provided a vehicle for enlarging the scope of craft unions beyond the exclusive boundaries of their nineteenth-century constitutions. The pattern illustrated by Bridgeport's city-wide elections for worker representatives under NWLB auspices was often repeated: Prominent trade unionists were elected to the dominant positions in the committees. Moreover, metal-trade activists often succeeded in making local metal-trades councils into effective agencies for coordinating the various craft unions. Under those circumstances, shop committees provided a vehicle through which craft unions were linked to the nonunion majority of employees, every worker had access to some representation in dealing with the company, and the more progressively minded and experienced trade unionists among the skilled men had organized channels of communication with the women and unskilled men of their factories.¹¹³

Federal administration of the railroads had a similar effect. Railroad workers were distributed among sixteen craft unions, the most powerful of which--the operating brotherhoods--were outside the AFL.¹¹⁴ Though the unions remained distinct, federal operation of the rail system "taught the value of coordinated bargaining to the union leaders" and "magnified the tendency of workers to act together" irrespective of craft

trying to sell itself to management on the basis of union-management cooperation through craft unions. These efforts, limited to the textile and auto industries, failed miserably. See also Bernstein, The Lean Years, pp. 85.

¹¹²NWLB labor mediation undermined localism as well. Speaking of a complaint filed by workers at the General Electric plant in Schenectady, Montgomery writes: "[T]aking their case to the NWLB had an important consequence: It put Schenectady's delegates in Washington directly in contact with representatives of the Lynn, Pittsfield, Erie, and Fort Wayne workers, who also had cases pending. In this sense, the Washington bureaucracy opened the channels of communication, which paved the way for the attempt at a company-wide union and strike at the end of 1918." (Montgomery, The Fall of the House of Labor, pp. 442.)

¹¹³Montgomery, The Fall of the House of Labor, pp. 420.

¹¹⁴Zieger, Republicans and Labor, pp. 118n.

lines.¹¹⁵ This set the stage for a 1920 rank and file revolt which momentarily "shattered all lines of union demarcation".¹¹⁶

The consequences of state intervention, however, proved largely ephemeral. In 1919 the 'progressive' leadership of the International Association of Machinists revoked the charter of its Bridgeport local (the one referred to by Montgomery above) for violating the union's jurisdictional rules,¹¹⁷ and federal authorities and union officials quickly suppressed the new unions which emerged during the 1920 railroad strike.¹¹⁸ In the end, those unions that entered the war as industrial unions--the UMW and the ACW--remained industrial unions while those that entered as craft unions retained their craft structure.

The labor movement evinced an ambivalence toward state intervention in the market place. Prior to the war the AFL was largely committed to 'voluntarism', the proposition that industrial relations were a private matter between employers and employees in which the state had no right to interfere. Given the frequency with which the state, through either the courts or the militia intervened on behalf of management, the stance was plausibly rational. State neutrality would benefit unions.

¹¹⁵Montgomery, The Fall of the House of Labor, pp. 400.

¹¹⁶ibid., pp. 402.

¹¹⁷ibid., pp. 450-1. Nonetheless, the same IAM leadership pressed for amalgamation of all metal-trades unions. Morris explains the paradox by distinguishing the amalgamation of craft unions from the creation of an industrial union. Whereas an industrial union would admit all workers regardless of skill, an amalgamated craft union, even as it ignored craft distinctions, would retain a skill-based exclusivity. (See Morris, Conflict within the AFL, pp. 48-9). The machinists' proclivity toward amalgamation was reinforced by the B&O Plan, a celebrated program of union-management cooperation in which they participated after 1922. According to the plan, joint craft committees would work to improve productivity in each of the railroad's shops while higher officers of the various unions would consult with management on issues that transcended individual shops. (See Montgomery, The Fall of the House of Labor, pp. 423). Some optimistic progressives observed that by organizing workers irrespective of craft or skill, company unionism fostered industrial unionism. (See Joseph E. Kucher, "If American Labor is to be Organized," in Hardman, American Labor Dynamics, pp. 308-9.)

¹¹⁸Montgomery, The Fall of the House of Labor, pp. 402.

During the war, however, the state's attitude shifted: it turned toward organized labor as an agent of shop floor stability. Perceiving an opportunity to secure otherwise elusive goals, the AFL suspended its voluntarist principles and entered the state's wartime administration.¹¹⁹ As noted several times above, the policy paid off handsomely.

