UAW SOLIDARITY

INTERNATIONAL UNION, UNITED AUTOMOBILE, AIRCRAFT & AGRICULTURAL IMPLEMENT WORKERS OF AMERICA-UAW

UNITY ADVANCES WORKERS

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Report of UAW President

WALTER P. REUTHER

TO THE 17TH CONSTITUTIONAL CONVENTION

Atlantic City, N. J. October 9-16, 1959

Report to the Membership

TEAMWORK IN LEADERSHIP—solidarity in the ranks was the key to UAW success in the 1958 negotiations, which were without doubt among the most difficult the Union has ever undergone. Above is the team of officers who, together with the other International Executive Board members, led the Union through to new and greater achievements during a critical, trying period of labor union history: (left to right) Vice Presdents Leonard Woodcock and Pat Greathouse; Secretary-Treasurer Emil Mazey; President Walter P. Reuther; Vice Presidents Richard Gosser and Norman Matthews.

To the Delegates, 17th Constitutional Convention, United Automobile, Aircraft and Agricultural Implement Workers of America (UAW-AFL-CIO):

Greetings:

This report is submitted to UAW members as our Union prepares for its 17th Constitutional Convention, which opens in Atlantic City on October 9, 1959.

The period since our last Convention has been a time of troubles for American and Canadian workers, for their unions and for our people generally.

Serious failures of leadership in Washington, misguided Administration policies and the profiteering of large corporations in basic industries combined to produce the recession of 1957-1958, which worked great hardship on our own members, brought mass unemployment, represented a grave setback in our country's economic growth and had its customary overflow effect on the Canadian economy.

An historic moment, a dramatic event: days away from the deadline of a Russian ultimatum threatening West Berlin's freedom, 600,000 West Berliners turned out for a May Day Freedom Rally to hear words of encouragement from UAW President Walter P. Reuther.

While our own economy was lagging, the technological achievements of the Soviet Union were being demonstrated in the probe of outer space and advertised to Asians, Africans and Latin American as evidence of the strength and mounting power of the communist society.

Here at home, management in the big corporations saw in the economic troubles of workers and their unions an opportunity to crack down on the labor movement and to turn their backs on legitimate grievances and demands.

Management seized on revelations of the McClellan Committee, having to do with racketeering by a small minority of trade union officials in a small minority of unions. Distortions of emphasis in the business-minded press of the nation blurred the distinction between this minority of crooks and the overwhelming majority of honest unionists and bona fide unions, and set the stage of a Big Business campaign to "get" the whole labor movement through punitive laws at the federal level and so-called "right to work" laws in the states.

The McClellan Committee had the assignment of looking at unethical practices in management as well as labor, but failed to investigtae management with the same enthusiasm it gave to the hunt for labor corruption.

The professional labor-baiters on the McClellan Committee — Senators Goldwater, Mundt and Curtis—made no secret of their intent to use the hearings and to conduct their own private snooping for the purpose not of cleaning up corruption but of smearing legitimate, honest unionism.

Chief targets of this anti-labor conspiracy was your own Union, the UAW. But the efforts of Goldwater, Mundt and Curtis failed, as it was bound to fail, for lack of evidence.

The UAW faced its accusers with clean hands and stood on its long record of resisting crooks, communists, fascists and all other outside influences inimical to the purposes and goals of organized labor.

While this effort to "get" the labor movement was proceeding in Washington, UAW representatives were locked in a struggle to get the Big Three in auto to bargain. It was also a time of retrenchment for our Union. We were obliged to cut operations, staff and salaries.

We can see in retrospect that the struggle of the UAW in the spring and summer of 1958 against the coordinated resistance of General Motors, Ford and Chrysler was part of the same power play by industry that later was to lead to the steel industry's arrogant and calculated refusal to bargain with the Steelworkers.

The Big Three management's cancellation of our old contracts was equally designed to frustrate the process of collective bargaining.

We avoided a major strike in the Big Three due to the great solidarity and discipline of our membership. Management found that it could cancel the contracts but could not cancel the Union—and out of that knowledge and the advent of the new model year came a willingness on management's part to bargain.

Despite the management offensive and the difficulties of the recession environment, we were able to make a number of gains and even do some significant pioneering.

In winning separation pay for workers permanently unemployed because of plant closings, we established the basic principle of employer responsibility to protect workers against the impact of technological change and related dislocations of the economy. We can build on that principle in future negotiations.

The management offensive did not subside with the signing of new agreements in the Big Three in September 1958. The extent of that offensive can be gauged by two sets of figures: almost 400,000 members of our Union were on strike sometime during the 20 months ending last August; we spent approximately $33 million in this 20-month period fighting to get some small measure of economic justice.

The management offensive has continued. The steel industry planned and provoked a steel strike, piled up huge inventories and confronted the Steelworkers with the ultimatum that they give up working conditions won in the course of 20 years of collective bargaining.

The political results of the employer offensive came to a climax when the House of Representatives passed the Landrum-Griffin anti-union bill. And although a Senate-House conference (led by Senator Kennedy) managed to water-down or eliminate many of the worst features of that bill, the final product is not going to create a better labor-management climate, or, itself, cleanse either management or labor of corrupt elements.

The disproportionate emphasis given to labor racketeering and reform in the Congress and in the press blinded lawmakers and much of the public to the vast deficit of unsatisfied needs in this country and the great challenges confronting this nation both here at home and throughout the world.

We must fulfill democracy here at home if our leadership is to be effective abroad. If we are to realize the promise of abundance inherent in the new technology, we must see that the new tools serve the broad needs of the people and not merely the narrow profit drive of monopolistic corporations.

Congressional election victories in 1958 yielded meager fruits in positive legislation for several reasons.

We live under a federal form of government in which the President of the United States must give firm leadership if the national interest is not to be trampled underfoot by special interest groups and local pressures. The President did not give that kind of leadership. The whole bent and bias of his Administration, in fact, has been toward espousal of the philosophy and the policies of Big Business.

The President, moreover, became so obsessed with balancing the federal budget that he was blinded to the greater need of balancing the national economy and pushing it into a faster tempo of growth. Given these attitudes, his lead to Congress was negative. He asserted his leadership through the veto, through blocking rather than fostering positive government.

Into this vacuum created by an abdication of presidential leadership, a Republican-Dixiecrat alliance moved in and took over.

Some of the blame must go to the public at large, including members of the labor movement, who thought it was enough to win elections and who did not stay around after the votes were counted to maintain the wholesome pressure of interest and communication of their demands upon their representatives in Washington.

We in the UAW intend to stay around and be active as citizens in 1960, looking more critically at candidates, platform and parties than ever before.

As for the employer offensive against the labor movement, there are signs that the Boulwares and Bloughs have overreached themselves and stirred into motion the latent energies and solidarity of the united labor movement.

The recent AFL-CIO Convention not only went down the line in support of the Steelworkers but took a large step toward resolving the jurisdictional problems that have sapped much of labor's strength and resources in the past.

Out of the trials of the recent past, labor may well be drawing a new strength and wisdom. Out of the difficulties and dislocations of the new technology and particularly out of the threat of nuclear destruction haging over mankind itself, a new era of world peace and abundance can come.

The dangers are great but the possibilities are vast. Working together we can move forward into a future of wider horizons, of greater economic and social justice not only for ourselves and our families but for men and women everywhere.

There are a few limits to the capacity of free men. We have it within our powers to create a true world community of peace, freedom, justice and brotherhood.

1958 Negotiations

In the late afternoon of September 17, 1958, radio and television listeners across the nation heard the dramatic announcement that the UAW and Ford Motor Company had reached agreement on a new three-year contract. In the words of both the Union and the Company, the settlement was "sound and equitable" and was "fair to workers, the Company and the American public." The contract had been reached without necessity of a long, costly strike.

This was indeed good news—to automobile workers and their families, who had been bearing the brunt of the 1958 recession, and to consumers generally, since the contract was non-inflationary and would not necessitate another increase in car prices.

The UAW, whose proud history was forged in the struggle for social and economic justice, had again demonstrated its strength and its responsibility through the unconquerable spirit and dedication of its rank and file members.

The significant and meaningful protections written into the new agreement constitute practical, tangible evidence of the power for good that can be generated when free men join together in a free democratic trade union to win a greater measure of security and dignity for themselves and their families.

Our Union had overcome enormous obstacles—perhaps the greatest faced since its organization—in order to win a decent contract from Ford Motor Company. In fact, the negotiations between the UAW and the major auto and agricultural implement companies were without doubt among the most difficult our Union has ever undergone.

Difficulties to Overcome

In the late summer of 1957, a series of factors—all of them in some way detrimental to the interests of the membership of our Union and the American people generally—began to come into focus. Unhappily, these factors converged in the last quarter of 1957 and the first three-quarters of 1958 and thus spanned the period when our Union was engaged in collective bargaining with the giants of the auto industry.

To begin with, the national economy began to slide downward in August of 1957. For the second time in less thna five years, America entered a major recession, with disastrous consequences of mass unemployment, sharply reduced sales, lowered production and, for working people, another period of hardship and privation.

The hardest hit were again the durable goods industries, particularly the auto industry, where potential customers, reluctant to pay the high prices asked, decided to spend their money elsewhere or to save it for the storm that was clearly brewing.

The second important factor that came into play was the propaganda campaign, financed by the industrial giants of the United States and spread by their reactionary political allies, which falsely blamed wage increases for inflation. Unfortunately, a large number of Americans, including many union members, had fallen for the fallacious argument that higher wages automatically and necessarily meant higher prices. And since the viewpoint of Big Business so dominates our media of communication—newspapers, magazines, radio and television—it was and is enormously difficult successfully to answer such fraudulent charges and place the responsibility where it properly belongs — on the extortionate pricing policies of a handful of giant, monopolistic corporations, each with the power to set prices in its industry, without regard to the law of supply and demand.

Third, the face of the trade union movement had been badly scarred by the McClellan Committees revelations of corruption in a handful of unions. Although it was clear that the evils of racketeering, sell-outs, sweetheart contracts and gangsterism were present in only a tiny minority of the unions of the country, the tar brush was applied indiscriminately to all unions by Big Business and reactionary politicians and a large section of the press.

The fourth factor which came to bear on the 1958 negotiations involved the formation of a united front against our Union by the Big Three automobile producers. Although speculation had it that the three firms would unite in a "hold-the-line campaign"

A million-dollar check underscored UAW's all-out support of the Steelworkers Union forced out on strike by profit-packed steel industry. Secretary-Treasurer Emil Mazel (left) and President Walter P. Reuther (right) presented the million-dollar contribution to Steelworkers' Secretary-Treasurer I. W. Abel at the recent AFL-CIO national convention.

against the UAW in 1958, the existence of the alliance was confirmed in late August of 1957 when all three Companies almost simultaneously rejected an offer by the Union to wage a joint assault on inflation. Their sharp rejections of the UAW offer proved to be the first salvo fired by the Big Three in a full-scale attack on our Union.

In the light of this atmosphere, it became clear in the fall of 1957 that to press for a shorter workweek as a principal demand in negotiations with the automobile industry would be to run counter to the prevailing mood of the American people at that time. Thus, the demand for a shorter workweek, given serious consideration by the Union at an earlier date, was postponed for future negotiations.

Other Factors

The effects of these factors—injurious enough of and by themselves to UAW members and their families—were compounded by a number of elements which had been operative over a period of years.

Most important of these was automation—which had become a household word throughout America. Termed the "Second Industrial Revolution," automation had already relegated tens of thousands of American workers to the ranks of the technologically unemployed. Moreover, the introduction of radically improved technology into the offices and factories of America was accelerating at a rapid pace and, coupled with the growing recession, which led manufacturers to close down the least efficient plants and concentrate what production there was in the newer, more modern factories, seriously aggravated the problem of unemployment.

All of these factors tended not only to make more difficult the job of the Union in concluding just and honorable agreements in 1958, but they brought into sharp relief a number of serious and compelling human problems for the members of our Union—problems which had to be solved, at least partially, in 1958.

These problems involved the laid-off worker and his family trying to live on an adequate or exhausted income from SUB and unemployment compensation; the worker on short workweeks; the retiree, and workers and their families who were stranded when plants were abandoned or work was shifted to another community.

The First Move Toward Industrial Responsibility

At the time when the first signs of recession began to appear, our Union in recognition of the facts that a) workers were being falsely charged with the responsibility for inflation, b) purchasing power must be expanded if the recession were to be halted, and c) prices, particularly in the heavy manufacturing industries, should be lowered in line with reduced demand, proposed to the Big Three auto companies a joint attack on both the recession and inflation.

On August 18, 1957, on behalf of the International Executive Board, I wrote to the presidents of the General Motors Corporation, Ford Motor Company and Chrysler Corporation. In that communication, I outlined a specific proposal that would have made an effective beginning in stopping and reversing the inflationary trend and would have expanded the market for new cars.

The proposal was set forth as follows:

1. Each corporation reduce prices on 1958 models to levels averaging at least $100 below the prices for comparable 1957 models.

2. If such price reductions were put into effect, the UAW promised to give full consideration to the effect of such reductions on each company's financial position in the drafting of our 1958 demands and in the negotiations.

In addition, we said, if in the course of negotiations a question should arise as to whether the granting of our demands would necessitate restoration of part or all of the $100 per car price reduction, we would be willing to submit that question to impartial review and to be guided in further negotiations by the results of such a review.

The leadership of our Union was convinced the proposed plan, if effectuated, would create a wholly new atmosphere for negotiations in which a joint concern for the public interest would be paramount and a cooperative effort to reach a fair and honorable settlement in 1958 negotiations based upon the facts would be fostered.

Unfortunately, the Big Three refused to join with our Union in what we felt was a positive and constructive effort to raise collective bargaining above the level of competing economic pressure groups. Their arbitrary rejections constituted in our view a total evasion of social responsibility on their part and a towering disregard for the welfare of the American consumer.

In the letter of rejection from General Motors, Harlow Curtice, then president of the Corporation, proposed an extension of the 1955 contract for an additional two years beyond the expiration date of May 29, 1958, without any change whatsoever.

This proposal was destined to become the theme song of the Big Three throughout the negotiations and constituted their only collective bargaining proposal until the beginning of 1959 model production and the setting of a strike deadline by the Union against Ford Motor Company.

Chrysler Corporation coupled its two-year extension proposal with a number of demands upon the Union which, if accepted, would have had seriously damaging effects on Chrysler workers.

The UAW proposal was based upon the President's repeated public requests for industrial statesmanship of both management and labor, and we urged him to support it because it was directed to achieve those very purposes. Prior to the rejection of our proposal by the Big Three, our Union had requested the support of President Eisenhower behind that proposal, because we felt he might be persuaded to lend the enormous prestige of his office to the fight against inflation. This he was unwilling to do, because of the Big Business interests which dominate his Administration.

A Program for 1958—The Special Convention

In January of 1958, a Special UAW Collective Bargaining Convention met in Detroit to finalize the demands to be made on the auto and farm implement industries in 1958. The decision to hold such a convention was made in the preceding April by the delegates to the 16th Constitutional Convention who realized that the spring of 1957 was too early to put into final form demands that would not be presented until a year later.

Upon the unanimous recommendation of the officers and the Executive Board, the delegates to this Convention overwhelmingly adopted a two-point economic program consisting of:

a) a minimum basic economic demand common for all employes and involving certain improvements, the cost of which would be met out of increased productivity, and

b) a supplementary economic demand, in addition to the minimum, for those corporations in a more favored economic position, providing for the sharing of excess profits above a basic minimum among workers, stockholders, executives and consumers.

General Motors was in the forefront of the Big Three strategy which forced the union to work without a contract in 1958—but UAW finally won important gains in the new agreement. Here, the union's top GM Negotiating Committee and General Motors officials signed the new contract.

Special Convention spelled it out: '58 would be rough but we'd win.

The minimum basic economic demand included:

1. A general non-inflationary wage increase which accurately reflected the improvement in productivity in the economy under full employment conditions.

2. Correction of wage inequities in production, skilled trades and other wage classifications.

3. An increase of supplemental unemployment benefits to adequate levels and the extension of the period of benefits for laid-off workers to 52 weeks.

4. Supplementary benefits for workers whose purchasing power is reduced because of short workweeks.

5. An increasing measure of security and dignity for retired workers through improved pension benefits.

6. Protection of workers affected by decentralization and plant movement through transfers, moving allowances and severance pay.

7. Improved hospital-medical-insurance programs to provide workers and their families greater protection for the monies spent for these programs.

The supplementary economic demand was to be based upon the earning position of each corporation using the plans in effect in General Motors and the Ford Motor Company under which corporation executives share in the profits of the company, as the basis for computing the equity which workers and consumers should share.

We suggested as a basis for our supplementary economic demand, that the corporations, after meeting their basic wage costs, basic salary cost and after setting aside their basic dividends for payment to stockholders, share the profits in excess of the figure used by GM and Ford for their executives' bonus plan on the following basis:

One-half of the excess profits to go to stockholders and executives;

One-fourth to wage and salary workers; and

One-fourth to consumers through a year-end rebate.

The Big Three Say "No"

Before the recommendations came before the delegates to the special collective bargaining convention, however, the proposals were rejected out-of-hand by the Big Three automobile corporations.

Spokesmen for the Companies, in their rejections, alleged that the demands were extravagant, inflationary and foreign to the concept of the free enterprise system.

However, the rationale of the argument advanced by Mr. Curtice from General Motors in characterizing our demands as "extravagant" did not stand up in the face of his own personal experience. Had such a profit-sharing plan been in effect in the ten-year period 1947-1957, for example, a GM worker who was fully employed throughout that period would have received about $6,000 for the decade as his share of the Corporation's profits. During the same period, Mr. Curtice, under the executives' profit-sharing program on which we based our supplementary formula, actually received bonuses totalling $3,930,000 in addition to his salary of $1,630,000.

With the approval of the International Executive Board, I issued a personal invitation to Mr. Curtice to address our Special Convention and explain to the more than 3,000 delegates his position and the position of the General Motors Corporation. Although he refused to attend personally, he sent a letter, the contents of which were read to the convention and in which he repeated his contract freeze proposal of five months earlier.

In his letter, he also expressed the hope the UAW would be "flexible" in its collective bargaining position. While Mr. Curtice wanted our Union to be "flexible" in its bargaining—and flexibility has always been a principle the UAW adheres to since we are always willing to be guided by economic fact, a policy that requires flexibility—he obviously saw it as a one-way street. The Companies, for their part, remained totally rigid until one of them, Ford Motor Company, was confronted with a nationwide strike deadline, eight months following the Special Convention.

The negotiations began in a period of severe economic stress. The recession of 1958 was well under way. Thousands of our members were being laid off weekly. Unemployment was rising, production was falling and everywhere throughout the economy, there was a general tightening-up. The Big Business Administration in Washington refused to take the recession seriously and despite pleas from liberals in Congress and the trade union movement that the federal government take action to get America back to work, nothing was done. Instead of action the people received rosy predictions and tranquilizing platitudes.

In the auto industry, stocks of unsold new cars climbed alarmingly. By March 1958 there were 860,000 new automobiles in inventory.

Recognizing that the huge inventories of unsold new cars were a major roadblock to national economic recovery, the UAW proposed to the Big Three on April 28 that it, the Union, would delay the improvement factor wage increase that would normally be paid on June 1 (on May 29 in GM) until September 1 and would extend the contracts into September, if the corporations would significantly reduce prices and join with the Union in seeking a moratorium on the 10 per cent auto excise tax and federal legislation extending the duration of unemployment compensation benefits. The only change that would be made in the agreements would be a provision temporarily extending the duration of benefits under the supplemental unemployment benefit program—and these benefits would be paid out of trust funds already accumulated. The three Corporations rejected this proposal.

GM Cancels the Contract

On the day following our proposal to the Big Three, April 29, General Motors served notice on the UAW that the old ocntract would be terminated on its expiration date, a month hence. This was the first time in the UAW-GM relationship, dating back to 1937, that the Corporation had taken such action in the absence of a strike. Without such a notice, the old contract would have remained in effect, in accordance with past practice, if it were necessary to continue negotiations beyond the expiration date.

GM's action was another clear indication that it was trying to maneuver its workers into a position where they would feel compelled either to surrender or to engage in a suicidal strike at a time when all the odds would favor the Corporation. It was an attempt to use the recession, which was a national calamity, for the narrow and selfish purposes of the Corporation.

Scarcely a week following notice that GM was cancelling the contract with the UAW, Democratic Senator Paul Douglas of Illinois, a distinguished economist, proposed a comprehensive attack on the recession by the automobile companies, the UAW and the United States Government.

The Big Three flatly rejected Senator Douglas' call for action.

The UAW accepted the Douglas proposal and to implement it, proposed arbitration of all economic issues in dispute, with the arbitrators limited in their award to an amount which would not require an increase in car prices. Again, the corporation said "no."

With the deadline on all three contracts rapidly approaching, the UAW convened the first joint meeting in history of the General Motors, Ford and Chrysler National Councils in Detroit in order to arrive at an agreement on strategy for the struggle that lay ahead.

The Alternatives

Representatives of Big Three workers from all over the country met in Detroit on May 23, less than a week before the GM contract was to expire. The delegates to the joint meeting were confronted with three possible alternatives:

One, they could surrender to the companies' demand for a two-year extension of the old contracts.

Two, they could call a suicidal strike.

Three, the delegates could vote for working without a contract during the summer months, knowing that the inventories would be reduced during that period and the new model year, which would begin late in August or early in September, would shift the advantage from the corporations to the Union.

More than 500 delegates to the joint session roared their approval of the third alternative.

Thus, the local leadership of our Union demonstrated that high degree of enlightened militance that has been a hallmark of the UAW throughout its existence.

The companies failed to recognize the simple fact that the membership of the UAW was loyal and dedicated to the furtherance of the Union's collective bargaining program, since that program was born out of the accumulated experiences and needs of the workers. The compelling problems facing the members and their families were too serious to permit the postponement of their solutions for another two years.

Management's Basic Miscalculation

The Big Three, in setting up their plans for their assault on the Union, made a basic miscalculation in strategy.

It was their announced intention, before the contracts had expired, to end the dues check-off and the union shop provisions which had been in effect. It was obvious that they seriously believed that the Union, as an institution, had a vested interest in maintaining the check-off and union shop and would therefore be moved to settle on terms dictated by industry.

What they failed to recognize was that the Union's primary interests are the economic betterment of the workers it is privileged to represent and the progress and prosperity of the communities and nations in which they live. It was this error in strategy that eventually caused the alliance of the Big Three to crumble and the workers in their plants to emerge with honorable and decent contracts based on fairness and equity to all parties.

The Big Three Rejects the Union's Proposals to Break the Impasse

Immediately prior to the expiration of the contracts, however, the Union—in a series of last-ditch efforts to reach a satisfactory agreement—offered a number of proposals to get the negotiations off dead-center, where they had been since the beginning of collective bargaining weeks earlier.

The Corporations rejected each proposal.

The Contracts Expire

In this hostile and unyielding atmosphere created by the obstinate attitude of the Big Three, the contracts between the UAW and GM, Ford and Chrysler expired. During the period from the beginning of negotiations—two months in all—none of the Corporations had made any offer beyond the two-year contract freeze publicly advanced in August of 1957, eight months before negotiations began, by Harlow Curtice, president of GM—an offer that was clearly unacceptable. The only exception was at Chrysler, where the Company in addition demanded certain contract changes that would have been detrimental to the interests of Chrysler workers. None of the Corporations had made a genuine effort to engage in honest, good faith collective bargaining with the Union.

During the months June, July and August, the members of the UAW again demonstrated their loyalty to their Union by paying their dues by hand, by resisting management provocations to strike, by their willingness to work without the protection of a union contract, and by their refusal to give the Companies an excuse for a lockout.

The degree of understanding by the workers of the conflict between the UAW and the Big Three was clearly demonstrated by their continuing to work, often under extreme pressure from management, and at the same time, voting overwhelmingly in favor of a strike, if that became necessary, to be called at a time advantageous to the Union. In GM, Ford and Chrysler shops around the country, workers turned out in record number to vote more than 90 per cent in favor of strike action, if necessary, to secure solution to the pressing human problems which the Union insisted had to be dealt with in any new agreement.

Support of the Union's position was not restricted to active UAW members by any means. Late in July, more than 5,000 retired members of the Union engaged in a morning-long, slow march around the GM headquarters building in Detroit in a show of support for the UAW's goals in the negotiations.

As the end of the 1958 model run approached, the GM, Ford and Chrysler National Councils met in Detroit to survey the progress, or lack of it, that had been made since the contracts expired. All three councils voted unanimously to strike, each requesting the International Executive Board for strike authorization.

IEB Authorizes Ford Strike

The Board met on September 10 and after hearing reports from the three national negotiating committees granted strike authorization to Ford workers, effective one week from that date, or September 17, at an hour to be set by the Ford National Negotiating Committee.

Within a day or two after the Board's action, genuine collective bargaining began to take place for the first time since the negotiations had opened many months before. Negotiators from the International Union and the Ford National Negotiating Committee met in near-continuous session for days as the deadline approached.

The night before the strike was to begin, the alliance among the Big Three broke down as Ford, isolated by the strike authorization from its fair weather allies, faced alone the reality of a strike deadline. It became clear to the Union bargaining team that with further intensive effort an agreement could possibly be reached.

Negotiations continued for nearly 40 consecutive hours, with only short breaks for conferences by both sides—and finally at 4:10 p.m., six hours after Ford Workers across the nation went on strike, agreement was reached.

A joint statement issued by the UAW and Ford Motor Company said:

"A sound and equitable agreement has been reached on a new three-year contract between Ford Motor Company and the UAW which is fair to the workers, the Company and the American public."

The Ford agreement represented substantial progress for Ford workers and their families; a victory of considerable proportions for the loyal men and women of the UAW, and a triumph for the democratic proposition that free labor and free management can resolve their differences in a fashion that permits them to meet their separate responsibilities to workers and stockholders, respectively, and more importantly, their transcendent responsibility to the whole of our society.

The UAW-Ford contract, which set a pattern for the rest of the auto industry and for the agricultural implement industry as well, contained, in summary, the following improvements which would help meet some of the pressing human problems which the Union insisted had to be met:

Supplemental Unemployment Benefits

- Increased benefits after the fourth week of layoff.
- Increased duration in states that extend maximum duration of state benefits beyond 26 weeks.
- Improved short workweek protection.
- Liberalized crediting of credit units in short workweeks.
- An alternate benefit formula for states that do not permit direct supplementation of state unemployment compensation benefits.
- Elimination of the "waiting week" for SUB where no waiting week is required for state benefits.
- Waiver of weekly reporting to the Company during short-term layoffs.

Severance Pay

Up to 1,200 hours' pay (30 weeks' pay) in a lump sum, to workers laid off permanently; for example, those affected by transfers of operations, plant closings, etc.

Severance pay plan made retroactive to June 1 to provide benefits to workers laid off from Memphis plant and from Chicago aircraft plant. This protection negotiated for the first time.

Pensions

Increase in normal retirement benefit to $2.40 per month for past service; $2.50 for future service. Normal retirement benefit formerly was $2.25 per month per year of service.

New special early retirement features provided double normal retirement benefit under certain conditions to workers between 60 and 65 years of age not yet eligible for social security. This benefit can be paid off to older workers affected by closing of their plants or transfer on their jobs.

Company-paid life insurance for workers retiring under the new special early retirement feature.

Proportionate increases in disability benefits ($4.80 per month per year for service before September 1, 1958; $5.00 per month per year for service after September 1, 1958).

Increase in pension for approximately 14,000 Ford workers already retired to $2.35 per month per year of service. Formerly, they received $2.25 per month per year of service.

Pension eligibility credit given for all time lost by workers receiving workmen's compensation.

Liberalized system of crediting service for pension purposes—fewer hours required for full year's credit. Formerly, 1,800 hours of pay were required to receive a full year's credit. This was reduced so that a worker receives a full year's credit on the basis of 1,700 hours. Under the old agreement, a worker was required to work a minimum of 450 hours (one-fourth of 1,800) before receiving any partial credit. Now he may receive a partial credit upon completion of 86 hours (more than half of one-tenth of 1,700 hours).

Workers with seniority rights eligible for pension even though they are not on active employment rolls. Formerly the agreement required the worker to be on the active employment rolls at the time he became eligible for a pension.

Wages

Fifteen cents per hour formerly paid as cost-of-living allowance was frozen into base rates.

Annual improvement factor and quarterly cost-of-living wage adjustments to be continued.

Additional 8 cents per hour increase to workers in skilled trades.

Retroactivity

The annual improvement factor of 2½ per cent or 6 cents, whichever is greater, plus a 2-cent increase in the cost-of-living allowance, retroactive to July 1, and an additional 1 cent in cost-of-living allowance, retroactive to July 1, and an additional 1 cent in cost-of-living allowance, retroactive to September 1, to be paid after ratification of contract.

Improved Hospitalization and Surgical Benefits

New Michigan Blue Shield plan providing full payment of surgical services for families of workers with annual income up to $7,500 with Company paying half of cost. Formerly, full payment of surgical services was limited to families of workers with annual incomes of $5,000 or less.

Comparable plans to be selected in other states where available. The Company to pay full 50 per cent of the cost of the area Blue Cross-Blue Shield plans for workers and their families in these other states. Formerly, the Company paid no more than half of the cost of the Michigan plan even though such amount was less than 50 per cent of the cost of the other state plan.

Increased Group Insurance Benefits

Three new wage brackets added to benefit schedule, providing life insurance ranging up to $7,600. Formerly, life insurance maximum was $6,400.

Increased accidental death and dismemberment benefits for workers in the new brackets.

Increased weekly sickness and accident benefits for workers in the new brackets.

Additional Items

Increase in premium pay for midnight shift from 7½ per cent to 10 per cent, except in incentive operations where the 7½ per cent remains in effect.

Jury Duty—A worker with one or more years of seniority reporting for duty to be paid $5.00 for each day, up to a maximum of 14 days, partially or wholly spent in performing jury duty if the employe otherwise would have been scheduled to work for the Company.

Time-and-a-half pay for Saturday work as such. Formerly, a worker did not receive time-and-a-half for Saturday work unless such work constituted work in excess of 40 hours for that week.

Vacation eligibility provisions liberalized. Formerly, a worker whose date of eligibility was June 1, was required to take his vacation in the ensuing six months, while a worker whose date af eligibility was December 1, was permitted to take his vacation any time in the following 12 months. Under the new provision, workers with a June 1 eligibility date may take their vacation any time before May 31 of the following year.

Working Conditions

The agreement as it pertains to working conditions in Ford plants was also improved substantially in a number of important aspects. Among the many improvements made in the working agreement were the following:

Streamlined grievance procedure.
Improved clauses dealing with back-pay awards.
Improved requirements for absentee reporting.
Extension of leave-of-absence terms.
Improved apprenticeship standards agreement.

Ford workers, who had conducted themselves with magnificent restraint during the long period of negotiations, promptly ratified the new contract overwhelmingly in secret ballot votes at Ford plants across the country.

Back to GM, Chrysler

Two days following the Ford agreement, the Executive Board—while recognizing that some small progress had been made in negotiations with GM and Chrysler—nonetheless felt it had a clear obligation to GM and Chrysler workers to authorize strikes in those Corporations, since neither Company had really begun to engage in serious, good-faith collective bargaining.

GM and Chrysler Workers Strike Authorization Request Approved

On September 19, the Board granted requests to both GM and Chrysler workers to strike their respective Corporations if satisfactory agreements could not be concluded.

UAW members in General Motors were authorized to strike the Corporation on Tuesday, September 30, and Chrysler workers were authorized to strike, with the deadline to be determined by the officers of the UAW in consultation with the membership of the National Chrysler Negotiating Committee.

The Union, again, promised to do everything in its power to reach agreements fair to both sides without resort to strike action.

Three Chrysler Contracts Signed

The leadership of the International Union, in the hope that a quick settlement could be reached with Chrysler Corporation, began a major effort to resolve differences still outstanding in that set of negotiations without setting a strike deadline. On October 1, the Union's efforts paid off as a new three-year contract, modeled after the UAW-Ford agreement, was signed for Chrysler production and maintenance, parts depot and cafeteria workers.

