



Recent Development in Industrial Relations in the United States

by

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The tendencies which became apparent in the industrial development of the United States at the opening of the century have been greatly accentuated since the war. The energy with which the American people have proceeded to exploit the resources of their country has not lessened. Production has been increased. The process of integration, perpendicular and horizontal, in industry has continued. From the position of a debtor nation, the United States has become a creditor. In this post-war period, the power and the character of the United States as the predominant industrial state of the world has been emphasised and confirmed.

In this condition of high industrialisation and extraordinary prosperity, the question of the relations between capital and labour is one of outstanding importance and interest. The following article is a study of recent developments of this question.

THE traditional conception of industrial relationships in the United States, and the state of these relationships during the period of expansion of American industry, are too well known to require extended exposition. The basic conception which prevailed throughout the nineteenth century was that these relations took care of themselves through the exercise of individual freedom of contract exercised in the competitive labour market. Each party to the employment agreement was considered free and able to protect his own interest, and this freedom in bargaining was believed sufficient to secure that workmen and employers would deal justly with each other, and co-operate satisfactorily in the work of production. Certainly there was little thought of the need for special or deliberate organisation of the relationships between employer and employed; nor for state interference. Individual strength, freedom, and goodwill were regarded as the natural and sufficient basis of industrial relations.

It is also a matter of familiar knowledge that this general attitude and opinion was brought into serious question during the quarter century before 1914. The course of industrial change in the United States during that period showed that industrial relationships could not be handled as simply as they had been during the preceding periods ; criticism of the results of prevailing relationships grew in strength. New institutions such as trade unions acquired prestige and power ; organised industrial conflict became a regular feature of American industrial life. The reasons for these changes in the relationships between employers and employed, and for the growth of these new attitudes and forces, are numerous. A few of the most important may be mentioned, despite the fact that they are a commonplace of American economic history. During that quarter century industry and commerce assumed a far greater relative importance in American economic life than they had before, and agriculture a relatively less important place. Practically all the additions to the working population that came through natural growth and immigration were absorbed into industrial or commercial life. Practically all of the desirable free land, which had in all the earlier periods of American history been the natural outlet for the more active elements of the working population, was occupied ; the ordinary worker had no practical alternative to life in industry. Meanwhile industrial enterprises were combined and integrated in exceedingly great measure. The census statistics clearly reveal the fact that a larger and larger part of the whole industrial output of the United States was being produced by mass production methods in factories employing anywhere from a hundred to many thousands of workmen. Under these circumstances the practice of unregulated and unstudied individual employment agreements lost its former meaning and its former promise of just industrial treatment. Corporations, on the whole, had no sort of considered employment policy, no definite plan of taking care of the relations between management and working force, and the relative bargaining power of the individual workman became less and less. These were the conditions under which the claims and policies of trade unionism won their wide-spread acceptance for the first time. This trend towards industrial integration and large scale production was accompanied also by a growing inequality of individual wealth — a new problem for the United States, in which during all earlier history there had been a reasonably wide and equal distribution of wealth. This period was also one in which the United States was receiving a huge flood of

immigrants differing in racial character and origin from those of earlier immigration movements, and less able to take care of themselves in American industrial life and far more slowly assimilated into American social and political communities.

These, then, were in brief summary the circumstances under which trade unions grew in strength and members and attained a definite place in American industrial life. Most American trade unions limited their programme to what has been called a programme of "business unionism", the chief objects of which were to secure for the workers satisfactory wages and working conditions. Most of the important unions practically limited their activities to these objects. This was the awakening period in which the American community, becoming aware of the social dangers in the industrial development of the country, began to work out and apply a policy of business regulation, which policy on the one hand took the form of monopoly and railroad regulation, and on the other hand supported the passage of a considerable body of what is called social legislation for the protection particularly of women and children in industry.

These were some of the leading features of the state of industrial relations in 1914. They seemed closely to resemble the situation at an earlier date in Great Britain, and it was a commonplace comment of students of trade unionism and of industrial evolution to remark that the United States was twenty or thirty years behind Great Britain. These observers, as this oft-repeated remark shows, tended to assume that industrial relations and organisation would naturally follow the same course of development in the United States as in Great Britain, which course of development was usually conceived to support in many aspects Karl Marx's doctrine of the growth of separate and antagonistic workers' and employers' classes, and to look forward to the establishment of a Labour Party in political life.

The war seemed to further this prospect rather than the contrary, for the war led to a more rapid growth in trade union strength than had taken place even in the previous period of American history, and it brought about for the first time a widespread and official recognition of the trade union movement. In addition, it seemed to accentuate all the other tendencies which have been described. So that it would have taken a most alert-minded and original observer to foresee the direction of events since 1918, to foresee that certain new tendencies which in 1918 were but novel and radical suggestions would, in the course of the next seven years,

display such vital and almost revolutionising force as they have displayed. To-day, because of these new tendencies, the whole outlook of 1918 seems to be changed and industrial relations problems in the United States seem to have entered a new phase which was not anticipated even by the most competent observers in 1918. I will endeavour to sketch out these new tendencies and new aspects of the industrial relations situation without attempting to analyse them or their causes in detail, and without venturing to predict which of them may be temporary, which permanent, without seeking to seize hold of their ultimate significance for the United States and the rest of the world.

