

HISTORY OF LABOR IN THE UNITED STATES, 1896-1932

INTRODUCTION TO VOLUMES III AND IV

By *John R. Commons*

In the year 1902 the City of New York was building its first subway along Fourth Avenue. The contract for construction and operation was made with a syndicate of bankers headed by August Belmont and Company of New York and including the House of Rothschild. About 30,000 Italian subway workers went out on strike, demanding that they should be paid directly "at the office" of the syndicate and not indirectly through the labor contractors. They did not ask for an increase in their wages of \$1.35 for ten hours. They asked only for the elimination of the padroni. This demand, if acceded to, would have increased their actual wages considerably by eliminating the extortions of the padroni.

Mr. Ralph M. Easley, secretary of the National Civic Federation, conferred with the financiers, and the present writer, as his assistant, conferred with the leaders of the strikers. The subway workers were organized in some fifty local branches, each electing its delegate to a central council. At the head of this council was Tito Pacelli, a North Italian barber, who had given up his private business in order to organize the laborers, who were South Italians and Sicilians. Pacelli was an idealistic yet practical man, with that peculiar cast of countenance and drooping eyelids that so often identifies the idealist humanitarian. Yet he knew nothing of the labor movement. I presented the matter to Samuel Gompers, president and founder of the American Federation of Labor and one of the labor representatives on the board of the National Civic Federation, the other group represented being the employers and "the public," including August Belmont himself. Gompers immediately acceded, and, conforming to the constitution of the American Federation of Labor, appointed Pacelli as special organizer and agreed to issue a "Federal Union" charter to the subway workers. This charter is independent of any other labor organization, a federal union reporting directly to the Executive Council of the American Federation.

Pacelli went to his subway council with these two propositions: a recognized organization of the American Federation of Labor and a collective agreement at \$1.35 a day to be paid directly by the capitalists constructing the subway. The council agreed to the proposals and recommended their adoption by the fifty or more local branches of the subway workers. Then, in order to arouse solidarity and win public support, the council staged a procession, 30,000 strong, ten abreast, down Fifth Avenue to Washington Monument. As Pacelli and I reviewed the parade from a soap box at the side, I was thrilled by the imagination that here were the historic proletarii of Rome, after twenty centuries of suppression, with starved faces, bent shoulders, meager bodies, and ragged clothes, coming up at last out of the ground into the freedom of America.

But soon came the collapse. The Italian anarchists, afterwards to be known as syndicalists, played, intentionally I thought, the game of the padroni. They broke into and captured the fifty local branch meetings, with their fiery denunciations of any kind of agreement that recognized the capitalist system; with their denunciations of Pacelli and his subway council as corrupt conspirators intriguing with the capitalist class. It ended in an overwhelming repudiation by the locals of their leaders, of the American Federation of Labor, of the National Civic Federation, and of America as the "stronghold of capitalism." After a further week or two of starvation they went begging back to their padroni.

I learned the policy of the American Federation of Labor: collaboration with capitalists and the general public, on this occasion through the National Civic Federation; eagerness to organize the unskilled and the immigrants for resistance against oppression; reliance on self-help and local self-government instead of the one big union of the former Knights of Labor, or of the later Communists, Socialists, and I. W. W. Though the Federation of Labor has been charged repeatedly by economists with trade-union selfishness, and by anarchists, syndicalists, communists, and socialists with a craft unionism which merely lifted a few above the mass, yet I learned here, through my own enthusiasm and disappointment, the immense problem of the Federation in organizing, on the traditional American self-governing basis, those who are too stupid to stand by each other and by leaders who try to get for them bread and butter *now* instead of a future millennium.

In this New York case the banker capitalists were willing to deal with the new union. They also wished to eliminate the padroni. But I learned well enough why they and capitalists generally use all their power to prevent the ingress of unionism to their establishments.

Five years after the New York tragedy I was in Pittsburgh with my students investigating labor conditions, on the financial support of the Russell Sage Foundation and under the management of Paul U. Kellogg, afterwards editor of *The Survey* magazine. We came upon some fifty Italian laborers sitting along the road leading to the Pennsylvania Railroad station and staring at us. I looked for their padrone. He came forward, a spick-and-span Italian. I told him I was looking for 200 laborers to come to Wisconsin to dig a ditch across the state and lay an oil-pipe line. He jumped eagerly; pulled out his huge gold watch and showed his name and address engraved inside the cover. The price would be \$1.85 a day with return passage to Pittsburgh, and himself to have the sole contract to board and lodge the workers. Asked for references he pointed to this gang of laborers waiting for the train to take them to a job for the Pennsylvania Railroad Company, and stated that he had just finished a job in Oklahoma for the Standard Oil Company on exactly the same terms as he was offering me. I did not leave him my address, but I needed no imagination to see where he got his profits nor where were the foundations of Capitalism in America.