Among the important gains registered in the new Chrysler contract was the establishment of a Detroit area-wide seniority and recall system which would permit Chrysler workers, laid off at one of the Company's plants, to be eligible for recall at another Chrysler factory according to their seniority status on an area-wide basis. In addition, the gains written into the new Ford contract (including some, such as jury duty pay, that had been in effect in the UAW-GM contract since 1955) were incorporated into the new UAW-Chrysler agreement.

"Surely You've Heard of Supply and Demand"

Chrysler Corporation, while agreeing to a new contract for these workers, however, stalled and haggled over a contract that would give office workers the same equity and protection already agreed to for production and maintenance workers. As a matter of fact, Chrysler was trying to take from its office workers some of the gains that had been won in past contracts.

Following more than a month of marathon sessions and only when it became painfully apparent that the Corporation was incapable of reaching a just and honorable contract for office workers in the absence of economic pressure, Chrysler office workers were compelled to strike to back up their justifiable demands. That walkout eventually closed down most of the Corporation's plants and brought to bear the greatest possible pressure—a strike—at the most critical time—the period when the 1959 models were rolling off the production lines—and forced Chrysler to bargain out a decent and fair agreement. The office workers' contract was signed on November 16, 1958.

In the GM negotiations, perhaps the most critical issues involved working conditions and wage inequities that existed from plant to plant of the Corporation.

Recognizing these facts, the International Union had made a firm commitment to GM workers, and had fully apprised the Corporation of its position, that no national agreement would go into effect until local issues in dispute were resolved to the satisfaction of the local union members.

GM Struck

At 10 a.m., October 2, 1959, General Motors, the world's largest manufacturing concern, was shut down, as more than 300,000 UAW members from coast to coast walked off their jobs. The reason—GM was unwilling to face up to its clear responsibilities to eliminate some of the many wage and contractual inequities that existed in the Corporation's plants.

After all-night negotiations, and as the strike deadlines approached, the Union negotiating team advised the Corporation that unless certain inequities and deficiencies in the contract were met, an agreement would not be possible and a strike could not be avoided. A brief recess in the negotiations was agreed upon so that the negotiators for the Corporation could consult the GM directors, who were in session, and apprise them of the latest position of the Union as the strike deadline drew near. This recess, which was to have been a short recess, lasted in excess of four hours, and at the end of the recess when the Union and Company negotiators met again, the Corporation advised the Union bargaining committee that the Corporation had modified its position on a number of the issues on which the Union had insisted that progress was the price of an agreement.

The Corporation agreed to establish a fund totalling one-half cent an hour times the number of production workers, to be used to eliminate at least some of the wage inequities; to pay a five-cent an hour premium for workers on continuous seven-day operations; to eliminate seven and one-half hour shifts; to increase the grievance time for the shop committee chairman to eight hours; to make changes in the grievance procedure; to eliminate the 50 per cent wage rule; to grant pension credits to those in military service subsequent to October 1, 1950; and to issue a letter to all plant managers on procedures in regards to the contracting out of work, plus several other minor but important items.

The Union also insisted, and the Corporation agreed, that the national contract would not go into effect until local issues in dispute at the 125 bargaining units around the country were settled to the satisfaction of the local union membership.

By October 28, local settlements had been approved by the membership in each local.

Bitter-Enders

It was impossible to conclude agreements with all concerns without resort to strike action, a fact made necessary in most cases because of disputes over working conditions generally and not primarily over the basic details included in the Big Three national contracts.

Before the UAW collective bargaining efforts had ended and the Union had reached honorable contracts with the auto and agricultural implement firms in 1958-59, more than 400,000 members of our Union had been forced to strike for justice, but an extended major conflict was avoided. Under the new strike benefit program, adopted by the delegates to the Special Collective Bargaining Convention in January of 1958, these 400,000 workers received more than $31 million in strike relief from the International Union Strike Fund.

That these giant corporations—with their vast treasuries, their political power, their easy access to the channels of communication—failed in their efforts to break the Union, to weaken the contracts, to turn back the clock of industrial progress—is a lasting testimonial to the militance, dedication, loyalty and solidarity of rank and file members of our Union.

In any period the achievements of the UAW in 1958 can be called substantial. In the climate—political and economic—that was present at that time, and with an attitude such as was displayed by the largest corporations toward our Union—the achievements of the UAW in 1958 were truly monumental.

It is always important to remember, however, that despite the progress made in any set of negotiations, many problems will remain, for collective bargaining is a never-ending process in the search to secure for workers an increasing measure of the abundance of our technology. No set of bargaining negotiations, no matter how successful, is the end of the road. There will always exist questions that must be settled between our Union and the employers.

Steel Strike

As this is written, half a million steel workers and their families are bearing the hardships and sacrifices of a strike that has stretched into its third month.

They are struggling to win a measure of economic justice, including a fair share in the constantly increasing fruits of their labors resulting from technological advance, and to preserve essential contractual protections of their working conditions that the industry is trying to eliminate.

Everyone Involved in Strike Issues

But the steel strike has a significance far broader than the issues in dispute between labor and management in the steel industry.

This strike involves the future well-being of every man and woman who works for a living in America.

Its outcome will have important bearing on collective bargaining not only in the steel industry but throughout the American economy for years to come.

Because effective collective bargaining is both an essential element of democracy and a crucially important force in bringing about a distribution of the national output that adds strength and stability to the economy as a whole, the steel strike involves also the future ability of the United States to make its proper contribution morally and materially in the world conflict between freedom and tyranny.

The Steelworkers are bearing the brunt of a management assault on the entire trade union movement which has been carefully prepared over a period of years.

It is no mere coincidence that the steel strike came at a time when reactionaries in the Congress were pushing legislation to weaken the effectiveness of all unions, under cover of a drive on racketeering elements.

It is no mere coincidence that the longest steel strike in the nation's history has come during the administration of a Republican president who has enshrined the big business viewpoint in the White House, surrounded himself with advisors and golfing companions from big business and adopted industry propaganda on every major question of the day as his personal gospel.

Because the Steelworkers are manning the front line trenches in a battle that affects all of labor, they are entitled to all the support that the entire labor movement can give them.

It is for this reason that the Industrial Union Department of the AFL-CIO, of which I am privileged to be president, voted on September 2, 1959 to contribute $1 million to the support of the Steelworkers in their strike.

It is for this same reason that the International Executive Board of the UAW voted on September 11, 1959, to contribute $1 million for the same purpose, to call upon all UAW local unions to support the strike morally, organizationally and financially, and to recommend that, if the steel strike is still in progress when the 17th Constitutional Convention of the UAW convenes, the delegates authorize further contributions to the Steelworkers of $1 million monthly for as long as the strike lasts.

The importance of the Steelworkers' struggle to the entire labor movement was also recognized at the recently concluded convention of the AFL-CIO. The General Board of the AFL-CIO, consisting of one top officer from each affiliated international union, voted unanimously to establish a Steelworkers' Defense Fund to be financed by soliciting from each international union contributions of one hour's wages per member per month for the duration of the strike, with the subordinate bodies of each union encouraged to supplement such contributions.

The General Board's program of action also includes the creation of citizens committees to work for a just settlement of the strike and for the establishment of a Central Information Bureau to get to the American people "the facts about the issues in dispute and the justice of the Union's position."

The resolution of support for the Steelworkers adopted by the AFL-CIO Convention clearly spells out the background and importance of the strike, the many efforts the Union has made to achieve a fair and honorable settlement, and the role of the Eisenhower Administration which has acted as a tool of the steel industry.

UAW Voices Itself at AFL-CIO Convention

On behalf of the officers and members of the UAW, I rose to speak in support of the resolution. In part I said:

"It is generally realized and recognized that the steel strike is not an ordinary strike. The steel strike is but another phase of a developing conspiracy on the part of big busines directed against American workers and against the American people. And that is why we are not dealing with this as just another strike or another dispute between workers and employers.

"The steel strike was forced upon the workers because the steel industry refused to bargain in good faith. They said to the Steelworkers, despite the unprecedented profits and the tremendous increase in productivity made possible by our developing technology: 'You are not entitled to share in the fruits of automation and our developing technology. We are going to keep it all for ourselves.'

"They said to the workers: 'Furthermore, not only are you not going to get higher wages, but we are going to take away your right to be protected against the erosion of your present wages by taking away the cost-of-living clause.'

"They didn't stop there and they said: 'Furthermore, we are going to turn the clock back and destroy your working agreement so that we will tell you unilaterally how fast the mills will run and under what conditions you will sell your labor to this great industry.'

"And so the Steelworkers had given to them a simple, clear ultimatum. The Steelworkers were faced with a choice of either surrendering or striking and I say thank God we live in a country where workers have the right to strike and that the Steelworkers have the will to use that right in his situation.

"There is much noble talk about human freedom. What we need to understand is that the mortgage on human freedom is never fully paid; that every generation must make its payment. The Steelworkers are making theirs and we are going to help them make that payment because we are not going to back up in the face of the arrogance of the steel industry.

"I think this is perhaps an historical occasion. Never in the history of the American Labor Movement have we been confronted with a strike of the dimensions of this strike nor with a strike which reaches so deeply into the whole concept and future of our free society. I believe that we ought to resolve it with a kind of clear voice that no one can misunderstand, and that we go out of this Convention united and that we pledge our support and our solidarity to the Steelworkers organizationally and morally and financially.

"Let us tell the people in the steel industry and in the NAM that there is no force in the world that can stop the forward march of free men, united in the solidarity of human brotherhood, united in common dedication in the achievement of common values and common objectives and let's go out of here and let's work with the Steelworkers."

Collective Bargaining Progress and Goals

History is essentially a record of the progress of man in achieving mastery over his own fate—progress in controlling his physical environment and progress in democracy under which the individual obtains an increasingly influential voice in determining the kind of social environment in which he lives.

"To Promote the General Welfare"

Trade unionism is an essential element and instrument of democracy. It carries the democratic process into the workshop which, in the absence of a union, is an unmitigated autocracy governed by the arbitrary decisions of the employer.

Just as political democracy replaces the rule of men with the rule of law outside the factory, so does trade unionism substitute the rule of law, as embodied in the collective bargaining agreement, for the unrestrained rule of the men who happen to be employers or corporate managers.

The history of trade unionism parallels the history of democracy itself. Democartic government as illustrated by the Constitution of the United States, is committed to "promote the general welfare." To do so, it moves step by step to outlaw abuses of human beings and offenses to human dignity, to increase opportunity for all to share in the fruits of progress, and to protect the members of society against uncertainties and hazards against which they are unable, individually, to protect themselves.

Trade unionism starts with recognition, which gives the workers a voice in determining the conditions that affect their welfare. From there it goes on to protect workers against abuse through the development of contract language restraining and prohibiting arbitrary and unjust action by management and through the grievance procedure designed to assure management's adherence to the contract.

Through trade unionism, management is compelled to give increasing recognition to the fact that workers are not mere appendages to the machines but human beings with human needs and aspirations. Through trade unionism also, workers assert their claim to a share in the gains from technological and economic progress in higher wages and increased leisure. In addition, through their unions, workers build around themselves and their families a structure of security protecting them against the many hazards and uncertainties they face.

We in the UAW have been part of this history. We can be proud that we have made a good deal of it by pioneering new ideas in collective bargaining and translating them into reality.

We have come a long way from the dark pre-union days when a government report, issued in 1935, summarized conditions in the automobile industry in the following words:

"Labor unrest exists to a degree higher than warranted by the depression. The unrest flows from insecurity, low annual earnings, inequitable hiring and rehiring methods, espionage (labor spies), speedup, and displacement of workers at an extremely early age."

No one would be foolish enough to claim that Utopia has been reached. But UAW contracts do limit arbitrary actions by managements against the workers' interests.

- The grievance procedure provides a means for workers to right injustices.
- Seniority protects their rights to their jobs, and provides for advancement.
- UAW members and their families enjoy a measure of protection against inflation because of the cost-of-living clauses negotiated in UAW agreements.
- The annual wage improvement factor principle assures them of a share—even though not yet an adequate one—in the benefits of technological progress.
- Paid holidays and paid vacations—practically unheard of for factory workers not so many years ago—provide increased leisure and the means to enjoy it.

In addition, we have made substantial progress in winning for UAW members and their families a measure of security against many of the hazards that all workers face.

- We have won hospital-surgical-medical insurance to assure treatment of illness and injury for the worker and the members of his family.
- Sickness and accident benefits provide income for the worker and his family when he is unable to work because of illness or injury.
- We have life insurance protection for the families of members who die.
- We have won pensions for those who retire after having made their contribution to the world's work.
- We have supplemental unemployment benefits for workers laid off or on short workweeks.
- And last year, despite all the obstacles placed in our path by the worst recession since 1937-38, we succeeded in pioneering into a new area when we won separation pay for workers who lose their jobs permanently because of plant shutdowns or for other reasons.

All Workers Must Have Protection

While most of our members have all of these protections and practically all members have some of them, there are still scores of thousands who are still without the protection provided by one or more of these security programs. We must work to extend these security programs until all of our members have all of the various types of protection they provide.

In addition, much remains to be done to improve the existing programs. Benefits must be raised and eligibility requirements must be liberalized. The duration of protection must be extended under programs paying benefits for a limited period of time. We must win a more effective voice in the administration of a number of the programs to assure maximum protection with a minimum of red tape.

We must improve the financing provisions of certain programs, particularly in the hospital-surgical-medical insurance field, where the plans are still for the most part on a contributory basis with the worker bearing half the cost.

We must find ways to overcome problems created by the present organization of medical services which in most areas sets severe limits on the degree of protection available to our members and their families.

In addition, there are a number of gaps remaining in the existing UAW security programs. For example, although we were able to win separation pay in 1958 negotiations, we did not succeed in obtaining moving allowances for workers and their families comparable to those provided for executives, when jobs are transferred from one community to another.

Moreover, pension funds established through our collective bargaining efforts, which in a very real sense belong to the workers for whose benefit they were created, are still invested with complete disregard of their vast possibilities for performing double service through investment, under proper safeguards, in housing and community facilities in the communities where those workers live.

The gaps and shortcomings of our present security programs mark out for us the paths we must take in future bargaining on these matters.

Imbalances in our economy and the accelerating pace of technological advance underline the need for progress on the wage front—including an increase in the improvement factor to a more realistic level—and for a breakthrough in reduction of the workweek.

Our members must be given a more effective voice in the conditions under which they perform the daily stint in the plant through the strengthening of the working agreements.

Automation and general acceleration of technological change create a host of new problems for which we must seek effective solutions at the collective bargaining table.

Profit Sharing—a New Goal

In addition, we must press on toward a new goal we set for ourselves last year.

By action of the Special Convention held in January 1958, we added profit sharing to our list of collective bargaining objectives. We did not succeed in winning profit sharing in 1958 but neither did we achieve any of our other pioneering collective bargaining advances the first time we proposed them.

The history of UAW collective bargaining can be summarized as a record of proposals initially met by violent and bitter rejection by the corporations which subsequently were embodied in the binding

language of collective bargaining agreements signed by those same corporations.

We have every confidence that history will repeat itself with respect to profit sharing.

When we proposed profit sharing last year we were fully aware that we were going counter to a long-standing position of the bulk of the American trade union movement. But upon examination of the reasons behind that position it became clear that they did not apply to our situation.

The logic for profit sharing under the conditions we face today is far too compelling to permit continued adherence to tradition merely for tradition's sake.

Our profit sharing proposal was developed on the basis of searching analysis of the conditions of the industries in which our Union operates and of the need of the United States and Canadian economies for a fairer sharing of potential abundance.

The results of this analysis were summarized by the International Executive Board in a statement issued in January 1958 presenting a recommended collective bargaining program to the Special Contion held later that month.

That analysis was enthusiastically approved by the overwhelming majority of the delegates to the Special Convention, more than 90 per cent of whom voted for the resolution embodying the profit-sharing demand recommended by the International Executive Board.

The reactions of the corporations to our profit-sharing proposal verged on hysteria.

They hurled wild charges and abusive epithets at our Union and its leadership.

As noted in the section of this report dealing with last year's negotiations, Mr. Harlow Curtice, then president of General Motors, was brazen enough to call our profit-sharing proposal "extravagant" even though, as we pointed out, it would have yielded the average General Motors worker about $6,000 for the 10-year period of 1947-56 as compared to more than $3.9 million that Curtice received in profit-sharing bonus during the same 10 years in addition to his salary of $1,630,000 for the period.

In connection with last year's negotiations, we reviewed the profit experience of each of the Big Three for the years 1947-57 to ascertain the contribution that our profit-sharing proposal would have made, had it been in effect in that period, to the purchasing power of auto workers and auto consumers.

In the case of General Motors, the Corporation's U. S. wage and salary workers would have received approximately $3.2 billion in profit-sharing bonuses during the 11-year period with consumers receiving an equal amount in profit-sharing rebates for a total of $6.4 billion. The workers' share would have averaged 32.2 cents per hour.

Ford workers and consumers would have received approximately $870 million, respectively, for a total of close to $1.75 billion. The average hourly bonus for Ford workers would have come to 22.9 cents for the 11-year period.

In Chrysler's case, workers and consumers would have received $350 million, respectively, for a combined total of $700 million with the bonus to the Corporation's workers averaging 14.0 cents per hour.

In 1958, under the terms of our profit-sharing proposal, no profit-sharing bonus would have been paid by either Ford or Chrysler because of the effects of the recession.

General Motors, despite the recession, would have paid out $126 million to its wage and salary workers (equal to more than 16 cents per hour) and a like amount to consumers, for a total of $252 million.

The skyrocketing profits of the Big Three during the first half of this year would have yielded total profit-sharing bonuses to workers and consumers combined amounting to $446 million from General Motors, $220 million from Ford and $40 million from Chrysler. On an hourly basis, the workers' share of the profits would have amounted approximately to 48 cents in General Motors, 63 cents in Ford and 25 cents in Chrysler.

Thus, by the end of 1959—assuming our profit-sharing proposal had been in effect continuously starting in 1947—it would have added, from the Big Three alone, more than $10 billion to the consumer purchasing power of the nation.

The additional purchasing power provided by the widespread application of such a plan would have strengthened significantly the nation's resistance to the forces that plunged us into recession three times since 1947.

It is therefore important from the standpoint of the nation as a whole, as well as the interest of UAW members, that we keep profit sharing high on the list of our future collective bargaining goals and that we prepare to mobilize the full resources of our Union behind the profit-sharing demand.

For the immediate future, the educational process with respect to profit sharing that we began last year must be continued and intensified among our own members and among the general public.

Formulation of Detailed Demands

Our major contracts in the automobile industry do not expire until September 1961, with most contracts in the agricultural implement industry expiring some time later.

As this Convention meets, the expiration dates of the Big Three contracts will still be nearly two years away. It is much too early therefore, to formulate demands now. The demands must be related to and will grow out of the situation existing as we enter negotiations.

In the preceding pages I have outlined in general terms the goals which our Union has set for itself. But we cannot say as of now which of these goals should be given major emphasis in 1961.

The task of formulating specific collective bargaining demands should, I believe, be left to a Special Collective Bargaining Convention which the International Executive Board is recommending be convened in the spring of 1961.

Between now and then, negotiations with many small firms will take place in which the members involved will work to strengthen their contracts and either to catch up to or, where possible, to improve upon the economic advances made last year in the major corporations.

There's no optimism in an unemployment compensation line.

Aircraft and Missiles Negotiations

Negotiations with the major aircraft and missiles corporations will also take place before our next Constitutional Convention.

The demands to be presented to these corporations have been formulated jointly with the other major union in the industry, the International Association of Machinists, with which our cooperation and coordination is closer than ever before.

These demands will place heavy emphasis on separation pay and relocation allowances which are urgently needed because of insecurity of employment growing out of shifts in defense procurement.

The winning of separation pay in the automobile and agricultural implement industries should prove of great help in this connection.

Elimination of the abuses and inequities growing out of the industry's job evaluation plans, and achievement of the union shop where it does not presently exist are also high on the IAM-UAW bargaining agenda together with wage increases, improvements in hospital-surgical-medical and life insurance, and pension programs, and strengthened contractual protection.

Next Step Takes Us Closer to Full Justice

Collective bargaining, like the democratic process of which it is a part, knows no final stopping place.

It is a mechanism for progress which moves constantly forward working on the accumulation of old problems that still require solution and dealing with new problems as time and change create them. No settlement in any set of negotiations represents the end of the road. Each settlement is merely another step, big or small, depending upon whether condition are favorable or unfavorable along the never-ending road to a brighter tomorrow.

We shall take another step forward on this road when our major contracts expire.

By continuing to build more strongly the solidarity in our ranks and the teamwork in our leadership, we can confidently look forward to future negotiations to advance further the efforts of our membership in winning a fuller measure of human dignity, economic security, higher living standards and a greater sense of human fulfillment for our members and their families.

SUB Has Proved Its Value

In my report to the 16th Constitutional Convention, I expressed my belief that in years to come historians of the labor movement may well consider the winning of our SUB plans in the 1955 negotiations one of the most significant collective bargaining achievements of all time.

Events since then, particularly the contribution SUB made to the security of workers during the 1957-58 recession, confirm my conviction of SUB's importance.

No longer can employers look upon workers as mere tools to be rented by the hour and to be discarded without notice when not needed.

The corporations operating under SUB agreements are committed to contribute to the sustenance of workers and their families whether or not there is immediate need for the workers' service. This commitment and the costs involved in it have brought sharply to managements' notice the necessity to plan and schedule production to avoid layoffs to the extent that it is within their power to do so.

As a result, workers have not only assurance of a measure of income protection when they are laid off but also steadier employment than would be provided in the absence of SUB.

We can now look back on more than three years of experience with benefit payments under the SUB program which the UAW pioneered in establishing.

Since June 1956, literally hundreds of thousands of our members, as well as hundreds of thousands in other industries which adopted SUB plans patterned on those first won by the UAW, have had tangible evidence of the value of SUB in the form of benefit checks when they were laid off. Many of those who have enjoyed the protection of the SUB plans had serious doubts about them when they were first negotiated in 1955.

That year was a year of peak prosperity. Concern with layoffs and unemployment was at a minimum in most workers' minds. It is now apparent, however, that it would have been impossible to win the struggle for SUB under recession conditions such as prevailed in 1958. Without the foresight to wage this struggle under favorable conditions, despite the absence of an immediate problem, SUB would still be a mere hope for the future instead of a solid reality of the present.

International Repercussions

In my report to the 1957 Convention, I noted the world-wide attention paid to our victory in winning SUB in 1955 negotiations.

I pointed out that it had given trade unionists in other lands new faith in free collective bargaining as a means to achieve security and dignity for workers and that, by so doing, it represented a setback to communists who feed on insecurity.

We in the UAW can now take pride in the fact that our SUB victory pointed the way for the winning of increased employment security not only in other industries in the United States and Canada but also in Europe. At the end of last year a supplemental unemployment benefit plan covering an estimated five million workers was negotiated in France by the non-communist unions and the national association of employers. Subsequently, the communist union federation, apparently under rank and file pressure, felt compelled to become a party to the agreement. Under the terms of French law, the agreement has been extended to cover large numbers of additional workers employed by firms not belonging to the national association of employers.

SUB in Operation

With more than three years of benefit payments behind us we can now evaluate the progress we have made in winning a measure of security for our members against the hardships of unemployment, and look forward to further gains that must be won in order to strengthen that security.

Our benefit experience under the SUB plans provided a conclusive demonstration both of their practicability and of the great value of protection they provide to the workers covered by them.

This experience is the best answer ther could possibly be to the propaganda barrage laid down by employers, the press, and regrettably, many in the academic world when the UAW first announced its determination to win for its members a plan that would both provide incentives to employers to stabilize employment in their plants, and protect workers against the hardships of layoffs and short workweeks when stabilization efforts failed.

The structure of the SUB plans now in operation, not only in our industry but in others as well, is essentially the structure developed well in advance of 1955 negotiations by the UAW's Study Committee with the aid of the members of the Public Advisory Committee brought together by our Union in 1954.

That structure has now withstood the test of the most severe recession experienced by the United States since 1937-38.

While the benefits provided by the plans must be improved, the duration of benefits lengthened, and the eligibility requirements liberalized, it can now be said without fear of contradiction from any responsible source that the principles underlying the SUB plans are sound, and provide an effective means to accomplish their purposes.

Total SUB Benefits Top $100 Million

During the first three years of benefit experience under UAW SUB plans, from June 1956, when benefit payments began, to June 1959, it is estimated that more than $105 million in SUB payments were made to totally or partially unemployed UAW members in the United States.

In addition, it is estimated that more than $3 million in benefits were received by our Canadian members.

Contributions received and benefits paid by each of the Big Three trust funds from the inception

of the SUB plans to June 1959, together with the value of the trust funds as of the end of that period, are shown in the following table:

	Total Contributions	Total Benefits Paid	Market Value of[a] Fund on June 1, 1959
G.M.	$102,845,926.04	$26,076,573.28[b]	$80,529,571.52
Ford	47,349,505.08	18,342,236.76[bc]	29,174,543.50
Chrysler	31,798,507.30	18,247,918.35	14,088,092.56
U. S. Big Three Total	$181,993,938.42	$62,666,728.39[bc]	$123,792,207.58

[a]The figures in this column do not equal contributions minus benefits paid because of changes in the market value of the securities held by the funds, interest earnings, and charges for administrative expenses.

[b]These totals do not include $244,993.68 in General Motors and $238,624 in Ford SUB funds, held in escrow to pay benefits released in Ohio after that state finally approved integration of SUB with state unemployment compensation, effective May 7,1959.

[c]This total does not include an additional $96,986.09 in retroactive severance payments out of the Ford SUB fund up to June 1, 1959, to workers permanently laid off at Ford's Memphis and Chicago aircraft plants.

The monies in the UAW's SUB trust funds represent a substantial cushion to soften the impact of layoffs and short workweeks on UAW members protected by SUB plans.

Integration of SUB with State Unemployment Compensation

Before the negotiation of our first SUB plans in 1955, and for many months after, it was widely believed by those who had not studied the matter carefully that the state unemployment compensation laws would not permit simultaneous receipt of unemployment compensation and SUB benefits.

This notion was widely peddled by opponents of the UAW drive for employment security.

After we negotiated the first plans, reactionary employer groups deliberately set out to prevent the spread of SUB by attempting to block integration under the state laws. They engaged in well-financed campaigns to obtain rulings or legislation under which SUB benefits would be held to be "wages," thereby causing denial or reduction of the workers' state unemployment compensation benefits.

In several states they brought suit in the courts to block SUB after integration had been approved by state administrative agencies.

These efforts were successful in only four states —Ohio, Indiana, Virginia, and North Carolina.

In every other state with workers covered by SUB plans, whether negotiated by the UAW or by other unions, integration of SUB and unemployment compensation was permitted either by administrative action or by special legislation.

Favorable rulings or legislation are now in effect in 42 of the 44 U. S. jurisdictions which have acted on it, as well as throughout Canada. (A number of states have not acted on this issue because there are no workers within their boundaries covered by SUB plans.)

In two of the four states where employers succeeded in blocking integration, their victory proved to be temporary. As a result of effective political action in the 1958 elections, the UAW, together with other labor and liberal groups, was able earlier this year to obtain enactment in Ohio and Indiana of legislation permitting the workers in those states to receive the full benefits of the SUB plans negotiated for them.

State Unemployment Compensation Improvements

Another major objective of the UAW in seeking employment security through collective bargaining was to give impetus to the improvement of the provisions of state unemployment compensation laws.

The UAW-negotiated SUB plans have exposed the inadequacies of state unemployment compensation laws and have facilitated labor's efforts to bring about the passage of improvements in state unemployment compensation laws, although no state has yet improved its law to an extent that it can be considered adequate.

Since the beginning of 1956, 44 of the 51 jurisdictions have increased their maximum weekly benefit amounts. Only the District of Columbia and six states — Mississippi, New Jersey, South Carolina, Texas, West Virginia, and Pennsylvania —have not improved their unemployment compensation maximums during this period. (Pennsylvania raised its benefits to a maximum of $35 for 30 weeks' uniform duration in 1955.)

During the 1958 recession, Congress enacted the Federal Temporary Unemployment Compensation Law (TUC), which encouraged 17 states to extend by 50 per cent the duration of benefits payable under their respective state laws. Another five states passed such extended duration on their own, without the aid of loans provided by the federal law.

Under the Temporary Emergency Benefit provisions of the amended SUB plans negotiated in 1958 and early 1959, these extensions of the duration of state benefits brought additional weeks of SUB to many thousands of our members.

Although the federal TUC law was extended on a temporary basis in 1959, more lasting progress has been made this year in the area of unemployment compensation benefit duration. Nine states have now breached the 26-week maximum duration barrier on a permanent basis. Maximum duration is now 39 weeks in Oklahoma; 36 weeks in Utah; 34 weeks in Wisconsin, 32½ weeks in Colorado; 30 weeks in Massachusetts, New Mexico, Pennsylvania, and Washington; and 28 weeks in Louisiana. In addition, Ohio has extended its original TUC law, providing up to 39 weeks of benefits, until December 26, 1959, and five other states —California, Idaho, Illinois, North Carolina, and Vermont—have enacted permanent legislation permitting extended benefit duration beyond 26 weeks whenever unemployment exceeds a crtain level in their states in the future.

Public welfare rolls swelled to postwar heights in '58.

my report to the 1957 Convention I pointed out that the fourth week of unemployment. This change

SUB Plans Improved in 1958 Agreements

After the first SUB plan was negotiated, in my report to the 1957 Convention I pointed out that our 1955 SUB agreements, historic though they were for the principle involved, required great improvement in their substance if they were to serve their purposes fully.

In our 1958 negotiations with the Big Three auto and other companies, we made significant improvements in our SUB plans, thereby providing increased purchasing power for unemployed workers and their families as well as for workers experiencing short workweeks.

The principal improvements negotiated in 1958 in the SUB plans of the Big Three and other companies that follow their lead include:

1.—BENEFITS—The benefit formula was increased to provide a straight 65 per cent of take-home pay. Under the 1955 formula, benefits under most plans had dropped to 60 per cent of take-home wages after the fourth week of unemployment. This change resulted in an average increase in SUB benefits of about $4.00 weekly after the fourth week.

In addition to the change in the benefit formula, the maximum benefit from the SUB trust fund was increased from $25 to $30 per week. This makes it possible for more skilled trades workers and others in the higher wage brackets to receive SUB benefits equal to a full 65 per cent of take-home pay.

2.—DURATION—Provision was made to extend maximum duration of SUB benefits automatically beyond 26 weeks up to a maximum of 39 weeks in all states that provide more than 26 weeks of unemployment compensation benefit duration. Thus, in the states where maximum unemployment compensation duration exceeds 26 weeks, UAW members may be credited with more than 26 credit units, enabling them to receive more than 26 weeks of SUB payments.

In addition, under the 1958 SUB agreements, workers eligible to receive TUC benefits, under either federal or state law, also received up to 13 weeks of additional SUB benefits, after they had exhausted their regular SUB maximum duration.

3.—SHORT WORKWEEK PROTECTION—An eligible worker whose earnings for a week are less than 65 per cent of his normal take-home pay for 40 hours will receive a SUB benefit even if his earnings are high enough to disqualify him for state unemployment compensation benefits.

In addition to the pay he receives for the hours he works, he gets a benefit from the SUB trust fund (up to the $30 maximum) which, when added to his earnings, will yield a total equal to 65 per cent of his normal take-home pay for a full week of work. Formerly, workers on short workweeks were entitled to SUB only if their earnings were so low that they were able to qualify for state benefits.

4.—MORE LIBERAL CREDITING — Credit units, on which SUB benefits are based, are now accrued by a worker during short workweeks. Formerly, he was required to work 32 hours in a week before receiving one-half credit unit for that week. Now, if he receives any earnings at all in a week, he receives one-half a credit unit.

