

Growing Union Power – A Subject Revisited

J. KENNETH DAVIES*

One of the changes in our public policy frequently demanded by some special interest groups in America today is legislation to curb “the rapidly increasing power of monopolistic labor unions.” The argument for such legislation frequently goes something like this: “Unions are increasing their stranglehold on America through their monopoly power. While we have placed controls on the monopoly power of the business community, we have done nothing to curb this same power of unions. Justice and wisdom demand that we do so.”

The reasonableness of this argument assumes:

1. That union power is increasing.
2. That business monopoly power is being effectively controlled.
3. That nothing is being done to control union power.

Let us examine these assumptions.

First, the charge of increasing union power. If union power is getting greater, one or more of the following should be seen:

1. An increase in union membership in terms of numbers or as a percent of the labor force.
2. A substantial increase in the price level as unions use their increasing power to obtain wage demands in excess of increasing productivity.
3. In the absence of the substantial increase in prices, there could be a decrease in the profits of firms.
4. An increase in strike activity.
5. The passage of pro-union legislation or the repeal of anti-labor legislation.

*Dr. Davies is presently director of the Office of Education and Publications of the Federal Deposit Insurance Corporation, Washington, D.C., Research Department.

1. *Increased Union Membership*

Table 1 presents figures on the number of union members and the percent of the labor force belonging to labor unions between 1940 and 1962. Union membership reached a peak in number about 1959 since which it has declined. As a percent of the labor force it peaked about 1955 and has shown a decline since that time.

TABLE 1
National and International Unions' Memberships, 1940-1962

	Membership 1,000	% of Labor Force	% of Non-Agric. Force
1940	8,944	15.5	26.9
1950	15,000	22.0	31.5
1955	17,749	24.4	33.2
1958	18,081	23.9	33.1
1959	18,169	23.8	32.1
1960	18,117	23.3	31.4
1961	17,328	22.0	30.1
1962	17,630	22.2	29.7

Statistical Abstract of the United States, 1965, p. 247.

2. *Increase in the Price Level*

Table 2 presents the change in both the consumer and the wholesale price levels over the last 25 years. While there were substantial increases in the 1940's and early 1950's, they have been modest for the past decade. Most of the price increase in the early period can be attributed to the pressures of World War II and the Korean War, as well as the great demand for American goods between the wars and for a few years following the Korean action. The larger increases of 1965 were primarily due to war spending for Vietnam. Evidently "union power" has been insufficient to push prices up at least for the past decade.

3. *Decreased Profits*

Table 3 gives the corporate profits for all private corporations since 1940. There was a great increase during World War II and the Korean conflict. Profits fluctuated during the 1950's but since 1958 have shown a remarkable increase. "Union power" has been insufficient to detract from corporate profits.

TABLE 2
Wholesale and Consumer Price Indexes

Wholesale Price Indexes 1957-1959 = 100			Consumer Price Indexes 1957-1959 = 100		
Year	All Commodities	Increase	Year	All Items	Increase
1940	43.0	----	1940	48.8	----
1950	86.8	43.8	1950	83.8	35.0
1955	93.2	6.4	1955	93.3	9.5
1956	96.2	3.0	1956	94.7	1.4
1957	99.0	2.8	1957	98.0	3.3
1958	100.4	1.4	1958	100.7	2.7
1959	100.6	.2	1959	101.5	.8
1960	100.7	.1	1960	103.1	1.6
1961	100.3	-.4	1961	104.2	1.1
1962	100.6	.3	1962	105.4	1.2
1963	100.3	-.3	1963	106.7	1.3
1964	100.5	.2	1964	108.1	1.4
1965	102.5	2.0	1965	109.9	1.8

Statistical Abstract of the United States, 1965, p. 361 (Consumer Price Index),
p. 356 (Wholesale Price Index).

Economic Report of the President, 1966, pp. 257, 261.

TABLE 3
Corporate Profits (In \$ Billions)

Year	Corporate Profits Before Taxes	Corporate Profits After Taxes
1940	9.8	7.2
1950	37.7	24.9
1955	46.9	27.0
1956	46.1	27.2
1957	45.6	26.0
1958	41.1	22.3
1959	51.7	28.5
1960	49.9	26.7
1961	50.3	27.2
1962	55.7	31.2
1963	58.1	32.6
1964	64.5	37.2
1965	73.1	44.5

Economic Report of the President, 1966, p. 284.

4. *Increased Strike Activity*

If unions in general were becoming more powerful and providing an increasing problem, there might be expected an increase in strike activity. The man-days idle as a percent of the working time give a good measurement though the statistic includes both time lost due to strikes and time lost due to lock-outs by management. Table 4 gives the statistics for the past two and a half decades. A better appreciation of these statistics may be had by comparing them with the figures for time lost due to unemployment and part-time employment.

TABLE 4
Man-Days Lost as a Percent of Total Working Time

Year	Work Stoppage	Unemployment and Part-Time Employment
1940	0.10	----
1945	0.47	----
1946	1.43	----
1947	0.41	----
1948	0.37	----
1949	0.59	----
1950	0.44	----
1955	0.26	----
1956	0.29	5.10
1957	0.14	5.30
1958	0.22	8.10
1959	0.61	6.60
1960	0.17	6.70
1961	0.14	8.00
1962	0.16	6.70
1963	0.13	6.40
1964	0.18	5.80

Statistical Abstract of the United States, 1962, p. 243, and 1965, p. 249.
Economic Report of the President, 1966, p. 231.