I had long advocated restriction of immigration and had spent a year for the Industrial Commission of 1900 investigating the subject throughout the United States, ending in assistance to the immigration authorities in drafting what later became the Immigration Act of 1903.¹ But effective legislative restriction of immigration did not come until after the Great War. In Madison, Wisconsin, I came upon a huge ditch-digging machine operated by four American mechanics at wages two to three times as high as the padrone's price. I calculated, with these mechanics, about how many Italians would have been required to do this work with pick and shovel. We agreed on thirty. Since that time thousands of miles of gas and oil pipes have been laid by machine, and even the pipes themselves have been welded together in the ground by a firm whose engineers travel by aeroplane from their factory

¹ Cf. Lescobier, *Working Conditions*, Chap. II.

in Milwaukee to their several jobs hundreds and thousands of miles away.

This is American Capitalism and American Laborism of the past forty years. My colleague, Professor C. K. Leith of the Geology Department of the University of Wisconsin, estimates that during that period the installation of power-generating machines in the United States has been fourfold greater than the installation of mechanical power in all the centuries preceding.

I had advocated restriction of immigration ² for the double purpose of raising the wages of American laborers and driving the capitalists to the invention and installation of mechanical aids to labor. It worked this way in my ditch-digging machine. These had been the arguments of Samuel Gompers, himself, strangely enough, an immigrant. But these academic arguments were ineffective. It required a revolutionary World War and the appeal to Americanism and patriotism to reverse the free immigration policy of the country. The traditions of the nation were against it. America had always been the land of refuge for the oppressed and for the defeated revolutionists of Europe. But the meaning of Americanism and patriotism had suddenly changed. Patriotic soldiers were needed, divorced from allegiance to Europe, and a dread, instead of a welcome, for revolutionists swept the country. The organized capitalists had always previously opposed restrictions on immigration through their powerful lobbies and appeals to liberty. The American railways and the development of the country, they alleged, could not have been brought about except by immigrants willing to do the heavy work avoided by Americans. It turned out that what they wanted was cheap labor and padroni labor. They did not realize, and indeed nobody realized, how marvellously the capitalists could adapt themselves to a new scarcity of labor by unimagined mechanization of industry propelled by power generators.

So Americanism, during these marvellous forty years, has changed its meaning from a refuge for the oppressed of the world on the free lands of the West, already reduced to private ownership at the beginning of the period, to a new meaning of opportunities for promotion and investment within a capitalist system that seems to create wealth faster than it can be consumed. Amer-

² Cf. Commons, John R., *Races and Immigrants in America*, 1906; United States Industrial Commission, Report, 1901, Vol. XV.

icanism means no longer the expansion of population and the freedom of uncontrolled production. It means elevation of standards instead of expansion, and, strangely enough, restriction of output.

Always had it been a paradox, since the time of Alexander Hamilton, and sanctioned permanently by our own revolutionary Civil War, that a protective tariff should protect American capitalism but free immigration should afford an abundance of labor. America accepted one-half of the free-trade doctrines of the classical economists—free labor but not free commerce. The fallacy was not unbearable when labor could “move West.” I have frequently traced the leaders of defeated unionism in the East, when they were displaced by unorganizable immigrants, to the free land and free mining of the West. Indeed, organized labor in the East early demanded a Homestead Law opening up the public domain in the West.³

The old line of inequitable argument still continues in the case of the farmers when they try to organize and search for a device to restrict output to meet the similar practices of American capitalists. The farmers struggle to save their homes against the pressure that drives them into tenancy and the status of wage earners. Yet in their case, as in that of the wage earners, the traditions of Ricardo and English free trade dominate the economic theories when applied to the uprisings of depressed classes, unmindful of the way in which those traditions had previously been set aside by the rising capitalist class. Therefore a third meaning of Americanism is coming to be called for—not a one-sided doctrine of freedom for the weak and protection for the strong, but a reinterpretation of constitutional government as industrial government.

In the year 1900, during my investigation of immigration, I saw this new meaning take organized shape.⁴ I attended, at Columbus, Ohio, the Joint Conference of mine owners and mine workers of the bituminous coal fields from West Virginia to Illinois. Three years previously, at the bottom of the long depression of trade, 150,000 mine workers had come out on strike at the notification

³ Commons and Associates, *History of Labour in the United States*, The Macmillan Company, 1918, Vol. I, pp. 562–563.

⁴ Commons, John R., “A New Way of Settling Labor Disputes,” *American Monthly Review of Reviews*, March, 1901.

of a small union of 10,000 workers. Most of them were immigrants and the sons of immigrants. After five months they obtained an agreement with the owners for joint conferences to regulate wages, hours, discipline, and other conditions of labor in the mines. The session of 1900 was the second of these conferences. I saw them there unconsciously repeating the first parliaments of England six hundred years before. On the one side of the huge council chamber were about fifty owners of the mines, each holding his seat directly by virtue of ownership—the ancient House of Landlords. On the other side of the chamber were a thousand, more or less, mine workers elected by the local unions of the 150,000 miners—the ancient House of Commons. I listened for two weeks to impassioned and eloquent oratory. Each charged the other with most of the crimes and misdemeanors of the economic calendar—lack of good faith, many kinds of discrimination, unauthorized strikes by local unions, and so on. It was a period of free speech, the literal meaning of the word parliament. At the end of these diatribes, by means of which obviously no agreement could be reached yet everybody had his opportunity, a joint committee of eight on each side was elected to draft an agreement. But sixteen was too large a number. The committee resolved itself into two for each side. I was personally permitted to sit in at these committee meetings. These four men were plainly astute. There was no arbitrator from outside. Their procedure was collective bargaining, not very different from individual bargaining. All of the grievances were coldly considered. Finally, after nearly two weeks, the committee of four reported to the sixteen and these reported to the parliament, and an agreement was unanimously adopted. It designated certain “basing points” and referred to subordinate parliaments further details for the several districts.