The first striking feature of this industrial evolution since 1918 is the great increase in *per capita* production; this increase in production, with the opportunity it afforded to maintain all real incomes at a high level, must be borne in mind when considering all minor tendencies. Careful studies of American production made shortly after the war tended to show that the pre-war rate of growth of *per capita* production tended to approximate to about 3 per cent. per year. Even that rate of growth, considering its steadiness, was an important fact, but studies of the course of production since the end of the war appear quite definitely to show that the rate of annual growth of production, instead of declining, has actually increased¹. The effect of this rising production on incomes was perhaps not even its most important effect. These records, showing that American industry and capital were turning out each year a rapidly growing volume of goods, have had a tremendous psychological influence throughout the country. A new perspective seemed to be introduced into economic history. Past industrial conflict had already begun to produce a pessimistic outlook as regards the future of the American industrial state. Here in contrast these records seemed to imply that the country was at the beginning of an era of growing prosperity and improving

¹ The following record for the railroad industry may be taken as an outstanding example (National Industrial Conference Board's calculations) :

From Employees' Point of View : (1) Hours of work per week have been reduced from 60.6 in 1916 to 48.3 in 1924 for all railway employees ; (2) compensation per hour has increased 126 per cent. ; (3) yearly compensation has increased 81 per cent., while cost of living has increased approximately 65 per cent.

From Point of View of Railway Management : (1) Number of employees increased about 7 per cent. between 1916 and 1924, while freight and passenger traffic increased 5 per cent. ; (2) more traffic per hour was handled in 1924 than in 1916, notwithstanding reduction of hours per employee ; (3) although less numbers of hours were paid for in 1924 than in 1916, rate per hour was 126 per cent. greater in 1924 than in 1916, and total amount paid in wages was nearly 100 per cent. larger.

human welfare, and not at the close of one, as many observers had been growing accustomed to assume. It was felt that a new vital force in American industrial life was just beginning to assert itself and that the old idea of the exhaustion of resources and energies was a false one. Industrial philosophies which rested upon the assumption that the "tendency to decreasing returns" and the "tendency towards lessening economic opportunity" have temporarily at least become discredited. For the immediate prospect has appeared to be contrary, a prospect of increasing production, improved industrial technique, accompanied by huge capital accumulations, growing export of American goods, and rising real wages (together with other tendencies to be described later). These developments established in the minds of the business community a conviction that the resources of the American economic system, instead of being on the verge of a decline, were really on the verge of a more productive and less wasteful period of exploitation. This then is the psychological environment of which the other tendencies, about to be described, were born. This is the environment which has led to a re-embellishment of the individualist outlook of earlier history. New means have been sought in the effort to make this individualistic outlook effective even under the present industrial organisation. A favourable economic situation enabled individual corporations to undertake various experiments in the field of industrial relations and industrial welfare that in times of depression they would not possibly have risked. At least a minority of employers have shown the ability to place their relations with their workers on what temporarily at least is an improved basis.

The changing aspects of industrial relations that have come about are largely to be accounted for by the fact that despite the depression of 1921 both real wages and money wages have been, on the whole, greater than they were before the war. Previous periods of increasing productivity had not always been attended by this result. But all wage compilations, though they may differ in some degree, agree in showing that real wages, say in 1924, for practically all groups of industrial workers, were greater than in 1914. This result was achieved partially by the American Federation of Labour resistance to wage cuts in 1921, but basic economic circumstances were also very favourable to the outcome — particularly limitation of immigration. This higher than pre-war (and compared with wages in any other important industrial country very high) wage standard has been the basis on which managements have been able to appeal to the workers for their full

co-operation in production, and the reason why they have been able to utilise that co-operation to such a great extent. It has furthermore made it possible to launch other plans, such as the employee stock ownership plans and unemployment insurance plans. This increased wage standard is to be found in non-union plants as well as in union plants, and in some cases anti-union employers have used that fact as a great argument against trade unions, claiming that such wage levels could only be maintained in the absence of trade unionism ; at the same time these anti-union employers by their programme of welfare and industrial relations have succeeded in increasing their workers' resistance to trade union organisation.

These efforts and tendencies have resulted in a decline in trade union strength since 1920. The membership of the American Federation of Labour has fallen from well over four million to something under three million in this period, despite the prevailing prosperity. It is still too early to predict whether this decline in membership has permanent significance. Part of the loss, a very large part in fact, has come in industries which were greatly extended during the war, such as the shipbuilding industries, the working force of which dispersed immediately after the war. Again, in other industries, such as the railroads, the trade unions were able during the war to secure a tremendous gain in membership because of the fact that the government control imposed no obstacle to trade union organisation, but after the war all the ordinary opposition immediately reasserted itself. So the decline in membership is not as significant or serious as it seems on the surface. But it has been serious and significant enough to produce grave questioning in trade union ranks, and even to a certain extent a re-appraisal of trade union tendencies and policies which has made some parts of the trade union movement willing to entertain policies that they had previously rejected. It certainly has led the main sections of the trade union movement to commit themselves even more definitely than before the war to a policy of class co-operation rather than the contrary ; it has brought in some quarters the conviction that trade unionism must find a way to co-operate in increasing production if ultimately employer resistance is not to become destructively strong.

During the same period of decline in trade union strength and in the psychological environment described above, the employers have conducted a very strong fight against all new industrial or social legislation. First came a very strong reaction away from the

extensions of legislation and government policy which were made during the war. For example, take the revision of the national agreements governing conditions of work on the railroads that were entered into by the United States railroad administration, and the renewed opposition to anti-trust legislation. The difficulties of enforcement and occasional resentment against prohibition legislation have also given force to a strong desire on the part of the general community not to pass any more restrictive legislation. Under these circumstances almost every legislative measure of importance dealing with labour and industrial conditions during the past few years has been beaten ; prominent among the defeats was that of the child labour amendment to the Constitution. Under the prevailing favourable industrial circumstances the idea that individuals were able to take care of themselves and that business should regulate itself rather than be regulated from the outside has received new acceptance, especially since many industries have been following a more humane and wise labour policy in industrial relations than previously, as will be described later on.