5.—LIBERALIZED ELIGIBILITY REQUIREMENTS —The waiting week for SUB benefits was eliminated whenever the state does not require a waiting week for unemployment compensation benefits.

6.—LIBERALIZED ADMINISTRATIVE PROCEDURES—Provision is made for procedures which will permit laid-off workers to cash their state unemployment compensation checks before applying for SUB benefits in states that furnish other satisfactory evidence of receipt of state benefits. (We are working with both the corporations and the state unemployment compensation agencies to implement this provision as widely and as quickly as possible.) During short term lay-offs, requirements for personal weekly reporting are waived.

7.—SEPARATION PAY—A major new principle established in the 1958 agreements provides for up to 1,200 hours' pay in a lump sum to workers laid off permanently as a result of transfer of operations, plant closings, or other causes.

Pointing the Way for Future Progress

In addition to the improvements described above, we have been able to make important breakthroughs in key provisions of a number of SUB plans.

Advances made in the Studebaker-Packard and Allis-Chalmers SUB plans, for example, indicate the direction of future progress. Among the features of these plans are:

1.—**HIGHER BENEFITS:** (a) Under both the Studebaker-Packard and Allis-Chalmers plans, only federal income and social security taxes are deducted from gross pay in computing after-tax pay, on which SUB benefits are based. Under these plans, state and local withholding taxes are included in the after-tax pay figure for SUB purposes, thus providing higher benefits in areas where such taxes are in effect. (In some other plans, social security taxes are not deducted from gross pay in computing after-tax pay for SUB purposes, thereby raising benefits still further.)

(b) Under both plans, state unemployment compensation benefits are deducted from the SUB allowance only if they are actually received by the worker. There is no deduction for state unemployment compensation where the worker is ineligible for unemployment compensation benefits, and in such a case he may receive the maximum SUB benefit permitted by the plan.

(c) At Allis-Chalmers, the maximum benefit from the SUB fund is $50 weekly if unemployment compensation is also received, and $75 weekly if unemployment compensation is not received. These maximums are sufficiently high so that even the highest-paid workers will receive the full percentage of their after tax pay provided for them by the plan without being cut off by an arbitrary ceiling.

(d) Earnings from employers other than the company are deducted in calculating SUB benefits only if they exceed $10 weekly in the case of Allis-Chalmers plan and $7 in the case of the Studebaker-Packard plan. (Similar earned income allowances have been won in other agricultural implement corporations and in a number of other companies, such as Borg-Warner, Doehler-Jarvis and National Malleable.)

(e) Under the Allis-Chalmers plan, the SUB benefit is computed as 65 per cent of the weekly after-tax pay if the worker has no child dependents, plus an additional one per cent for each child dependent up to five. Thus, the range in the benefit formula is from 65 to 70 per cent of take-home pay.

(f) Minimum payment at Allis-Chalmers is $3 weekly, even if the benefit amount under the formula yields a lower figure.

2.—**SHORT WORKWEEK PROTECTION:** In Studebaker-Packard we were able to obtain essentially the same short workweek benefit formula that we sought in all major negotiations in 1958.In any week in which the hours paid are 39 or less he is entitled to a payment from the SUB fund equal to one-fortieth of 65 per cent of weekly after-tax pay for each hour less than 40 that he works. For example, if the worker receives pay for only 32 hours of work in a given week, he receives both his company pay for the 32 hours worked, and a benefit from the SUB fund equal to 65 per cent of his after-tax pay for the remaining eight hours.

3.—**WAITING WEEK** — Under the Studebaker-Packard plan, during the state unemployment compensation "waiting week," the SUB fund pays laid-off workers a "waiting week" benefit equal to $3 less than his full unemployment compensation benefit. Under the Indiana law, this enables the worker to receive SUB and still get "waiting week" credit for unemployment compensation purposes.

4.—**ELIGIBILITY**—The Allis-Chalmers plan (and a number of others) specifically protect the right of the worker to receive SUB benefits when he exercises his option of refusing work he is not required to accept under the collective bargaining agreement.

5.—**ADMINISTRATION**—(a) Procedures: Under the Allis-Chalmers, Studebaker-Packard, and other simalir plans, the Union-Company Joint Board must approve rules, regulations, and procedures for administering SUB, thus giving the Union an equal voice with the company on these matters.

(b) Mail Reports: Under these two plans, the Joint Board can modify or waive personal reporting and may substitute mailed application procedures for verifying receipt of unemployment compensation. (Mailed applications have been accepted for several years by a number of companies, including American Motors and Doehler-Jarvis.)

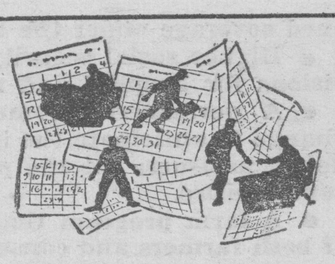
6.—**SEPARATION PAY** — The Allis-Chalmers, Studebaker-Packard, and a number of other plans provide for liberalization of separation pay computations when the trust fund position is less than 100 per cent. The Allis-Chalmers plan treats the trust fund position as if it were 100 per cent so long as it is 85 per cent or higher. The Studebaker plan relates the actual trust fund position to 85 per cent instead of 100 per cent for the purpose of computing separation pay thus yielding larger benefits than other plans at all trust fund positions below 100 per cent.

The Road Ahead

The significant improvements in the plans that we were able to win in last year's negotiations, despite severely adverse conditions, is an encouraging sign for the future.

We shall go on in future negotiations to build brick by brick upon the foundations already laid until the structure of employment and income security that was only a dream when our Union was born rises in solid reality to its full stature.

Shorter Workweek



Progressive reduction of the workweek is one of our major goals on both the collective bargaining front and the legislative front.

As noted in the section of this report dealing with our 1958 negotiations, conditions beyond our control last year made it unwise to press at that time the demand for reduction of the workweek. Accordingly, the delegates to the Special Convention held in January 1958 voted to defer the shorter workweek demand to future negotiations.

At the same time, the delegates reaffirmed their determination, in view of the rapid progress of automation and other technological advances, to press forward at the earliest opportunity toward the twin goals of increased leisure and simultaneous increases in living standards.

In order to mobilize the support of the whole labor movement behind the efforts to win a shorter workweek, the Economic Policy Committee, which I serve as chairman, proposed and had adopted by the AFL-CIO Executive Council at its February 1959 meeting, a resolution making it the policy of the AFL-CIO to seek a reduction of the workweek as a major objective of the labor movement as a whole.

Historically, workers have always taken part of the benefits of advanced technology in the form of increased leisure, through reductions in the workday and the workweek, through increased paid holidays and paid vacations, through an increase in years spent by young people in school, and through earlier retirement of workers.

Yet at the same time we have been able to make dramatic increases in our production of goods and services. Professor William Haber of the Department of Economics, University of Michigan, has estimated that " in the past, about 60 per cent of the increase in productivity has gone into higher real wages and about 40 per cent into more leisure."

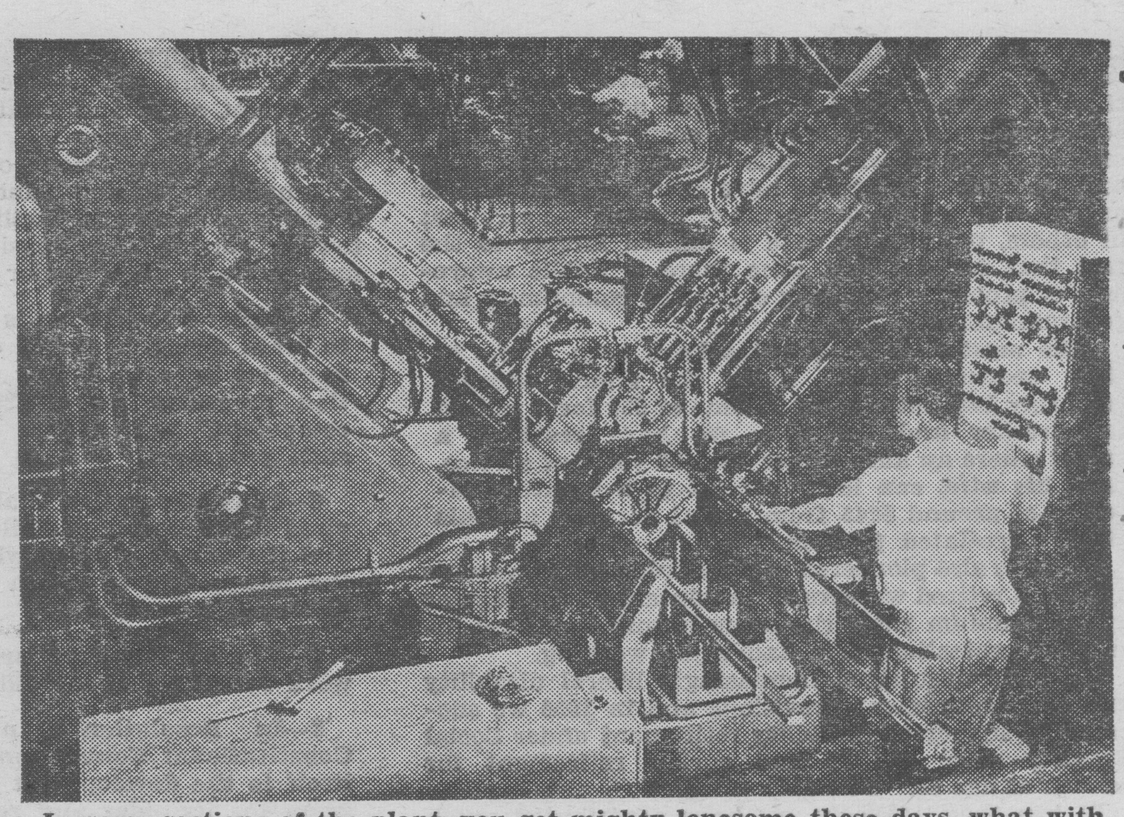
In my report to the 16th Constitutional Convention in April 1957 I said: "The only realistic alternative to the involuntary and barren idleness of widespread unemployment is the voluntary and constructive leisure that flows from a rational reduction in the hours of work."

Since that time two and one-half years ago, many millions of men and women in the United States and Canada have been forced to suffer "the involuntary and barren idleness of unemployment."

The time is past due for a reduction in the general hours of work so that the benefits of advancing productivity can be reflected in creative leisure for all rather than in forced unemployment.

For UAW members, reduction of the workweek in our agreements is a major collective bargaining goal, but if all workers are to share the gains of increased leisure, the reduction in working hours must be part of a national program of social and economic measures designed to realize the potential benefits of technological progress. Past UAW conventions have urged that the United States Congress and the Canadian Parliament each establish a Commission on Technological Change which would have the responsibility for reviewing progress in automation and similar fields, and making recommendations for legislation and action to assure that the fruits of technological advance are fairly shared and full employment sustained.

To accomplish a general reduction of working hours, the Fair Labor Standards Act should be amended to provide for a progressive reduction in the standard workweek, with provisions for periodical review by the Commission on Technological Change so that, as our technology continues to advance, workers can enjoy to an increasing degree the added leisure it makes possible.



In some sections of the plant, you get mighty lonesome these days, what with new machinery.

The rate of reduction of the standard workweek should take into account both the rate of technological advance and the extent to which our growing power to produce is actually being used to raise living standards, to meet our national needs for more and improved homes, schools, hospitals, highways, resource development, etc., and to provide for generous international economic aid and an adequate defense.

The precise legislative details can be worked out in both our countries. What is of first importance is that we should achieve acceptance of the principle that all working men and women, those still unorganized as well as members of trade unions, should be enabled to take part in their share of the increasing productivity of the economy in the form of increased leisure and part of it in higher incomes.

Thus we can achieve a better life for all and help to assure that the potential dislocating impact of technological advance will be cushionel.

If we fail to do so, we run the risk that material progress for the economy as a whole may be achieved more slowly than it could be, and only at the cost of unemployment and suffering for millions of unemployed workers and their families.

Health Security

Trying to pay for and make available necessary health services of high quality standards through a rationally organized consumer-oriented system of medical practice is one of the most stubborn and persistent problems that our Union, along with the labor movement in general, has had to face over many years.

The failure of Congress and the public to embrace former President Truman's 1948 proposals for a system of national health insurance has proven to be a tragic error.

The labor movement soon after moved in to fill the gap by channeling millions of dollars of collective bargaining gains into programs for the purchase of health services through voluntary prepayment plans and commercial insurance carriers.

But years of experience have demonstrated built-in inefficiencies, waste, increasing costs and an utter lack of responsiveness to consumer needs in prevailing health insurance and medical practice.

Our Indictment Still Stands

Necessary as this allocation of collective bargaining funds was as a stopgap, we must realistically recognize that under present arrangements we will be spending more and more money for health services with no assurance that we can expect more comprehensive coverage or improvement in the quality of medical care. The difficulties are well known. In my report to the UAW Sixteenth Constitutional Convention in 1957, I stated:

". . . Blue Cross-Blue Shield and commercial insurance plans are failing in their responsibilities because:

"1. Although virtually all UAW members and their their families are now covered by prepayment, they are usually left, at the time of illness, with substantial bills for services they thought were covered. These plans, at least, generally cover only about one-third of the average family's expenses for health services.

"2. Premium charges have been continually rising.

"3. There has been little sound development in extending areas of coverage.

"4. Existing plans have demonstrated no concern and accepted no responsibility for the quality of care.

". . . the system of indemnity payments for physicians' services is not a satisfactory method of paying for health service. Indemnity allowances have all too frequently constituted merely a base to which substantial out-of-pocket charges are added . . . though it has been generally assumed that attempts by Blue Shield to provide service benefits with income limitation present a satisfactory answer to this problem, our experience shows that this is not the case. In many areas, Blue Shield provides only indemnity insurance and has no income-ceiling service scheme. In other areas, ceilings are ridiculously low."

We had hoped for substantial progress in the two years since this indictment of America's voluntary health insurance was drawn, but after innumerable meetings and conferences on all levels with Blue Cross-Blue Shield, and the insurance companies; after a whole series of public hearings on rate changes, there is no reason for significantly changing this 1957 appraisal of the situation.

These last two years have been a period in which labor has demonstrated increasing concern with these problems and a greater determination to overcome them. Today, there is growing acceptance of the fact that competitive health insurance programs in the form of group practice prepayment medical care plans (like the Kaiser Foundation Health Plan in California and the Health Insurance Plan of Greater New York) need to be widely developed.

Our Union has sponsored the development of the Community Health Association, a comprehensive, prepayment medical care plan soon to be launched in the Detroit area. It will provide complete medical care on a prepayment basis furnished by physicians working in groups and based in community hospitals.

There is every reason for confidence that this experimental program will demonstrate in very practical fashion the social, economic and medical advantages of group practice prepayment plans.

Support Came Grudgingly

When it appeared that the devolopment of voluntary health insurance was an alternative to a system of national health insurance, organized medicine reversed its traditional opposition to prepayment and gave grudgingly support to Blue Cross and Blue Shield and commercial health insurance.

Now that they believe national health insurance has been blocked in Congress, we find the medical profession and their insurance business allies again in opposition to the reforms needed to make the voluntary system a meaningful substitute for a universal system.

Our Union has repeatedly expressed our aspirations for making health insurance an effective instrument for the realization of a strong and healthy community. Briefly, these include:

1. Fully prepaid medical care unencumbered at the time of receipt of health services by economic deterrents such as deductibles—similar to deductible provisions in automobile insurance—and coinsurance.

2. Comprehensive protection for necessary health services, whether performed in the hospital, home or doctor's office, and whether for treatment of illness and injury or for preventive care, diagnosis or rehabilitation.

3. Economically and efficiently organized services in medical facilities offering ready access to the full range of medical skills and specialties.

4. High standards of quality achieved by systemmatic and continuous review of medical practice by qualified medical authorities.

These are modest and reasonable goals. We are prepared to pay whatever reasonable cost is needed to achieve them.

We believe that the Community Health Association and, ultimately, similar plans in other areas will make their realization possible.

Needs of Retired Workers

As we approach the 10th anniversary of the first retirement date under a UAW-negotiated pension plan, it is appropriate to review our achievements and to look ahead to new goals in making retirement a personally satisfying and socially productive period of life for our membership.

Less than 10 years ago, a pension of $100 a month was still a dream.

In 1949, the average U. S. autoworker and his wife could look forward to a retirement income of no more than $54 a month, all from Social Security.

If he or his wife required anything more than routine medical attention, they were forced either to exhaust whatever limited savings they had put aside, or to rely on relatives, or to accept public charity.

Our Victory Was Everybody's Victory

For 12 years—1937 to 1949—despite tremendous and continuous efforts on the part of organized labor and other people sympathetic to improvement in Social Security, we made no progress whatsoever in Washington in increasing federal Social Security benefits. The original inadequate level of benefits (made even more inadequate because of inflation during the war period) remained frozen because tremendous, powerful corporations lobbied incessantly against any increase.

It was not until 1949, when the UAW finally made its successful drive for pensions and broke through in Ford that we created a basis for improving the level of Social Security.

In that agreement and in all of our pension agreements wtih major employers negotiated within the next year, it was UAW policy to integrate Social Security benefits with negotiated pension benefits, the employer paying the difference between the monthly pension to which the individual retiree was entitled and $100.

Thus did we create the leverage to improve Social Security, because at the point the employers were obligated by collective bargaining agreement to pay the total cost of private pension benefits as contrasted to half the cost of Social Security, they withdrew their opposition to increased Social Security.

The negotiated pension agreements by the UAW, therefore, not only advanced the interests of UAW members, but made possible increases in Social Security benefits in which all American people shared.

Since 1949, there have been very substantial gains in meeting the problems of retired workers. These gains are in no small measure due to the continued

efforts made by UAW to improve the status of its retired members through collective bargaining, through political and legislative action, through community organization, and even through direct service programs where this became a necessity. In some instances the gains have been real and can be expressed in dollars and cents or in tangible services; in others, progress to date is limited largely to the fact that for the first time there is public awareness of problems requiring organized community and governmental action.

The most significant gains have been made in the economic field. From the typical meager monthly 1949 retirement income of $54 for a retired autoworker and his wife, we have reached a point where an autoworker with 30 years of service, and his wife, can look forward to a monthly income of around $245 from Social Security and his UAW-negotiated pension.

We have also pioneered in developing arrangements by which retired workers can maintain at the regular group premium rates the same hospital-medical insurance protection they had while working.

We have negotiated increasingly liberal disability and early retirement provisions and in 1956 we successfully supported disability retirement under Social Security after age 50 and earlier retirement for women at age 62.

In less than 10 years, we have contributed much to the older worker's freedom of choice between work and retirement, and by virtue of provisions for more adequate income and for earlier optional retirement, we now find that the great majority of our members retire well in advance of the 68-year automatic retirement age.

Any fair-minded appraisal of the needs of retired workers, however, must inescapably conclude that the accomplishments of the last 10 years are only a good beginning. Much still remains to be done.

1—Benefits under the Old Age, Survivors and Disability Insurance (OASDI) program are tied too closely to the idea of providing a "basic floor of protection" rather than to a concept of benefit adequacy.

The average monthly Social Security benefit to a retired individual in March 1959 was still no more than $72 and his wife was receiving about $36 a month. The average couple, nationwide, thus had a little less than $110 a month from Social Security, as compared to the average retired autoworker and his wife who are likely to be receiving close to $215 in combined Social Security and negotiated pension benefits.

2—The time has come to amend the Disability Insurance Benefit (DIB) provisions of the Social Security Act to provide benefits before age 50 and to relax the test of disability to standards realistically relating a worker's physical condition, age and skills to his ability to secure and engage in regular employment.

3—Proper hospitalization, surgical and nursing home care insurance needs to be built into the Social Security structure.

4—Congress must live up to its 1956 housing promise to the nation's pensioners.

In 1956, Congress amended the housing laws to provide greater opportunities for housing for retired workers under public, cooperative, non-profit and privately financed programs. However, the progress made in housing for the elderly under the 1956 amendments has been slow primarily because of inadequate appropriations in the public housing field and a failure to provide adequate leadership to implement state and local programs of both public and private housing.

Intelligent investment of a small part of the accumulated pension funds of employers in such housing projects and facilities would go a long way toward solving the housing needs of our retired members and other senior citizens.

5—Federal legislation is needed to provide grants to state departments of education to assist communities in establishing education and recreation programs for older people and to provide competent professional leadership to supervise such programs.

6—It is imperative that better methods be devised to determine eligibility for old age assistance and the extent of need without the humiliation of the means test to which virtually all OAA applicants are submitted.

7—The surplus food program must be made to work better for needy older people.

8—In Resolution 17 passed at the Sixteenth Constitutional Convention, the Union committted itself to the development of a comprehensive program for its older and retired members.

A special International Union department has been established and each Regional Director has designated one or more representatives to provide leadership to local unions in establishing standing committees on older and retired workers and community or area-wide councils designed to promote programs and services for retired workers and older members looking forward to retirement.

9—Resolution 17 also called for the establishment of retirement preparation education programs for older members well in advance of retirement.

Although such a program was proposed to management as a joint enterprise in 1958 negotiations, our efforts were unsuccessful in getting agreement on this important idea.

The UAW feels that the matter of helping workers to prepare for retirement is of such importance that we are determined to continue to press for this kind of program in future collective bargaining negotiations.

10—Age discrimination in employment which begins long before the worker is ready to retire is becoming an increasingly serious problem in America.

The UAW supports bills originally introduced in the 85th Congress by Senators Javits and Neuberger which would subject employers discriminating on the basis of age to fines and other penalties under National FEP legislation.

The Union also supports such legislation at state levels.

11—This brings us to the final point in a review of the needs of retired members, and that is the need for over-all, comprehensive, adequately financed leadership from government in the aging field.

It is hoped that the newly-appointed Senate Subcommittee on Aging and Aged will provide the leadership and foresight necessary to present a comprehensive farsighted program along with the organization and financial planning needed to meet the growing and constantly changing needs of the senior citizens in our population.

Program To Fight Unemployment and To Achieve and Maintain Full Employment

"As we meet in Convention in the early part of April 1957, the general economic outlook is uncertain and the economic outlook for the automobile and agricultural implement industries is even less reassuring. The tight money policy of the present Administration, higher prices resulting primarily from excessive profits of giant corporations and a lack of purchasing power on the part of millions of American urban families, and continued decline in farm family income give reason for concern about the future." (Report to 1957 Convention.)

That concern was well-founded; our misgivings were tragically borne out. But neither then nor in subsequent months did industry or the executive branch of the federal government heed labor warnings or respond to our repeated call for joint action by labor, management and government to reverse the downward trend and put America back on the road to expansion and full employment and full production.

Economic reports submitted to the second convention of the AFL-CIO in December 1957 sounded an alarm over the "lull and downward drift of economic activities in 1957," stated that "complacency over the state of national economic affairs must be replaced by positive policies, both private and public, to strengthen the economic and social order," and outlined the basic programs for economic expansion and social welfare that labor had consistently advocated.

When the UAW Special Constitutional Convention met in Detroit on January 22, 1958, to frame a noninflationary bargaining program, mounting unemployment in the United States and Canada was spreading hardship to hundreds of thousands of our members and their families.

Faced by a recession which was to affect many millions of workers and their families, and with complacency enthroned in the White House, we in the UAW sought to quicken awareness of the plight of the unemployed and to step up action in every area to put America's breadwinners back to work in an expanding economy.

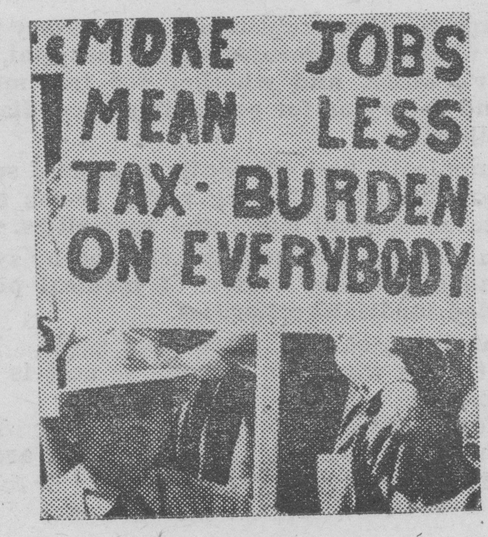
UAW Action Program

Toward those ends, we advanced a comprehensive program of short-term and long-term action and seized upon every occasion to bring that program to the attention of the nation and of the people's representatives at every level.

The "UAW Action Program to Get America Back to Work," drawn up by the UAW Executive Board in February 1959 and published in full in UAW Administrative Letter Vol. 11, No. 1, pulled together all the elements of labor's program for economic recovery and expansion that had found expression at UAW and AFL-CIO Conventions, and which have been urged repeatedly upon local, state, and federal legislators.

- **There is need for a permanent federal program for the rehabilitation of distressed areas.**
- **There is a permanent need for federal aid in the construction of highways, housing, hospitals, and schools.**
- **We need a higher minimum wage and broadened coverage under the Fair Labor Standards Act.**
- **Higher social security benefits, including provisions for hospital and medical care.**
- **A permanent commission on technological change to anticipate the impact of automation and devise measures for the protection of workers and communities.**
- **A farm program that will satisfy the equities of both farmers and consumers and provide for the use of farm surpluses to relieve hunger at home and abroad.**
- **A vigorous, continuing investigation of wage-price profit relationships in industries where a few large corporations exercise monopolistic pricing powers.**
- **A public agency to hold advance hearings on price increases proposed by such corporations, together with an independent office to represent the consumer interest in such hearings and in other administrative proceedings.**

All these necessary measures are included in the UAW's full employment program.



Call for Congressional Action

I was able to take advantage of frequent opportunities since the 1957 Convention to urge all or parts of labor's recovery and expansion program on the Congress.

On April 30, 1958, in testimony before the House Banking and Currency Committee, I presented the Labor movement's recommendations fully, urging action that would halt the economic tailspin and put our laid-off members and the rest of the unemployed back to work in a growing America.

I asked for federal aid for area redevelopment and the expansion of community facilities, federal standards for unemployment compensation, cuts in income taxes for low-and-middle-income taxpayers, a 90-day moratorium on withholding taxes, abolition of excise and sales taxes on cars, trucks, and household appliances, a closing of tax loopholes, a comprehensive public works program, improvement of social security benefits, help for small business, increase of minimum wage levels to $1.25 per hour and extension of coverage, and other measures that should have been ready for enactment at the first signs of the downswing several months earlier.

On behalf of the AFL-CIO (as chairman of the AFL-CIO Economic Policy Committee) and in my capacity as UAW president, I testified, on February 9, 1959, before the Joint Economic Committee of Congress on the President's Economic Report. I pointed to the great national losses in production, consumption and jobs as a result of the faltering economic trend since 1953, and again urgently recommended to the Congress labor's program for recovery and economic growth.

Government, as the representative of the general interest, must assume responsibility for cushioning the economic and social shock suffered by wage-earners and their families and by entire communities as a result of economic change. I had an opportunity to express this viewpoint before committees of both houses of Congress.

On March 2, 1959, I appeared before the subcommittee on production and stabilization of the Senate Banking and Currency Committee to urge legislation to restore production and employment in depressed areas. On March 19, I testified before the area redevelopment sub-committee of the House Banking and Currency Committee in support of a companion bill to the Senate measure.

Allocation of Defense Contracts

A little imagination or will on the part of Administration leaders might have spared workers in the automobile and other industries some of the hardship suffered as unemployment threatened and joblessness grew with the recession.

The Defense Department, for example, had at its disposal in early 1958, hundreds of millions of dollars in military contracts authorized but not allocated.

Its delay in placing its orders was one of the factors contributing to the sharpness of the recession.

On March 19, 1958, I urged Defense Secretary McElroy to place $332 million in such contracts for combat and support vehicles, as one means of alleviating unemployment in the auto industry.

A Tax Moratorium

Another area in which the Eisenhower Administration frittered away precious time wtihout acting was that of the federal taxing power.

In one of many pleas on behalf of UAW members for White House action, I asked the President on February 19, 1958, to ask Congress for authority to declare a moratorium on withholding tax payments as a means of boosting purchasing power, stimulating sales, and thus stemming the loss of jobs.

Such a moratorium would have added half a billion dollars a week to consumer purchasing power, most of the benefit going to low-and-middle-income families of wage and salary earners whose large unmet needs would assure the rapid spending of their tax savings.

On March 11, I notified Congressman Thaddeus M. Machrowicz, a member of the House Ways and Means Committee, that the UAW favored elimination of the excise tax on automobiles (provided the full benefit was passed on to car buyers) in order to increase sales and raise production and employment in automotive centers.

On May 6, 1958, Senator Paul Douglas of Illinois advocated a reduction of the excise tax on autos from 10 per cent to two and one-half per cent, as part of a program to encourage sales and restore employment. His proposal found quick endorsement by the UAW.

Recession Bargaining

Senator Kefauver had asked the auto companies as well as the UAW for their reaction to the Douglas plan, which included a further six per cent reduction in auto prices before payment of excise tax.

Although it must have been clear to any schoolboy

that such a price cut, together with a reduction in the excise tax, would have put life back into the car market and restored jobs to auto workers, Ford and GM seized the occasion of the Douglas proposal for another denunciation of the UAW, ignoring Senator Douglas' reminder that our Union had declared its readiness to temper its wage demands in response to a price cut.

In accepting Senator Douglas' proposal, I added the suggestion that arbitration be used to help settle our economic differences with the companies, with the arbitrators to be limited in their award to the amount that could be paid without necessitating price increases.

The UAW Executive Board proposed at its February 1959 meetting that Washington officialdom be given a look at the real face of unemployment, as an antidote to the delusion that unemployed workers are statistics that can be added, subtracted, erased or forgotten with the stroke of a pencil or the wave of a hand.

Washington, the board believed, needed to meet the unemployed in person.

I carried this proposition to the February meeting of the AFL-CIO Executive Council. It will be recalled that the President of the United States (who was temporarily in Washington between a quail hunt in Georgia and a visit to the Mexican resort town of Acapulco) had the poor taste to ridicule labor's concern over unemployment.

The AFL-CIO Council voted to summon unemployed union members to a Washington rally on April 8, 1959, to be followed the next day by a legislative conference.

Over 7,000 members of AFL-CIO unions gathered at the Washington rally of April 8, representing millions of their unemployed fellow-Americans.

AFL-CIO President Meany denounced the Administration's do-nothing attitude. Following soothing but evasive words by Secretary of Labor Mitchell, I remarked to the delegates that when I heard the secretary say he was going to tell what the Administration had done about unemployment, I said to myself, "This will be the shortest speech he has ever made in his life."

"Getting America back to work ought to be the number one priority item on the agenda of American democracy's unfinished work," I said further.

"The unemployed of America cannot sustain their families on platitudes and promises. What they want is prompt action on the job front of America."

The mass conference heard regional reports on the job situation and called for a comprehensive legislative program. Five hundred delegates from AFL-CIO affiliates convened in a legislative conference the day after the job rally and pressed for legislative action in personal visits to Senators and Congressmen.

One of the measures we called for at the Washington conference was distribution to the unemployed and their families of more of the billions of dollars we have in surplus food. On June 8, 1959, Secretary-Treasurer Emil Mazey testified before the subcommittee on production, marketing and stabilization of the Senate Agriculture Committee in support of Senate Bill 1884, which was designed to achieve that purpose. Brother Mazey said:

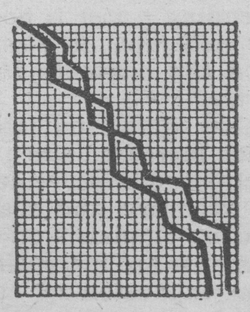
"Our Union, working with the rest of the labor movement, has suggested the enactment of legislation by Congress that will 'Put America Back to Work' and legislation which wil providle for the needed improvements of the social insurance system.

"In the absence of such a full employment economy and adequate social legislation, however, it becomes the clear responsibility of the Congress, working in cooperation with state and local governments, to provide among other things at least the minimum dietary requirements necessary for the general health of those who become victims of the deficiencies of our economic system . . . .