This is what I named constitutional government in industry. It has not always been successful since that time. There have been seceders and strikers because there is no dictatorship set up like that of communism or fascism. But the idea was copied elsewhere; improvements were devised; and forty-five years after the first bituminous conference in 1898, the federal government under the National Industrial Recovery Act, began to encourage the procedure of collective bargaining in all the industries of the nation.

This, indeed, is a notable revolution in the meaning of Americanism, during the past forty years. America, though strongly set against political revolutions that attempt to overthrow the government itself, leaves yet a space for the minor economic revolutions of strikes, which actually change the constitution of industrial government itself.

Two years after the conference at Columbus I entered more intimately into one of these economic revolutions. With Walter Weyl, afterwards collaborator with John Mitchell,⁵ I visited the anthracite coal field to report to the National Civic Federation an estimate of about the length of time during which the 150,000 strikers would hold out.⁶ The financiers, headed by J. Pierpont Morgan and Company and persuaded by reports from superintendents of mines owned by the great railway companies which had effected a monopoly of anthracite coal, were led to believe that the strikers would soon give in. But our report in July predicted they would hold out until September, which proved to be true.

Mr. Easley dealt with the Morgan group of financiers and with President Theodore Roosevelt, while I dealt with Mitchell and Gompers. Eventually the strike was called off on the promise of both sides to submit to a finding by an arbitration board to be appointed by the President. This board provided for joint conferences, as in the case of the bituminous industry, but with the addition of a permanent referee to decide minor disputes and interpret the agreement. It is such an agreement as this, with a government representative as chairman, which more nearly furnished the model for the code-making and code-interpreting machinery of the National Industrial Recovery Act of 1933.

In my interviews with the local strikers and their local leaders I learned what might eventually happen among the immigrants who had been brought in by the coal companies during the thirty years before in order to break the old union of anthracite workers. The old union, broken up twenty years earlier, consisted of mining contractors from the English-speaking countries, who hired and paid their helpers, similar to the padrone system. Theirs was not,

⁵ Mitchell, John, *Organized Labor*, American Book and Bible House, Philadelphia, 1903.

⁶ See Vol. IV, Chap. IV.

in fact, a union of laborers—it was a union of sweatshop bosses. The companies retained these labor contractors, and the abolition of the system was a leading demand of the strikers of 1902.

But now the new union of the immigrants and their children, no matter how many races, nationalities, and languages, was bound together by an amazing solidarity, not as a “trade” union, but as an “industrial” union, including all the skilled crafts, the former bosses, and all the unskilled laborers and helpers.

This was accomplished largely by race or language “locals,” each with its nationalistic leader. At Shenandoah, Pennsylvania, a Polish town, we visited, on Sunday morning, “John the Pollock.” He spoke English and Polish from childhood—a huge, intelligent piece of manhood. The same afternoon we sat on the hillside surrounding the mine pit, along with a thousand strikers and their families dressed up for Sunday, looking down upon the mining property surrounded by a strong picket fence and protected inside by armed guards in uniform. One of the strikers somehow broke into the enclosure, evidently drunk, and waved his arms and threatened the guards. Immediately from the opposite side came our John the Pollock. Admitted to the enclosure, he took the drunken striker by the shoulder and gently led him out to the crowd on the hillside.

The next morning I received a telegram from my wife in New York asking if I were alive and safe. She had read in the New York Sunday paper of the bloody riot of the mine-workers at Shenandoah, of the shootings by strikers and guards, of the dead and wounded. Is it any wonder that thereafter I seldom believed the news concerning strikes that I read in the capitalistic press?

The anthracite agreement has lasted and been strengthened, without serious interruption, for more than thirty years. I discovered later various reasons for its continuance. The coal companies, dominated as a unit by the bankers, controlled all the anthracite mines, and, as long as they lived up to their agreement, there could be no wage-cutting by low-wage competitors. In this they differed from the bituminous field of the same mine-workers’ union where the agreement was constantly menaced and frequently disrupted by the competition of non-union mines. The anthracite companies were at first indifferent to the agreement and did not aid the union in maintaining wages or retaining

its membership. Theirs was an "open shop" agreement.⁷ Consequently, with the weakness of the union, the companies in 1912 discovered that their mines were being invaded by syndicalists, the I. W. W. They reversed their attitude towards the union. It was discovered that the American labor movement, however aggressive it might be, was the first bulwark against revolution and the strongest defender of constitutional government. Upon the unions, indeed, falls the first burden of "Americanizing" the immigrants, and it has done so for more than fifty years. When President Wilson saw the need of uniting a heterogeneous nation for the World War he was the first President to attend and address the convention of the American Federation of Labor. When Samuel Gompers, at seventy-four years of age, and fifty years of leadership, returned from his alliance with the labor movement of Mexico, to which he had gone to prevent its capture by the communists, his last words on his dying bed at the Mexican border in 1924 were, "God bless our American institutions." And when President Roosevelt, in 1933, started his procedure under the National Industrial Recovery Act, the American Federation of Labor was consulted in the code-making system for the entire United States. Truly these forty years have been witnessing an economic revolution in America.