It seemed, indeed, as though the gods had suddenly showered organized labor with gifts. Recognition, maintenance of union standards, the right to a living wage--all the boons for which trade unions had long been striving were now hastily granted amid the exigencies of wartime production.¹²⁰

Soon after the war, however, the AFL reverted to its voluntarist position. Frank Morrison, the AFL's secretary-treasurer, declared that workers would not "surrender to any agency the functions which by right belong to trade unions, and which can be, and have been, successfully solved by themselves through the trade unions."¹²¹

Though not without reservation, progressive unionists were more positively disposed toward state intervention. The most obvious expression of their statist inclination was the postwar demand for nationalization of coal mines and railroads. After the question of nationalization became moot, however, progressive unionists in the coal and rail industries displayed a more qualified attitude toward direct state involvement in industrial relations. The 1922 shop-craft strike, for example, "was as much a protest against the Railroad Labor Board as it was against the railroads

¹¹⁹Melvyn Dubofsky, Industrialism and the American Worker, 1865-1920 (Arlington Heights, Ill.: Harlan Davidson, 1975): 109-34; Montgomery, The Fall of the House of Labor, pp. 375; McKelvey, AFL Attitudes, pp. 27-42.

¹²⁰McKelvey, AFL Attitudes, pp. 34.

¹²¹Quoted in Tomlins, The State and the Unions, pp. 3. This reversal warrants further examination. Why, after having fared so well during the war, did the AFL not seek continued federal involvement in labor relations? Montgomery argues that the AFL welcomed protection against dismissal and the maintenance of union scales but had no use for shop committees because of their tendency to disrupt craft organization. This might be true, but (as demonstrated by federal policy in the garment industry) shop committees were surely not the only form state intervention could assume. (See Montgomery, The Fall of the House of Labor, pp. 418-9.)

themselves."¹²² According to Zieger, workers feared the advisory board as a prelude to compulsory arbitration. The rationale for their resistance, however, is not obvious. As Zieger himself notes, the RLB, established under the Esch-Cummins Act of 1920, ruled in labor's favor more often than not. Labor's grievance was against the uneven implementation of the RLB's rulings: decisions that went against workers were implemented while those that went against management were ignored. This being the case, one must ask why the unions, instead of seeking abolition of the RLB, didn't push for uniform enforcement of its rulings.¹²³ In any case, the unionist alternative to Esch-Cummins was embodied in the Howell-Barkley bill. The bill, which was never enacted, called for the replacement of the RLB by a mediation board that lacked decision making power, the designation of the the sixteen standard (as opposed to company) unions as workers' sole collective bargaining agents, and the establishment of national adjustment boards.¹²⁴ The proposed dismantlement of the RLB notwithstanding, the bill clearly envisioned substantial federal involvement in labor relations.

The miners' union, though wary of compulsory arbitration, also looked toward the federal government. In 1922 the UMW refused to submit to binding arbitration as proposed by the Harding administration.¹²⁵ Two years later, however, UMW President John Lewis sought Commerce Secretary Herbert Hoover's assistance in securing a renewed CCF agreement.¹²⁶ Hoover, for his own reasons, readily complied with Lewis's

¹²²Zieger, Republicans and Labor, pp. 118.

¹²³Similarly, one must ask why Warren Harding, who considered the RLB's decisions to be legally binding, declined to enforce them against the railroads. See Zieger, Republicans and Labor, pp. 118-9, 192.

¹²⁴ibid., pp. 197.

¹²⁵ibid., pp. 125.

¹²⁶Lewis is difficult to classify. On the one hand, he stood against Samuel Gompers as the progressive candidate for the AFL presidency at the 1920 convention. On the other hand, he fought against nationalization and its progressive advocates within the UMW. See Montgomery, The Fall of the House of Labor, pp. 396-409.

request.¹²⁷ The resulting agreement, known as the Jacksonville Agreement, maintained union wage rates throughout the CCF. But in doing so, it exacerbated the pressure of nonunion competition on the CCF and, by extension, on the UMW. As the Jacksonville Agreement disintegrated, Lewis called upon the administration to secure the agreement it had brokered. The administration refused and by 1928 the CCF as a stabilized bargaining area had ceased to exist.¹²⁸ As a consequence, Lewis abandoned his previous opposition to legislation and supported a bill introduced by Senator James Watson that would have cartelized the coal industry and guaranteed the right to collective bargaining. Ultimately the bill came to naught. Nonetheless, the backing given Watson's bill, the attempt to obtain government enforcement of the Jacksonville Agreement, and the earlier calls for nationalization demonstrate the miner's receptivity to state intervention in the economy.