There is nothing to indicate here that unions are gaining in power or being more abusive in the use of whatever power they have. In the worst year since 1940, less than 1.5 percent of total work time was lost due to work stoppages. These figures may be compared with the lost time due to unemployment in the economy in 1964 when it was estimated that about 5.8

percent of the total available work time was lost due to workers being unemployed. Certainly in comparison the time lost due to work stoppages (strikes and lockouts) is infinitesimally small.

5. *Pro-Union Legislation*

"Union power" might be expected to influence legislation. However, there has been no major piece of pro-union legislation since World War II. Nor has there been any substantial elimination of anti-union legislation. Following are the major developments in labor legislation since the war:

1. The Taft-Hartley Act of 1947. This act was opposed by the nation's labor leaders and is said by most of them to be a "slave labor" act. It placed numerous controls on the power of unions to negotiate agreements with management. It also limited the power of union leaders over union members.
2. Since 1947, nineteen states have passed and retained so-called "Right-to-Work" laws which limit the power of unions to organize the unorganized workers. Only one state has repealed its "Right-to-Work" legislation.
3. The Landrum-Griffin Act of 1959 was generally opposed by labor leaders in its final form. Union leaders had requested some aid in fighting racketeers and undemocratic union practices but felt that the act went beyond this and restricted "legitimate" unions.
4. The much-talked-about repeal of Section 14B of the Taft-Hartley Act was defeated in the strongly Democratic Senate in 1965. In the state capitals, the increasing strength of the Democrats does not seem to have resulted in any substantial move in the direction of pro-union legislation nor in the elimination of anti-union laws.

From the facts that are available, it would appear that the assumption of increasing union power is a weak one if not invalid.

Now to look at the second assumption, that business is controlled in its exercise of monopoly power while unions are not.

It is true that Congress passed the Sherman Anti-trust Act in 1890 which supposedly outlawed monopolies in restraint of trade. This act was not effectively enforced, however, and Con-

gress acted again in 1914 to strengthen it. Nevertheless, the courts remained antagonistic toward anti-monopoly legislation through the 1920's and in that decade business monopoly proceeded at a rapid rate. Since 1930 we have had a vacillating and inconsistent policy toward monopolies. The National Industrial Recovery Act of 1933, while later declared unconstitutional, encouraged monopolistic business arrangements which persisted. The Fair Trade laws of many of the states, encouraged by federal law, still encourage businesses to establish monopolistic pricing policies. Our patent laws encourage monopoly. Since the Korean War, business consolidation has proceeded at a rate close to that of the 1920's. The federal government has taken some action against excessive concentration as demonstrated by the recent federal court order to DuPont to divest itself of General Motors' stock. However, illegal and criminal conspiracies do exist and are occasionally exposed as in the recent electrical industry conspiracy, as well as recent court action in the steel industry.

In addition to policy which attempts to outlaw monopoly, in the case of public-utility-type industries, public policy recognizes that in the absence of governmental ownership the existence of certain "natural" monopolies is economically desirable. These industries are purposely allowed to develop monopolies but the government retains the right to control their operations in such a way as to prevent an abuse of their power.

All of this is to say that business monopolies do exist, whether legal or not. Some exist legally but with controls, while others continue to operate illegally without government control.

Now let us look at the charge that unions are not controlled or checked in their exercise of monopoly power. It is true that the Clayton Anti-trust Act of 1914 exempted unions (and farm organizations) from the provisions of the anti-trust legislation. This exemption was not allowed by the anti-labor courts in the 1920's. In 1932, the Norris-LaGuardia Act made such exemption effective. However, the exemption does not apply to collusion between unions and management. When unions and management conspire together to control prices, the unions are as subject to prosecution as is management.

It is true that some unions appear to be monopolies. One union pretty well dominates the steel industry, while another

dominates the auto industry, etc. However, this power is offset by the right of businesses to combine together for the purpose of bargaining with the unions. Note the combination of steel companies in recent negotiations. In addition, the government has reserved and used the right to control unions in at least the following ways which limit them in the exercise of their monopoly power:*

1. Closed shops are outlawed.
2. Closed unions are outlawed.
3. In 19 states all forms of union security are outlawed.
4. Automatic check-off of union dues is outlawed.
5. Excessive union dues and initiation fees are outlawed.
6. Sympathetic strikes are outlawed.
7. Secondary boycotts are outlawed.
8. Communists cannot hold union office.
9. Persons convicted of felonies cannot hold union office.
10. Elections must be by secret ballot and must be regularly held.
11. Unions can be sued for breach of contract by management.
12. Unions must file financial reports.
13. In a plant where the union is recognized as the bargaining agent it must represent workers who do not belong to the union.
14. Mass picketing is outlawed.
15. The lending of union funds is regulated.
16. Union officers must be bonded.

It must, of course, be recognized that some unions are growing in membership and power. Some unions have great power. Some unions undoubtedly abuse the power they have acquired. Some unions and leaders break the laws which have been passed to protect employers and workers. The point of this brief article is that the facts do not support the assumptions of dangerously and rapidly increasing, unchecked union monopoly power made by those who favor a radical increase in the legislation controlling union activity through anti-monopoly action.

*See Taft-Hartley Act and Landrum-Griffin Act.