"The present surplus food program for needy families has been entirely inadequate. At the same time that we allow tremendous surpluses of farm prodults to accumulate in storage at an annual cost to the American taxpayers of over one billion dollars, there are at least 17 million persons in this country who suffer from some form of malnutrition."

The fight for full employment will continue as long as reactionary politicians and short-sighted business leaders continue to block those programs that are necessary to assure that every person who is able and willing to work shall have the opportunity to work, to support himself and his family and to contribute to the prosperity of the nation.

General Economic Conditions



For many years we in the UAW, along with those in other unions, have been trying to awaken the public to the fact that our economy can grow and be healthy only if we maintain a balance between our physical capacity to produce goods and services, and our economic ability to purchase them. Failure to maintain that balance can only get us into trouble.

Throughout the period leading up to the recession, the Republican Administration was unable or unwilling to recognize the growing imbalance in our economy, and to take steps necessary to correct it. The Administration was complacent in years when our national output was only slightly larger than the year before, although even this was not true in 1954 and 1958.

Any growth at all was hailed as evidence of real prosperity, and as support for the Administration's position that no special government action was needed to strengthen our economic structure.

But the recession whose effects we can still feel has made it abundantly clear that our economy was not in good health. And it still isn't. Merely matching last year's output of goods and services, or inching to slightly higher levels, is not the way to build a dynamic expanding economy.

Under the impact of new technologies, our capacity to produce is growing at an accelerating rate. Our purchasing power must grow along with it if we are to maintain an economy of full production and full employment.

To achieve that goal requires positive action on the part of the federal government. It requires a complete commitment to the spirit and intent of the Employment Act of 1946, which placed upon the federal government "the responsibility to use all the means at its disposal to promote maximum employment, production and purchasing power."

We have been and will continue to be faced with two basic economic facts—a continually growing labor force and an accelerating rate of productivity advance.

These two factors—a growing work force and increased productivity—combined mean that we must increase our production of goods and services each year by an amount equal to the output of about four million workers—we must actually create close to four million new job opportunities merely to prevent unemployment from increasing.

To do this, our total production must grow at a rate of about five per cent each year. This can only be done if purchasing power grows also, to insure markets for the increased production.

Figures Reveal Imbalance

The failure to maintain a balance between productive capacity and purchasing power between 1953 and 1957 is clearly revealed by the official statistics. Between 1953 and 1957, the amount of cash flowing into corporation treasuries, both in undistributed profits after payment of taxes and dividends and in depreciation reserves, increased by almost 45 per cent. Largely as a result of this increase in available cash, manufacturing industries were able to expand their productive capacity by almost 26 per cent.

But consumers as a group gained only 15 per cent in purchasing power, as represented by dollars of income after taxes and after adjustment for price increases!

A number of factors led to the failure of purchasing power to keep up with expanding productive capacity.

- One was the high-price, high-profit policies of the major corporations whose economic power permitted them to administer prices over crucially important segments of the economy.

- A second was the broad program of tax handouts to Big Business in 1954 (including extension of the principle of accelerated depreciation allowances which, since that time, has permitted corporations to hide away and escape taxes on several billion dollars of extra profits in addition to those which appear on their balance sheets).

The recession resulted from these imbalances:

- Consumers were unable to purchase the increasing stream of goods our industries were geared to produce.

- Producers found that capacity was far greater than demand, and inventories climbed to record levels.

- Business not only reduced its output, but business buying also slackened. Plans for the purchase of new machinery and eqipment were revied.

- With reduced production and sales, manufacturers cut buying programs so as to reduce their inventories of materials.

- Wholesale and retail distributors also sought to keep their orders even lower than the level of falling sales, so as to reduce their inventories of goods on hand.

The inevitable result was widespread unemployment and a sharp business recession. By the end of 1957, over 20 per cent of manufacturing facilities were idle, and unemployment was moving up rapidly toward the five million mark.

While the Administration failed in its duty to attack unemployment with a national program to help meet our unfilled needs, the tight money policies of the Federal Reserve Board which had been a factor in bringing on the recession choked off much of the efforts of lower levels o government and of individuals. Higher interest rates and greater difficulty in borrowing curtained housing construction, seriously hurt small business men and farmers at a time when they most needed help, caused postponement of numerous state and municipal public works programs, and through higher instalment rates added extra costs to already over-priced consumer durable goods such as cars and household appliances.

The Board did start to reduce interest rates late in 1957, but by this time the economy was moving steadily deeper into the recession. The damage had been done.

Erode Purchasing Power

A major contributing factor to the economic imbalance which led to recession was the abuse of economic power by the dominant corporations which are able to administer prices in a majority of the most important areas of our economy.

Its immediate effect upon the economy in 1957 and 1958 was to help bring on the recession as ever higher prices ate into purchasing power, and to deepen its severity as the price administering corporations not only failed to lower prices in response to falling demand, but in many cases were able to force prices still higher in defiance of the law of supply and demand.

Unemployment Was Nationwide

Reports on employment from the various labor market areas of the country reflected the nationwide severity of the recession.

In July 1957, of the 149 major labor market areas in the country, 24 areas had six per cent or more of the work force unemployed, and of these there were eight with nine per cent or more of workers unemployed. Among smaller labor market areas, 61 reported at least six per cent unemployed.

By May of 1958, 86 of the 149 major areas and 161 smaller areas, or 247 areas in all, reported unemployment of over six per cent. Among these there were 39 major areas with unemployment over nine per cent.

Even a year later, for scores of communities and for millions of workers the recession was still not over. In May 1959, there were still 60 major and 172 minor labor market areas which reported six per cent or more of the work force unemployed. As late as July of this year there were 46 major and 143 minor areas still over the six per cent mark.

About 36 per cent of all the millions of unemployed persons received no unemployment insurance benefits, either due to lack of coverage or, in short periods of unemployment, because they did not become eligible or did not apply.

The measures adopted to adjust to these income losses were, in order of frequency: Use of savings, cutting down on buying, getting help from relatives, piling up bills and borrowing money.

The inadequate level of Unemployment Compensation benefits and large number of workers who exhausted their benefits while still unemployed did not reflect financial inability on the part of the state systems to pay out larger benefits for longer periods of time.

During the 12 months ending October 31, 1958, state systems paid out about $3.5 billion in benefits, but at the end of that period they still had reserves totalling $7 billion. If unemployment insurance benefits had been paid at a rate of 50 per cent of average wages instead of 37 per cent, if coverage had been broadened and the maximum duration of benefits had been 39 weeks in all states for the entire period of the recession, the survey estimates that about $1.5 to $2 billion additional would have been paid out to unemployed individuals.

Far fewer workers would have been left to face continuing unemployment with no benefits, an immeasurable amount of human suffering and despair would have bee avoided, and the addition of another $1.5 to $2 billion to the stream of spending would have helped to speed economic recovery.

Reflecting the fact that the sharpest declines in buying were for consumer purchases of durable goods such as automobiles and appliances, and business expenditures on new plant and equipment, the most severe unemployment was felt in the automobile, machinery, steel and other heavy goods centers.

In the auto industry, nationwide, as noted elsewhere in this report, there were almost 200,000 fewer production workers employed in April 1958 than in April 1957. Employment was down by about 250,000 production jobs in the machinery industry, and another 250,000 in the primary metal industries.

With the heavy concentration of automobile and parts plants in Michigan, about 60 per cent of the decline in automobile employment took place in that state.

In April 1958, Michigan unemployment amounted to 15.1 per cent of the state's work force, or almost one worker out of every six. In August, at the seasonal peak, unemployment reached the staggering total of 16.1 per cent. On the average, in 1958, about one Michigan worker in seven was unemployed at any given time.

About one Michigan worker out of four covered by unemployment insurance drew some benefits during 1958, either from the regular state program or the temporary federal program or both. Of those who drew benefits, 252,000 exhausted all they were entitled to under the regular program, and about 107,000 also exhausted the additional benefits under the temporary federal program.

Relief cases in Michigan numbered 46,500 in December 1958—almost two and a half times the number on relief at the beginning of 1957. Surplus food distribution for welfare programs tripled during 1958. By the end of the year, there were 500,000 persons in 145,000 Michigan families receiving surplus commodities.

Financial Cost of the Recession

Apart from the human suffering it caused, which is immeasurable, the recession cost us heavily in goods and services which could have been produced, which would have improved our living standards and enabled us to contribute more to the help of other nations if we had produced them, but which were not produced simply because our economy was running iin low gear.

At the low point of the recession, in April 1958, our total output of goods and services was reduced to what it had been in the first half of 1955—although our population was 6.5 million greater and our labor force had increased by approximately 3,000,000.

A healthy economy must be a growing, dynamic economy. The total volume of goods and services which our economy could have produced in 1958 if it had been in a healthy, dynamic condition, cannot be fully determined simply by applying a desirable growth rate to the 1957 level of production, because output in 1957 had been reduced by prior

years of stagnation and lagging growth, and the recession was already well under way before the end of 1957.

Using this most conservative estimate, however, if we had managed to achieve only a five per cent increase in production between 1957 and 1958, our national output would have been worth about $475 billion instead of the $442 billion we actually produced.

Thus, a very conservative estimate of what the recession cost us in immediate loss of production is $33 billion, or about $600 for every family in the United States.

A more realistic estimate of the cost of our failure to maintain economic health must take into account the fact that our economy has not grown as it should since 1953!

As noted in the portion of this report dealing with our potentialities for economic growth, if those potentialities had been fully realized since 1953, our level of production in 1958 would have been some $80 billion greater than it actually was, and our total output over the whole period from 1953 through the end of 1958 would have been approximately $200 billion greater expressed in dollars of 1958 buying power.

Unequaled Impact of the Recession

The economic losses of the recession were by no means evenly shared among all groups in the country.

The very real losses of those who suffered unemployment and sharp curtailment or even entire loss of income have already been described. The total amount paid in wage and salary income have already described. The total amount paid out in wage and salary income fell by an amount equal to an annual rate of $9 billion between August 1957 and the trough of the recession in April 1958.

Thus the costs of the recession were loaded onto the backs of wage and salary workers, while stockholders got the same or in some cases, greater incomes. This unequal sharing was not only morally indefensible, but was economically unsound at a time when the economy was limping along in low gear. Money that goes into payrolls represents almost entirely high velocity dollars that are spent as quickly as received and so help keep the wheel of business and industry running. Eighty per cent of the money paid out in dividends, however, goes to that less than one per cent of the population who already have far more than they can spend on their personal needs and who, in a recession, if they cannot find a satisfactory investment, may well let their surplus funds lie idle, unused, and of no use to the economy.

Union Gains Helped Cushion

In recent years, every time there have been signs of economic trouble, we have been assured by repretatives of management and their political spokesmen that our economy now had "built-in stabilizers" which insured us against the danger that a recession might spiral downward into another full-blown depression like that of the 1930s.

Ironically enough, when a severe recession came, two of the factors which were most effective in halting it short of depression levels were:

1.—Wage and salary gains of workers, which managment had fought with every weapon at its command, tacitly supported by the Administration which kept urging "restraints" on unions and;

2.—Unemployment compensation, which employers had done their best to whittle down and the Administration, in spite of all its lip-service to higher standards, had not taken any effective action to improve.

The need for vigorous and effective national policies rather than the Eisenhower policies of complacency, stagnation and drift, is emphasized by the fact that of the three postwar recessions, each one has been more severe than the one before and recovery has been slower and more difficult.

Present Conditions and Future Prospects

As this is written, in the summer of 1959, the economy is experiencing an unbalanced and possibly precarious recovery.

Although there has been a substantial increase in national income, a totally disproportionate share of the increase has gone into corporation profits and a disproportionately small amount into the income of employes and business and professional people, while farm income has been dropping.

A large part of the increase in national output is being used for the rebuilding of inventories, which is proceeding at a rate which cannot be sustained for very long, and there is no indication at present of any alternative form of demand for goods which will enable output to be sustained when inventories have been rebuilt.

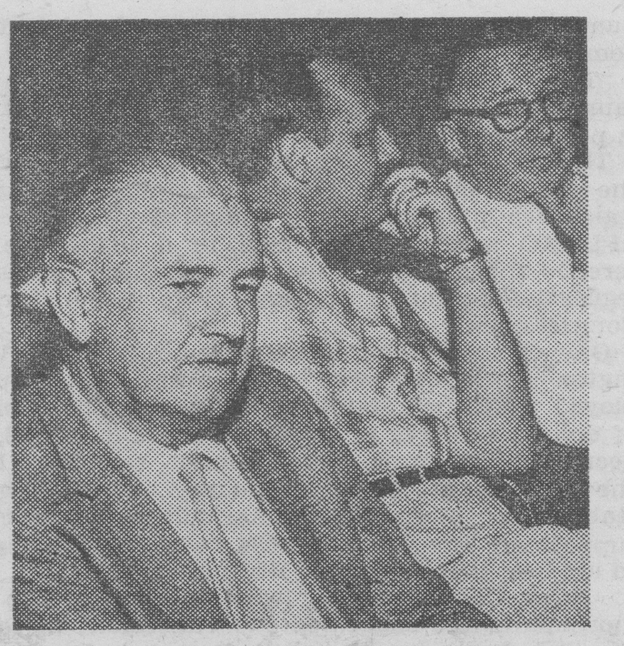
Public investment is still substantially below its previous peak, and with considerable capacity still unused, its advance will be slowed.

Private home building is slackening off, and Administration efforts to balance the budget threaten a decline in government expenditures.

In the meantime, a phenomenally rapid increase in the rate of productivity advance makes it more necessary than ever that consumer purchasing power should grow if our ability to consume is to catch up with our ability to produce.

The latest available figures on national income are for the first quarter of 1959 and the latest national output data are for the second quarter. Compared with the first quarter of 1958, when production an dincome reached a recession low, national income has icreased by an amount equal to an annual rte of $33.6 billion, an increase of 9.4 per cent.

Corporation profits before taxes, however, have increased by 45.3 per cent, while compensation of employes has increased by only 6.9 per cent and business and professional income by 6.6 per cent, and farm income has actually decreased by 9.6 per cent.



Vice President Norman Matthews concentrates on what he's going to say in a speech on Chrysler problems.

Banks Warn That Incomes Must Increase

The necessity for increased income to produce increased consumer spending was stated explicitedly in the June 1959 **Business Review** published by the Federal Reserve Bank of Philadelphia.

After pointing out that "how fast over-all activity increases will depend more on what the consumer does than it has in the past," and that consumers can increase their spending only of they are given the means to do so, the **Review** concludes:

"In 1959-60 if prices hold steady and income continue to increase he'll (the consumer will) get more purchasing power. Then it will be up to producers to whet his appetite with attractive products.

"If, however, prices resume their upward climb, consumer purchasing power may not be adequate to spark a surge in buying. It will do no good if income increases and prices do too. With all the recovery that has taken place the economy is only about where it was two years ago and there are six milion more people to provide for. Per capita real spending power is not so high as it was. Probably it will have to rise if consumer spending is to drive the economy through a longer, stronger prosperity."

Available data indicate that consumer buying power has increased since this article was published, but much more improvement wil lbe needed to insure genuine recovery and real prosperity.

Increasing emphasis on modernization means that managements are increasingly seeking higher profits, not from expansion of capacity and production so much as from greater productivity and less employment for the same volume of production.

But unless consumer purchasing power is substantially increased to match both increasing productivity and the growth of the labor force combined, plant modernization will simply mean fewer jobs rather than more—or at least a slower rate of increase in job opportunities than in job seekers.

Exactly this result from modernization was indicated by the survey in the anticipation of industrial executives that productivity will increase at a record rate—six per cent this year—and that sales will go up faster than employment. In the period 1959-62, the survey found, "manufacturers expect sales to go up 18 per cent—but employment only eight per cent."

Allowing for the normal growth of the labor force, an eight per cent increase in employment in the next three years would substantially reduce unemployment. But if there is to be also an 18 per cent increase in sales, wages and salaries, as well as employment, will have to go up substantially—and, as the Philadelphia Federal Reserve Bank points out, without a corresponding increase in prices.

Fortunately, the opportunity for industry to increase wages and salaries without raising prices—or even while making some price cuts—was never better.

From the industry's point of view, the high profit levels that have been generated by high administered prices in recent years are not going to be needed in the years immediately ahead.

During the past 30 years or so, corporations have been relying more and more on what is called "internal financing" for their growth—that is, instead of going to the public, by issuing stocks and bonds, to finance growth of a company, managment has endeavored to obtain the funds through profits in excess of what are required to pay dividends.

The Department of Commerce estimates that between 1947 and 1958, $272.5 billion worth of new plant and equipment was bought by U.S. corporation (banks and insurance companies excluded). To finance this $272.5 billion investment, corporations raised or had available from internal sources $350.7 billion in this same period (the balance went to working capital).

Only $28.9 billion came from new stock issues, while $66.7 billion was raised by expanding bonded and other long-term debts.

Over $225 billion, equivalent to 83 per cent of the amount invested in new plant and equipment, was accounted for by retained profits and depreciation reserves.

By using the price-profit squeeze, corporations have been able to make consumers and workers pay for by far the greater part of their expansion, while, of course, giving them no share in the increased equities so accumulated.

In the past five years, since the Eisenhower Administration punched a new loophole of accelerated depreciation through the tax laws, additional funds have also been provided by setting up depreciated reserves faster than capital assets were wearing out.

J. M. Keynes, the noted English economist whose theories have had great influence on conservative as well as liberal economic thought, warned in his book, "The General Theory of Employment, Interest and Money":

"Thus sinking funds, etc., are apt to withdraw spending power from the consumer long before the demand for expenditure on replacements (which such provisions are anticipating) comes into play . . . If the effect of this is aggravated by 'financial prudence,' i.e., by its being thought advisable to 'write off' the initial cost more rapidly than the equipment actually wears out, the cumulative result may be very serious indeed."

This, it should be noted, is exactly what the corporations are doing under the accelerated depreciation provisions of the Eisenhower tax law.

Depreciation allowances alone are now almost sufficient to provide for all new manufacturing investment contemplated for several years ahead. If the corporations continue to pile up surplus profits for which it is "almost hopeless" to find useful investment, or even if they pay them out in extra dividends (most of which go to already well-to-do stockholders who will have the same investment problem) then we are in for serious trouble.

The only answers which makes economic sense is for corporate managements to recognize the fact that they have been taking a greater share of the wealth this nation produces than is good for our economic health.

So far during the postwar period, this has resulted in three periods of imbalance between our power to produce and our ability to consume; three periods of recession of which the most recent has been by far the most serious. If corporation management continue to follow the same polices, we can only expect still worse trouble ahead.

The one sound basis on which our economy can recover its health, its dynamic quality and the rate of growth of which it is physically capable is the provision of sufficient consumer purchasing power to meet our private needs; adequate public financing of those programs necessary to provide for our community and national needs; and realistic assistance to less fortunate nations who need our help in order to help themselves.

We live in a world, the rest of whose population has far greater unmet needs than ours. We have a moral responsibility, even out of our present wealth and far more so out of our potential abundance, to give them the assistance which will help them to build up their own economies to satisfactory levels.

We can meet these challenges, and in doing so find the solution to the problems of economic imbalance and instability which are increasingly endangering our economy nad our position of free world leadership. If we fail to meet them, we shall fail also to solve our own problems. The time for choosing may be shorter than we think.

Economic Growth

This report is being written at a time when the United States and Canadian economies are still feeling the after-effects of a sharp and painful recession.

Neither economy has yet succeeded in restoring itself to a healthy condition of full employment and full production.

In neither country have steps been taken to minimize the danger of future recessions and to lay the basis for sustaining rates of economic growth which reflect their real capabilities.

Our social and economic failures of the past two years have caused needless hardship and suffering for millions of families, and helped bring us to a critical point in the world-wide struggle between freedom and tyranny.

We Need Prompt Effective Action

It is urgently necessary that we find effective answers to our economic problems without further delay.

Failure to do so means acceptance of the suffering and loss that economic stagnation and repeated cycles of unemployment cause for our people, an acceptance of hardships as unjustifiable as they are unecessary. In addition, our prospects of victory in the world-wide struggle for men's minds depend in large part upon our ability to prove through example that full employment, full utilization of productive resources and steady economic g r o w t h can be achieved at least as effectively within the framework of freedom as under a communist dictatorship.

A high State Department official has already recognized and publicly admitted the necessity of a faster growth rate in this country if we are to prevent the Soviet Union from overtaking us, but he has obviously failed to convince the rest of the Administration of the pressing necessity which faces us.

On June 11, 1959, C. Douglas Dillon, then Acting Secretary of State, declared that a five per cent annual growth was "an absolute minimum" if we are to stay ahead of the Soviets.

If we should lose the race with the Soviets and the battle for men's minds, it will not be primarily because Russia has surged ahead so fast, but because we have lagged so far behind our own potentialities.

Our failure has been essentially the result of faulty economic policies. We have the physical means and the technical skill to achieve continued expansion at three or four times the pace of actual growth since 1953.

The pace, if anything, should be steadily increasing, for the productivity of our economy tends to grow at an accelerating rate. Given the favorable economic conditions which dynamic and realistic national policies can create, our productivity now

should be increasing at a rate in the neighborhood of four per cent per year. Add to this the effects of population growth, and the economy of the United States should be expanding, at the very least, at a rate of five per cent a year.

Meeting International Needs

The realities of the world situation necessitates that we build adequate military strength.

However, we must clearly recognize that in the face of military statements resulting from the potentialities of nuclear and missile warfare, the Soviet Union is waging an increasing aggressive campaign on the economic front, and will continue to place increasing emphasis on economic penetration and political subversion.

Premier Khrushchev in his report to the 21st Communist Party Congress last January specifically related increases in Soviet production to increase aid to other communist countries. In addition, however, the Soviets have also been increasing their economic assistance to uncommitted nations with underdeveloped economies.

Every ruble's worth of suchaid carries with it a propoganda message of growing Soviet strength.

Yet when it is suggested that American and Canadian aid programs should also be increased, men of little faith have repeatedly told us: "We can't afford it."

Meeting Our Needs at Home

Similarly, we have been told with monotonous frequency that we "can't afford" programs required to meet the needs of our own people at home.

That our still unmet needs are great is indisputable. According to the U.S. Bureau of the Census, in 1957 there were still almost 25 per cent of American families (not counting single persons living alone) with incomes below $3,000—and in Canada, with its generally lower rates of earnings, the percentage would undoubtedly be higher, although there is no evidence of any significant difference in living costs.

Here, right in our own communities, are at least 11 or 12 million families with a vast reservoir of needs which simply cannot be satisfied on an income of less than $3,000—needs which, if they were to be met, would keep our factories operating at full capacity for years to come.

In both our nations, we have hardly begun to meet the public needs of our growing populations.

We must realize that only by following policies based on confidence in our potential economic strength can we transform economic promise into economic fulfillment. Only by adopting programs, at home and abroad, which will expand our power to produce can we stimulate our economies to respond to those demands and achieve the full utilization of our productive capacity.

We Have the Potential

Ample evidence is available that given this necessary stimulus, the economies of the United States and Canada can respond with a high rate of growth in production which will enable us to meet both our needs at home and our obligations to our friends abroad to a far greater extent than we have achieved in the past.

The growth of a healthy economy results from a combination of an expanding labor force, and increasing productivity per worker.

In the past, most economists have thought of productivity as advancing at a fixed average rate per year. It was recognized that for many reasons the rate of advance changed from year to year, but it was generally assumed that these changes would average out to a simple annual percentage. Figures ranging from two to two and a half per cent increase in productivity per year have been the most widely used.

This concept of a fixed average rate of productivity advance, however, does not accord with the facts. It has, in fact, been implicity rejected for some years by many business executives on the basis of knowledge arising out of their own intimate experience with the facts of industrial life.

Thus, for example, Harlow Curtice, then president of General Motors, said at the end of 1954;

". . . our rate of technological advance is constantly accelerating, which means that every year we can build better cars and build cars better than we could build them before; and second, that the market for automobiles is expanding steadily."

Unfortunately, General Motors' price-profit policies were not as forward-looking as their production policies, so that the market did not keep on expanding very long. But that was partly due to a failure of judgement in not adopting price policies which took into account this accelerating rate of technological advance.

Recognition of technological acceleration has been expressed outside as well as inside the automobile industry. David Sarnoff, chairman of the Radio Corporation of America, stated in a pamphlet entitled *The Fabulous Future:*

"The quantity of new powers and products and processes at man's disposal is important; but even more important is the increasing speed at which these things have come. It is not a case of continued increase but of continued acceleration of increase. We need only project the trend into the future to realize that we are merely on the threshold of the technological age."

Several economists have also recognized the accelerating rate of productivity increase.

Statistical Analysis Shows Accelerating Productivity

The observation of top industrial executives and economists that the pace of technology has been accelerating is supported by statistical analysis of long-term productivity data.

In connection with our 1958 automobile industry negotiations, UAW technicians made a careful analysis of the rate of productivity advance over the past 50 years in the whole private economy of the United States. They showed that, instead of tending to increase at a fixed average rate, productivity has in fact tended to advance at an accelerating pace.

The analysis showed a definite and strong trend toward speeding up in the rate of productivity advance, to the extent of something more than one-tenth of a percentage point every two years. This rate of acceleration may seem small, but in practice it has meant that the trend or "normal" rate of productivity growth has speeded up from 0.9 per cent per year as of 1910 to 3.9 per cent per year as of 1956, the last year covered by the analysis. A continuation of the trend would produce a current figure above four per cent.

It is significant that the Economic Board of the President in January 1958 showed the average annual rate of productivity increase for the years 1947-56 as 3.9 per cent.

It is a coincidence that the two figures should be exactly the same but it was to be expected, if the UAW's analysis of the productivity figures is correct, they should not be too far apart.

Wide New Possibilities Open

An understanding of the accelerating pace of productivity advance compels us to think in wholly new dimensions both as to our economic possibilities and our problems. For example:

Mulling over the overwhelming stake workers and their families have in the nation's economic growth.

- It is apparent that a substantially faster rate of growth in our economy is possible than has been generally supposed.
- This faster rate of growth also makes possible more rapid progress in eliminating poverty, increasing leisure through a progressive reduction of the workweek and raising living standards generally, in meeting our public needs and in providing assistance to other lands.
- Realization of our potential growth rate should minimize the danger of demand inflation, although it will not solve the problem of administered price inflation.
- Continuation of this higher growth rate will give us new assurance of our ability to win our economic race with the communist world.
- Recognition of the magnitude of our potential growth rate gives us a new yardstick against which to measure the cost of our failure to achieve full employment and full production.
- While a high rate of technological advance permits more rapid growth, we must also recognize that it makes more rapid growth essential, if increasing productivity is not merely to mean spreading unemployment. National economic policies must be framed with this in mind.

Faster Growth Rate Possible

As already noted, the rate of growth of our economy tends to exceed the rate of productivity advance, because growth results not only from increasing productivity but from additions to the labor force which, for the next several years, will be growing by more than one per cent a year.

An annual productivity increase of four per cent should produce economic growth at a rate of more than five per cent.

(It will still be higher if, as in Canada after World War II, the labor force grows through substantial immigration as well as natural increase.)

In the past, a sustained growth rate of five per cent a year has been viewed as a goal to be achieved only with considerable effort. It compares, for example, with an average growth rate of about three per cent a year from 1870 to 1930, and about four per cent a year after World War II.

What our productivity calculations now suggest, supported by the figures of many noted economists, is that a further acceleration to five per cent growth per year is perfectly possible.

As the report issued last year by the Rockefeller Brothers Fund points out, a five per cent growth rate is not only possible, but is the only means by which we can meet our need for security at home and abroad and still be able to enjoy the improvements we seek in our standard of living.

The vital necessity of acheiving a five per cent growth rate has also been noted by Leon Keyserling, former chairman of the Council of Economic Advisers, and by the distinguished British economist, Barbara Ward.

We must understand that a five per cent growth rate will not be achieved automatically, nor will it develop out of policies like those which have produced so many obstacles to growth during the past six years.

It can be achieved only if we exercise both vigor and vision, through programs and policies which look forward to the future, not back to the past.

We Must Achieve Our Full Potential

The high potential for economic growth which is inherent in our economy holds out to us the promise of a fuller, more abundant future, but it also holds the threat of economic disaster if we continue to fail, as we have in recent years, to achieve that potential.

A high rate of technological advance, combined with a growing labor force, means that an increasing number of workers each year are able to produce a still more rapidly increasing volume of goods and services.

But the other side of that coin is that unless our increased wealth is fairly shared, and adequate provision made for those common needs which can best be met through public effort, we will find the stream of purchasing power wholly inadequate to sustain a full employment economy.

Then, instead of an increasing number of workers, each producing more each year, the number of jobs would begin to shrink so that a smaller number of workers would be producing the same amount or even a smaller volume of goods.

Managing Abundance

That is exactly the experience we have had in the current recession, and the experience we have had in earlier recessions. It is an experience that we will suffer again in future years, unless we learn the lesson that our economy can be maintained in a state of health and growth only as we learn to expand the purchasing power of the people to match the full potentiality of our economic growth.

This is essentially the task of learning to manage abundance by learning to share it.

This should be the major objective of national economic policy.

Our free economic system has the potentiality for elimination of poverty and the achievement of a great sense of purpose and fulfillment in the lives of all the people—but only if we take steps to gear its potential abundance to the needs of all the people.

Our system has the potentiality to raise the living standards of us all—but only if we insure a commensurate rise in consumer purchasing power.

Our system has the potentiality to produce all the homes, schools, hospitals and other public facilities our people need—but only if we carry out programs to build homes, schools, hospitals, etc.

Our system has the potentiality to produce additional goods and services which can help build the economies of our friends and neighbors around the world—but only if we initiate programs to provide that assistance.

Potentialities for growth are not enough by themselves. There must be effective programs which will permit those potentialities to become reality. If the programs are not here, what could have been a potentiality for great abundance becomes instead the potentiality of unemployment, hardship and economic loss.

The Fight Against Inflation

I believe it can be said in all good conscience that no group in America has fought against inflation more consistently, more courageously and more constructively than the UAW.

Our struggle against unjustified price increases over the years has been one with our struggle for greater purchasing power as the key to full production and full employment.

Our interest in the fight against inflation has not been limited to academic discussions. We have worked at resisting the forces that make for inflation, as workers, as consumers and as citizens.

We have worked at the bargaining table and we have worked in the legislative halls.

Our wage demands have been formulated within the framework of our basic policy that wage increases come out of the increased productivity made possible by our advancing technology and not out of the pockets of American consumers through higher prices.

We have not only talked this policy, we have worked and fought for its practical use, sometimes even on picket lines.

Since 1945, the question has been how to assert the continuing public interest in maintaining a stable price level under peace-time conditions.

We raised this question in the 1945 negotiations with General Motors, and in the course of the strike that followed. We did it by asking for a wage increase that the Corporation could pay without raising its prices to American consumers.

General Motors in 1945 rejected the UAW proposition that collective bargaining be established on a firm basis of facts which would be available to the general public as well as to the parties immediately involved, and walked out on a Presidential fact-finding board.

Since that time, the corporate giants in auto, steel, and other key industries have persisted in the abuse of their power over prices, while telling the public that workers' demands for adequate purchasing power and a fair share of the fruits of their labors are the primary cause of inflation.

While blaming labor, however, corporate management persistently refuses to make available to the public or even to Congressional committees the information on costs that would conclusively prove or disprove the validity of the employer argument. And

the employer position is instinctively supported by most of the commercial press which is, itself, a key business operation.

Our 1957 Convention drew an obvious conclusion from this record of profiteering and propaganda. Delegates advocated creation of a "U.S. governmental agency devoted to reviewing price changes in key industries and requiring major corporations in those industries to present in advance detailed justification for any proposed price increases."

On January 28, 1958, I represented the UAW at a hearing of the Kefauver Subcommittee on Antitrust and Monopoly. In that testimony, I again warned of the inflationary implications of the abuse by giant corporations of their power to administer prices, and urged creation of a public agency to conduct open hearings on proposed price increases in industries where one or a few corporations possess monopolistic powers over their markets.