This opposition to social and industrial legislation has been strengthened by the declarations and decisions of the United States Supreme Court, particularly the decisions which decided the unconstitutionality of the Living Wage Legislation for women and of the Kansas Court of Industrial Relations. In a whole series of decisions both the State Supreme Courts and the Federal Supreme Court have been laying down marked limits to the right of State interference in industrial activities and relations. Other Court decisions, furthermore, have constantly widened the restrictions placed upon trade union activity in labour disputes, and have given a broadening definition of property rights and of injury to property rights. The tone of these current decisions accords with the general psychological outlook and industrial philosophy that I have already attempted to describe. The courts, as well as a large part of the political community, have, temporarily at least, accepted business philosophy and are looking to industry itself to solve problems of industrial relations.

Under these circumstances industrial management in the United States has become more self-conscious and self-critical than formerly and managerial methods have improved. Many individual enterprises and industries have definitely adopted the belief that unless they can successfully solve their industrial relations problems they will be faced in the future with problems far more serious and burdensome than the present ones arising out of the government

regulations and of trade union control. This change and improvement in managerial methods and policy, affecting industrial relations, has arisen from many causes and has taken many directions. Besides the self-protective purpose just explained, and besides the fact that restricted immigration has made labour scarce and intelligent policy remunerative, two other special causes may be particularly observed: first, several years of extremely stiff competition were inaugurated by the depression of 1921 and during this period an intelligent and forward-looking industrial relations policy was in many instances found to pay, and thereby continued; secondly, there has been in the United States a continuously growing study of industry and industrial methods in and out of technical schools. A large number of the universities have established schools of business administration in which business methods, business problems and policies are carefully analysed and discussed. In these schools and universities the tendency has been to work out careful industrial relations plans based at least in some measure upon employee co-operation — though the prevailing instruction is critical of trade union activity. The graduates of these institutions therefore have entered industry in a more open and experimental frame of mind than the older generation of business men and with a greater sense of obligation towards their workers. Furthermore, these colleges of business administration and engineering schools have gradually created standards of critical judgment for the business community and have contributed much to the growth of productive efficiency. The extension of the influence of engineers on the business activities is especially notable. Consulting engineering firms, which study all sides of business as private employers' counsel, have established themselves and have in many instances been responsible for a decided improvement in labour policy, though these same firms are usually strongly anti-unionist. All these things tended to foster more carefully planned and farsighted policies than those previously maintained by the conservative elements in the business community.

This intensified study of business activity may, in fact, be regarded as merely part of a general tendency encouraging the application of scientific methods to industrial life. This use of the "scientific" method, of the method of careful study and deliberate preparation, has gone into all directions. It has led to an intense activity in technical research dealing with such questions as the improvement of machinery, the study of chemical and raw materials, of methods of supplying power, of routing goods, and of standardising the

product. In another direction there has been a great expansion of what may be called business or economic research, dealing, for example, with the problems of price movement, of the business cycle, of unemployment, and of methods for preventing the same. There has been developed a greatly improved technique in measuring and controlling production costs, and new methods of managing relationships between the production, the sale, and the financial parts of individual businesses. Along with research in these directions has come carefully planned study of industrial relations and personnel methods — closely connected with the other branches of research and dealing with employment policies, training and apprenticeship policies, health and working conditions, methods of wage payment, shop organisation, wage earners' investment.

It is the studies and movements in these fields that are of particular interest to the International Labour Organisation, for they are producing changes in industrial relations in the United States. There has been some quackery in these developments, but more sincerity. Many of these movements, as will be apparent, have been encouraged partly, if not solely, in order to forestall the growth of trade unionism. Some of them have in themselves affected trade union activity and outlook. In some instances trade unions have co-operated in the new policies either out of a sincere conviction that they would produce an improvement in the welfare of the industrial workers, or merely from recognition of the fact that unless trade unions could make good in terms of actual production they would have to face an exceedingly grim fight and possible extermination. But the new policies have been adopted most extensively in the non-organised plants and industries. The trade union movement has usually taken an indifferent or hostile attitude towards them within plants or industries where trade unionism exists. To this course, however, there appear to be some notable exceptions which will be mentioned in a later connection.

Among the trade union adaptations to these new managerial methods and policies, one is of particular interest : the occasional tendency on the part of organised trade unionism to accept (though at the same time to control and modify if possible) scientific management methods of production, of measuring production, and of wage payment. Up to the recent past there had been practically no break through the trade union opposition to the shop methods which have been called "scientific management". But in more recent years these methods themselves have received more careful study and adaptation to the workers' position and psychology ;

furthermore, in their application in some plants and industries they are supported by specific protected guarantees as regards minimum wages. The possibility of increasing production under the proper application of these methods has now become almost beyond dispute in the United States. It is found that in the past few years trade unions here and there have shown a willingness to permit the introduction of those methods if they are given a share in the control of their use. I will not attempt to go into the reasons of this change, for they are numerous and complex. Examples of the trade union consent are to be found in the production plans in use in the machine shops of the Baltimore and Ohio Railway, a highly successful experiment in the use of scientific management methods in joint control. The B. and O. plan, as it is called, has more recently been adopted on the Canadian National Railways, and by one of the big railway systems on the Pacific coast. The Machinists' Union, formerly a most determined opponent of scientific management, now has its own consulting engineer to advise on matters of shop efficiency. Another indication of trade union adaptation is to be found in the garment manufacturing industries, where the unions are working under a wage scheme in which wages definitely vary with measured and controlled production.