Unwavering support for state economic intervention came from Sidney Hillman, leader of the Amalgamated Clothing Workers and one of the most coherent advocates of a unionist system of economic regulation.¹²⁹ Given the effective use that the ACW had made of wartime government regulation in pursuit of its own objectives, Hillman welcomed state intervention in the labor market.¹³⁰ Moreover, in Hillman's vision, the appropriate purview of the state extended well beyond the labor market; the state was to assume primary responsibility for 'macroeconomic' management. Such management entailed national planning and countercyclical spending. Testifying before the Senate in 1932, Hillman argued:

No one industry can stabilize itself entirely by its own efforts. Regularity in production and employment depends on the general state of industry and

¹²⁷Zieger, Republicans and Labor, pp. 227-39.

¹²⁸*ibid.*, pp. 254-8.

¹²⁹The account here, like the previous discussion of the ACW, follows Fraser.

¹³⁰Fraser, "Dress Rehearsal," pp. 220.

agriculture, in short, on the economic health of the country as a whole and that means national planning.¹³¹

Though he accepted selective, state-sponsored cartelization as a necessary adjunct to planning, Hillman emphasized policies that would bolster aggregate demand.¹³² For example, in contrast to the AFL's voluntarist position, he supported government provision of unemployment benefits. According to Hillman, a high standard of living was "no more a question of mere justice"; rather, it was "essential to our system of mass production to create a consumers' demand for almost unlimited output."¹³³ Maintenance of aggregate demand, however, was not to be the exclusive responsibility of the state.

In the unionist system of economic regulation, organized labor was assigned the critical function of enforcing high wages. It was this function, moreover, that lent coherence to the system's various elements. Though high wages were acknowledged within business and labor circles alike as the key to consumer demand, unionists believed that neither employer enlightenment nor company unionism was adequate guarantee of high wages. Therefore, unionists maintained that a labor movement sufficiently robust to enforce high wages was necessary not only for product market stabilization but for 'macroeconomic' stabilization as well. High wages were in turn linked to the unionist policy of productivity promotion. High wages could persist only so long as productivity within both individual firms and the general economy remained high. Conversely, it was argued, sustained increases in productivity depended upon corresponding growth in consumer demand. On these points, and the notion that bona fide unions were essential for full realization of the economy's

¹³¹Quoted in Fraser, "From the 'New Unionism' to the New Deal," pp. 414.

¹³²ibid., pp. 414-25. The preference for demand stimulation over cartelization complimented the restrictive role allotted trade associations in the unionist system of economic regulation.

¹³³ibid., pp. 409.

productive potential, traditional and progressive unionists were agreed.¹³⁴ Progressive unionists, however, went one step further. In the context of a mass production economy predicated upon mass consumption, sufficient purchasing power could be assured only if the machine-operating minions were organized.¹³⁵ Given the presumption that craft unions were by inclination and appeal unable to organize the unorganized, progressives concluded that if organized labor was to construct a viable system of economic regulation, then that system would have to be founded on the basis of industrial unionism. Thus, it was the enforcement of high wages throughout the economy that linked the micro to the macro in the progressives' vision of economic regulation and gave their system its conceptual unity.

Conclusion

Two models of economic regulation, one centered on business hegemony and another revolving around progressive unionism, vied for supremacy in the 1920s. As diametric as they were, each model drew on ideological and institutional elements of the wartime political economy. The business hegemonic system, emphasizing particularly construed notions of self-regulation, rested upon trade associations, welfare capitalism and a facilitating yet circumscribed state. Trade associations were to stabilize product markets in industries lacking oligopolistic concentration. Managerial autonomy within the factory was to be reestablished through an open shop campaign led by those same trade associations and a complimentary program of company unionism and welfare capitalism. 'Macroeconomic' stability was to be assured by the product market stability achieved through trade associations, the high wages distributed by welfare capitalism, and moderate countercyclical spending coordinated by the federal government. The progressive unionist system, stressing broader notions

¹³⁴See footnote 92 above.

¹³⁵Fraser, "Dress Rehearsal," pp. 221, 241; idem., "From the 'New Unionism' to the New Deal," pp. 409-10.

of participation, rested upon organized labor and a relatively autonomous state. Unions were to counteract destructive product market competition by equalizing wages across all firms. Workers were to be integrated into a cooperative production process through industrial unions. In conjunction with state planning, union-enforced wages were to assure sufficient consumer demand for 'macroeconomic' stability. Of the contending programs for economic regulation, the progressive unionist system remained little more than a dissident vision while, to the extent that either model was coherently implemented, the business hegemonic system dominated the American political economy in the 1920s.