As I pointed out to the Subcommittee, these key corporations are no longer restrained by the competitive forces of the market place, because for them competition no longer exists.

They have succeeded in repealing the law of supply and demand, as witness their ability to raise prices even while demand is falling.

We proposed, therefore, that the pressure of an informed public opinion be substituted for the competitive restraints which have been destroyed.

The primary function of the proposed agency would be to insure that all the facts regarding the justification or lack of justification for a proposed price increase by such corporations be brought to public view, so that public opinion can be based on facts and not on company propaganda.

I proposed further that a permanent governmental agency—an Office of Consumers' Counsel—be created to represent the interest of the consuming public at such price hearings and in connection with other governmental actions affecting consumer interests.

That testimony before the Kefauver Subcommittee, printed in a pamphlet entitled "Price Policy and Public Responsibility," was widely distributed by the UAW to government and civic leaders in an effort to mobilize popular support for a democratic system of public review—not control—of the pricing policies of Big Business.

We again stated the case for a governmental agency to conduct public hearings on proposed price increases by giant corporations when UAW Vice President Woodcock appeared on April 28, 1959, before the Antitrust and Monopoly Subcommittee of the Senate Judiciary Committee to testify in support of the O'Mahoney Bill which would require such hearings.

As Brother Woodcock pointed out, the public hearing mechanism is a democratic solution to a problem that affects **all** the people. It would not impose any controls over prices or undermine any management right to make decisions.

It would simply place the relevant facts before the American people each time a major corporation enjoying monopolistic pricing powers sought to increase prices. It would require, moreover, that corporate propagandists put up or shut up regarding their perennial charge that labor is to blame for inflationary price hikes.

Industry has constantly hurled this charge but has never substantiated it with precise facts and figures on costs.

General Motors and other corporations have wrapped themselves in the inviolability of "competitive secrets"—the corporate equivalent of the Fifth Amendment — whenever labor or a Congressional committee has asked for the facts that lie behind the price decisions their few top executives arbitrarily make.

With the pertinent facts hidden behind its screen of "competitive secrets," big business is completely free to conduct its class warfare propaganda campaign, compounded of falsehood and distortion, to saddle workers with the blame for its own inflationary crimes.

For example, as noted in fuller detail elsewhere in this report, the financial vice president of the Ford Motor Company carefully avoided giving any real facts about the Company's labor costs to the Kefauver Committee in 1958, while at the same time skillfully insinuating that increased labor costs were the main cause of his Company's rising prices.

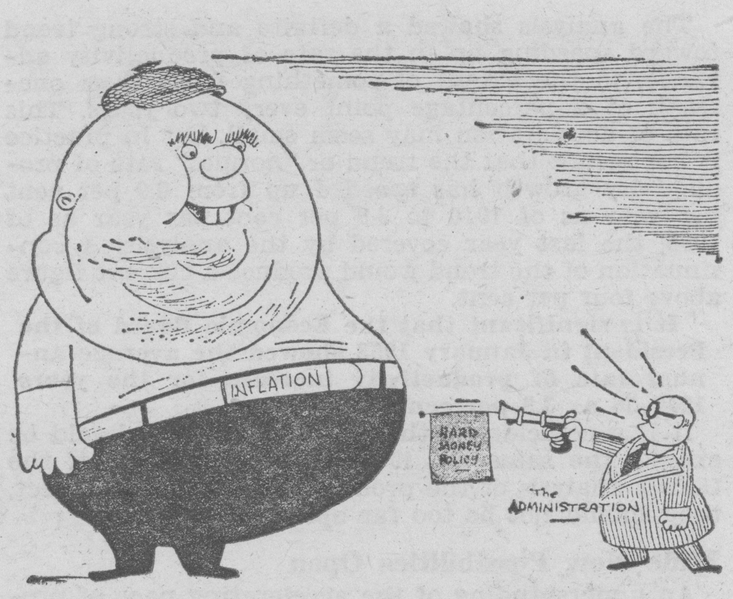
Yet a year later, in a meeting which he did not expect to be reported, the same Ford spokesman admitted that between 1954 and 1958 Ford's cost of producing an automobile, far from increasing, had actually been cut by an average of $94 per unit.

Vice President Woodcock, testifying for the UAW on the O'Mahoney Bill, pointed out that corporations which would be subject to public hearings under the UAW proposal could hardly have any competitive secrets relating to prices, inasmuch as such corporations set the prices in their industries and do not face price competition.

The UAW suggested a number of amendments to strengthen the O'Mahoney Bill. In particular, we proposed that if a corporation claims that a wage demand made by its workers would necessitate a price increase, then both the company and the union representing the workers should be required to attend the hearing and present the facts in their possession. We emphasized that the corporation as well as the union should appear, because without the data and records which only the corporation could supply, it would be impossible to determine the truth or falsity of the claim that wage increase would necessitate a price increase.

Profits Expose Industry Hoax

The complete hypocrisy of tht Big Business conspiracy to put the blame for inflation on the backs of America's wage earners reached its highest point in the period leading up to the steel strike. The U.S. Steel Corporation has been giving leadership to this Big Business propaganda campaign and is guilty of deliberate misrepresentation and distortion of the economic facts as they relate to the question of inflation.



"Bang! You're Dead!"

The U.S. Steel Corporation, while claiming it could not increase wages even one cent without increasing prices, made a profit per worker in excess of $2,250 during the first six months of 1959 based upon the Corporation's own published profit figures.

The General Motors Corporation, in the first six months of 1959, made a profit of $1,273,000,000. This is before taxes, but wages and prices are also computed before taxes.

Ford Motor Company has been among the most vocal management groups in America in waging this campaign against American wage earners. It too, would have the people of America believe that every increase in wages automatically reflects itself in higher prices.

The UAW and the Ford workers, through the UAW Ford Council, have repeatedly urged the Ford Motor Company to cut prices of cars $100, and Ford Motor Company has repeatedly implied that this is impossible. Here, too, the facts belie the Company's propaganda.

If Ford had cut the price of every 1959 model car by $100, the Company would have earned approximately 21 per cent on its investment after taxes and after the $100 price cut.

These scandalous profits in auto, steel, and other giant monopolistic corporations are the selfish fruits of a system of administered prices that short-change both the workers and the consumers.

The advance price hearing mechanism that the UAW has urged would expose this fraud by which giant corporations acquire exorbitant profits and deny workers and consumers their measure of equity in the fruits of our developing technology.

We Won't Flee From Responsibilities

We shall continue to press vigorously for effective action against inflation.

But we must not be misled by those who use inflation as a convenient excuse for policies that run counter to the national welfare. The inflation we face today can be suppressed only if we recognize and act in the knowledge that its source lies in the abuse by certain giant corporations of their power to administer prices.

Experience has shown conclusively that this kind of inflation cannot be stopped by policies appropriate to price rises that result from an excess of demand in relation to supply.

By reducing demand, such policies only worsen the existing imbalance in our economy between power to produce and power to consume and thus play a major role in bringing on recessions.

Above all, we must not let fears of inflation and an incorrect diagnosis of the nature of the inflationary problem prevent us from meeting our national needs for adequate education, for decent housing, improved social security benefits, better health and hospital programs, and resources development; especially when programs to meet those needs will not contribute to the kind of inflation we are now experiencing.

One of the major benefits to be derived from the process of public hearings on proposed price increases might well be that by making public the facts, such hearings would help clear away the economic myth and self-serving propaganda which have hidden from public view the true causes of our current inflation, and might thus help to free our national energies from the grip of illusory and negative fears, and to release them to meet the basic challenge of achieving and maintaining a high rate of national economic growth.

We must always keep in mind the simple economic fact that one of the most effective anti-inflationary forces is to keep our economy in high gear turning out the maximum volume of goods and services.

Administered Price Inflation

An important cause of the inadequate growth of purchasing power and the recession in our economy has been the administered pricing policies of key corporations.

Through their dominant power position these companies rigged prices at profiteering levels, thereby cutting back sharply consumers' ability to buy.

Even when demand was faltering and productive capacity lying idle, the giant corporations in basic industries continued to push prices up.

As higher prices ate into wage gains and eroded purchasing power, the imbalance between our capacity to produce and our ability to buy the goods worsened, contributing to the downturn which began in the fall of 1957.

The administered inflation continued even through the recession, in the face of the sharply falling demand and idle productive capacity which in a truly competitive market would have called for disposal of surplus good at reduced prices.

For example, sales of the steel industry in the first quarter of 1958 were 40.5 per cent below sales in the first quarter of 1957. Yet steel prices were 7.3 per cent higher, and the increases did not stop there! In August 1958, with the industry operating at only 61 per cent of capacity, steel prices were raised yet again by an average of 3.7 per cent, according to the finished steel composite price index published by Iron Age.

Similarly, the American auto industry sold 28.6 per cent fewer cars in the first quarter of 1958 than in the same period of 1957, while sales of imported cars (the overwhelming majority of them in the small, low-priced models) almost doubled.

Yet, in the face of a disastrously falling market, choked with huge inventories of unsold cars, and in the face of the obvious preference of buyers for lower-priced models, the wholesale price of automobiles in the first quarter of 1958 was 2.9 per cent higher in the face of an 18.2 per cent decline in sales.

Nowhere is the abuse of price administering power by a dominant corporation better illustrated than in the automobile industry. As the Kefauver Committee reported:

"The pricing formula of GM appears to be a managed or administered pricing system with monopoly implications in which prices are arbitrarily set by management without regard to the natural competitive forces of supply and demand."

The objective of General Motors in setting its prices, the Committee found, is to fix prices at a level which would guarantee the company a 20 per cent return after taxes on net worth, if its plants operated for only 180 days, or 36 weeks, in the year.

In practice the corporation has substantially exceeded this goal, because its actual profits after taxes from 1948 to 1957 averaged a 25 per cent return on net worth.

The extent to which other auto companies accept the price leadership of General Motors, raising their prices when necessary to "meet the competition" of GM, is dramatically described in the Kefauver Committee's report:

"On September 9, 1956, Ford announced its suggested price list for its 1957 models. For some time previous there had been rumors in the industry that prices would be increased five to seven per cent, the announced purpose being to help maintain 'a competitive pricing position for higher cost producers such as Chrysler, American Motors, and Studebaker-Packard.'

"Ford, however, announced an average price increase of only .9 per cent, ranging from $1 to $104 on its new models. A Ford representative described the price rises as 'no more than our actual costs for materials and labor have gone up.'

"An immediate protest arose within the industry and industry spokesmen prophesied that the price increases for other members would be higher than Ford's average of .9 per cent. At the time the Chevrolet general manager affirmed that General Motors' prices would be higher but said 'not a single person in GM knows how much, including Mr. Curtice.'

"Two weeks later, on or about October 13, 1956, General Motors announced its prices on its new Chevrolet models. No announcements were made on any of General Motors' other models. The Chevrolet prices followed earlier predictions in reflecting an average increase of 6.1 per cent over 1956 models, with actual prices ranging from $50 to $166 higher. Smaller increases were announced for hardtops in the anticipation 'that the volume of those models will be increased greatly during the coming year.'

"The General Motors announcement was received with evident pleasure by the industry. According to one trade report, the news was welcomed—

"'By other car makers who, nearing their own pricing deadline, had to account for heavy investments in manufacturing and tooling changes but at the same time were concerned lest they overprice their competitor.'

"Ford waited one week and then revised its prices upward. In addition, it reduced its dealer discounts—the margin on which the dealer operates —from 25 per cent to 24 per cent, 'making it the same as Chevrolet's.'

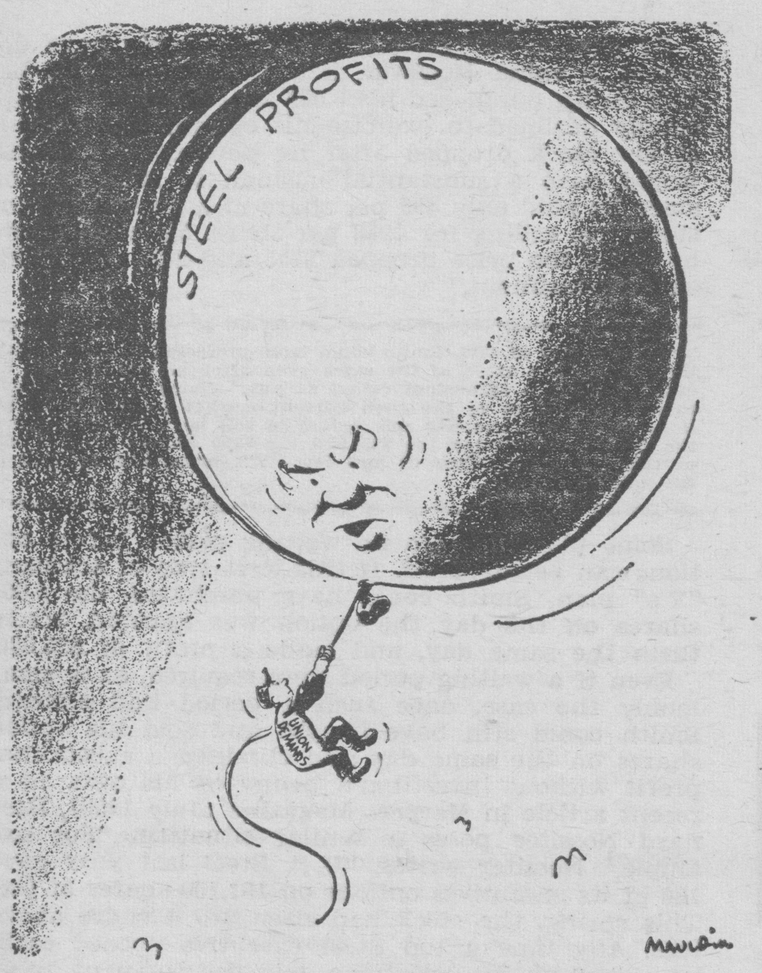
"With the pricing picture now clarified, Chrysler felt free to announce its new prices. This was done the following week, on October 30 for all four of its makes. Somewhat belatedly, beginning on November 6, General Motors made a seriatim announcement of prices on Oldsmobile, Buick, Pontiac, and Cadillac cars."

As I told the Committee:

"Now Ford was supposed to have established their prices based upon their costs figures. But what happened? As soon as General Motors announced higher prices Ford revised their prices upward in line with GM.

"They raised their prices to be competitive—why? Because prices in the automobile industry are set by General Motors.

"Ford had to get their line out early so they had to have a price tag on their cars when they sent them to the dealers, and so as soon as General Motors made up their minds what the price would be that year, Ford very quickly got into line. Now, that is an administered price system."



"If You'll Just Turn Loose, Everything Will Work Out Fine."

Low Break-Even Points Endanger Economy

One of the consequences of such high-price, high-profit policies is that the corporations can continue to make profits while operating far below full capacity.

The Kefauver Subcommittee found that General Motors' break-even point (the level of production below which the Company would cease to show a profit) "lies within the area of 40-45 per cent of practical capacity"—and in 1932 GM made a small profit even after output had fallen by 75 per cent from 1929 levels.

In steel, the Committee reported that "the 'break-even' point for both the steel industry as a whole and the U.S. Steel Corp. individually is shown to be slightly below and operating rate of 40 per cent."

General Motors, producing at about 50 per cent of capacity over the year, made profits after taxes of $634 million. U.S. Steel, producing at about 60 per cent of capacity, made $302 million after taxes, the fourth biggest profit year in history.

In the first half of this year, although steel production averaged only 87.8 per cent of the industry's capacity, the four largest steel companies all racked up the biggest profit of any half year in their respective histories, U.S. Steel leading the way with over half a billion dollars before taxes.

In the auto industry, as noted in that section of this report, although passenger car production in the first half of this year was no higher than 65 per cent of capacity, the five passenger car firms took over $2 billion in profits, within a few percentage points of the all-time record first half of 1955.

It must be emphasized that such low break-even points are not primarily signs of great efficiency in operation, but arise rather from the power of these and other companies to set prices at such high level that they can make profits even with more than half of their facilities lying idle.

One of the major dangers to our economy is the policy of these companies in setting prices so high that they can make a profit, and often a substantial profit, when the rest of the economy is in severe economic trouble.

They have, in effect, used their great power to provide for themselves a form of depression-insurance at the expense of the whole nation. It was precisely this kind of policy in the 1920s that was responsible, in the language of **Fortune** magazine, "for the economy going to pot."

Leading Corporations Take Lion's Share of Profits

The abuse of their economic power by price-administering corporations reflects itself in the extortionate profits they consistently take from consumers.

With an understandable sensitivity, most of the spokesmen for these companies, when discussing the responsibility for price increases, prefer not to talk about the profit records of their own firms, but attempt to hide behind the over-all figures for all corporations or all business. These, of course, include scores of thousands of small enterprises, few of which are in a position to dictate their own prices or profits, and most of which are making relatively modest gains or, in many cases, even losing money.

The profits positions of major corporations with price administering power must be distinguished from those of smaller firms with little or no such power.

We have analzyed for example, the profits of 30 leading corporations, taking the three companies which had the greatest volume of 1947 sales in each of 10 industries, and comparing their profits with the profits of ALL manufacturing corporations. The 10 industries chosen were largely those in which the dominant corporations are able to exercise substantial power to administer prices.

The industries and firms covered by the analysis are: (1) primary aluminum: Reynolds Metal, Alcoa and Kaiser; (2) chemicals and allied products: Du Pont, Allied Chemical and American Cyanamid; (3) electric machinery, equipment and supplies: General Electric, Westinghouse and RCA; (4) food processing except meats: National Dairy Products, General Foods and Borden; (5) glass products: Pittsburgh Plate, Owens-Illinois and Libby-Owen-Ford; (6) primary iron and steel: U.S. Steel, Bethlehem and Republic; (7) motor vehicles and equipment: General Motors, Ford and Chrysler; (8) paper and allied products: International Paper, Crown Zellerbach and St. Regis; (9) petroleum refining: Standard of New Jersey, Socony-Mobil and Standard of Indiana; (10) rubber products: Goodyear, Firestone and U.S. Rubber.

The accompanying table shows that between 1947 and 1957 this handful of giants increased their profits out of all proportion to the general run of manufacturing companies.

SALES, PROFITS AN ASSETS OF 30 LEADING CORPORATIONS IN 10 ADMINISTERED PRICE INDUSTRIES COMPARED WITH ALL MANUFACTURING CORPORATIONS, 1947-1957

	1947	1957	Per Cent Change
	(dollars in millions)		
Sales:			
Thirty Leading	$ 24,258	$ 63,753	162.8%
All Other	126,434	256,286	102.7
Total	$150,692	$ 320,039	112.4
30 as per cent of total	16.1%	19.9%	
Profits Before Taxes:			
Thirty Leading	$ 2,986	$ 8,390	181.0
All Other	13,596	19,777	45.5
Total	$ 16,582	$ 28,167	69.9
30 as per cent of total	18.0%	29.8%	
Profits Before Taxes as a Per Cent of Sales:			
Thirty Leading	12.3%	13.2%	
All Other	10.8	7.7	
Total	11.0%	8.8%	
Profits After Taxes:			
Thirty Leading	$ 1,772	$ 4,643	162.0
All Other	8,361	10,795	29.1
Total	$ 10,133	5 15,438	52.4
30 as per cent of total	17.5½	30.1%	
Return on Net Worth (after taxes):			
Thirty Leading	15.0%	14.9%	
All Other	16.4	10.4	
Total	16.1%	11.5%	
Total Assets*:			
Thirty Leading	$ 17,367	$ 46,839	167.7
All Other	72,260	164,017	127.0
Total	$ 89,627**	$ 210,856	135.3
30 as per cent of total	19.3%	22.2%	

* As of beginning of year.
** As of March 317, 1947 (earliest available).
SOURCE: Moody's Industrials, FTC-SEC, Quarterly Financial Reports for U.S. Manufacturing Corporations.

Their profits swelled by 181.0 per cent — just about four times as much as the 45.5 per cent increase achieved by ALL other manufacturing corporations.

Inclusion of 1958 profit figures might reduce these ratios somewhat—but only temporarily, as their first-half 1959 profit data suggested.

Although these 30 giants constitute less than 0.03 per cent of the estimated total of 115,000 manufacturing corporations, in 1947 they accounted for 18 per cent of the total profits of all manufacturing corporations. By 1957 they had succeeded in boosting their share to 29.8 per cent of the total manufacturing corporation profits, while the share of the remaining 99.97 per cent of companies had dwindled from 82 per cent to 70.2 per cent.

To put the comparison in another way, between 1947 and 1957 the profits before taxes of all manufacturing corporations increased by $11.6 billion. The profits of the 30 leading corporations increased by $5.4 billion, and the profits of all others by $6.2 billion.

In other words, 0.03 per cent of the companies got 46.7 per cent of the increase in total profit, and 99.97 per cent divided the remaining 53.3 per cent amongst them.

On of the reasons the big companies were able to take the lion's share of the profits, of course, is that in many of the industries, such as aluminum, steel, electrical equipment, etc., a considerable part of the business of the large companies is in the sale of their products to other companies, many operating in competitive markets. Thus the prices charged by the major manufacturers represent costs to the smaller companies, and the giant corporations have been able to increase their profits, not only in competition with smaller companies, but directly at their expense.

As might be expected, the 30 leading companies:

- Grew much more rapidly during this 10-year period than the other manufacturing firms.
- Their sales increased by 162.8 per cent, compared with a 102.7 per cent increase for all others.
- Their assets grew by 169.7 per cent, compared with a growth of 127.0 per cent in the assets of all others.

Wage Increases Not Responsible

In an effort to escape public censure for their inflationary price policies, big business and its spokesmen have conducted a thoroughly vicious, irresponsible campaign of propaganda designed to persuade the people that higher prices were the inescapable consequence of labor's wage gains.

Newspaper and magazine readers, television viewers and radio listeners have been subjected to a barrage of misrepresentations, distortions, half truths and outright falsehoods, all designed with one end in view—to make organized labor the scapegoat for every price increase imposed by the big corporations.

Occasionally the falsifications behind this campaign have been exposed by corporate spokesmen themselves when they got their propaganda wires crossed.

For example, few companies or individuals have been more vociferous in their attempts to blame labor for every price increase than the Ford Motor Company and its financial vice president, Theodore O. Yntema. As spokesman for Ford before the Kefauver Committee early in 1958, Mr. Yntema made every possible effort to insinuate that rising labor costs were the main cause for his Company's rising price, while at the same time evading questions which, if directly answered, would have brought out the facts about Ford's labor costs.

A year or so later, however, Mr. Yntema found himself in the position of a promoter of the sale by the Ford Foundation of two million shares of Ford stock. In preparation for this sale, Mr. Yntema and other Ford executives met in New York with representatives of the bankers and brokers who were to handle the sale. At this meeting, according to the **Wall Street Journal** for March 25, 1959:

"Theodore O. Yntema, financial vice president, said that in the period from 1954 to 1958, the Company has cut the cost of producing an automobile an average of $94 a unit. Personnel and salary cuts since 1957 will result in savings of $100 million a year, he said."

It is not clear from the statement whether the $94 figure represents a reduction in total costs or in labor costs only, but since Ford's material costs and depreciation charges certainly went up in this period, it is obvious that if the $94 refers to total costs, then labor costs must have been cut much more than $94 per car!

In either case, the statement directly contradicts the propaganda by which Ford and Mr. Yntema would have had the public believe that Ford price increases were due to rising labor costs.

Ford's record profits for the first half of 1950, analyzed in the section of this report on conditions in the auto industry, indicate strongly that Mr. Yntema came closer to the truth in his statement as a stock salesman than in his role as an anti-union propagandist.

Other Evidence Proves Labor Not Responsible For Price Increases

Other evidence is available from numerous sources to establish that price increases were not the result of labor's gains.

Two years ago, for example, the Bureau of Labor Statistics of the U. S. Department of Labor published figures which traced the relationship of productivity, earnings, costs, and prices in the whole private non-agricultural sector of the economy from 1947 through 1956, and showed the relationships on a chart which clearly demonstrated that labor payments (wages plus fringe benefits) per unit of output consistently LAGGED behind the prices, while non-labor payments (which include profits as well as depreciation, rent, interest, etc.) per unt had just as consistently moved upward ahead of prices.

When this chart was published, the labor movement used it to good effect to help establish just where the true responsibility for price increases lay. Unfortunately, when the Bureau recently brought its figures up to date through 1958, and also published revisions of some of the earlier data, it changed the starting point of the comparison from the year 1947 to the average of the years 1947 through 1949, when a great deal of the postwar inflation had already taken place, and profits were far above the peaks of earlier years.

In other words, BLS treated the period of postwar inflationary profits as "normal" thus tending to obscure one of the main points shown by the data!

In 1953, with a recession developing, unit labor costs moved ahead faster than nonlabor costs. This was not because of any spurt in labor's gains, but simply because declining production meant that the wages and salaries of clerical, maintenance, and other workers not engaged in direct production (who were not laid off in proportion to the decline in production) had to be absorbed by the fewer units produced, while at the same time, with reduced volume of business, profits fell.

After the middle of 1954, as business volume again recovered while the corporations with price administering powers continued to push prices upward, unit nonlabor payments again moved substantially ahead of prices, while unit labor payments again lagged behind prices. Commencing in 1956, with the economy leveling off as it moved closed to another recession, and with the volume of production in some industries already declining, labor costs per unit of output again tended to move ahead of nonlabor payments.

Based on the record profits now being racked up by major corporations, and the generally recognized sharp increase in productivity, it seems almost certain that when data for 1959 become available they will show nonlabor payments once again moving well ahead of prices and labor payments once again lagging behind.

When the original BLS report was issued, **Business Week,** a leading management magazine published by the McGraw-Hill Corporation which maintains a considerable Economics Department, in its issue of May 25, 1957, summed up the report in these words:

". . . the Joint Economic Committee asked Ewan Clague's Bureau of Labor Statistics for a report on the interaction of wages, costs, productivity, and prices in the postwar period. There was a general feeling that wage increases would prove to have been the main factor in starting the postwar inflation.

"But the report Clague filed last week was a surprise—so much of a surprise that early reports missed its point entirely. Clague's data suggested that, instead of being the main initiating factor in postwar inflation, labor costs per unit of output actually had lagged behind rising prices during most of the period.

"The rapid rise in money wages during the 1948-1956 period made wages look like the principal mechanism of inflation. But Clague's study cites two factors that modify this picture: (1) Productivity was also rising rapidly during the period;

(2) this rise in productivity slowed down the increase in labor costs per unit of product so much that prices actually were rising faster than labor costs until the final year of the period . . ."

The BLS report bore out the conclusion reached five years earlier by C. E. Wilson, then president of General Motors, when he wrote:

"I contend that we should not say 'the wage-price spiral.' We should say 'the price-wage spiral.' For it is not primarily wages that push up prices. It is primarily prices that pull up wages." (Reader's Digest, September 1952).

The myth of labor's responsibility for price increases has also been exploded by studies of price and wage movements in specific industries.

The Kefauver Committee's report on administered prices in the automobile industry commented that General Motors, from 1954 through 1957, had averaged $358 profit before taxes on every car and truck it produced, which was slightly higher than the average of two estimates of labor cost per car.

The report compared this with an average profit of $45 per car and truck in the years 1935-1937, which it described as "highly successful years for General Motors in terms of the rate of return on stockholders' investment."

The report went on to say:

"While there is no certainty that the (1935-1937) average shown is exactly comparable to the 1954-57 data reported by General Motors, it is hard to escape the conclusion that prices and unit profits have risen much more rapidly than unit costs in the past two decades."

Another section of this report describes in detail the battle that has been fought by the UAW to check unnecessary price increases in the automobile industry, and to combat inflation throughout the economy as a whole.

We shall continue to fight that battle, and will press forward with our efforts to obtain a public airing of all the economic facts before a dominant corporation may jack prices up another notch in its industry.

Only an informed public opinion can have the power to compel the managements of these corporations to exercise some sense of public responsibility in making the decisions which affect the living standards and job opportunities of all of us.

Stock Option Scandal

I.

(The Research Section of the Industrial Union Department of the AFL-CIO made a study and published a paper in August 1959 on the misuse of corporate power to provide corporation executives another source of income over and above salaries and bonuses. This is a matter of such pertinence in today's economy that I have thought it worthwhile to include the greater portion in this report.—W.P.R.)

The scandalous abuse of corporate power in the twenties helped bring on and deepen the "great depression," but it had at least one useful social consequence. As the American people went about restoring the nation's economic health, they resolved that never again should such abuse be permitted; never again should a handful of insiders be allowed to manipulate the corporate wealth of the nation for their own ends.

During the early days of the depression, the shoddy and self-serving practices of these great "idols of the market place" were relentlessly exposed by the Senate Banking and Currency Committee. In **The Coming of the New Deal,** Arthur Schlesinger writes:

"Coldly, Pecora (Ferdinand Pecora, General Counsel of the Committee) made his witnesses recollect the gilded past—the stupendous bonuses they had received and all the taxes they had avoided, the stock market pools they had rigged, the holding companies they had launched, the bad investments they had palmed off on a trusting nation. From their reluctant testimony emerged the portrait of a world of insiders where for years businessmen had greedily stuffed their own pockets at the expense of the innocent . . . American citizen."

To prevent such manipulation again, a whole series of laws was passed. Banking legislation was overhauled, the tax structure was modified, special laws to regulate public utilities and holding companies were passed, and the Securities and Exchange Commission was established to block a recurrence of the abuses which culminated in the crash of 1929. Never again were a handful of insiders to be permitted to rig the game for their own ends.

But all of this was done nearly 25 years ago. And while a great part of the protective ramparts then erected still stands, careless administration and a lack of legislative vigilance has permitted some serious erosion of this structure.

One of the most serious of the erosion points lies in the area of corporate management and stock manipulation. In spite of corrective legislation, those who place their own interests above the interests of stockholders, customers and the nation at large still exercise excessive control over the affairs of many great corporations, and still represent a challenge to the well-being of all Americans.

As a result of such control, a special, new crop of millionaires has arisen in recent years. Aided immeasurably by a revision of the tax laws covering stock option plans, droves of corporate executives have made fortunes overnight with virtually no risk invoived. Hundreds of them have managed in a few short years to realize an ambition which ordinarily takes a lifetime by old fashioned methods. And in the wake of their success, they have left a trail marked by special privilege, hypocrisy, tax avoidance, inflationary pressure and stock market abuse.

Living Example

Essentially this is how corporate executives have made fantastic sums by betting on the winning horse after the race has ended. The management of company "Y," including President Smith, of course, decides that President Smith, who is earning only $100,000 in direct compensation, needs an additional incentive to put forth his best efforts. Consequently, it grants him the right to buy 5,000 shares of "Y" stock at $95 per share.

The market value of the stock was only $100 at the time of the grant. However Smith can wait for as long as 10 years before buying any or all of the 5,000 shares. This gives him an opportunity to see where "Y" stock values are heading. While he waits, the stock may double, triple or quadruple in value, but the price Smith pays the company for each share he decides to purchase remains fixed. Regardless of when he exercises his option, he will pay no more than $95 per share.

A few years after the option is granted, the market value of "Y" stock rises to $250. Smith decides to take up his option; he invests $475,000 and obtains assets worth $1,250,000, thus making an immediate paper profit of $775,000.*

* Had the company sold the 5,000 shares at the current market value instead of the option price, the $775,000 would have gone into the company's treasury It would have become the property of existing shareholders rather than Mr. Smith.

A few more years elapse and the market value of "Y" stock climbs to $400. Smith sells his 5,000 shares for $2,000,000, realizing an actual profit of $1,525,000 in all. ($2,000,000 minus $475,00).