Temporarily, at least, the industrial workers in the United States, especially the unorganised, appear ready to work under the ideal outlook and possibility expressed by the management students as a combination of "high productivity, high general wages, good working conditions, low labour cost". Some elements in the trade unions seem inclined to accept this same platform of agreement with the employers, at least until events prove the outcome unsound from the trade union point of view. The success of this programme of co-operation in production depends, as will be more clearly pointed out later on, upon the honesty and justice of the employer, even in times of depression; from the trade union point of view it also depends upon the possibility of safeguarding the workers' position and interest by means of joint control. The key to the success or failure of the whole plan, in the writer's opinion, lies in the further and further use of machinery, the continuous success of invention in providing improved methods of production, and the progressive triumph of management in avoiding waste. Of course many of the trade unions, such as those in the building trades, have not changed their attitude at all, and still regard all the new management methods with suspicion and distinct

opposition. They believe that the first depression will reveal their shortcomings and establish their claim that they are nothing more than devices to weaken the organised trade union movement.

Another new development in industrial relations that has taken place simultaneously has been the growth of the shop committee or works council movement¹. In plant after plant, largely at the encouragement of the employers, machinery for the joint conference of workers and employers has been established. These shop committees differ much from each other in organisation, method of procedure, and range of activity. To attempt to describe this diversity here is unnecessary. With a few exceptions, these shop committees exist in unorganised plants and industries. They are regarded by the employers as a means of communication with their workers and a means of creating joint understanding. The following tables² will show the range and distribution of these shop committees. The preponderance in the metal trades, largely unorganised trades, will be noted.

¹ Cf. *International Labour Review*, Vol. XI, No. 5, May 1925, pp. 701-703 : "Works Councils in the United States".

² NATIONAL INDUSTRIAL CONFERENCE BOARD : *The Growth of Works Councils in the United States*, pp. 5, 8, 9. Special Report No. 32. New York City, 1925.

TABLE I. NUMBER OF ACTIVE WORKS COUNCILS, 1919-1924

Works councils, workers, etc.	1919	1922	1924
Works councils in operation	225	725	814 ¹
New works councils reported since 1922 survey	—	—	283
Works councils abandoned since 1922 survey	—	—	194
Net increase in number of works councils	—	—	89
Separate companies using employee representation plans	122	240	212 ²
Workers covered by employee representation plans ³ ;			
Male	—	—	612,799
Female	—	—	250,155
Not specified	—	—	314,083
Total male and female	391,400	690,000	1,177,037

¹ Includes all enterprises whether incorporated or not.² Separate systems of employee representation, not separate establishments.³ No division was made of male and female employees in 1919 and 1922.

TABLE II. DISTRIBUTION OF WORKS COUNCILS BY SIZE OF ESTABLISHMENT, 1919 AND 1924

Number of workers in establishment	Number of establishments		Total workers covered by councils	
	1919	1924	1919	1924
Less than 200	18	12	2,000	1,589
200 to 500	26	37	8,500	13,137
500 to 800	15	26	9,100	16,533
800 to 1,000	7	13	6,200	11,273
1,000 to 1,500	8	26	9,000	29,221
1,500 to 3,000	17	28	34,200	54,874
3,000 to 5,000	11	27	36,000	98,146
5,000 to 10,000	7	17	39,000	119,352
10,000 to 15,000	5	10	57,000	121,846
15,000 and over	8	11	190,400	711,066
Total	122	207	391,400	1,177,037

TABLE III. DISTRIBUTION OF WORKS COUNCILS BY INDUSTRIES,
1919-1924

Industry	1919	1922	1924
Metal trades :			
Machinery and appliances	41	38	34
Iron and steel mills	20	17	17
Railway equipment	—	83	83
Sheet metal, wire, wire products	14	4	3
Tool making shops	15	—	—
Machine parts	12	8	5
Electrical goods	12	7	12
Structural steel	3	3	3
Automobiles and automobile bodies	4	3	3
Bronze and brass goods	6	6	6
Firearms and ammunition	5	—	—
Office appliances	3	4	1
Hardware	4	24	23
Watches and musical instruments	2	3	3
Foundries	1	1	6
Silverware	2	5	10
Metal beds	—	1	1
Total (metal trades)	144	207	210
Other industries :			
Shipbuilding	31	9	6
Mining	10	53	16
Food products	7	33	41
Clothing	6	13	6
Textiles	4	30	28
Lumber	4	238	160
Railroads	—	1	26
Street railways	—	8	18
Other public utilities	4	10	26
Petroleum	3	18	19
Soap	2	4	4
Wood products	3	3	3
Rubber goods	1	24	38
Printing	1	5	111
Paper and paper products	1	9	10
Smokers' articles	1	1	1
Fertilisers	1	1	1
Milk distribution	1	2	1
Leather products	1	15	12
Buttons	—	1	1
Cameras	—	1	1
Cigars	—	1	—
Furniture	—	4	1
Retail stores	—	—	26
Government	—	1	1
Longshoremen	—	23	35
Dye and chemicals	—	4	3
Engineers	—	1	—
Ice and coal distribution	—	1	—
Cigars	—	1	—
Paints	—	1	—
Coffins	—	1	1
Motion pictures	—	1	—
Cotton oil refining	—	—	1
Total (other industries)	81	518	597
Grand total	225	725	814¹

¹ It is impossible to separate 7 councils into specific industries in 1924.