My first indirect dealings, in 1900 and 1902, with the financiers in control of the subway and anthracite coal set me to thinking again of the theories of the anarchists and of Karl Marx. Here we were endeavoring, not to oust Proudhon's merchant capitalists and bankers in favor of the petty sweatshop employers, and not to oust Marx's employers in charge of a factory system, but to make agreements with the bankers themselves who, as middlemen between investors and laborers, had come into control of the huge industries of a technological age. So that the evolution of capitalism in America had been from the Merchant Capitalism of the middleman, to the Employer Capitalism of the factory system, and was now emerging into the Banker Capitalism of world-wide financiers.⁸

In another industry I saw, and even participated in, a recapitula-

⁷ Cf. Commons, John R., "Causes of the Union-Shop Policy," *Publications American Economic Association*, 1905, Vol. VI, 140-159.

⁸ Cf. Commons, John R., *Institutional Economics*, The Macmillan Co., New York, 1934; "The American Shoemakers, 1648-1895," *Quarterly Journal of Economics* (1909), XXIV, 39-83.

tion of this evolution from Merchant Capitalism to Employer Capitalism. In the year 1901, as a part of my investigation of immigration, I visited, with Abram Bisno, a tailor émigré from Russia, the sweatshops of the men's clothing industry of Chicago. Scattered over the city were Polish shops, Bohemian shops, Norwegian shops, other shops, and Italian women finishing garments with needles in their tenement homes. I took a room and boarded in one of these homes, and wrote a complete report on the sweatshop system.⁹ The workers did not speak of their shop bosses as their employers, but of the large merchant firms whose garments these bosses brought from the cutting rooms of the firms to the various shops.

Gradually these merchant firms took over the shops from the contractors and eventually built large factories and a central warehouse and factory. The sweatshop boss became first a contractor within these factories, then a foreman. The workers, after 1910, organized strikes for "recognition" of the union, by which was meant collective bargaining on wages, hours, and discipline, with a permanent chairman to interpret the agreement. In 1924 this system had gone so far that "unemployment insurance" was included in the agreement. I was made chairman during the two years of installation of this new device and then the two positions of arbitrator of disputes and chairman of insurance were consolidated.

During the war and subsequently the leaders of this union spoke to me quite cavalierly as to what they would do to their employers and stockholders when they "took over" the shops and operated them. They would pension off the management and allow the stockholders a moderate compensation for depriving them of their ownership.

The union, however, at first found it difficult to maintain discipline and conformity to the agreement among its members, and what they formerly called strikes they now called "stoppages." A stoppage was a strike against the union. The strikers considered themselves as enemies of the employers and opponents of their own leaders who had joined with the management in begging them to go back to work. But, eventually, when the employers and the union had installed the system that provided part wages during periods of unemployment, there were no more serious

⁹ Cf. United States Industrial Commission, Report, 1901, Vol. XV, 319-324.

stoppages and the union, with the consent of the members, appointed a committee to investigate every shop and eliminate all restrictions and inefficiencies. Asking the leader of the union, Sidney Hillman, how it had come about that his 20,000 workers now co-operated with the employers instead of standing by their original preamble and declaration of taking over the industry and operating it themselves, his answer was, "they are now *citizens* of the industry, more interested in its permanent prosperity than the employers themselves."

Thus in the course of twenty-five years I saw an industry evolve not only from merchant capitalism to employer capitalism, but also from struggles for "proletarian dictatorship" to the concerted regulations of constitutional government. Finally, in 1933, the Amalgamated Clothing Workers, this former "Socialist" union, was admitted to membership in the American Federation of Labor, and what had been a "class struggle" became class collaboration. The evolution has, indeed, been a struggle of conflicting interests, as is all evolution, with its ups and downs, its strikes and blacklists, and we are yet in the midst of it. What the outcome shall be in the immediate or remote future is not only the "labor problem," it is the problem of a changing form of democratic government to be brought about by collective action of all classes.

In our first two volumes we frequently came across periods when farmers and wage-earners united in political organizations for the furtherance of what they then deemed to be their joint interests.¹⁰ But it turned out that their interests were opposite. The periods when they united politically were periods of depression, when the farmers' prices and debt-paying ability were reduced and the laborers were unemployed. The periods when they were opposed were periods of rising cost of living, 40 to 50 per cent of which was the food furnished by farmers. The farmers, in depression periods, set forth various means for restoring prices by the aid of government and the laborers for restoring employment and wages.