Smith now is in a position to enjoy an additional privilege. Under the law which prevailed prior to 1950, the profit he made the moment he purchased the stock ($775,000) would have been treated as part of his income for the year in which the purchase occurred and taxed at ordinary income tax rates (which now run as high as 91 per cent). The remaining part of his profit ($750,000), which resulted from a rise in value after he purchased the stock, would have been taxed at a maximum rate of 25 per cent (like all other gains from the sale of property which has been held for at least six months). However, thanks to the generosity of Congress in 1950, all of Smith's profits will now be subject only to the 25 per cent capital gains tax. As a result, he will realize a profit after taxes of $1,143,750 instead of the far smaller sum which he would have netted under the old law, and not one penny of the tax on the entire transaction will be paid until he relinquishes his ownership of the stock in question.

Of course, "Y" stock could conceivably have declined in value. However, if the decline occured before Smith purchased his 5,000 shares, he could have simply declined to exercise his option. If the value of the stock dropped after he purchased it, Smith would have a substantial cushion to fall back on since he paid only $95 per share at a time when the stock was selling for $250 per share. He could stand by while the price dropped $155 and still recoup his entire investment.*

*As a matter of fact, Smith could have protected himself against the drop in the value of the stock even after he purchased it by entering into an agreement called a "put," giving him the option to sell the shares at the then current market price. Eventually, if he decided to exercise this option to sell he could still pocket the difference between the $95 and the $250 (except for the cost of the "put") regardless of how low "Y" shares had dropped in the interim.

Some plans require no waiting period before options can be exercised. If this were true of company "Y's" plan, Smith could have purchased the 5,000 shares on the day the option was granted, resold them the same day, and made a profit of $25,000.

Even if a waiting period were required, as is commonly the case, once such a period had elapsed, Smith could still have bought and sold his option shares on the same day and obtained a substantial profit without investing a penny of his own. In a recent article in **Harpers Magazine** (July 1959), Bernard Nossiter poses a similar situation. "For example," Nossiter writes, "U. S. Steel last year gave 120 of its executives options on 151,100 shares at $55. This spring, the stock had risen $40 a share above this. Any time a top Steel executive needed cash, he picked up his telephone, told the company treasurer to issue him a few thousand of his optioned shares, and told his broker to sell them at the market price. Thus our executive cleared $40 a share with two telephone calls—and without investing a cent of his own money."

Although the benefit of the capital gains tax provision is not available when stocks are bought and sold in such rapid fire order, substantial profits can still be realized at a moment's notice without an iota of risk.

Under most stock option plans, the bargain price and the risk-free ride are privileges accorded to only a handful of salaried executives like Mr. Smith. In subsequent pages, we shall see how real flesh and blood members of this exclusive coterie have been able to perform feats of magic even greater than those performed by the mythical Mr. Smith.

The studies which follow are intended to be illustrative rather than exhaustive. Examples have been selected from leading companies in key industries because of their greater economic importance and because they illustrate the typical features as well as some of the variations of stock option plans in general. However, these are not the only plans in existence nor are all of them necessarily the most profitable.

In the first five years following the change in tax laws, more than 400 major companies adopted stock option plans. Today, well over half of the 1,077 companies listed on the New York Stock Exchange as well as many listed on the other exchanges and many whose stocks are unlisted have adopted such plans. "Few personnel practices have gained such wide acceptance in so short a time." (**Management Record,** May 1954.)

In any case, we believe that the following examples and analyses make it abundantly clear that the manner in which stock option fortunes are made, as well as their magnitude, should be a matter of concern for all. Tax avoidance, the misuse of corporate power, inflationary price pressures exerted by managements obsessed with stock market values—these are everyone's problems.

II.

GOODYEAR TIRE AND RUBBER COMPANY

The Goodyear Tire and Rubber Company wasted no time in taking advantage of the 1950 tax law. In December of that year, 38 officers and other key employes were granted options for 79,000 shares at $50 per share.

Since then additional grants have been made, stock dividends have been distributed, and a two for one stock split has taken place. As a result of the stock dividends and the stock splits, each share purchased under the initial Goodyear option has been transformed into more than four shares.*

* Each time a stock dividend is issued or a stock split occurs, the number of shares under option increases and the purchase price is reduced so that the amount required to exercise any option in full remains the same. (Thus, after a two for o nspit, an option for five shares at $20 per share becomes an option for 10 shares at $10.) If stock options were exercised prior to such dividends or splits, the optionee would of course benefit like any other stockholder. His share holding would also increase without any additional outlay of funds.

Currently the value of all shares purchased under Goodyear options ($42.1 million) is 963 per cent greater than the price which was actually paid for them ($3.96 million). In addition, the value of all shares for which options were still outstanding on December 31 of last year is almost twice as great as the price Goodyear executives would have to pay in order to purchase them.

VALUE OF GOODYEAR STOCK OPTIONS

(Based on May 8, 1959 Prices and Adjusted for Stock Dividends and Stock Splits.)

Options Exercised, 1952-1958:		
Value as of May 8, 1959	$42,089,205	
Option Price	3,958,287	
Difference between current value and purchase price		$38,130,918
Options Outstanding, December 31, 1959:		
Value as of May 8, 1959	$20,371,539	
Option Price	10,315,181	
Difference		$10,056,358
Total Increase in Value Over Option Price		$48,187,276

Some of the outstanding shares can be purchased for as little as $50.88. With the stock currently selling for $141, an optionee paying $50.88 would have a-

Workers—such as these Chrysler white collar employes—depend on their union for their economic and security gains.

cushion of $90.12 ($141-$50.88) to fall back on if Goodyear stock started to decline. No wonder executives consider the stock option a risk-free gamble. **U.S. News and World Report** (March 18, 1955) says: "From the individuals' standpoint, a stock option is just about fool proof."

One of the most incredible success sagas in stock option history occurred under the Goodyear plan. The profit available after taxes under the option granted to one man amounted to $3,970,987 on May 8, 1959. This is how it happened:

1950—Goodyear's president, E. J. Thomas, received an option for 9,000 shares at $59.

1952-1955—He exercises his entire option at a total cost of $531,048.

May 8, 1959—By this time as a result of stock splits and stock dividends, his 9,000 shares were the equivalent of about 41,317 shares. That many shares are now worth $5,825,697.

If he sold them on the above date (assuming he had not sold any prior to May 8, 1959), Thomas would have made $3,970,987 after paying his capital gains tax. He would have netted, in other words, almost $4 million for the 8½-year period beginning at the time of his grant and ending at about mid-1959, or an average of $467,175 for each year.

To get an annual net income from straight salary of $467,175, Thomas would have to earn approximately $4,609,033 each year*, or more than 15 times his **actual** salary and "deferred contingent remuneration" for 1958 and more than nine times the compensation received in 1958 by the President of Bethlehem Steel, the highest paid executive in the country.

* This figure is based on the same assumptions typically used by corporations in calculating the net income of top executives in proxy statments. These assumptions are: (a) joint returns; (b) two exemptions; (c) standard deduction of $1,000; (d) no other income.

FORD MOTOR COMPANY

The automobile industry has had its financial ups and downs and, as a result, many auto workers have suffered job loss or income reduction. However, thanks to a stock option plan, the living standards of at least a handful of Ford employes are well protected for some time to come. Less than 200 Ford executives have a claim upon a potential profit from stock options of about $109 million.

VALUE OF FORD STOCK OPTIONS
(Based on May 8, 1959 Prices)

Options Exercised, 1955-1958:		
Value as of May 8, 1959	$135,273,110	
Option Price	40,581,933	
Difference		$ 94,691,177
Options Outstanding, December 31, 1958:		
Value as of May 8, 1959	$ 61,460,140	
Option Price	46,890,136	
Difference		14,570,004
Total Increase in Value Over Option Price		$109,261,181

One Ford executive seems on the verge of probing the outer limits of stock option profit possibilities. He is Ernest Breech, a man whose annual potential gain from stock options (the **before** tax figure based on his average profits from stock options for the years since the grant) exceeds his $370,000 yearly income from salaries and supplementary compensation.

As a matter of fact, in order for Mr. Breech to end up with a net income from salary and bonuses equal to his potential net income from stock options (presuming none of his shares were sold prior to May 8, 1959), he would have to have been paid more than $50 million a year. Here's how Mr. Breech managed it:

1953—He received an option for 6,000 shares at a price of $315 per share.

1955-1958—A stock split of 15 for 1 during this period increased the number of shares under his option to 90,000 shares and reduced their price to $21. Mr. Breech bought the 90,000 shares for $1,890,000.

May 8, 1959—The 90,000 shares were now worth $4.41 million more than their cost, giving Breech a potential average annual gain (after taxes) for the period since the grant of $508,846. To obtain a similar net income from sources subject to ordinary tax rates, he would have to earn an estimated $5 million a year.

At least seven other Ford executives or directors have soared into the upper stratosphere with Breech. Three of them, Messrs. Crusoe, Gosset and Harder, were given options for 75,000 shares. On May 8, 1959, the shares under each of these options were worth almost $3.7 million more than their original cost. Four others, Messrs. Bugas, Davis, Duffy and Yntema, received options for 60,000 shares which, as of the above date, were worth $2.94 million more than their original cost.

Yntema's case is especially interesting. Within seven months after purchasing 15,000 shares at the option price of $21, Yntema **actually realized a** "whopping" profit of more than a half million dollars by selling the same number of shares back to the Company for $60.17 per share. (Ford stock was not being traded on the open market as yet.) This gargantuan return (amounting to 186.5 per cent of his investment in less than one year) plus his profits from the sale of an additional 6,000 shares last year yielded more than enough to cover the entire cost of the $2,131,500 worth of shares (30,450 shares x $70) which he now holds and the 2,450 shares which he has given away as gifts. Here is a financial transaction truly worthy of an industrial giant such as the Ford Motor Company. (Another 100 shares were disposed of, probably by gift, prior to March 1956. Options on 1,000 shares are still outstanding.)

U. S. STEEL CORPORATION

On May 5, 1959, the steel industry began negotiations for a new labor-management agreement with the expressed intention of holding the line on wages. Someone, however, had forgotten to issue a "hold-the-line" order on the price of U. S. Steel's stock. About two weeks after negotiations began, it rose 4⅝ points. As a result, potential profits for a few hundred executives (including the value of shares still outstanding and assuming that none of the shares they had already purchased under U. S. Steel's stock option plan had been sold) rose from $126,169,000 on May 8 to $135,596,138 on May 19, an increase of more than $9 million in less than two weeks.

VALUE OF U. S. STEEL STOCK OPTIONS
(Based on May 8, 1959 Prices and Adjusted for Stock Split)

Options Exercised, 1954-1958:		
Value as of May 8, 1959	$143,980,595	
Option Price	35,209,420	
Difference		$108,761,175
Options Outstanding, December 31, 1958:		
Value as of May 8, 1959	$ 38,457,255	
Option Price	$ 21,049,430	
Difference		17,407,825
Total Increase in Value Over Option Price		126,169,000
Additional Increase in Value, May 8-May 19, 1959		9,427,138
		$135,596,138

U. S. Steel's Roger Blough is another who has turned the trick and become a millionaire via the stock option route. His success was achieved in the following manner:

1951-1956—Blough received grants for 12,000 shares at $20.50, 16,000 at $18.50 and 12,000 at $48. (Adjusted, where necessary, for two for one split in 1955.)

1954-1956—Blough exercised his option for 28,000 shares, paying $542,000 in all.

May 8, 1959—The 28,000 shares he purchased plus the 12,000 shares still remaining under option were now worth $3,580,000. If he exercised the remainder of this option and sold all 40,000 shares at a price no higher than that which prevailed on this date*, Blough would net $1,846,500, giving him an average annual gain for the period since the grant of about $230,813. He would have to earn almost $2 million a year in salaries and bonuses in order to end up with an after-tax income of $230,813.

* Actually Blough sold 7,000 shares at lower prices and donated another 1,700. But even at the lower prices he received approximately three times as much for each of the 7,000 as he paid for them.

III.

What's wrong with making a million dollars via the stock option route? When it's made as a result of special privilege, when it's based on a provision which taxes profits from virtually risk-less stock options at a rate lower than that imposed on a good part of earnings from work, something is obviously wrong.

In 1950, Dean E. N. Griswold of the Harvard Law School, told the Tax Section of the American Bar Association, "In times when taxes must be high, it is most important that they should be fair and non-discriminatory, that they should not be full of loop holes and special privileges. Yet right now, in the midst of a real shooting war, we are apparently about to enact a new tax law which contains some gross, almost crude, inequities. . . . What about family partnerships and stock options? Is there really any decent justification for the handouts which are reportedly about to be given to a few special tax payers on these matters?" **(American Bar Association Journal**, December 1950.)

Eight years later, the Senate Subcommittee on Anti-Trust and Monopoly declared, "In reality, stock option plans are a method of income tax avoidance. . . ." (Report on Administered Prices in the Steel Industry, March 1958.)

The manner in which stock option plans are born and subsequently administered also raises a serious question of ethics. The plans are approved in general form at stockholders' meetings. For all practical purposes, however, they are voted into existence by the very people who benefit from them—the officials who have access to company funds and company personnel and who have traditionally used such resources to solicit proxies. "The managers of corporations control the proxy machinery, the ballot, even as a politician dominates a ward, a county, or a city." (J. A. Livingston, **The American Stockholder.**)

Moreover in some firms, the very same people who benefit from stock option plans are directly responsible for their administration; for determining, among other things, who will receive options, when they will receive them, the number of shares subject to each option, and even the price per share.

With such practices in mind, Livingston observes, "Executives have become an over-privileged class in a democratic society. Their power to over-pay themselves, with legal sanction, could, if unchecked, erode the very structure on which they and their corporations depend for survival. Corporate power could become synonymous with grab-bag morality." **(The American Stockholder.)**

Stock option plans provide tax-privileged, risk-free profit opportunities unrelated in any meaningful way to executive performance and unchecked by stockholder control. The tax payer, the consumer and the stockholder, all pay for such opportunities in one form or another.

At least two remedies immediately suggest themselves. First, at the very least, the tax provisions in effect prior to 1950 should be restored. If this is done, the difference between the option price and the market value at the time stocks are purchased under the option will be treated as ordinary income and taxed at regular rates leaving the remaining profits to be taxed at the capital gains rate. An estimated $100 million in revenue could be raised by this measure alone.

Secondly, under present reporting requirements, it is extremely difficult for stockholders and the interested public to learn the extent to which company executives really benefit from stock option plans. Few probably realize that stock option gains frequently far exceed the direct compensation received by such officers.

Proxy statements do contain some data regarding option grants and purchases made under such grants, but the figures they provide from year to year are not cumulative, they often overlap and they frequently fail to make clear the effect of stock splits and stock dividends on options exercised during prior years. As a result, the avrage person is caught in a maze if he attempts to obtain some idea of the value of stock options granted to specific individuals. Clearer disclosure of stock option transactions, then, is another necessary course of action.

Beyond this, there are even broader implications. The stock option scandal raises a question as to the ends to which corporate power should rightfully be devoted. Economic catastrophe and congressional exposure toppled the "idols of the market place" from their pedestal in the early thirties. However, aided by reform legislation, which they bitterly opposed, they have since been restored to positions of respectability. Their influence upon American life in general and upon American moral climate in particular is of tremendous importance currently. It is only fair, therefore, to insist that they assume major responsibility for lifting society onto a higher moral and ethical plane—that they use their corporate power to strengthen America instead of to restore the social irresponsibiliy of a bygone era.

Shortcut to Fortunes

Subsequent to the report presented above, a study of the operation of the stock option program in each of the major auto companies was compiled.

That study brings the Ford information forward to September 10, 1959, from the earlier May date, and gives the financial details of the Chrysler and General Motors stock option programs, showing the fortunes being amassed by the executives of these two Corporations also.

CHRYSLER CORPORATION

Chrysler initiated a stock option plan in 1952, under which options were granted from time to time at 95 per cent of the average market price on the date each option was granted.

By August 31, 1959, options covering about 400,000 shares had been granted, but only 23,500 shares had actually been purchased. The reason why so few options were exercised was that for most of the time Chrysler stock sold in the market at less than option prices, and there was no profit to be made from the options.

The theory behind stock option plans is supposed to be that they give management an incentive to earn bigger profits for the company and thus boost the value of its stock.

Chrysler executives, however, wanted their reward whether the Company had done well or badly. On September 11, 1958, and January 8, 1959, the Company issued new options, most of them in

Delegates to one of UAW's intra-corporation councils voice their opinions about economic problems.

exchange for former options but at prices up to $24.58 lower. The options covered over 340,000 shares at a total option price of $17.9 million. By September 10, 1959, the market value of the shares was $4.2 million higher than the option price!

Chrysler President L. L. Colbert was originally granted options on 20,000 shares at $69.35 per share and 15,000 shares at $77.07. They were never exercised. In September 1958, these were replaced by options on 45,000 shares (10,000 more than his original option holdings) at $52.49 per share.

One year later, on September 10, 1959, Chrysler shares closed at $64.375 per share, and Colbert had a potential profit of $534,825—even though Chrysler stock was still valued by the market at less than the price at which his original options had been granted.

GENERAL MOTORS

General Motors initiated a stock option plan for its executives in 1957. Briefly, the plan provides that each executive has a choice of either accepting a stated number of shares of stock as part of his executive bonus, or exercising an option to buy three times that number of shares at the market price on the date the option was issued.

Thus, if GM shares have gone up enough in value by the time the executive has to make his decision, he can exercise his option and make a fat killing.

If they have failed to rise, he can choose instead to accept a smaller number of shares as a free bonus.

In the meantime, he receives dividends on the smaller number of shares.

Since the GM plan has been in effect for only two years, the amount executives have gained under it has not yet reached the astronomical figures it probably will in the future.

In just those two years, however, a handful of executives (32 in 1957 and 31 in 1958 and mostly the same people in both years) have been given options which, based upon the September 10, 1959, closing price of $54.50, already represented a potential profit of $3.0 million on that date.

FORD MOTOR COMPANY

The rise in stock prices since the IUD's study was made has enlarged considerably the already fantastic stock option profits shown for Ford top executives by that study.

On the basis of stock market prices on May 8, 1959, the IUD found that fewer than 200 Ford executives had a potential profit of $109.3 million. By September 10, 1959, that profit had increased by more than $22 million to $131.8 million.

During the same period, the rise in prices of Ford stock increased the fabulous potential stock option profits of Mr. Ernest Breech, the chairman of the Company's board, by $720,000—at the incredible rate of $180,000 per month—from $4.4 million to $5.1 million.

For Mr. John Bugas, Ford's industrial relations vice-president, the increase in the price of the Company's stock from May 8, 1959, to September 10, 1959, meant a gain of $480,000 in four months raising his potential stock option profit from less than $3 million to over $3.4 million.

Mr. Theodore O. Yntema, Ford's financial vice-president, whose stock manipulations are described in some detail in the IUD study, sold another 6,000 shares between May 8 and September 10, 1959. He enjoyed an increase in potential or realized profits on his options during this period amounting to about $330,000, raising his total realized and potential profit from $2.6 million to almost $3 million (including profits on stock he had given away.)

Automotive Industry

Since the last Convention of our Union, the auto industry and the auto workers have suffered another in the long series of economic crises which the volatile nature of our industry and the irresponsible policies of the major automobile manufacturers have combined to inflict upon us.

Because of the nature of its product, the auto industry has always tended to fluctuate more violently than the economy as a whole between good times and bad. This tendency has been heightened by the policies of the companys.

In my report to the 1957 Convention I noted that the high-pressure tactics of the companies in forcing cars on dealers and the great expansion of installment credit meant that the huge volume of 1955 sales had, in part, been borrowed from the sales possibilities of future years, while repeated price increases were restricting sales still further.

By 1958 the high-price, high-profit policies of the corporations so aggravated the natural vulnerability of the industry to economic swings that what was a severe recession for the rest of the country took on near-depression proportions for auto workers and the communitites in which they are concentrated.

The Recession Toll

In 1958, output of cars and trucks from U.S. plants was the lowest for any year since 1947. The industry produced 4.1 million fewer vehicles than in the record year 1955.

Employment was at the lowest level since 1940. An average of only 480,000 production workers were employed—266,000 fewer than in 1955, 287,000 fewer than in the peak employment year 1953, and 193,000 fewer than the average employment for the years 1947 through 1957.

Those who did work suffered many short work weeks. Average weekly hours over the year fell below 40 for the first year since 1951.

In percentage terms, the black times which descended upon the auto industry in 1958 approached those of the depression years of the '30s, especially with regard to unemployment of auto workers. In absolute numbers, the decline of 1958 was worse than even the depression decline from 1929 to 1932.

Between 1955 and 1958, production of cars and trucks fell by 44.3 per cent. This was close to the drop of 48.2 per cent between 1937 and 1938, though much less drastic than the 74.4 per cent decline in production which occured between 1929 and 1932. However, the 4.1 million decline in numbers of units produced between 1955 and 1958 was slightly greater than the 1929-1932 decline, and over 75 per cent greater than the 1937-1938 decline.

Production workers employment in the average month of 1958 was 35.7 per cent below 1955 — over one-third of the auto workers' jobs had disappeared in three years. This compares with a job decline of 39.4 per cent from 1937 to 1938, and 45.4 per cent from 1929 to 1932.

But the auto industry's hard times in 1958 affected many more auto workers and their families than either of those earlier recessions. The drop of 266,000 auto production workers between 1955 and 1958 compared with a decline of 199,000 from 1937 to 1938 and 214,000 from 1929 to 1932.

Thus the auto workers and their families paid the price of folly and irresponsibility of the corporation managements—a price that was shared in very small part by the corporations themselves. Of the three major companies, two still made profits in 1958 despite the sharp drop in their sales. General Motors, with unit sales of cars and trucks down 34 per cent from 1955, made a profit after taxes of $634 million. Ford, with unit sales down 44 per cent, made a profit after taxes of $95.7 million. Only Chrsler, with a decline in unit sales of 56 per cent from 1955 took a loss of $33.8 million in 1958, after a tax refund of $39.5 million.

Decline Started in 1957

The auto industry recession actually began early in 1957. That year got under way with production worker employment just under 700,000.

Buyer resistance to high prices forced auto makers to curtail production throughout the first half of the year and employment and hours declined steadily. By July, 1957 employment was down to 596,000 and hours were down to an average of 38.6 per week. A slight pickup in August was followed by the year's employment low of 523,000 during the model change month of September.

The 1958 model cars met with buyer resistance from the beginning. Employment increased following the model change but even by December 1957 it averaged only 649,000, a loss of 52,000 production worker jobs from the preceding December. Weekly hours worked in December averaged 40.1 compared with 44.8 in December 1956. In spite of the depressed employment and production level, the industry ended 1957 with 750,000 unsold cars compared with 540,000 at the end of 1956.

Production was cut back from 535,000 cars in December 1957 to 490,000 in January 1958. Still, new car inventories increased by 68,000 to 818,000. The story was repeated in February: production was cut back to 392,000 but new car stocks increased to 880,000. It was not until March, when production was further reduced to 357,000, that car stocks were reduced, and then by only 20,000 units.

Employment plunged by 50,000 per month in January, February, and March, 1958. Production worker employment for March was only 496,000 compared with 649,000 for December 1957 and 673,000 for March 1957. Short work weeks were the rule rather than the exception, and the work week averaged only 37.3 hours in January February and 38.3 hours in March.

No really significant reduction in dealer inventories was achieved until April. The April reduction was 50,000 cars, which still left inventories in excess of 800,000. This reduction was brought about mostly by a production cutback of 40,000 units. The manufacturers held production near 400,000 units per month level during May, June, and July to enable their dealers to work down stocks to more reasonable levels as model change time approached.

Employment declined from 496,000 in March to 454,000 in April. It declined further to 446,000 in May, 444,000 in June, and 433,000 in July. Still the dealers had 660,000 unsold cars at the end of July, only 25 per cent below the peak February 28 figure.

The manufacturers brought the unsuccessful 1958 model run to an early end by shutting down their plants from one to two months earlier than in the preceding year. Many plants were down for extended periods during the drawn out model change and August production was under 200,000.

Employment plummeted to a low of 402,000, a drop of nearly 300,000 jobs from the employment level that had prevailed at the beginning of the year.

The Background of Trouble

Elsewhere in this report I have discussed the danger to our economy of the abuse of economic power by corporations which have the ability to fix prices, within broad limits, at whatever levels they choose.

By setting prices high, they are able to insulate themselves from normal market forces and continue to reap profits even when sales fall sharply.

Nowhere is this better illustrated than in the automobile industry.

Between 1955 and 1958, unit sales of cars and trucks fell by 4.0 million, or 44 per cent. Yet in the same period wholesale prices of new passenger cars advanced by 12.4 per cent and truck prices rose by 18.5 per cent. And in spite of falling sales, the two main producers continued to make profits.

What happened, in effect, was that during the whole postwar period exorbitant prices resulted in huge profits for the major producers. A substantial portion of these profits was used for rapid expansion of their production facilities, but the high prices prevented the development of a market for cars equal to the expanded productive capacity.

Excessive profits were not the only factor in the high price structure. Accelerated depreciation allowances, a legalized form of hidden profit, added their share. So did costly annual model changes and skyrocketing advertizing expenditures.

Still another factor was the failure of the major producers to realize that a substantial portion of their potential customers wanted smaller and less expensive cars. Instead, cars grew bigger and more costly year by year. Even in years of relative prosperity, many would-be customers postponed the purchase of so expensive an item, while increasing numbers bought either a used car or a smaller foreign made car.

Finally, when the general economic recession of 1957-1958 developed, the purchase of a costly new car was among the first items to be slashed from the buying plans of millions of American families, and auto workers suffered accordingly.

The extreme high level of profits in the auto industry during the postwar years is a matter of public record. Thus, for example, in the 11-year period from 1947 through 1957:

- **General Motors profits after taxes totaled $7,569 million.**

This was over five times as much as the entire net worth of the stockholders' equity in the Company (including prior profits ploughed back in!) had been at the beginning of 1947 after 30 years of highly successful operation. It was almost twice as much as the profits of $3,800 million which the Company had made over the entire 30 years from 1917 through 1946.

- **Ford's profits, which amounted to $2,789 million after taxes in the 1947-1957 period, totaled three times the Company's net worth at the beginning of 1947.**

- **Chrysler, with profits of $900 million for the period, also earned its 1947 net worth three times over.**

Profits of the Big Three auto companies have been exorbitant in proportion to those of other manufacturing companies.

Over the 11-year period, General Motors received an average return on investment each year at the staggering rate of 55.6 per cent before taxes and 25.5 per cent after taxes. Ford earned 34.4 per cent before taxes and 15.7 per cent after taxes. Chrysler earned 34 per cent before taxes and 16.3 per cent after taxes. In comparison, all manufacturing companies for the same period averaged 23.9 per cent before taxes and 12.7 per cent after taxes.

Stockholders' Gains vs. Workers' Earnings

The exorbitant rate at which corporation profits have grown in the auto industry is dramatically illustrated by comparing it with the rate of increase in workers' earnings.

An investor, for example, who at the beginning of 1947 purchased 1,003 shares of General Motors common stock, would have received $3,009 in dividends in 1947—exactly the same as the earnings in that year of the average General Motors worker if he were fully employed, 52 weeks without layoff, which is an overestimate of earnings.

For the entire 12½-year period, 1947 through June 1959, the worker would have received in pay checks a total of $56,008, and the shareholder would have received in dividend checks a total of $116,849, or 108.6 per cent more than the worker.

Based on the average market value of General Motors common stock on the first day of business in 1947, the shareholder's 1,003 shares would have cost him $52,846. By June 30, 1959, as a result of two stock splits, these 1,003 shares would have become 6,018 shares, worth over $51 per share, or $307,294 in all!

If the shareholder sold his stock at this price, he would have enjoyed a capital gain of $254,448. Added to his $116,849 in dividends, this would have given him a total benefit from his stock ownership of $317,297—over six and one-half times as much as the General Motors worker's earnings from his labor during the same period.

Not Meeting User Needs

Increasing criticism in recent years of the auto industry's policy of turning out bigger and more expensive cars has been met by industry spokesmen with the stock answer that they were "only giving the customers what they want."

Those same spokesmen, however, admitted before the Kefauver Subcommittee that it takes about four years between the time a basic new model is planned and the time it actually rolls off the production line, so that in designing a new model the industry has actually had to guess what customers would be wanting four years later.

Increasingly, in recent years, the evidence has shown that they have been guessing wrong.

Over 10 years ago, in January 1949, our Union issued a bulletin entitled "A Motor Car Named Desire," in which we quoted surveys showing that six out of 10 car drivers, two out of three men in the business of financing car sales, and many automotive engineers thought the manufacturers should produce a smaller, lighter car which would have a lower original price, lower maintenance and operating costs, and greater ease in driving and parking than the cars being produced.

Only one feeble attempt in this direction was made by any of the Big Three; in 1953 Chrysler produced a car somewhat smaller than those of Ford and General Motors, but it actually cost more than their lowest priced models and—probably for that reason —proved a resounding failure.

Since then, until this year, the Big Three have left the small car field to the independents and foreign imports which have been steadily eating into their market. In 1955, U. S.-built small cars and all imported cars—the overwhelming majority of which were also small types—together accounted for only 1.8 per cent of all new car registrations. By 1958 these two groups accounted for 12.1 per cent of registrations. In the first six months of 1959, it is estimated that better than one car in every six new cars registered was either a U. S.-made small car (8.2 per cent) or an imported car (9.2 per cent).

The domestic big car share of the market had fallen from 98.2 per cent in 1955 to 82.6 per cent in the first six months of 1959.

Further evidence that price has been an important factor in the shift away from big car sales is the marked increase in the proportion of used cars sold.

Thoroughly reliable data on total used car sales are not available, but information on used car sales by franchised new car dealers, who account for about two-thirds of all used car sales, show the changing relationship between new and used car purchases. In 1955, new car dealers sold 143 used cars for every 100 new big cars (excluding imports and U. S.-built small cars). By 1958, this figure had increased to 191 used cars for every 100 new big cars, and in the first half of 1959, in spite of the booming new car market, they still sold 174 used cars for every 100 big new cars.

Jobs Depend on Management Decisions

The interest of our members in these problems is twofold:

1. We share the interest of every citizen that one of our most important industries should be operated sensibly and efficiently, without loading heavy burdens of unnecessary cost upon the shoulders of the consumer.

2. We have a very direct personal stake in such management policies, because the job opportunities of auto workers are affected by them.

Sales of an additional 500,000 cars in 1958 would have meant millions of additional manhours of work to be performed in the auto industry, tens of thousands of additional jobs for auto workers.

Unfortunately, the automobile producers seem to have long since forgotten that their industry was built upon the basis of low prices, low unit profits and high volume of sales. Instead of competing for sales on the basis of price, which would have permitted them all to share in a growing market, they have engaged in costly forms of non-price competition, adding these extra costs to already inflated prices, so that each has been attempting to get a larger share of a market whose total size was shrinking.

The 1959 Record

As this is written it is apparent that 1959 will be close to a record year, if not an actual record, as far as profits of the automobile companies are concerned, even though production and employment will be substantially below previous peaks.

In the first six months of this year the industry produced 3,941,000 cars and trucks. Midsummer predictions of the probable volume of car production for the year indicate that 1959 would rank no higher than the third best year, and possibly as low as the fifth or sixth best year out of the past 10.

For the first five months of the year, employment averaged 586,000 production workers and 739,000 total employes—fewer in both categories than in any year since 1946, except 1958.

According to Business Week of December 20, 1958, the capacity of the auto industry in passenger cars alone is about 10 million per year. On that basis, in the first half of 1959, with 3,284,000 cars produced, the industry was operating at only 65 per cent of capacity—even less if allowance is made for model changeover shutdowns later in the year.

Yet the five passenger car producers during those six months received over $2 billion in profits before taxes—only 4.5 per cent less than in the fabulous first half of 1955—and with production of 20.3 per cent fewer cars and trucks in the U. S. and Canada than in the first half of 1955.

The return on the combined stockholders' equity, or net worth of the five companies, for the first half of 1959 was equal, at annual rate, to 50.4 per cent before taxes and 24.4 per cent after taxes. At this rate it would take the five companies little more than four years to earn profits, after taxes, equal to their combined worth at the beginning of 1959.