This whole development is still distinctly in the experimental stage. There can be no doubt that one of the chief objects in encouraging the shop committees is to prevent the growth of trade unionism. At the same time, the ultimate effect of the existence of these shop committees on the relations between organised employers and workmen cannot be predicted. A small minority of these shop committees play a real and actual part in the conduct of production, and in the settlement of wages and working conditions. The rest have little or no actual influence. But their establishment in every case signifies the admission of one right which, before the war, was by no means universally admitted by employers, that is, the right of the workers in any plant to joint conference and consultation with the employers. This practice of joint conference, now almost universally admitted, has become essential in American industry, and its ultimate significance may be great. The shop committees have in a few cases distinctly progressed in their discussions from questions of wages and working conditions to questions having to do with the organisation of production. In still other cases, shop committees have been the means of getting the employer to furnish fuller information concerning the general financial and business situation of the enterprise or industry than had been customary heretofore. There is little doubt in the writer's mind that the time is not far ahead when the workers in all industrial enterprises of large size will regard the establishment of some sort of shop committee as an integral and natural part of their position and rights in the enterprise. The ultimate creative power of these systems and their effects upon the trade union movement are questions which open large speculative vistas down which the writer will not try to travel.

Still another development in industrial relations, in many ways connected with those already described, are the stock distribution plans, which have been the subject of very active experiment in the past few years. These plans involve the sale of the securities of particular industrial enterprises to the workers employed in those enterprises, usually under favourable conditions. The initiative in this matter has also on the whole come from the employers, but the wage earners in some of the enterprises concerned have shown an amazing readiness of response, especially if the securities were offered to them on favourable terms. The Liberty Loan campaigns in the United States led to an extremely wide distribution of national securities, and familiarised the bulk of industrial wage earners with the idea of receiving income from the ownership of

securities. These stock distribution plans vary greatly in the motives which have dictated them and in the terms and arrangements under which the stock is sold to the employees. Among the chief motives have been to put the industrial enterprise in question in a stronger position before public opinion by creating a wide diffusion of ownership, to endeavour to inculcate a feeling of respect and responsibility for property among the workers employed, to encourage individual thrift, and, in some cases at least, to strengthen the inducement to the worker to remain in the employ of the particular enterprise, and so cut down labour turnover and labour unrest. The recent extension of these plans has been greatly encouraged by the success of a few of the pioneer plans which were undertaken by businesses such as Procter and Gamble, businesses which have had an extraordinarily prosperous career, and the securities of which have gone up tremendously in value. It is impossible to describe in such a paper as this the variety and terms of arrangements of this kind under which securities have been sold to the workers. The practice is the most extended on the part of public utility industries in which income returns are relatively stable and the value of the securities, especially if they are bonds, is relatively fixed. In practically all schemes, the purchase by the wage earner has been facilitated by arranging for deductions from the pay roll, and in some cases by sale below market price or otherwise by special terms. In a small minority of cases the stock distribution plans are part of a general profit-sharing plan.

In the writer's opinion, the response to such offers on the part of the workmen has been extremely ready. For there can be little doubt that the ordinary industrial worker in the United States not only has no ethical or social feeling against the ownership of securities and the receipt of income from this ownership, but rather is only too eager to get his chance to become a capitalist by owning securities. The chance of holding securities which would be likely to increase in value has been a great inducement to individual thrift. Wage incomes among the skilled workers have been large enough to hold out the possibility to the workman that by arduous saving and investment he himself might accumulate quite a fair private fortune in time. In this way, I think, large groups of skilled workers at least undoubtedly subscribe to the ordinary opinion and outlook of the employers as regards security ownership. This movement towards stock distribution is one which brings up many fundamental questions which, here again, must be avoided. It is

impossible to discuss within a brief compass the various ultimate effects this diffusion of ownership may have. It is generally believed that the opportunity given to wage earners to save by means of security ownership has stimulated their acquisitive purposes, has offered them a more safeguarded investment opportunity than they could have had otherwise, and has possibly led to fewer strikes, and otherwise lessened labour agitation. There are no statistics which would help to judge how far down in the unskilled ranks of labour this movement of stock distribution reaches, nor to what extent the purchase of these securities represents new saving on the part of the wage earners, or a mere shifting of investment. A few pertinent statistics may, however, be quoted. In 1910 there were only 300,000 stock holders of securities of steam railroads in the United States ; to-day there are over 800,000, the net addition being largely made up of railroad employees. It is estimated that 630,000 people own telephone securities in the United States, of which a very large percentage are the employees of the telephone companies.

In practically all of the plans for stock distribution it is so arranged that the employee stock ownership cannot gain or hold actual control of the enterprise. The securities sold are either some form of bonds or non-voting preferred stock. There are a few exceptions to this rule : those in which stock ownership is part of a plan by which workers participate in the actual control and management of the industry, as in the Dennison and Dutchess Bleachery plans¹. The radical wing of the American labour movement regards this stock ownership movement as a possible move towards general employee control, but the ordinary industrial enterprise is hardly facing any such prospect.

The growing interest of wage earners in security ownership must be studied as part of a general tendency on the part of the trade union movement to accept the ordinary philosophy of business ownership in the United States. Besides the investment in securities, American wage earners will be found to have considerable investments in life insurance, very considerable and ever-growing savings bank deposits, and extended membership in building and loan associations in the United States — the latter, in fact, to the number of almost eight million. In short, the present trend, temporary or permanent, seems to be to make at least the skilled

¹ Cf. *International Labour Review*, Vol. XII, No. 2, Aug. 1925, pp. 262-270 : "Wage Earners' Participation in Management in the United States".

portions of the industrial workers also property owners, a distinctly new turn in the industrial outlook, and one raising a possible new prospect in industrial relations. If this tendency proves to be continuous and cumulative, it should definitely result in the abolition of any industrial class at all resembling the industrial proletariat of European industry. There would be instead an extremely intricate economic society in which a very large portion of the wage earners themselves in one way or another would be owning capitalists. It is unnecessary to point out the difference of outlook that would be created¹.