In the decade of the 1890's I affiliated with one of these groups of farmers, the populists in Indiana, attending their meetings and

¹⁰ *History of Labour in the United States*, Vol. I, pp. 262-268, 287-289; Vol. II, 239-251, 462-464.

making speeches. In these meetings and speeches I gradually developed what I thought was their fallacy in the theory of value. The populists demanded a government system of warehouses where their non-perishable products would be stored and they would be given in exchange warehouse certificates with the legal-tender quality, that would be redeemable on demand at the warehouses, without interest, but with the usual charges for cost of storage.

I discovered what I thought was a double meaning of value, which afterwards, on a study of economic theories since the time of Adam Smith, I named use-value and scarcity-value. The economists had always had this double meaning of value as I later discovered. In working on labor history I discovered that the populist theory had first been formulated by Edward Kellogg in the depression of 1847, preceded and followed by various schools of socialists and anarchists. Kellogg's version was afterwards taken over by the National Labor Union in 1867 and then by Peter Cooper, the first candidate for President, 1876, of the Greenback Labor Party.¹¹ I illustrated to the populists their double meaning of value. If you pile up around the square in town thousands of cords of firewood, each cord will undoubtedly have the same value as any other cord, measured, on the average, by the amount of labor which it has cost you to produce the wood. And you will receive, in legal-tender money, as many paper dollars as will represent the labor-value of the cordwood at the time when you began this method of warehousing, because the value in terms of labor has not been reduced.

But if, instead of warehousing, you *sell* the increasing stocks of wood, you find that the value per cord is being greatly reduced on account of excessive supply. Finally, when you come to redeeming your dollars in firewood, you will undoubtedly get the same number of cords as you deposited, but the value of your cords, and consequently the value of your dollars, will be reduced to whatever might then be the reduced value of the cordwood which consumers were able to pay for the increased supply of wood. It was, as I afterwards said, a confusion of use-value with scarcity-value.

¹¹ *History of Labour in the United States*, Vol. II, pp. 119-121; Commons, John R., *Legal Foundations of Capitalism*, The Macmillan Company, New York, 1932; *Institutional Economics*, pp. 591-595.

Thirty years after this populist venture in the realm of value theory, I was called upon, as president of the National Monetary Association to make quite the same exposition to Thomas Edison and Henry Ford. Edison had turned aside from electricity, at the request of Ford, to make a scientist's intensive study of monetary theory. He began with Ricardo, and developed substantially the same warehouse theory of money as had my sincere populists. Ford had also proposed that the Muscle Shoals development should be financed by issues of non-interest bearing legal-tender notes. I now brought to these engineers, accustomed as they were to read blue-prints, my charts of the movement of wholesale prices over a long period of years, and expounded to them the new plan of stabilization of prices under the Federal Reserve System, instead of maintaining a labor-cost theory of value by means of the populist warehouse legal-tender system. Soon afterwards Ford declared for Coolidge to the great relief of my banker friends supporting, at that time, the National Monetary Association.

But I had finished my usefulness for them. I discovered how intensely interested were bankers and Federal Reserve authorities in party politics, notwithstanding their disavowal of politics, and how they could alternately use and discard economists who stuck to a straight and narrow path of economic theory. For I was concerned, more than all else, with the alternations of over-employment and unemployment and the misleading land-value speculations and resulting bankruptcies of farmers; but they were concerned, as I discovered, with the liberty of bankers, acting in concert, to dominate the business of the nation as they saw fit.

I thus discovered two additional meanings of the transition to Banker Capitalism, which I now named, with its Federal Reserve System, a trade-union of bankers. Its methods were similar to those of trade-unionism but I had not experienced them from the inside previously as I had, since 1883, the methods of unionism.

Shortly after my venture with the populists I was thrown into the midst of unemployment at Syracuse, New York. I had joined a Sunday afternoon conference of all classes of the dissatisfied, except the farmers, but ranging from prohibitionists to anarchists. I learned there, mainly by listening and without previously having studied Karl Marx, the difference between Marxian socialism and

trade-unionism. The leading Marxian I afterwards voted for as governor on the Socialist Labor Party ticket. The leading trade-unionist in the debates was James Lynch, afterwards president of the International Typographical Union and chairman of the State Industrial Commission of New York. After much listening I spoke out to the Marxians. What is to prevent the capitalists and farmers from taking possession of the government, instead of the wage-earners and proletariat, when your materialistic evolution has reached its culmination? Is it not better to encourage the trade-unionists, by collective action, to educate and prepare themselves to get an equal voice with the capitalists? The Marxians could not see it that way, and the argument went on, from Sunday to Sunday, between the Marxians, anarchists, prohibitionists, and unionists.

Forty years afterwards I find my Marxian and socialist friends throwing up their hands in mental despair that the whole foundation of their materialistic philosophy has been taken from under them. They have won a magnificent revolution in Russia, they claim, but they dread that the rest of the world will go Fascistic and Nazistic. They are now up against a fighting capitalism at the head of a despondent and revolutionary middle class instead of the materialistic interpretation of history.