Ford Rolling in Profits

Ford profits are of special interest because Ford has led the way in accusing its workers of being responsible for the increased prices of its cars. The profit figures show that charge to be a monstrous falsification of the facts.

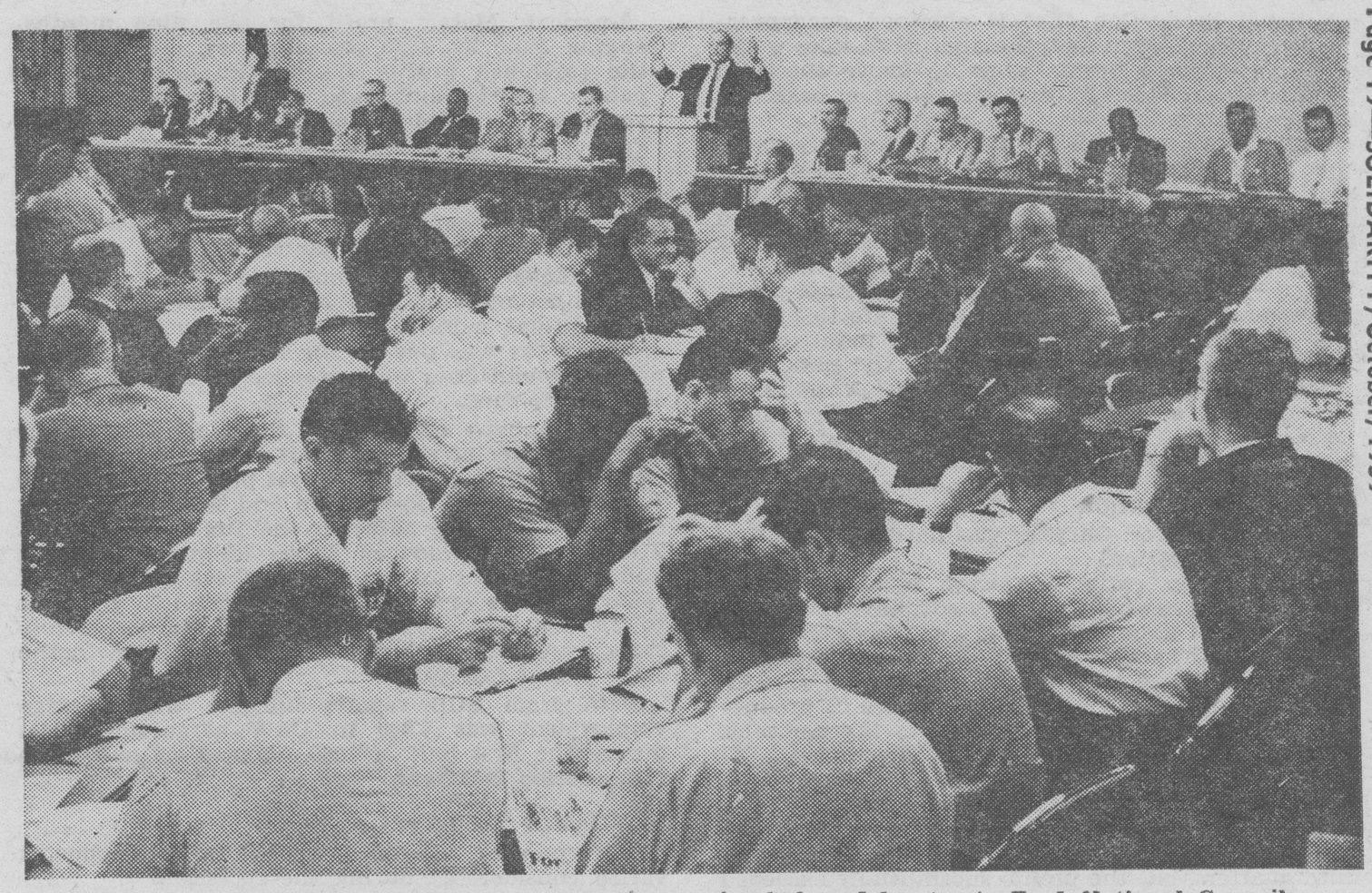
Ford profits of $548.5 million before taxes and $285.9 million after taxes for the first half of 1959 were the highest the Company has ever received in any six-month period. They represented a staggering return, at annual rate of 51.2 per cent on net worth before taxes and 26.7 per cent after taxes.

Through unjustifiable price increases, Ford was able to get more profits for less production than in the first half of 1955. On its U. S. operations, profits before taxes were 2.4 per cent higher than in the 1955 period, when the number of cars and trucks Ford sold had been 19.6 per cent greater!

In the first half of 1959 Ford made almost as much profit for every four cars and trucks it sold as it made for five units in the first half of 1955. It made more profits for every two units sold than it made for every three sold in the first half of 1957.

If Ford workers had obtained pay increases comparable to the Company's gain in profits before taxes, their average hourly earnings would have gone up from $2.54 in the first half of 1957, as reported by the Company, to $3.70 in the first half of this year. Instead, their earnings, including overtime, increased only 12 per cent to a reported $2.84.

For every dollar earned in wages and salaries in the first half of this year, Ford's U. S. employes earned another 93.4 cents in profits for the Company. On this basis, every hour worked by Ford plant workers gave the Company $2.65 in profits.



UAW Ford Dept. Director Ken Bannon makes a point before delegates to Ford National Council.

Since the Company tries to blame its price increases on the hourly workers, who are UAW members, it is appropriate to carry the comparison one step further. At a conservative estimate, Ford made a U. S. profit of about $1.40 for every $1.00 it paid its U. S. hourly workers alone—equal to about $4.00 for each hour they worked.

Yet Ford maintains that it is the workers' modest wage gains, rather than the Company's profiteering, that has forced up car prices.

Not only could Ford have avoided a price increase, it could have cut factory prices on all the U. S.-made cars and trucks it sold in the first half of this year by an average of $100 each and still have had profits after taxes on its U. S. operations of about $205 million, without making any allowance for the profits on the increased sales those lower prices would have produced. This $205 million would still have been more profit than the Company ever made in the first half of any year except 1955. It would have been equal to an annual return of 20.2 per cent on U. S. investment.

One of the reasons for Ford's huge profit in the first half of 1959 is that it was able to produce 93.9 per cent as many cars and trucks as in the first half of 1957, with only 81.7 per cent as many employes.

These figures bear out the claim of Ford Vice President T. O. Yntema, quoted in the section on Administered Price Inflation, that the Company has been able to reduce its production costs by $94 per car between 1954 and 1958. Unfortunately, the Company has kept for itself these fruits of technological progress, refusing to share them fairly with consumers and workers in lower prices and higher wages.

GM's Half-Year Profits Over Billion

Ford profit figures for the first half of this year are closely paralleled for General Motors. General Motors made a profit before taxes of $1,273 million—exceeded only by the fantastic profits figures for the first half of 1955, when its worldwide car and truck sales were 13.9 per cent higher.

Based on its worldwide operations, which are those most comparable to its profit figures, General Motors sold only 1.1 per cent more cars and trucks in the first half of 1959 than in the first half of 1956 (unit sales from its U. S. plants were actually down 7.2 per cent). Yet the Corporation's profits before taxes in the first half of 1959 were 19.3 per cent above the first half of 1956.

General Motors profits for the first half of this year represented a fantastic annual return on the stockholders' investment (including previous profits ploughed back in) of 50.7 per cent before taxes and 23.5 per cent after taxes. As noted elsewhere, top GM executives have told Congressional committees that their goal in setting prices is to earn 20 per cent after taxes on the Company's investment. This rate in itself is extortionate — about two-thirds higher than the postwar average of all manufacturing companies.

But General Motors in the first half of this year could have cut the factory price of every car and truck sold by its U. S. and Canadian plants by $100 and still have earned profits after taxes equal to an annual rate of 19.8 per cent on its investment —a rate within two-tenths of one per cent of its goal. Increased sales at the lower price would undoubtedly have raised profits back up above the 20 per cent objective.

Future Outlook

Auto industry forecasts predict increasing sales during the next several years. **Ward's Automotive Reports** stated on July 20, 1959:

"Auto executives already are forecasting 6.5 million auto sales for 1960—a significant four per cent expansion from expected 1959 levels. Average growth of new car sales of about three per cent a year is being predicted, an annual level of buying of about 7,200,000 cars by 1965."

In planning the production of these new cars, the companies will have a serious responsibility to erect whatever new facilities may be needed in communities where they are already operating. While the new cars will certainly develop a market of their own, they may also cut into production of some of the present lower-priced lines.

The companies should plan to place any new plants that may be required where they will provide additional job opportunities for the work force they have already brought together, rather than move to new communities and leave workers in their present plants with reduced prospects of steady work.

New plants, in fact, may not be needed. Since production capacity, as noted above, is already in the neighborhood of 10 million cars per year, there is ample room for market growth with the industry's present facilities. The report from **Ward's** quoted above stated that increased production would pick up "some of the slack resulting from the auto industry's over-expansion of recent years," and noted that "one ultra-modern assembly plant is now a storage bin."

The two major producers have already stated that their postwar expansion programs are now largely ended. In a prospectus dated March 31, 1959, Ford said:

". . . The major part of the expenditures under the Company's program for expansion, modernization and replacement of facilities (excluding special tools) had been made by the end of 1957. Expenditures by the Company for these purposes in 1959 are expected to be somewhat above the 1958 level."

Ford's capital expenditures dropped from $487 million in 1956 to only $89 million in 1958.

Similarly, General Motors stated in its 1958 annual report:

". . . The decrease in capital expenditures in recent years reflects the completion of the major capital expenditure programs for new and improved facilities initiated in 1954 and expanded in 1955 and 1956."

As against peak capital expenditures of $891 million in 1956, General Motors spent only $269 million in 1958.

When they cannot evade the fact of their extortinate profits, auto industry executives frequently claim that those profits are needed for investment in expanded and modernized facilities.

This represents an admission, of course, that they have deliberately set out, through excessive prices, to require consumers to provide investment capital while the corporations keep for themselves the profits generated by that capital. Thus, from 1957 through 1958 the equity of Ford stockholders tripled, and 96.7 per cent of it was provided by Ford customers through profits remaining after payment of generous dividends. Similarly, the equity of General Motors stockholders has increased more than 3½ times since 1947, of which 86.2 per cent was paid for by customers.

With capacity now far in excess of foreseeable demand, the companies no longer have this excuse for their high-price, high-profit policies. Even to maintain their greatly reduced capital expansion programs in the next few years, they will have more money than they now plan to spend coming from depreciation allowances alone!

This situation gives the auto companies a golden opportunity to reduce prices and expand the market to something approaching their existing production capacity.

With all foreseeable investment funds provided for during the next few years, profits can and should be reduced to the amount required to maintain dividend payments. Such a policy would permit of substantial price reductions. In the first half of 1959, for example, it would have permitted General Motors to have reduced prices by 10.0 per cent, and Ford to have reduced prices by 14.3 per cent after provision for dividends at the same rate as in 1957.

As noted above, according to data gathered by the Kefauver Subcommittee, it is conservatively estimated that a 10 per cent decrease in passenger car prices will produce a 12 per cent increase in unit sales. For the first half of 1959 this would have meant additional sales of about 350,000 cars. This in turn would not only have put many auto workers back to work, but since unit profits are high on any

additional production that is obtained once overhead costs have been met, the additional sales would also have pushed profits back up above the level required for dividends, thus providing a basis for further price reductions.

If the auto companies adopt this financially sound and socially responsible policy, they cannot only deal a major blow against inflation, but they can put unemployed auto workers back to work, and remove the anomaly that sees ultra-modern assembly plants, built at huge cost, used as storage bins.

If they persist in the high-price, high-profit polices of the past and present, it is safe to predict that the current improvement in the industry will peter out as similar periods have in the past, that production facilities will return to idleness and many thousands of auto workers to layoff status, while other thousands of would-be car buyers again find themselves priced out of the market.

Chrysler Corporation

Of the Big Three, Chrysler was hardest hit during the 1957-58 recession.

Operations in early 1959 were hampered by a shortage of glass which seriously curtailed operations during part of January and most of February. Even so the Company sold 509,000 of its vehicles during the first half of the year, compared with 374,000 units in the first half of 1958, although its share of production fell slightly from 14.1 per cent to 13.4 per cent. The first half profit was $58 million after taxes.

Ford Motor Company

Ford made a profit during the first and last quarters of 1958, showing a loss in the second and third quarters, but the profits substantially exceeded the losses so that the full year operating results showed a $96 million profit after taxes.

Ford's record profits of $286 million after taxes for the first half of 1959 have been noted above. They reflected in part the manner in which profits in the automobile industry increase rapidly once sales pass the point at which overhead costs are taken care of. They also reflect, in part, gains from automation.

Ford of Canada (which includes some overseas subsidiaries) reported sales of $275 million in the first half of 1959, compared with $243 million in the first half of 1958. Profits after taxes were $19 million, which included $3.3 million in tax credits from former years, and compared with a profit of $10 million in the first half of 1958.

General Motors Corporation

General Motors, with its greatly diversified output, its world-wide operations and a huge volume over which to spread its advertising and engineering expenditures, fared much better than the others.

As noted elsewhere, GM had near-record profits of $590 million after taxes for the first half of 1959.

Production worker employment in General Motors U. S. plants averaged 337,000 in the first half of this year, compared with 297,000 in the first half last year. Average weekly earnings, including overtime, were about $115, compared with about $100 weekly for the first half of 1958.

The Independents

With virtually no competition from the Big Three in the rapidly growing market for smaller cars, **American Motors** was able to improve its position considerably in 1958 despite the recession.

The Rambler and the imported Metropolitan accounted for over four per cent of all new car registrations in 1958, compared with not quite two per cent in 1956 and 1957.

American Motors profit for the nine months ending June 30, 1959, was, in fact, greater than the combined profits of the two original companies, Hudson and Nash, had been in any full year, and its total passenger car production was greater than their combined record production in the nine months ending June 30, 1950.

Employment was substantially expanded. Total employment as of June 30, 1959, was 28,000, compared with 18,000 at June 30, 1958.

Studebaker - Packard continued to lose ground throughout most of 1958, but improved its position in the final months of the year when the Lark economy car was put on the market. The Packard and Scotsman lines were dropped at the end of the 1958 model runs.

The Company operated in the black during the fourth quarter of the year, but the profits were not large enough to offset the losses piled up during the first nine months. Production and sales of the Lark showed significant gains in the first half of 1959. The Company produced 89,000 units, almost four and a half times as many as in the same period of 1958. Its share of the market rose from 0.9 per cent to 2.7 per cent. Profits were $12.5 million before taxes, compared with a loss of $13.3 million in the same period last year.

Data from SUB reports indicate that average employment was 7,800 in UAW bargaining units during the first half of 1959, about 2,800 above the same period last year.

The Truck Producers

Performances of the various truck producers varied considerably during the recession.

Total truck production and sales in 1958 fell below 1,000,000 for the first time since 1946. The decline from 1957 was 20 per cent while the decline from the all-time high of over 1.4 million units in 1951 was 38 per cent. Most of the 1958 drop was in the light and medium-weight categories.

International Harvester experienced the greatest decline in unit volume in 1958, followed by Ford, Dodge and Chevrolet. Production of Mack, White and GMC trucks declined less than the industry average, while Diamond T, Divco and Studebaker increased production moderately in 1958.

Willys Motors with its large export market increased output 35 per cent in comparison with 1957.

New truck orders picked up rapidly in the latter months of 1958 and production was increased steadily in the early months of 1959. Production in the first half of 1959 was 657,000, over 47 per cent higher than in the same period of 1958, with nearly every manufacturer sharing in the gain.

In August, industry spokesmen were predicting full year 1959 production approaching 1.2 million units, which would be the industry's highest volume since 1955.

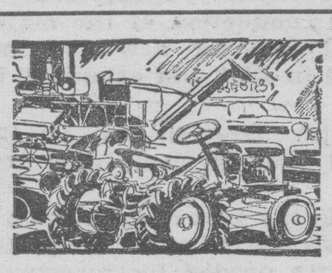
The Parts Producers

Suppliers of original equipment to the automobile manufacturers have been under double pressure in recent years.

For them the decline in auto production was coupled with the continued taking over of parts production by the Big Three.

The suppliers found themselves competing for a constantly shrinking market.

Some supplier firms have been forced out of business while many others have disposed of their automotive production facilities and have gotten in other lines of business.



Agricultural Implement Industry

During 1958, thousands of UAW members in the agricultural implement and tractor industries suffered severe economic hardship as production worker employment in these industries fell off by 11,000 from 1957.

This decline occurred despite increased unit sales (largely resulting from improved farm income) which, combined with substantial price increases, led to generally high profits for the industry.

As of mid-1959, the agricultural implement and tractor business continued its upward trend, and unemployment showed real improvement over a year earlier.

The products of the agricultural implement implement industry, exclusive of tractors, are sold entirely to farmers, with about 92 per cent going into the domestic market, the remainder into exports.

The tractor industry, which in the early postwar years concentrated on making farm units, is no longer primarily producing for farmers. In 1953 the dollar value of non-farm tractors caught up with the value of tractors purchased by farmers. Since then, tractors sold for use with construction machinery, road building and road maintenance equipment both at home and abroad, have substantially exceeded the value of those manufactured for agriculture.

Exports play a very important part in the business and employment prospects of the now dominant non-farm portion of the tractor industry. In recent years from one-third to nearly one-half of the jobs of workers making non-farm tractors have come from export sales.

Employment

For agricultural machinery and all types of tractors, both farm and non-farm, employment had declined steadily (with but a single interruption) from the high point of 1951 through 1958. In early 1959, primarily reflecting some prosperity on the nation's farms, sales rose and employment increased to over 120,000 production workers (May 1959) for the first time since December 1955.

Besides the workers building farm machinery and tractors, both farm and non-farm, the UAW represents many workers engaged in the manufacture of construction machinery. Such machinery is frequently built in the factories which also produce heavy tractors for industrial use. Employment opportunities for these workers is closely tied to the fortunes of the construction industry.

As noted above, 92 per cent of the farm machinery, exlusive of tractors, produced in the United States is purchased at home. Accordingly, this industry is very sensitive to the prosperity and activity of the American farmer. The volume of farm machinery shipments consistently rises and falls with the farmer's net income.

The years 1956 and 1957 were lean years for American farmers. Their net income for these two years average $11.7 billion, and their average purchases of farm implements came to $805 million. In 1958, however, net farm income rose to $14.2 billion, an increase of 12 per cent over the 1956-57 average, and farm implement shipments are estimated at $992 million, which is a rise of 23 per cent.

Irresponsible pricing policies by the farm machinery producers have also cut into the farmer's net income. Both 1956 and 1957 were years of depressed farm income. Yet, in both years agricultural machinery and farm tractor prices were raised—3.6 per cent in 1956 and 4.7 per cent in 1957.

When in 1958 farm income moved up, the farm machinery companies increased prices an additional 4.1 per cent, despite substantially higher unit sales volume.

Farmers Squirm at Price Squeeze

The agricultural implement industry is one in which a price policy that is geared to "what the traffic will bear" is particularly short-sighted and irresponsible.

The 1958 profit report of John Deere, whose customers are almost entirely farmers, revealed a return after taxes of 12.3 per cent of net worth. This shows clearly that handsome profits could have been realized even if prices had been cut as opposed to the price rise actually put into effect.

Had such companies taken a socially constructive view, instead of abusing their power to administer prices, there would have been greater production, fewer layoffs among the implement and tractor workers, and more new equipment on the farms.

Even with the farmer's relatively improved income in 1958, there was much resistance to the higher price tags on new farm machinery.

An additional concern is that gross farm income has turned downward again in 1959, farm production costs have continued to rise, and the result is a new, sharp drop in net farm income to an annual rate of $12.1 billion in the second quarter of 1959.

In the spring of 1958, the **Wall Street Journal** reported disproportionate activity in the used farm machinery market, with many dealers seeking to enlarge their used machinery stocks in preference to carrying larger stocks of new equipment. Frequently used items were bringing better prices than the same models had commanded a year earlier despite the additional year's depreciation.

Another sign of the farmers' resistance to current new machinery prices appeared in the **Journal of Commerce** this spring when it cited increased sales of imported light tractors. Lower prices of the foreign product were the underlying factor behind the sales boost.

The abuse of price fixing power by the farm machinery industry, whose sales are sensitively influenced by the purchasing power of farmers, harms the whole community. A socially responsible pricing policy of lower unit profits and higher volume would benefit the farmers, the workers and public.

An additional factor which affects the market for new equipment is the steady trend toward larger and more complicated machinery.

The average farm tractor shipped in 1958 was a quite different piece of equipment from the average tractor shipped some years ago. Not only did it cost considerably more, but also it was bigger and new technical features had been added which made it more efficient in use and easier to handle.

Since the increase in size and the technical improvement of agricultural implements has been a continuing process throughout the whole postwar period, it is apparent that the decline in the number of tractor units sold since 1951 was also compensated for, in part, by an increase in size and efficiency.

Sales of many other types of farm equipment have followed the same trend as tractors. After adjustment for price increases, the real wholesale value of farm machinery, except tractors, shipped in 1958 was 14.5 per cent greater than in 1957 and 25.5 per cent greater than in 1956. In many types of farm machinery, at least a part of this increase represented improvements in the equipment rather than an increase in the number of units alone.

In farm machinery generally, therefore, the trend since the early postwar years has been toward the production of fewer but larger and more efficient and more costly units of equipment. This seems to correspond with the trend toward fewer, larger and more highly mechanized farms and the disappearance of the small farmer.

Total shipments of all types of tractors in 1958 came to $965 million. U. S. farmers took $444 million, while the balance of $521 million (54 per cent) were shipped to all other customers including exports. Some good years on the farm have tended to balance years when industrial sales were depressed, and in turn higher sales in industrial tractors have counterbalanced declines in farm tractor sales.

The peak of farm tractor sales came in 1951 when they totaled $727 million. Non-farm tractor sales reached a peak of $717 million in 1956—a year of low farm income and poor tractor sales. Since then, the modest rise in farm tractor sales has been insufficient to make up for the decline in both industrial sales and exports.

This balancing of unemployment statistics, however—where a drop in the number of employes building one type of tractor is matched by a rise in the number of workers making another type—does not mean that many of our members are not suffering hardship. Even in the years when non-farm tractor shipments were increasing, the workers in agricultural tractor factories were experiencing severe layoffs. During the last two years, when there has been some improvement for farm tractor workers, hardship has been the lot of many industrial tractor workers.

The Corporations in the Industry—John Deere

The growing size and technical complexity of farm machinery favors the large and efficient producer.

Not only has the number of agricultural implement producers declined by about one-third since the peak year 1951, but the largest manufacturers account for a bigger share of the output than ever before.

Thus, John Deere & Company, the largest farm machinery producer in the industry, increased its sales of farm implements from $283 million in 1954 to $350 million in 1957, or by 24 per cent, while industry-wide sales of farm machinery, wheel-type tractors and parts increased only nine per cent over the same period.

In 1958, Deere Company sales of farm machinery jumped to $436 million, or 25 per cent over 1957. Even though industry-wide sales figures are not yet available for 1958, the selected figures which have been released suggest a considerably smaller percentage increase for the entire industry. For the six months ending April 30, 1959, the Company's total sales (of which farm machinery sales usually constitute about 90 per cent) rose 31 per cent over sales in the same period of 1958.

That Deere has increased its volume faster than its competitors is also indicated by an 18 per cent increase in the Company's employment between 1954 and 1958; industry-wide employment of salaried and hourly-rated workers declined 12 per cent in the same period.

International Harvester

While the International Harvester Company's total sales declined from $1,252 million in 1956 to $1,098 million in 1958, this was the result of a slump in the sales of construction equipment and of the completion of the Company's military truck orders. Sales of agricultural machinery rose from $262 million in the business year ending October 21, 1956, and $315 million in fiscal 1957 to $391 million in fiscal year 1958.

The upturn was not as spectacular as the sales increase shown by Deere & Company which, for the first time in 1958, outsold International Harvester as a farm machinery producer.

International Harvester stated in its report to stockholders that its 1958 tractor production was severely reduced for approximately seven weeks during a model change-over. In the first quarter of the current business year (three months to January 31, 1959) the strike in the Company's plants caused a reduction in sales and an operating loss; but sales increased rapidly when the strike ended, and the Company expects that its first half year report will show a 10 per cent increase in sales over the first half of 1958, and an even greater improvement in profits.

At the end of March 1959, Harvester employed about 55,000 hourly-rated employes, as against 44,000 one year earlier.

Allis-Chalmers

Allis-Chalmers is usually ranked as the third largest producer of agricultural implements in the United States; it is also a leading producer of heavy electrical equipment and general machinery.

The Company's over-all sales declined from a peak of $547 million in 1956 to $535 million in 1958; but the 1958 report to stockholders state that "farm equipment sales were substantially higher throughout the year."

In the first quarter of 1959, the Company's sales declined almost one-third as the result of the strike; but the Company reported that its farm implement dealers made deliveries out of their inventories during that period, and that their sales were running ahead of the same period a year ago.

Ford Motor Company

The Ford Motor Company's Tractor and Implement Division accounts for about 20 per cent of all wheel-type farm tractors built in the United States. It reported producing 46,000 tractors in 1958, as against 40,000 in 1957 and 39,000 in 1956. The Division's 1958 dollar sales volume was the highest for any year since it was established in 1953.

Massey-Ferguson

The Massey-Ferguson Corporation, which has reported its sales on a world-wide basis since 1956, showed an increase in sales from $372 million in 1956 to $440 million in 1958.

Its sales of farm machinery in the United States had declined in 1956 and 1957, but showed a 46 per cent increase in 1958, from about $90 million in 1957 to about $130 million in 1958. The firm continued to increase in the first quarter of 1959; sales "on the North American continent," which includes the United States and Canada, were $35 million in the quarter ending on January 31, 1959, as against $20 million in the same period of 1958.

Oliver Corporation

The Oliver Corporation's total sales, which had declined to a six-year low of $102 million in 1957, increased to $113 million in 1958; its farm machinery sales rose from $63 million in 1956 to $78 million in 1958. In the first quarter of 1959, the Company's sales were 25 per cent higher than in the same quarter of 1958.

J. I. Case Company

The J. I. Case Company, formerly almost exlusively a producer of agricultural implements, entered the construction equipment field through its merger with the American Tractor Company at the beginning of 1957.

The combined sales of the merged companies rose from $124 million in 1957 to $178 million in 1958; the Company has not provided a breakdown of its sales for either year. In the first quarter of the business year (to January 31, 1959) sales were one-third higher than in the first quarter of 1958.

Minneapolis-Moline

The Minneapolis-Moline Company was the only "long-line" producer of agricultural implements whose 1958 sales, totaling $54 million were lower than its 1957 sales of $57 million.

Despite this drop in factory sales, the Company reported that its dealers had improved their sales to customers in 1958 reflecting the Company's "concentration on retail sales necessary to clean out the distribution pipe lines."

In the six months to April 30, 1959, sales of somewhat over $25 million were slightly better than sales of $24 million in the first half of the business year, and the Company showed a profit of $1.4 million for the 1959 period, as against a loss of several million in the year earlier period.

Profit Comparison

While most of the above companies have given some indication of the trend in their agricultural implement sales, none has stated how much of its profit was made on these sales.

Deere and Company is generally the most profitable, as well as the largest producer in the industry. However, the very substantial increase in its profits, derived almost exclusively from the sale of agricultural machinery, indicates that the production of farm machinery was a lucrative business in 1958.

Deere & Company's profit rose from $28.7 million, after taxes, in 1957 to $42.1 million in 1958, or by 47 per cent, while its sales rose by 22 per cent. Before taxes, the Company made a profit of 20 cents on each dollars of sales in 1958, as against 16 cents in 1957. Its return on net worth rose from 8.8 per cent to 12.3 per cent. On each dollar which the Company paid in wages, salaries, payroll taxes and fringe benefits, it made a profit of 78 cents before in 1958 as against 45 cents in 1957.

Most of the UAW's International Harvester national negotiating committee, which is headed by Vice President Pat Greathouse, is shown above during a pause in bargaining.

Despite a profitable year, Deere raised its prices six per cent in the fall of 1957, and in the fall of 1958, although profits had risen sharply, it increased tractor prices six per cent and prices of most other products by about four per cent. Following this prices increase, the Company's profit rose to $25 million in the first six months of the business year 1959, from $16 million in the first six months of 1958.

This represented a 55 per cent increase in profits on a 31 per cent increase in sales.

While Deere's profit margins have usually been higher than those of the other producers in the industry, almost all along-line producers of farm machinery increased their profit margins in 1958.

The combined profits of International Harvester, Deere, Allis-Chalmers, Oliver, Massey-Ferguson and J. I. Case increased from $89 million in 1957 to $124 million in 1958, even though their product lines other than farm machinery were hit by the recession.

In the first quarter of 1959, International Harvester and Allis-Chalmers encountered losses because of the strikes in their plants but the other companies showed substantial improvement in their operating results over the first quarter of 1958.

The improved profits of the industry reflect the increase in the demand for farm machinery which was the result of the improvement in farm income in 1958. It also relects price increases of almost nine per cent in two years, in spite of the marked increase in productivity shown above. While the continuous rise in prices has improved the industry's profit margins, it reduces the farmer's purchasing power and impedes the gowth of the market for new farm machinery.

Exports

The export market, which provided a substantial outlet for U. S. farm machinery in early post-war years, has been shrinking continuously.

In 1959, U. S. manufacturers exported 100,000 wheel-type tractors at a wholesale value of $118 million, 21 per cent of the wholesale value of all wheel type tractor shipments from U. S. plants.

By 1957, the export of wheel-type tractors had declined to 27,000 units with a wholesale value of $54 million, or 13 per cent of the dollar value of all shipments.

Shipments abroad in 1958 declined further to to $51 million, which was 10.3 per cent of the total wheel-type farm tractors sold.

Even more jobs in the tractor industry depend on our export of heavy, tracklaying types used with construction machinery. In 1956 we exported $185 million worth, or 39.3 per cent of the total. In 1957, exports of these machines amounted to $143 million which was 46.7 per cent of the total. In 1958, exports were down to $88 million, but it was still one-third of all shipments of this type of tractor.

U. S. manufacturers do not expect to increase their exports of farm equipment in the near future, but are cashing in on the growing market for farm machinery in foreign countries by setting up foreign manufacturing subsidiaries, or acquiring control of foreign producers.

Future Prospects of the Industry

One of the causes of the improved domestic demand for farm machinery in 1958 and 1959 was the increase in farm income.

Government statistics show that gross farm income totaled $38 billion in 1958, which was a record high. The rise in gross income was due to higher prices of livestock and to a record crop production.

While in 1958, gross farm income was at its highest level in history, so were farm production expenses, leaving only a net income of $14.2 billion. Even though this was 12 per cent higher than in 1957, it fell short of average net income for the years 1946-1952.

As of April 1959, the Department of Agriculture's publication **The Farm Income Situation** predicted a $1 billion decline in the 1959 net farm income, caused by lower prices for farm products, a sharp reduction in soil bank payments and a continuous increase in farm production expenses.

Nevertheless, industry sources are fairly optimistic as to the short-range projection of farm machinery sales. They expect that an increased volume of farm marketing, even at somewhat reduced prices, and the need for replacement of machinery purchased in the early post-war years will keep the industry's 1959 sales at a level comparable to that of 1958, or even better.

A bright spot in business propects of both the construction machinery and heavy tractor industries is the federal highway program.

This 16-year, 41,000-mile national system of interstate and defense highways was authorized by Congress in 1956. Actual construction experience to date makes it clear that the over-all cost will run to $40 billion from the federal government and another $5 billion from the states.

The program calls for expenditures, currently at $2 billion annually, to rise steadily to $3 billion in 1962. After 1963, the rate of expenditure will be slightly over $3 billion until most of the program is completed.

Of the total expenditures, it is estimated that spending for construction machinery will amount to $7 billion. On a yearly basis, about $300-$400 million is expected to be earmarked for such machinery.