The same psychology that has been displayed by the industrial workers in regard to stock ownership has also been manifested in the labour bank movement. While the interpretation of this movement also would be extremely difficult and complicated, one great factor in it is the strong desire of the ordinary wage earner to play a part or have something to do with industrial and financial affairs. This certainly has influenced the action of the trade union leaders who have taken part in the labour bank movement. This belief is substantiated by the reflection that the trade union

¹ The following opinion of a close observer of the tendency towards stock distribution among employees is, in the present writer's opinion, correct :

"The conservative business man may perhaps look primarily at the advantages which will follow from employee stock ownership in preventing strikes and hindering the growth of labour unions, and at the advantages which will follow from customer ownership, especially in the case of public utilities and railroads, as a result of the beneficial effect of public opinion upon the various regulatory commissions. On the other hand, a person of a more radical viewpoint may perhaps see the development of employee stock ownership as a step towards the ultimate ownership of industry by labour or may similarly see the increasing customer ownership as a step towards the ultimate control of industry by co-operative organisations.

"To the writer it seems that neither of those extreme viewpoints gives a correct picture of the essential nature of employee and customer ownership. The truth is rather that this movement constitutes a method of modifying the capitalist organisation of industry so as to make certain changes which the democratic tendencies of modern industry render necessary and desirable, while at the same time preserving the fundamental characteristics of the capitalist system, which, defective though it be, up to the present time, seems to be socially the most desirable that mankind has been able to devise. The modifications in the capitalist system which this new type of ownership is creating consist, in the case of employee ownership, in granting to the employee in one form or another, a share, greater than he receives under the wage system, of the profits which he assists in creating, and also in giving the employee a voice in the control of the business; and in the case of customer ownership, in enabling that portion of the public which is most directly interested in a particular business to have a similar opportunity. The first of these modifications especially is important in that it may well develop into an ultimately satisfactory solution of the problem of the relations of capital and labour.

"The movement towards employee and customer ownership is thus, in its broader aspects, wholly desirable. It must, however, be recognised that the movement involves changes in our economic life of a sufficiently fundamental nature to require corresponding changes in our legal system."

organisation which has created the largest number of banks has been the Brotherhood of Locomotive Engineers, a union of highly skilled and well-paid men with considerable personal savings, and undoubtedly in the case of many individuals, some experience and interest in business operations¹. Any attempt to predict the ultimate trend and influence of the labour banking movement would be so considerable a job that I shall not attempt it here. Tables IV and V give an idea of the present state of the movement.

The trade union leaders themselves have not defined very clearly their own hopes or interest in labour banks, nor what they think will be the ultimate service of the banks to the trade union movement. The activity of each individual bank will be governed, of course, by the philosophy and purpose of the unions controlling it. Thus the banks created and managed by the unions in the garment trade will undoubtedly undertake certain functions and give trade union aid which the banks organised by the Brotherhood of Locomotive Engineers will not. The latter, in fact, the writer expects to see develop merely into ordinary commercial banks, to engage in the individual bank service given to the members of the union, to advise in their investments, and otherwise to enrich them individually. This latter development would fit in with others that have been sketched out. The number of labour

¹ The following account of the banking activities of this trade union shows the imposing dimensions of its activity. In some of the investment companies controlled the union officials sit on the board of directors with corporation office.

"Following the death of Warren S. Stone, the announcement is made by officials in charge of the Brotherhood of Locomotive Engineers' financial and banking enterprises that the brotherhood does not at present contemplate further expansion along banking lines. Development and perfection of the financial organisations already established will occupy the attention of the new administration.

"Several institutions were in process of organisation in the West when Stone died six weeks ago, and it is not yet clear how far these will be carried to completion.

"The brotherhood, by means of a pyramidal system resembling that common in the public utility field, now controls banks whose gross resources are in excess of \$126,000,000. It exercises its control to a considerable extent through finance or holding companies known as "securities corporations" which also serve as marketing companies for bond issues of all kinds.

"William B. Prenter, new president of the brotherhood, and L. G. Griffing, new first vice-president, are the officials primarily responsible for the conduct of the brotherhood's financial affairs. Prenter, formerly first vice-president, has been connected with the financial activities of the brotherhood more than thirty years, longer than Stone had been. Griffing the last year has been grand chief engineer and in charge of labour relations.

"For several months the brotherhood has been decentralising its banking interests and the process is not yet complete. Formerly the brotherhood banks were all controlled either by direct ownership of 51 per cent. of their stock in each by the brotherhood or by the Brotherhood Investment Company, but as their number increased the organisation of regional finance companies was undertaken, these to hold the stock of banks in their territory."