Thus I learned my social philosophy and forecasts of the future, not from theories and books of the economists, which I could not apply in practice, and not from a materialistic but from a volitional way in which their followers talked and acted in the conflict of opinions and interests. It required, indeed, a world war and its aftermath to know, by the brutal test of experiment, what were the meanings of the words the economists had used. These third and fourth volumes of the labor history, covering forty years since those debates, is not merely a chronology—it is a record of the culmination in action of the theories, philosophies, and practices of more than a hundred years.

In the midst of these Sunday afternoon debates I participated also in a Workers' Education movement. Since then I have cooperated in every one of its kind that came along. This one, in 1896, was financed by Cornelius Vanderbilt, and its traveling organizer was Harry Lloyd, a leading union carpenter from Boston, where such a movement had been successfully set on foot. Lloyd brought together ministers of the Gospel, anarchists, socialists,

Marxists, trade-unionists, and others who were interested in the depressed condition of labor at that time. He opened up with a free discussion and it required but a short time to find that the ministers, and those afterwards called "intellectuals" or "intelligentsia," were gradually dropping out, so that the so-called "education" became a heated debate between Marxians and trade-unionists. Finally the organization dwindled until there were only two members, myself and an Irish Marxian, whom I came across twenty-five years afterwards in Cleveland, Ohio. He was indeed a worker globe trotter, who had worked as a day laborer all the way from England, India, and Africa to America. Like all Marxians with whom I have come in contact, he exceeded other manual laborers in his persistent study of the theories of economists. We decided to investigate the contract system of municipal public works as a means of furnishing work to the unemployed in Syracuse. My Marxian friend had worked for these contractors, and I soon discovered, with him, that the contractors were simply politicians, fattening on public works contracts and exploiting by many devices the laborers begging for work.

He and I then started an investigation of the Day-Labor System, or direct employment by municipalities, by corresponding with city engineers from Boston to Denver. The day-labor system showed, we thought, a superiority over the contract system, especially in the introduction of winter-work devices, the prompt employment instead of waiting for bids, and the absence of politics, favoritism, and beating down wages by taking advantage of unemployment. This investigation was published in thirteen articles in the *American Federationist* in 1897 and was my first contact with Samuel Gompers, the editor of the magazine.¹² Thirty-five years afterwards I watched with interest the creation of a National Public Works program and the same conflict between the dilatory contract system and the day-labor system.

After leaving Syracuse I discovered, in 1899 and 1900, by constructing in the Astor Library of New York a weekly index number of prices, just about where it was that the political affiliations of wage-earners and farmers were changed to economic

¹² Commons, John R., "A Comparison of Day Labor and Contract System on Municipal Works," *American Federationist*, III and IV, January 1897-January 1898.

antagonisms. During the downward period, after 1893, the inelastic supplies of farmers' crops seemed to fall more rapidly in prices than the prices of manufactured products, whose production could be stopped promptly. But in the upward period, after 1897, farmers' prices rose more rapidly than manufacturers' prices. Again, during the downward period, laborers' rates of wages did not fall as rapidly as either farmers' or manufacturers' prices, but they lost more by unemployment than they retained by rates of wages. Retail prices, or the laborers' cost of living, did not fall as fast as the wholesale, or manufacturers' and farmers' prices. But, on the upward turn, after 1897, the farmers' prices rose more rapidly than manufacturers' prices. But the laborers gained by re-employment more than they lost by the failure to keep up with their employers' prices or to exceed the rise of retail prices which measure the cost of living.

Lacking adequate statistics at that time, the curve of employment and unemployment could be fairly measured by the dues-paying membership figures of the labor unions. This number, for the American Federation of Labor, had fallen to 350,000 in 1897, and I remember, in 1902, at a conference with leaders of the Federation, their exhilaration over the fact that their membership had passed the 1,000,000 mark the previous month. But they could not point to a corresponding rise in the daily rates of wages.

Here I discovered a feature of the policy of union organizers which I often thereafter verified. If you had to choose between getting the union shop and getting a rise in wages or shortening of hours, which would you choose? The union shop, they answered, because if we get that then we can afterwards get the wages and hours. They could get the union shop more easily when employers' prices were rising and profits were increasing, so that the unemployed were being taken off the competitive market, than they could get rising wages and shorter hours in competition with the unemployed seeking work.

This theory of the organizers was not wholly accepted by the rank and file, yet I discovered, when working on labor history, that in a period of rapidly rising prices, beginning in 1835 and 1836¹³ and repeated often thereafter, the first strikes of the unorganized and newly organized were usually for a reduction in

¹³ *History of Labour in the United States*, Vol. I, pp. 395-401.

daily hours of employment on account of the speeding-up carried over from the period of unemployment. It might not be until a year thereafter that the strikes turned towards a rise of wages. The organizers therefore could not appeal for membership merely to obtain the union shop—they must appeal for substantial economic gains of higher wages and shorter hours, which, they argued, could not be obtained until labor was organized.