Ultimately the business hegemonic system fell victim to the Great Depression. The limited countercyclical spending envisaged by Herbert Hoover proved woefully inadequate for the task at hand.¹³⁶ In the private sphere, plant maintenance was no substitute for investment in operating stocks and equipment. In the public sphere, state and local governments could not and the federal government would not spend sufficient amounts to counteract the fall in autonomous private spending. In the context of the persistent recession, even the largest of employers in oligopolistic industries could not maintain wage rates.¹³⁷ The consequent wage cuts had a twofold effect: on the one hand, they aggravated the general weakness of aggregate demand by reducing consumer purchasing power; on the other hand, they undermined industrial peace by reducing the legitimacy of welfare capitalism. Competitive industries were similarly incapable of coping with the prolonged recession. Voluntary trade associations, potentially unstable even in the best of times, were ineffectual in the face of pervasive downward pressure on price levels. The Depression simply overwhelmed the business hegemonic system of economic regulation.

¹³⁶Barber, *New Era to New Deal*, pp. 107-8.

¹³⁷Brody, "Welfare Capitalism," pp. 72-3.

Despite their seemingly ephemeral character, the business hegemonic system and its progressive unionist rival warrant continued attention for historical as well as contemporary reasons.

The system of economic regulation that emerged during the 1930s was not created anew; it evolved out of the debates and institutions of the 1920s. The NRA was in large measure an extension of trade associationalism, albeit with a compulsory rather than voluntary nature. Later policy, especially as embodied in the text and implementation of the Wagner Act, increasingly approximated the system envisioned by progressive unionists. Furthermore, this continuity of policy was paralleled by a continuity of debate. As people struggled to create a system which would overcome the Depression (the "moral equivalent of war" in Franklin Roosevelt's words) they made frequent reference to the institutions employed during the First World War. Thus, the discussion of the 1930s recapitulated that of the immediate postwar period. Moreover, the debate of the 1930s addressed the intervening experience, something which was in itself a product of the earlier debate. Therefore, in order to understand the evolution of the New Deal one must examine the 1920s.

The Keynesian settlement that grew out of the New Deal and World War II bore a striking resemblance to the unionist system of economic regulation. Industrial unions organized workers of all skill in the economy's manufacturing core; wage agreements, as enshrined in the paradigmatic 1948 General Motors contract, were tied to productivity rates; and, the state assumed responsibility for maintaining levels of aggregate demand. But by the 1980s that system was in disarray. Unions were in sharp decline and state economic intervention was in disrepute.

Indeed, the 1980s look in many ways like the 1920s: a sharp recession followed by rapid growth and then a stock market crash. Although superficially similar events 60 years apart have very different meanings, the comparison is illuminating. As in the 1920s, Americans are consciously searching for a new system of economic regulation

that will foster growth and productivity. The administrative and fiscal changes implemented by the Republican administration and the industrial policy debate within the Democratic Party are expressions of that search. Like that of the 1920s, the emergent system seems to be dominated by business. Concessionary contracts written at the local level are common, overall unionization rates are the lowest they have been since the Depression, and unions are excluded from the economy's leading sectors. It may be that a business-led strategy emphasizing workplace flexibility and managerial autonomy, if complimented by adequate macroeconomic policy, will prove lasting. After all, were it not for the Depression, the business hegemonic system of the 1920s may well have endured.

If organized labor is to avoid such an outcome, it must develop a coherent alternative. Much as the craft-oriented AFL of the 1920s had to adapt to mass production, the present day AFL-CIO must adapt to the high tech and service economies. Similarly, unions must develop innovative strategies sensitive to the requirements of competitive efficiency if they are to counter management techniques imported from Japan and reminiscent of company unionism. If the US is to successfully compete in a world economy predicated on free trade and rapid technological adjustment, then labor must be adaptable to changing circumstance. The problem for workers is how to be flexible without being pliant. The solution could lie in the labor movement. Now as always workers seek protection against the hardship of economic readjustment. Individual firms are generally unable to provide adequate assurances. If organized labor were to provide such protection, through either its own offices or those of the state, then it could secure for itself an permanent role in a reconstituted and revitalized American economy. If, however, organized labor ossifies, then it will either break or be broken. The words of Leo Wolman, written in 1928, again hold true in 1988:

Where it has long held power and wishes to retain it, organized labor has begun to learn that it must accept an increasing measure of industrial responsibility; that it must adjust its economic policies to the needs of a changing industry; and

that it must discard many restrictive practices that have proved in the long run more harmful than beneficial to its members. The perception of these elements of sound policy earlier in the history of the movement would have salvaged much that has in its course been almost irretrievably lost.¹³⁸

The history of the 1920s is instructive: it suggests the dangers inherent in failure to adapt as well as the lines along which an alternative vision might be built.

¹³⁸Wolman, "Economic Conditions," pp. 42.