TABLE IV. LABOUR BANKS IN OPERATION IN 1925¹

Name of Bank	Location	Date of opening	Organising or controlling body	Total resources ²
				\$
Mt. Vernon Savings Bank	Washington, D.C.	15 May 1920	Co-operative (Machinists)	3,249,691
Brotherhood Locomotive Engineers Co-operative National Bank	Cleveland, Ohio	1 Nov. 1920	Brotherhood Locomotive Engineers	25,814,443
United Bank and Trust Co.	Tucson, Arizona	1 Feb. 1921	Labour Groups	375,442
People's Co-operative State Bank	Hammond, Ind.	17 Oct. 1921	Brotherhood Locomotive Engineers	1,539,492
Producers' and Consumers' Bank	Philadelphia, Pa.	1 Feb. 1922	Co-operative Labour Groups	2,706,977
Nottingham Savings and Banking Co.	Nottingham, Ohio	27 Apr. 1922	Brotherhood Locomotive Engineers	705,054
San Bernardino Valley Bank	San Bernardino, Cal.	5 May 1922	Labour Groups (Railroads)	1,743,271
Amalgamated Trust and Savings Bank	Chicago, Ill.	1 July 1922	Amalgamated Clothing Workers of America	2,816,117
Federated Bank and Trust Co.	Birmingham, Ala.	2 Oct. 1922	Brotherhood Locomotive Engineers ³	
Transportation Brotherhoods National Bank of Minneapolis	Minneapolis, Minn.	18 Dec. 1922	Brotherhood Locomotive Engineers, Brotherhood Firemen and Enginemen, Brotherhood Railroad Trainmen, Order Railway Conductors	2,066,202
Amalgamated Bank of New York	New York City	14 Apr. 1923	Amalgamated Clothing Workers of America	4,635,287
Labour National Bank of Montana	Three Forks, Mont.	23 Apr. 1923	Brotherhood Locomotive Engineers	198,450
Federation Bank of New York	New York City	19 May 1923	Labour Groups	8,445,525
Telegraphers' National Bank	St. Louis, Mo.	9 June 1923	Order of Railroad Telegraphers	5,097,249
Brotherhood Savings and Trust Co.	Pittsburgh, Pa.	25 July 1923	Railroad Unions	627,727
Brotherhoods Co-operative National Bank ⁴	Spokane, Wash.	1 Aug. 1923	Labour Groups (Railroads), Brotherhood Locomotive Engineers	2,429,077
Brotherhood Railway Clerks National Bank	Cincinnati, Ohio	15 Dec. 1923	Brotherhood Railway and Steamship Clerks, Freight Handlers, Express and Station Employees	3,419,102
Brotherhood Locomotive Engineers Co-operative Trust Co. ⁵	New York City	30 Dec. 1923	Brotherhood Locomotive Engineers	6,867,539
United Labour Bank and Trust Co.	Indianapolis, Ind.	2 Jan. 1924	Labour Groups	524,859
International Union Bank	New York City	5 Jan. 1924	Needle trades	3,830,407
First National Bank in Bakersfield	Bakersfield, Cal.	2 Feb. 1924	Labour Groups	1,278,977

1. [For end of table and notes see next page.]

TABLE IV. LABOUR BANKS IN OPERATION IN 1925¹ (cont.).

Name of Bank	Location	Date of opening	Organising or controlling body	Total resources ²
Labour National Bank of Great Falls	Great Falls, Mont.	3 Apr. 1924	Labour Groups	\$ 466,459
Farmers' and Workingmen's Savings Bank	Jackson, Mich.	10 Apr. 1924	Railroad Labour Unions	463,667
People's Bank and Trust Co. ⁶	Los Angeles, Cal.	26 Apr. 1924	Labour Groups	2,732,775
Brotherhood Locomotive Engineers National Bank	Boston, Mass.	24 May 1924	Brotherhood Locomotive Engineers	2,211,812
Labour Co-operative National Bank	Paterson, N.J.	26 July 1924	Labour Groups	1,330,390
Brotherhood State Bank	Kansas City, Kan.	2 Sept. 1924	International Brotherhood Boiler Makers Iron Ship Builders and Helpers, Brother- hood Railway Carmen, Coopers' Inter- national Union	523,606
Brotherhood Co-operative National Bank of Portland ⁴	Portland, Oregon	3 Jan. 1925	Brotherhood Locomotive Engineers	—
Brotherhood Locomotive Engineers Bank and Trust Co.	Birmingham, Ala.	2 Feb. 1925	Brotherhood Locomotive Engineers	1,117,062 ⁷
Banks partially controlled by Labour				
Commercial National Bank	Washington, D.C.	10 Oct. 1904	International Association Machinists ⁸	17,081,106
Empire Trust Co.	New York City	19 Apr. 1904	Brotherhood Locomotive Engineers ⁹	72,896,375

¹ The Brotherhood State Bank for Savings was opened for business on 6 August 1924, in Jacksonville, Fla. Stock is owned almost entirely by members of the Brotherhood of Locomotive Engineers, Order Railway Conductors and Railway Machinists. The Bank is also officered by some union members. Not listed with labour banks because the official connection of Labour with this bank is not yet determined.

Eagle Rock State Bank, Eagle Rock, California, was purchased by Labour Groups in 1924 and held for a short time only. It was then sold to a group of private individuals and is no longer a labour bank. Its resources when purchased by the Labour Groups amounted to about \$150,000.

² All statements are as of 31 December 1924, except as follows: Brotherhood Co-operative National Bank, Spokane, Wash. (17 Jan. 1925); Brotherhood Locomotive Engineers Co-operative Trust Co., New York City (17 Nov. 1924); Brotherhood Co-operative National Bank of Portland, Oregon (3 Jan. 1925); Brotherhood Locomotive Engineers Bank and Trust Co., Birmingham, Ala. (2 Feb. 1925), and the Empire Trust Co., New York City (15 Nov. 1924); Brotherhood State Bank, Kansas City, Kan. (26 Dec. 1924).

³ Liquidated and replaced by Brotherhood Locomotive Engineers Bank and Trust Co., 2 Feb. 1925.