During the past forty years the “proletariat” of non-property owners has grown so large in comparison with property-owners that labor, in all countries, has not only obtained the suffrage and the power to organize labor unions but has learned how to use that suffrage and that power. Looking back over the long history of our first two volumes we see how weak and spotty were the concerted movements of that class. But looking back over the forty years of the present volumes we see how this newly liberated and enfranchised class has become such a serious problem that it seems to bring on a reaction towards Fascism and Nazism.

I learned, in 1904,¹⁴ one of the methods of this emerging Fascism in preventing the organization of labor. In Chicago there were eight or ten of these great firms, each with several thousand employees. I visited the employment office of Swift and Company. I saw, seated on benches around the office, a sturdy group of blond-haired Nordics. I asked the employment agent, How comes it you are employing only Swedes? He answered, Well, you see, it is only for this week. Last week we employed Slovaks. We change about among different nationalities and languages. It prevents them from getting together. We have the thing systematized. We have a luncheon each week of the employment managers of the large firms of the Chicago district. There we discuss our problems and exchange information. We have a number of men in the field, some of them officers of labor organizations. They keep us informed about what is going on. If agitators are coming in or expected, and there is considerable unrest among the labor population, we raise the wages all round about 10 per cent. It is wonderful to watch the effect. The unrest stops and the agitators leave. Then when things quiet down we reduce the wages to where they were.

¹⁴ Cf. Commons, John R., “Labor Conditions in Meat Packing and the Recent Strike,” *Quarterly Journal of Economics* (1904), XIX, 1-32.

A strike, however, did actually occur in 1904. I affiliated with the strikers of different nationalities and attended their meetings. A Jewish interpreter translated into three or four languages the speeches of their "agitators," that is, their officers. The companies yielded. But here came in the blond Nordics. The Scotch workers, whom I knew quite well, pulled the Irish president of the union out of bed and compelled him to call a second strike, on the ground that the packing companies were discriminating and refusing to take back some of the strikers. A second strike is always lost, as my observation goes. And so the union was destroyed until the government, during the war, resurrected it with a federal administrator. After the war the companies converted it into an "employee representation" system.

The year 1904 marked indeed, a recession from the automatic recovery of 1898 to 1902. After the reaction that followed 1929 I made a study of the profits of the Swift company, whose acquaintance I had made in 1904. I had found, in 1904, that the packing companies were among the first to introduce the trolley system of conveyors, so that, for the Swift company, the steer traveled through some two hundred hands from the killing floor to the several bins and refrigerators, at a scale of wages from fifteen to fifty cents per hour. The labor-cost was forty-two cents per carcass, whereas, under the primitive system of country slaughter houses, the labor-cost was probably \$3.00 per carcass. After 1921 I discovered that the margin for profit on the total sales of the company ranged from a profit of about 3 per cent on sales in a period of general prosperity, to a loss of one-half of 1 per cent in a year of depression. In other words, out of each dollar paid by consumers or retailers the company received only three cents, the average for ten years being about $1\frac{1}{2}$ cents. Yet the company paid regularly 6 per cent on its common stock. The explanation is the huge turnover—sales about a billion dollars per year, purchases of cattle about \$400 to \$500 million per year, and common stock \$200 million. Extending these computations to federal income tax reports, I found that for 50,000 to 60,000 firms the margin for profit (net income) of the Swift company was, strangely enough, quite representative of the average margin for all corporations making income-tax returns.¹⁵

Here, indeed, is a further aspect of the technological big-scale

¹⁵ *Institutional Economics*, 1934, p. 564.

industry which is developing during the past forty years. The labor-cost for single establishments is greatly reduced yet the *rates* of profit on stock are stabilized and the rates of wages are pretty well controlled, but the *margins* for profit on sales are highly fluctuating, according to the rise and fall of prices and sales in prosperity and depression. The items that mostly fluctuate are the prices, the margins for profit, the speculative values of the stock exchanges, the gross sales, and the unemployment.

Afterwards I observed, when investigating the feasibility of unemployment insurance, that it was generally the big firms that caused more unemployment than the little firms. The latter had a narrow or neighborhood market, and neither expanded excessively in a period of general prosperity nor reduced seriously their employment in a period of depression. But a big firm, controlled by the bankers from New York, with a nation-wide and world-wide market, imported large numbers of workers from all parts of the country and then, on the first sign of depression, dropped thousands of them upon the charities and taxes of a small community. The absentee bankers were not concerned with the fate of the workers, but their interest was in the speculative rise and fall of stock prices. After 1922, when prosperity returned, this stock speculation became a mania culminating in the collapse of 1929, and the immediate laying off of workers.

Hence it may rightly be said, in this "new era" of technology and nation-wide corporations, that an important labor problem is the stock market. In our former volumes we dealt with a period of employer capitalism, where the employer and the wage-earner were rather closely connected in the same localities. But this is a period when the owners of industry are absentee stock and bond holders, not concerned about the workers whose fortunes and misfortunes they do not see, and acting concurrently on the advice of bankers who control industry mainly from New York. How to prevent excessive stock speculation becomes, How to prevent pulling in laborers from the farms and local industries at higher wages in a period of rising speculation, and dismissing them suddenly with no wages back to the farms or to the local charities on the forecasts of falling speculation. Industry has markedly changed, during these forty years, from neighborhood relations of employers and laborers to absentee relations of millions of investors and millions of laborers, with the banker as their middleman.

