STRIKERS are BOUND to LOSE

Some Lessons the Steel Strike Didn't Teach

PAUL L. POIROT

A MAJOR STRIKE, such as the recent one by steelworkers, focuses attention on the corruption of union leadership, the unwarranted violence attending strike action, and the impropriety of compulsory union membership. Indeed, such a strike might even spark legislative action to withdraw or qualify to some degree the monopolistic powers granted labor unions through earlier legislation.

On the other hand, the steelworkers will have had a sounding board for their resentment of the high salaries paid to management officials of the various steel companies and the profits earned by the most successfully managed operations.

But the charges and countercharges and emotional and physical disturbances of a strike throw no light whatsoever on a fundamental issue raised by General Francis Amasa Walker long before there was either a U.S. Steel or a steelworkers union. (See the excerpts from his writings on pages 10-13 and the related article by John Chamberlain on pages 5-9 of this issue of THE FREEMAN.)

Walker's irrefutable observation is that profits are taken out of costs – not added to prices. The more steel *profitably* produced, the greater will be the downward competitive pressure on steel prices, tending to squeeze out of business the least efficient managers, the high-cost marginal producers. These "no-profit" producers can least afford to pay high wages, and therefore tend to hire the least efficient workmen, yet their marginal production at high cost determines not only the price of steel for the entire industry but also the level of wages that will be paid to all steelworkers.

If this point were understood by steelworkers, it would revolutionize the entire concept and *modus operandi* of unionism. Industry-wide bargaining, with insistence that every steel company sign an identical contract, should be the last thing any self-respecting steelworker would want. For he would see that under such an arrangement his own wage, regardless of his skill and productivity, couldn't possibly rise above the wages paid to the least efficient workmen by the "no-profit" managers.

The enlightened steelworker would start seeking a new type of union leader. Indeed, he would turn for leadership to the very man the union bosses have been most vigorously denouncing: the highest paid executive of the most profitable steel company in the business. This manager's record shows that he is most capable of cutting costs. This means that he could afford to offer the highest wages in the industry for the most highly skilled workmen, and that he would actually do that very thing – if the union would let him – in order to maximize the profitability of his business.

If steelworkers want to be more highly paid, the surest way is to produce more steel, at greater profit to the company (which means at lower costs). The more this can be done, the more will the "no-profit" managers and companies be chased out of their unworthy undertakings. Then, and only then, can the market prices of steel decline in response to keener competition. And not until that happens will there be any great requirement upon or incentive for successful management to pay higher wages in order to obtain and hold the best workmen.

According to Walker's view, the trend has been entirely in the wrong direction – and organized labor has spearheaded that drive, to the grave detriment of society generally and to the injury of all but the least worthy of its own membership. The effect of industry-wide bargaining has been to perpetuate in business the "no-profit" steel operators, whose high costs hold steel prices up and steelworkers' wages down.

The same results are obtained through featherbedding and slowdowns and absenteeism and all the other union devices that tend to equalize the output of a good workman and a poor one – of profitable management and "no profit" management. The result is less steel at higher prices and at lower wages than would otherwise be effected through active competition.

Other equalizing devices that work in the same general direction are minimum wage legislation; unemployment compensations that have been forced toward prevailing wage rates; excess profits taxes that deprive the successful of the rewards for cost reduction and of the means and incentive for expansion; the arbitrary awarding of government contracts to companies that "need help" – indeed, the whole "caboodle" of welfare state practices, which generally have had ample support from organized labor.

These are a few of the things upon which the recent steel strike shed little light, if any. But the light struck in the nineteenth century by men such as Walker still flickers – ready to show the way to labor union members, the American public, anyone who has had enough of coercive political management of his life and who seeks a better alternative. • • •

LEARNING by DOING

E. F. HUTTON

IDEAS made possible our nation's growth. We are a venturesome, valorous, risk-taking people who backed ideas with savings.

If the labor unions would back their ideas with the money collected from their dues-paying members and, instead of striking against business, go into a business for themselves and prove that they can operate it – can run full time at all times, pay higher wages than present management, have shorter hours, better working conditions, and make enough money to keep operating and pay their shareowners (dues payers) a fair return on their investment – they would get a better education in the relationship of profits to jobs and job security, to the standard of living, and of productivity to wage increases.

Steel men, automobile men, coal mining men, mill owners, and hundreds of others have twitted unions to make good their claims to buy a company, run it, and prove they can do so better than those they now criticize and strike against. It's wide open, and all can step in and try it. But, Mr. Unionman, don't overlook the 52 per cent federal tax on profits.

The big unions are reported to have millions of dollars on hand. Why not buy a company, and run it, and prove that wages can be increased without setting the stage for higher inflation?

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