⁴ All the Transportation Brotherhoods are interested in the control of the banks in Portland (Oregon), Spokane and Tacoma (Wash.), but control is in the Pacific Brotherhood Investment Co. The Tacoma bank is completely organised, but awaiting completion of building.

⁵ Purchased Terminal Exchange Branch from Hudson Trust which was taken over by Empire Trust Co., 9 July 1924. The Terminal Exchange Branch, with resources about £3,000,000, legally became part of Brotherhood Locomotive Engineers Co-operative Trust Co., 19 October 1924.

⁶ People's Mortgage Co. is controlled in conjunction with the People's Bank and Trust Co. Its resources in Sept. 1924 were \$ 400,000.

⁷ Estimate. ⁸ Largest individual stockholder. ⁹ Large stockholder.

TABLE V. LABOUR INVESTMENT COMPANIES

Name of Company	Location	Date of opening	Organising or controlling body	Capital
Brotherhood Holding Co.	Cleveland, Ohio	Mar. 1922	Brotherhood Locomotive Engineers	\$ 1,000,000
Brotherhood Investment Co.	Cleveland, Ohio	Jan. 1923	Brotherhood Locomotive Engineers	10,000,000
Pacific Brotherhood Investment Co.	Portland, Ore. ¹	1924	Direct Subsidiary of Brotherhood Investment Co. of Cleveland	1,000,000
New York Empire Co., Inc.	New York City	1924	Brotherhood Locomotive Engineers	500,000
Brotherhood Locomotive Engineers Securities Corporation of New York	New York City	Jan. 1925	Brotherhood Locomotive Engineers	3,000,000
Southern Brotherhood Locomotive Engineers Securities Corporation	Birmingham, Ala.	1925	Brotherhood Locomotive Engineers	2,000,000
Brotherhood Locomotive Engineers Securities Corporation of Pennsylvania	Philadelphia, Pa.	1925	Brotherhood Locomotive Engineers	3,000,000

¹ Offices at Portland, Ore.; Seattle, Tacoma, and Spokane, Washington.

investment banks, that is, banks whose main service is to guide the investment funds of the wage earners, will also increase, and may be looked upon as investment banks serving in particular the class of industrial wage earners; at present, at least, they have no other social significance. These labour banks may of course help trade unions in times of industrial disputes, for that is a matter which has by no means been thought out up to the present. They may, furthermore, help the unions in the financing of insurance

plans such as those which the American Federation of Labour and the Electricians' Union have under consideration at the present minute. Their resources will certainly in time attain such a volume that they will be able to assist any trade union in a plan designed to enable it or its individual members to enrich themselves by ordinary business methods.

The industrial insurance plan of the American Federation of Labour is in itself a new development worth watching. In its present stage the plan would seem to call merely for the creation of an insurance company managed by the labour movement to furnish individual insurance as cheaply as possible. Many individual enterprises have put into force insurance covering all their workers, the whole expense of which is borne by the enterprise. This insurance is known as "group insurance" and is terminated when the employment of the individual worker is terminated. The American Federation of Labour accepts "group insurance", but does not favour it. The creation of an independent insurance system is partly in the endeavour to prevent the further extension of group insurance plans.

It is plain that the preceding account raises many questions of fundamental and permanent importance as regards the trend of American industry and industrial relations, and indicates a changing temper on the part of American industrial workers. To diagnose the ultimate significance of this trend, to decide which elements in this development may be transient and which permanent, is a much more difficult task than merely to state the fact. Certainly European labour movements should be studying the course of events in the United States more than they have been up to the present.

A few of the matters that will ultimately determine the results of present tendencies and the growth or decline of those tendencies may be briefly noted. At the head of the list the writer would certainly put the question of how sincere and far-sighted the business men of the United States prove to be in the further development of the plans that this article has attempted to describe. The business community itself believes these plans are the beginning of a new phase in American industrial history. The larger corporations, under the advice of their engineering and industrial relations expert advisers (such as Curtis, Belknap, and Fosdick) work with honesty and openness to create a smooth-working system of industrial co-operation in the United States; they may, on the contrary, merely use all the devices that have been set forth as an instrument

for preventing any restriction on their liberty, and any threat to their profits. If the United States should get a real industrial depression in which it becomes hard for the employers to maintain many of their welfare plans, in which the employers feel themselves under pressure to reduce wages as much as possible, in which the workmen are thrown out of employment to the same extent as in some past depressions, then there will come a real test of the significance of these new tendencies in American industrial relations. One's opinion of their possible fruitfulness and success depends after all on whether one believes that the modern economic position holds a possibility of a successful and reasonably just co-operation between employers and workers, whether human nature is good enough to produce such an outcome under the limitations and difficulties presented by the fluctuations, the competition, and the extreme complexity of the modern capitalistic system.

Another important element in determining the outcome of these plans will be whether the improvement in managerial methods and production methods and the progress in industrial invention can be maintained. These new institutions have sprung up in a time in which men's incomes were large and growing, during which employment was relatively steady, and research was making many new contributions to industrial technique. It is claimed by many men experienced in industrial relations that these new developments in industrial relations more than pay for themselves in an actual financial way. The truth of this view will certainly be greater or less as further applications of scientific method in business continue to result in increasing production and in keeping the industrial outlook bright.

The American trade union movement itself is striving to understand and to meet all these new developments ; it is trying to decide which of them may be beneficial to American life and to the trade union movement, which threatening. It is faced with the problem of whether it can bring these developments under a sufficient measure of control to safeguard the workers' welfare and prevent a whole course of events from resulting finally in the subordination of the individual worker to industrial enterprise.