I was rather closely acquainted, during several of these years, with a very companionable business lawyer who was constantly on the road between a banking syndicate in New York and some thirty manufacturing establishments in Wisconsin controlled by that syndicate. I learned from him the mechanism by which the absentee investors, through their absentee bankers, determined the labor policy in Wisconsin.

The only way, apparently, by which Wisconsin, or any other state which was endeavoring through labor legislation to develop its own labor policy, could do so effectively, was by repealing the old laws making it a criminal offense for employers to violate the labor laws and to substitute civil suits for forfeitures which would hit the dividends and pocket-books of absentee bankers and investors. This change, in which I participated in the year 1911, in drafting the Industrial Commission law, from treating the employer as a criminal to treating the bankers and investors as gentlemen and economists, was quite contrary to all the moral and religious traditions of the American people. It was formerly and generally held that violations of law were matters of *individual* responsibility. Only individuals could commit crimes and be punished. Corporations were invisible entities. But punishing thousands of pocket-books which are hundreds of miles away by an equitable suit for debt is more effective than arresting and prosecuting a foreman or superintendent in a local trial by jury. This is another lesson that is being learned from the new era of technology and nation-wide corporations with their narrow and speculative margins for profit. The penalties for violation of labor law begin to change from the individualistic punishment for crime to the economic loss of profit.¹⁶

Profit is as legitimate as wages, and to make more profit for hundreds of stockholders by obeying the laws protecting labor is a more laudable ambition than escaping a prosecution for misdemeanor in violating the laws. It encourages willing obedience and prevention of injury to labor instead of resentful antagonism and disregard of labor.

This change of attitude on the part of employers was the most notable lesson I learned from my two years of experience as a member of the Industrial Commission of Wisconsin and additional

¹⁶ Cf. Commons, John R., and Andrews, John B., *Principles of Labor Legislation*, 1916; Commons, *Institutional Economics*, 1934, pp. 840 ff.

years of membership on the minimum wage advisory committee of the Commission. Employers themselves have occasionally commented upon it to me. They have attributed their own changed attitude towards labor to the change in attitude of the state itself from prosecution for crime to collaboration in working out, along with representatives of labor, improvements in labor conditions.

This collaboration of the state with organizations of employers and organizations of labor has been a notable and yet the most difficult development in the past forty years, culminating, in 1933, in a national experiment under the National Industrial Recovery Act. In our first two volumes nothing was said of the civil service or administration of labor laws. Everything then was politics, labor parties, conflicts of employers' organizations with labor organizations, etc., but no effective administration of labor laws. My first serious experience with a civil service law was during my membership in the Industrial Commission of Wisconsin. The legislature had insisted that in the administration of this comprehensive law there should be "no pets" and that the staff should be selected according to the provisions of the civil service law enacted, in 1905, on the initiative of Governor La Follette. I have recited elsewhere the history of this experience in introducing civil service and collective bargaining into state administration.¹⁷

We do not delude ourselves, in this study of forty years of labor problems, that either the mere letter of the improving laws or the statistics and factual material which we have compiled can tell us fully what has actually occurred. Each one of us has participated too much in drafting and administering labor laws, as well as in private conflicts of classes, to pretend that the reader or student may gain herefrom a complete understanding of just what the laws and statistics mean unless he also goes through a similar experience.

The state governments and state courts, during these forty years, have seen much of their authority taken from them by the federal government and federal courts. With nation-wide corporations marketing their products in all the states on the strength of the new big-scale technology, this was to be expected and seemed inevitable. Jurisdiction over railways had already been transferred at the beginning of our period. Capitalists had

¹⁷ *Institutional Economics*, pp. 840 ff.; Commons, John R., *Myself*, The Macmillan Company, 1934.

been continuously appealing to the federal courts and receiving protection against the labor laws of the states. This transfer of jurisdiction from state to nation culminated in the code-making authority of the National Industrial Recovery Act of 1933.

At the beginning of these forty years, in 1898, the Supreme Court of the United States rendered a notable decision in the Utah case of *Holden v. Hardy*, which seemed to open up a wider range for state labor legislation than the federal court had previously permitted. But this scope was limited by later decisions. It became necessary, therefore, in drafting a labor law, and in its administration, to consider what might be expected from the personnel of the Supreme Court of the United States. This involved a new kind of investigation by students of labor problems, and each of the authors of this book has been called in at times to advise legislative committees in drafting laws and lawyers in drafting briefs. My first contact of this kind with the lawyers came in 1907 in drafting the Public Utility law of Wisconsin and my second, in 1911, in drafting the Industrial Commission law. This participation in the investigation of court decisions has become a large new field for economists, but it is only one aspect of the perplexing industrial revolution of the past forty years.