Aircraft and Missile Industry

At the time of the 16th Constitutional Convention, the aircraft industry was achieving its postwar peak of production and employment.

In February 1957 a peak of 592,000 production workers was reached. The peak of total employment, including technical and clerical employes, came two months later, in April, with 892,000 aircraft industry employes. In August of that year, in response to secret Defense Department orders to cut back and stretch out, a heavy decline set in. The low point was reached in May 1958.

At that time, total aircraft employment had fallen to 743,000, a decline of 17 per cent. Correspondingly, production worker employment fell to 468,000, a decline of 21 per cent.

Higher Employment Prospects Poor

During the year which elapsed after the low point, only very slight employment recovery had taken place, and this exclusively among the non-production work force. By spring of this year, total aircraft employment had recovered to only 750,200. During the same period, production worker employment fell another 3,000, but there are indications that aircraft employment has now stabilized in the neighborhood of current levels.

While the prospects for expanding aircraft employment are poor, it is expected that the shift to non-production jobs at the expense of production worker employment will continue. This trend set in after the general shakedown of the aircraft industry in the late '40s and seems, if anything, to have become accentuated during recession periods such as occurred in 1954 and 1958.

In 1949, on the average for the year, 26.3 per cent of aircraft employment consisted of managers, foremen, engineers, technicians, and clerical employes. In 1958 they constituted 36.7 per cent, and by the spring of this year, the figure had risen to 37.5 per cent.

Civilian Planes

In 1958, the aircraft industry's sales of civilian products, chiefly commercial transports, amounted to less than 15 per cent of its total sales. At the beginning of this year, the industry had on hand total orders for 653 commercial transports. The comparable figure at the beginning of 1958 was 782 planes.

Almost all of the new orders, however, were for turboprop and turbojet types, the production of piston-engined airliners having virtually ended last year. Shipments of the Boeing 707 and Lockheed Electras commenced in the third quarter of 1958, while deliveries of the Douglas DC-8 and the Convair Model 880 will begin late this year. The anticipated 1959 gain in sales dollars will depend largely on the fact that the newer planes are larger and more costly than those which they replace. Also, the sales of the smaller general type civilian planes in 1959 are expected to exceed the 6,450 units shipped in 1958.

Military Production

Because the aircraft industry is dominated by the Department of Defense budget, employment and

business forecasts must be based largely on estimates of forthcoming military procurement.

The prospects of the workers in this industry are determined by both the size and the distribution of these budget items, and also, of course, by the procurement policies attending them.

The shift from aircraft to missiles will continue to gather momentum as it has during the past two years. This missile shift, however, will continue in the context of a static defense budget. The over-all defense budget for the fiscal year ending June1960 will be virtually unchanged as compared with the year through June 1959. Appropriations for military procurement which affect the number of production jobs will show a decline. Expenditures for this "hardware" totalled $14.8 billion in the 1958 fiscal year. The budget calls for such expenditures in the amount of $14.2 billion and $13.9 billion, respectively, in fiscal years 1959 and 1960.

Increased monies will go into research and development. Compared with the $2 billion spent in 1958, the fiscal 1960 figure is $3.4 billion, a 70 per cent rise.

The primary employment effects will be restricted to the engineering and other non-production employes of the companies obtaining the research contracts.

The Missile Program

The decline in the purchases of interceptors and fighter bombers reflects the increasing reliance on missiles.

In the present state of the missile art, however, it is difficult to relate missile expenditures either to production or to employment requirements.

While the list of missiles is long, and the public relations releases are voluminous, the missile programs which will result in significant production employment during this year and next year are few.

A typical ballistic missile today costs about $100 per pound, exclusive of the warhead. All kinds of intricate supporting equipment are required to keep missiles in a state of usefulness. They cannot be stored in a warehouse like so many bales of cotton. Also their rate of obsolescence is unprecedented in weapons history.

For these reasons, mass production of missiles, as we are accustomed to production of planes, ammunition, artillry, tc., is impractical.

Virtually the entire aircraft industry is engaged in missile work, and the aircraft companies, rather than ordinance or electronics firms, have thus far received the bulk of the work.

The proportion of outside work on these weapons, however, is much greater than on planes. (Each major prime contractor has his own network of supporting subcontractors. In the aggregate, there are now about 200,000 subcontractors producing missile parts.)

The Financial Record

During the immediate postwar period, the huge war-generated aircraft industry went through a severe shakedown and general reorganization.

By 1949, the strains of the readjustment period had eliminated many of the small operators, and the postwar shape of the industry had become stabilized. In 1949, five-sixths of the industry's sales were accounted for by 18 major aircraft companies. Complete financial records of the industry are not available earlier than 1956. The composite of these 18 major companies is reasonably representative of the entire industry's financial position over the last 10 years.

During the Korean War some small companies were able to enter the industry, with the result that the share of the 18 "majors" declined to only three-fourths of 1952 sales in the industry as a whole.

Since then, however, the trend toward concentration has been steady so that, at present, the 18 companies makes seven-eighths of the aircraft industry's entire sales.

PROFIT RECORD OF THE AIRCRAFT INDUSTRY AS REPRESENTED BY THE 18 MAJOR AIRCRAFT COMPANIES
10-Year Record, 1949-1958
Profitability—18 Major Companies

	Sales		Profits		Rate of Return as Per Cent of Net Worth	
	Entire Industry	18 Major Companies	Before Taxes	After Taxes	Before Taxes	After Taxes
	(millions of dollars)			(millions of dollars)		
1949*	$1,781	$1,494	$ 73.1	$ 49.7	13.1%	8.9%
1950	2,274	1,211	153.0	83.7	26.6	14.6
1951	3,456	2,645	149.7	52.1	23.6	8.2
1952	6,497	4.846	304.6	110.6	46.9	17.0
1953	8,511	6,555	453.7	154.7	62.5	21.3
1954	8,305	6,689	519.2	246.2	62.4	29.6
1955	8,470	7,302	559.2	264.4	53.3	25.2
1956	9,496	8,200	565.3	273.7	46.7	22.6
1957	11,765	10,281	624.3	298.3	43.0	20.5
1958	11,470	9,986	460.9	226.1	28.0	13.7

● Bell, Boeing, Chance Vought †, Convair ‡, Curtiss-Wright, Douglas, Fairchild, Grumman, Lockheed, Martin, McDonnell, North American, Northrop, Republic, Rohr, Ryan, United Aircraft, and Vertol.
* Does not include Rohr: omission amounts to less than 2 per cent.
† Reported as part of United Aircraft through 1953, separately in 1954 and subsequently.
‡ Estimated as 75 per cent of General Dynamics in 1954 and subsequetnly.
SOURCE: Company Reports to Stockholders: Moody's Industrials and Facts for Industry, Bureau of Census.

The over-all picture for recent years is now clear.

The year 1957 was one of record volume for the industry. The extreme prosperity which commenced in 1952 was continued. In the latter part of 1957, cutbacks and stretchouts of government orders caused the layoff of thousands of aircraft workers. The effect on the profit and earning positions of the companies, however, was delayed and quite moderate.

To appreciate how very favorable the business position of the large aircraft companies is, one need only note that their profit position in the recession year of 1958 was substantially above the average level of other large corporations in the more prosperous year of 1957.

In 1957, when the 500 largest industrial corporations (as analyzed by **Fortune** magazine) had an after-tax return on their investment (net worth) of 11.6 per cent—the 18 major aircraft companies enjoyed a return of 20.5 per cent!

In the recession year 1958, for the 18 major aircraft companies, after-tax profit was at the rate of 13.7 per cent on net worth as compared with a 9.1 per cent return for the average of the largest industrials.

Despite the fact that forecasts for 1959 sales and employment were either slightly down or unchanged from 1958, business analysts expect some profit gains in 1959.

The backlog of orders for the entire industry stood at $13.1 billion at the beginning of 1959. This is the lowest backlog figure since 1952; the peak of $18.3 billion was reached at the beginning of 1957.

In addition to the backlog totals, there is approximately a $9 billion balance from previous appropriations which is unobligated. Combined, the backlog and the unobligated funds amount to about $22 billion, which is approximately double the 1958 aircraft industry sales total.

As noted earlier, the fiscal 1960 budget reqquests for missile and aircraft procurement came to $9.7 billion. Employment impact of expenditures for aircraft and missiles, however, will depend largely on military production scheduling, rate of military expenditures, and revisions in defense planning, rather than aggregate backlogs.

The Trend Toward Concentration

Accompanying the steady growth of the aircraft industry during the last 10 years, there has been a concentration of the lion's share of the business in a few super-companies.

The aggregate sales of the 18 major companies seem to have stabilized at about seven-eighths of the total during the last four years, but further concentration within this group has continued.

Six companies are now in the billion-dollar-a-year sales class: Boening, Convair, Douglas, Lockheed, North American and United Aircraft. Martin, next in line, had sales in 1958 amounting to only 53 per cent of those made by North American, the smallest of the six.

By 1955, the boom in the aircraft business was well established. During the following two years the "Big Six" increased their sales by over 55 per cent. In contrast, all other aircraft companies averaged only a 19 per cent sales increase over the same period.

In 1955, the "Big Six" made 55 per cent of all sales in the industry. In 1958, their sales accounted for 62 per cent of a much larger industry total.

Profits Are Not Sacrificed

The big companies have enjoyed high rates of profit while expanding their share of the aircraft and missile market.

In the peak sales year of 1957 the "Big Six" were able to report a profit of 22.3 per cent on their investment, as compared with 17.6 per cent which was earned by the other 12 companies comprising the 18 "major" producers.

In the recession year of 1958, the six held their edge with a 15.3 per cent return as compared with an 11 per cent return by the other 12 companies.

Federal Trade Commission Reports (issued jointly with the Securities and Exchange Commission) show that the entire aircraft industry averaged 13.2 per cent return on net worth in 1958 while the average of all U.S. manufacturing corporations showed a return of less than nine per cent.

A Protected Industry

Standard and Poor, one of the largest financial reporting companies, has estimated that "military business normally constitutes around 85 per cent of the aircraft industry's total shipments."

On this basis, almost $10 billion of the aircraft industry's $11.4 billion total sales of 1958 were purchased by the government for military procurement. In addition, many of the civilian sales of aircraft are indirectly supported by the government through intermittent subsidies to the commercial arilines.

From this data it appears that no more than three per cent of total industry sales are made to non-subsidized customers. But government purchases are not the only manner in which the industry receives, in effect, huge subsidies from the taxpayers' dollars.

Most important, the government furnishes the major portion of the industry's capital. A survey of 12 of the largest aircraft firms, accounting for 70 per cent of the industry's sales, was made by a Congressional committee in 1956. This study revealed that $900 million of plant and equipment, 70 per cent of the capital of these companies, was provided by the government.

Most of the remaining 30 per cent of plant and equipment was financed through ploughing back part of the tremendous, unconscionable profits garnered by the companies during the past decade.

Even if we assume that the aircraft managers are doing a skillful job which merits the handsome managerial salaries paid, it is difficult to justify the profits permitted the aircraft stockholders, either in the form of dividends or increased equity, when these stockholders are only junior partners to the government.

Since the top management personnel are usually important stockholders who have obtained most of their equity from ploughing back profits derived from the government initially, there is reason to ask if these managers of government capital are not being paid twice for their services.

In the name of national security, we are maintaining a public policy which has resulted in private interests earning profits based primarly on sales to the U.S. government. These sales would not have been possible without financing by the American taxpayers of huge amounts of the industry's capital.

Is Aircraft Work Force Less Essential?

The customary justification for the government's aircraft policies are these:

(1) The nation will never again have the time to create an industrial-military base after a war has started. Therefore, it must be maintained on a stand-by basis.

(2) An excess capacity in instant readiness must be maintained. This requires that contracts be shared among proven management teams to maintain an instant surplus in operational readiness.

(3) Each company must receive some of the "juicy" contracts to compensate it for periods in the stand-by category.

(4) A generous amount of engineering and development overhead must be allowed to maintain technical teams which cannot be quickly assembled.

These, then, are the ingredients of the government's policy covering the aircraft industry. The expense is judged a necessary cost of defense.

But what of the workers and their families? Are they any less an essential part of the defense apparatus than the managements, the machine tools and the bricks and mortar?

Unfortunately, to a government oriented to the needs and interests of Big Business, the workers and their families are of much less importance, and therefore are considered to not deserve this kind of equal consideration.

During the recent distressed period of cutbacks and stretchouts, the managements, plants and stockholders have all received much more consideration than the workers. Scant attention has been paid to the placement of new contracts in areas with high levels of unemployment among aircraft workers, and procurement policies have made it difficult for the Union to negotiate reasonable severance allowances and adequate relocation provisions for the aircraft workers.

These programs, related to the needs of workers and their families in these critical defense industries, are also necessary in the long-run maintenance of national defense, and protection of the "stand-by" work force is no less a just charge to defense overhead than the equivalent protection now accorded the managements.

This conference spelled greater unity than ever before between UAW and IAM in current and future aircraft negotiations. Left to right: UAW Vice President Leonard Woodcock, director of UAW Aircraft Department; Roy Brown, IAM Vice President; UAW President Walter P. Reuther and IAM President Al J. Hayes.

Economic Conditions in Canada

Since our 16th Constitutional Convention, economic developments in Canada have followed a very similar path those in the United States, reflecting in large part the close relationship between the economies of our two countries.

At our 1957 Convention I reported:

"While the over-all picture of the Canadian economy gives the appearance of a boom unprecidented since the end of World War II, a closer look shows the same unhealthy lack of balance as in the United States."

That warning was unhappily borne out by the events of the following two years.

The years 1955 and 1956 marked a period of very rapid expansion in Canada. The total national production of goods and services, after eliminating the effect of price changes, increased by 8.8 per cent in 1955 and by 7.2 per cent in 1956. In 1957, however, growth ceased and production was fractionally lower than in 1956, reflecting declining production in many industries and a sharp rise in unemployment. National output in 1958 was only slightly better, while spreading unemployment brought hardship to hundreds of thousands of families.

As this is written, over-all figures are available only for the first quarter of 1959, but they indicate, as in the United States, that while recovery is taking place, the improvement may be difficult or impossible to maintain unless there is a substantial improvement in consumer buying power.

Lack of Buying Power Led to Recession

Lack of sufficient consumer buying power was a major factor in the change from prosperity to recession.

The expansion of output which took place in 1956 was based primarily on business investment in plant and equipment, which accounted for close to half the rise in the nation's total spending.

Consumer expenditures increased in dollar terms, but about half this increase was merely to meet higher prices, so that even while business was expanding its productive capacity, the rate of increase in the amount of actual goods and services consumers could afford to buy was leveling off, business could not long continue rapid expansion of plant and equipment.

Before the end of 1956 business began to defer some of its plans for further expansion. Output of durable goods reached its peak in July 1956 while total manufacturing and total industrial production, after a leveling-off period, reached their peak in February 1957 (all based on data adjusted for seasonal factors).

Thus the recession in Canada actually started several months earlier than in the United States. Employment did not begin to decline until August 1957, due in part to a reduction in hours and in part to the tendency of employers to retain non-production workers on staff even after production has begun to be cut back.

However, the very slow rate of increase in employment was not sufficient, after the third quarter of 1956, to keep pace with the growth of the labor force; the number of workers without jobs and seeking work (after adjustment for seasonal factors) increased persistently from 2.8 per cent of the labor force in October 1956 to 7.9 per cent in October 1958!

Workers without jobs and seeking work averaged 4.3 per cent of the labor force for the year 1957, and 6.6 per cent in 1958.

The average level of unemployment in 1958 was the highest since 1940, and 75 per cent greater than the previous postwar year of 1954.

More Buying Power Still a Vital Need

Data on the state of the Canadian economy in the first quarter of 1959 emphasized the necessity of expanding consumer buying power—that is, increasing consumer income without a corresponding increase in prices.

The total output of goods and services in the economy was running at an annual rate of about four per cent above the average for 1958. This expansion was due almost entirely to two elements of demand in the economy—the rapid rebuilding of business inventories following the liquidation during 1958, and a substantial increase in personal income (primarily in labor income) which reflected the combined effect of significantly higher levels of employment and a continued advance in average weekly earnings.

Other major components of demand, after adjustment for seasonal factors, were down from the previous quarter. Outlays for new housing were down by 8.4 per cent, due in part to weather conditions but in large part to the curtailment of Central Mortgage and Housing Corporation loans to builders. Business expenditures on plant and equipment were down by 1.4 per cent; exports by 2.4 per cent, and government spending by 0.9 per cent. Nor (as this is prepared) are there strong hopes for any sharp increase in most of these demand factors for the near future.

As in the United States, the government has been following a tight money policy under the mistaken belief that it will cure administered price inflation, holding the money supply practically static since the fall of 1958 in spite of sharply increasing demand and permitting interest rates to soar to record heights.

Of the two increasing demand factors which have substantially outweighed downward pressures, the expansion of business inventories represents the rebuilding of stocks which were heavily depleted during the downward phase of the recession, and could not be expected to maintain indefinitely the sharp rate of growth shown in the first quarter of the year.

Thus it would appear that the prospects for a continuing economic recovery depend on:

- **A higher level of government spending to meet national and local needs;**
- **Relaxation of the tight money policy which is strangling house construction and impeding other investment;**
- **A further expansion of consumer spending which must depend on increased consumer income without corresponding increases in prices.**

Unemployment Still Heavy

The need for further support for the economy is undeniable.

Industrial production has been increasing rapidly since October 1958, but not sufficiently to meet the need for jobs of Canada's unemployed. As of May 1959 the level of industrial production, adjusted for seasonal factors, stood about eight per cent higher than the average for 1958, but the number of workers out of jobs and seeking work (similarly adjusted) still represented 5.8 per cent of the labor force, only slightly better than the 6.6 per cent average for the year 1958.

Motor vehicle production in Canada did not fall as sharply in 1958 as it did in the United States and, consequently, had less ground to recover in 1959.

Total cars and trucks produced declined from 412,000 in 1957 to 355,000 in 1958. Comparing the first seven months of each year, production was 298,000 in 1957, 241,000 in 1958, and 277,000 in 1959.

Average hourly earnings of $2.09 in May of this year, compared with $2 in the same month of 1958 reflect the gains won in recent agreements as well as a moderate increase in overtime, but still indicate the substantial gap to be filled between the rates paid United States and Canadian workers employed by the same companies to produce essentially the same cars.

The agricultural implement industry, which has been in a depressed condition for many years, corresponding to the depressed level of farm income, is showing substantial improvement this year. Production worker employment in the first five months of this year averaged 10,400, considerably better than the 9,000 employed in the first five months of 1958 and 8,500 for the same period of 1957, but still substantially below the 14,500 average for the peak year, 1952.

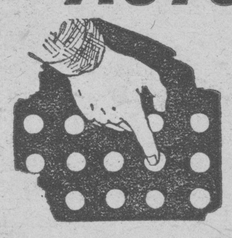
Average hourly earnings were $2.04 in May 1959, compared with $1.90 in May 1958. About four cents of this difference is estimated as attributable to increased overtime.

The aircraft industry was struck a serious blow early in 1959 by the decision of the Diefenbaker government to canced production of the Avro Arrow without having made any alternative plans for the employment of the team of workers who had been employed at the Avro plant.

As a result, production worker employment in the industry dropped by more than 25 per cent—from 23,800 in January 1959 to an average of 17,600 in the next four months!

Although most of the workers directly affected were not UAW members, the UAW joined with the International Association of Machinists in presenting a brief to the government urging adoption of a planned program for the maintenance, stabilization and development of the Canadian aircraft industry and the development and production of both military and civil aircraft by such industry. As this is prepared some new orders have been given to the industry, but their effect on employment has not yet been determined.

AUTOMATION— Second Phase of Industrial Revolution



The accelerated technological breakthroughs during the Second World War and the postwar years have been largely financed by tax dollars and fostered by urgent public needs of military and defense build-up.

Whether the specific gains were first registered by government personnel, private industrial researchers, or scientists and technicians in university laboratories, all have contributed to expanding our industrial and productive capabilities and our abiilty to create unprecedented economic abundance.

This second phase of the industrial revolution — the revolution of atomic energy, electronics and automation—could not have been achieved in the scope or at the rate of acceleration it has been to date except for the fact that the government, acting as the agency of the people, made available for both private and governmental research and development programs tremendous financial resources contributed by all of the American people.

Thus, all of the American people have a substantial investment in the new tools of economic abundance, and therefore are economically and morally entitled to their equity in the fruits of this technology.

To date, unfortunately, the American people have been denied the measure of equity and justice to which they are entitled. The risks, as always in such periods of vast and rapid technological change, have been unduly concentrated in the lives and jobs of working people, while the benefits have accrued mainly to those individuals and corporations in strategic positions of industrial power.

In exchange for the promise of a better tomorrow, the average citizen, as it turned out, was expected to bear the brunt of a transitional period that might last a normal lifetime.

The first big payment of the transitional cost of converting American industry for the age of abundance came due in the recent recession, and was met by American wage earners in layoffs, prolonged mass unemployment, and, for thousands, permanent displacement from their old jobs by the new machines.

We have gone over the threshold into this new age of peril and promise and there is no turning back.

We have no practical option of accepting or rejecting the new technology even if we were so shortsighted as to think of rejecting it.

Our real choice lies between stumbling blindly forward without compass or maps, trading short-run troubles for long-range promises, and—the more sensible, just and realistic approach—insisting that the new tools of abundance must be used responsibly now if they are to yield enduring social good.

The issue between American labor and big management is not whether automation is a good thing. Tools in themselves are socially neutral. Used wisely, in a framework of private and public responsibility, they raise productivity and living standards. Used without social vision and justice, as the private arsenal of profit-hunters, they can promote change without real progress and aggravate the already grave imbalance between our great capacity to produce and our lagging capacity to share the benefits of industrial efficiency.

The quarrel over automation has to do with the social context in which the new technology will function, over the private and public ends it will be made to serve; whether these ends will be narrow and selfish or broadly conceived in the general interest.

This is so because the far-reaching impact of modern technology is incomparably greater than that of the simple hand tools and crafts of earlier times. Thriving communities can now be turned into ghost towns, whole geographical areas devasted, when modern corporations close or move plants.

The Short and Long Run

It is not enough to say that this dislocation and misery is the inevitable price of progress.

The catastrophes that follow in the wake of modern technological change are not natural phenomena like earthquakes and cyclones. Industrial decisions are man-made; they can be made in a context of concern for workers and the interest of communities as well as of stockholders.

Nor is it enough to say that these short-run crises will add up to an eventual grand total of well-being. Men live in the short run, and it is in its short-run contributions to the security and dignity of the average person that democracy demonstrates its superiority over communism and other forms of dictatorship.

If automation in the United States is to be used narrowly to enhance corporation profits without consideration of its wider social consequences, it will not help us to attain and maintain the high rate of national growth that we now urgently need for reasons of both domestic and foreign policy.

We stand at a place in human history where the need for increased acceleration of technological progress is both urgent and compelling; yet we have not as yet met the human problems resulting from the technological progress we have already achieved.

Our dilemma is that we have not matched progress in the social sciences with our progress in the physical sciences.

We have learned to work with machines and we need now to learn to work with people.

We need to learn to equate our technical progress with the needs of people.

Automation's Quick Advance

The urgency of finding rational means to adjust to the impact of automation is underscored by its rapid advance in the last few years.

Ford's automated Cleveland engine plant was already obsolete and was being drastically modified at the time of our last regular Convention in 1957. In 1958, Ford unveiled its automated Lima plant, and on the basis of technological breakthrough realized there, Company engineers were able to state (**Business Week,** August 23, 1958) that "the fundamental problems of automation have been worked out now, and the real progress is in perfection of the process."

It was clear from the Lima operations that "perfection of the process" would mean, among other things, a sharp drop in the number of workers required.

The Cleveland plant made its debut with an automated engine block line. The Lima plant boasts largely automated crankshaft and piston lines as well. **Business Week** reported:

"In the Lima plant, it's much harder to find a machine, even in crankshaft or piston manufacturing, that needs an operator to feed it or to operate it on a semi-automatic basis.

"Some of the machines on the crankshaft line still have to be tended by operators, but manpower even on these has in many cases been cut in half."

Another breakthrough at Lima is the automating of the inspection process. Inspection at the Lima plant is continuous and largely automatic.

Ford's engineers are now working on the next big

breakthrough: automating of engine assembly, which probably means elimination of nearly all the workers along the assembly line as such and the adoption of an automatic transfer type of operation.

What was believed to be the world's first punch card-controlled steel mill was reported by the **Financial Post**, July 12, 1958, as turning out tons of steel daily at the Brackenridge works of the Allegheny Ludlum Steel Corporation in Pittsburgh. The number of passes, the speed of rolling, and the sequence and amount of slab reduction were all tape-recorded and automatically transmitted.

A few months ago after our Sixteenth Convention, on December 8, 1957, the **Detroit News** reported that the Pontiac Motor division of GM had successfully automated material handling in the foundry, the first step, it was announced, in further automation of foundry operations.

Few Are Immune to Automation's Advance

No category, no degree of skill is immune to the unsettling consequences of this process.

Office personnel is beginning to feel the full impact of the changes.

Big computers now process insurance policies, doing "a thousand jobs in a flash that had taken days of manual labor" (**New York Times**, March 23, 1958).

A huge computer does virtually all the office work of the Hydro-Electric Power Commission of Ontario (**New York Times**, January 14, 1959), performing the tasks of 400 clerical employes.

While it was earlier assumed that skilled workers could ride the wave of the automated future, their fate has been rendered less secure. GM has an electronic milling machine, for example, which, by duplicating a process that formerly was done by pattern makers and diesinkers, reduces the number of these skilled craftsmen required.

In the manufacture of high-fidelity diamond needles, again, skilled craftsmen who formerly ground and polished the diamonds have been routed by an automatic process that steps up production ten-fold, almost completely eliminates rejects, and requires only semi-skilled labor. (**Business Week**, July 27, 1957).

Student engineers are now being taught the concepts and techniques of digital or computer control of machine tools, on the assumption that they will be working in automated factories (**New York Times**, February 26, 1959).

Even future diplomatic wrangling and negotiations in world capitals and at the United Nations may soon be conducted with the help of robot translators. The chief difficulty in translating automatically is said to be ("Christian Science Monitor," **April 29, 1958) the lack of foreign language dictionaries that a robot can understand. As soon as the universities clear up this problem, the mechanical translators will be able to speak to us in many tongues.**

MIT announced last spring (**New York Times, May** 31, 1959), that it was retiring an eight-year old computer named Whirlwind I. When Whirlwind was born, it was the largest and fastest digital computer in the United States. But in less than a decade it had become "too slow and cumbersome" to keep up with the latest machines.

Whose Breakthrough?

These are some of the facts of change, the most important being that it is taking place more rapidly than most people realize.

What does this rapid change mean for workers and their families, apart from the self-serving propaganda of employer groups who tend to parrot the line that technological advances have always made more jobs, while ignoring or discounting the unemployment and uprooting that dislocate and disrupt lives and cause misery in the meantime?

NAM optimism and complacency are not supported by the facts. The facts indicate that employment is down in manufacturing industries, that greater production is being achieved with a reduced work force.

The tremendous increase in labor productivity made possible by our developing technology was reflected in a survey published in the Wall Street Journal **on October 13, 1958, in which the comparative employment in manufacturing industry in 1948 and in September, 1958 was set forth.**

The Journal pointed out that employment in manufacturing in 1948 was 12.7 million and in September, 1958 was 11.9 million. Yet despite this 800,000 reduction in employment, production in manufacturing in this 10-year period increased 35 per cent!

Automation tends to doom obsolete or obsolescent factories. When Chrysler in 1957 announced its intention to move Plymouth body and assembly operations from its old plant in Evansville, Indiana, to a new plant in St. Louis, this question arose: Why couldn't Chrysler stay and modernize its Evansville facilities? The answer given was that it was more economical to build a new, automated plant than to attempt to modernize the old one.

More economical, that is, for Chrysler management, not necessarily for those Evansville workers who lost jobs or who had to sever community and family ties and move to another state. Not necessarily more economical, either, for the entire community of Evansville.

To protect workers and their families and communities against the negative impact of automation and technological change, the UAW will continue to press at the bargaining table for the program which it has developed. That program contains the following provisions:

1. **A strengthening of transfer rights which would comprise the following essentials:**
   a. The right of a worker displaced by a shift in plant location to transfer to the new plant with full seniority rights, including pension, vacation, and SUB credits, insurance coverage, and the other equities associated with length of service;
   b. Assumption by the employer of all of the costs involved in effecting transfer of the worker and his family and goods to the new location, including a relocation allowance to defray the worker's unusual expenses connected with the move; all to be considered by the employer as a normal element in the costs of plant relocation;
   c. Adequate severance pay to workers who elect not to transfer, with maintenance of seniority status. (In our last agreements we established the principle of separation pay in improving the SUB program. The principle applies not only in cases of plant movements but in all cases of permanent separation. We have not yet won seniority protection).
   d. Area-wide seniority agreements in multiple-plant corporations to facilitate transfer, and broadening of seniority units within plants. (A significant gain in this respect was made in the last Chrysler agreement).
2. **Preferential hiring of displaced workers not only by other plants of the same corporation but by other companies in the same industry and area.**
3. **Negotiation of new job classifications required by technological change, with wage rates that properly reflect increased worker responsibility for costly equipment and for an enlarged volume of output.**
4. **Protection of the integrity of the skilled trades.**
5. **Establishment of programs, under the joint control and direction of management and the union, to train and retrain workers at company expense and without loss of wages for jobs which will enable them to maintain or improve their earnings in the face of technological change.**

We must do all we can at the bargaining table to make employers assume their share of responsibility for the effects of automation on our members and their families. Yet we must also recognize that a revolutionary sweep of this magnitude cannot, with the best will in the world on both sides of the bargaining table, be contained or rationally guided by labor-management negotiations alone.

The larger questions of whose breakthrough this is, how it is to be made everybody's revolution, must be answered by all of the people, through public decisions translated into effective public policy.

Needed: A Permanent Commission on Technological Change

There are a lot of scattered case studies of automation and much more speculation as to its current and future impact, and there have been some Congressional hearings.

But this nation has no permanent agency at the federal level which is able to concentrate exclusively on the vital task of collecting the data on technological change, evaluating its impact on our economy, and making recommendations to Congress and the President designed to assure the equitable sharing of the fruits of technological progress.

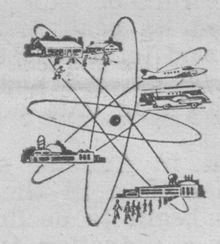
A permanent commission on technological change could provide the clearing house for such urgently needed research and could help shape responsible and realistic public policy and influence private economic decisions to become more responsible to and reflective of public needs.

The only thing that will remain unautomatic about automation in a few years will be those hand-made decisions that the American people have to make about the ends automation will serve. These decisions cannot be machine; they must be fashioned by the democratic process. One of the prime instruments of that process in the area of technological change would be the permanent technological commission that the UAW has repeatedly urged upon Washington.

It is outrageous in a democracy that a technological revolution intimately affecting all our lives should be treated piecemeal and arbitrarily as a scattering of trade secrets.

The longer we postpone public action to assert the general interest in this vital field, the greater will become the gap between these sweeping changes and our undrstanding of them. We must have this understanding if we are to realize the great possibilities inherent in our free economy, for our own good and for the world's good.

Harnessing the Atom



For Peaceful Use

The great promise of peaceful use of atomic energy pledged to the world by President Eisenhower in his December 8, 1953, address to the United Nations has not been fulfilled. He said:

> "To the making of these fateful decisions, the United States pledges before you—and therefore before the world—its determination to help solve the fearful atomic dilemma—to devote its entire heart and mind to find the way by which the miraculous inventiveness of man shall not be dedicated to his death, but consecrated to his life."

Strauss Policy Failure

Under the administration of Lewis Strauss, the Atomic Energy Commission in the United States not only failed in this achievement, it failed to keep up with the increased use of atomic science for peaceful purposes of other countries.

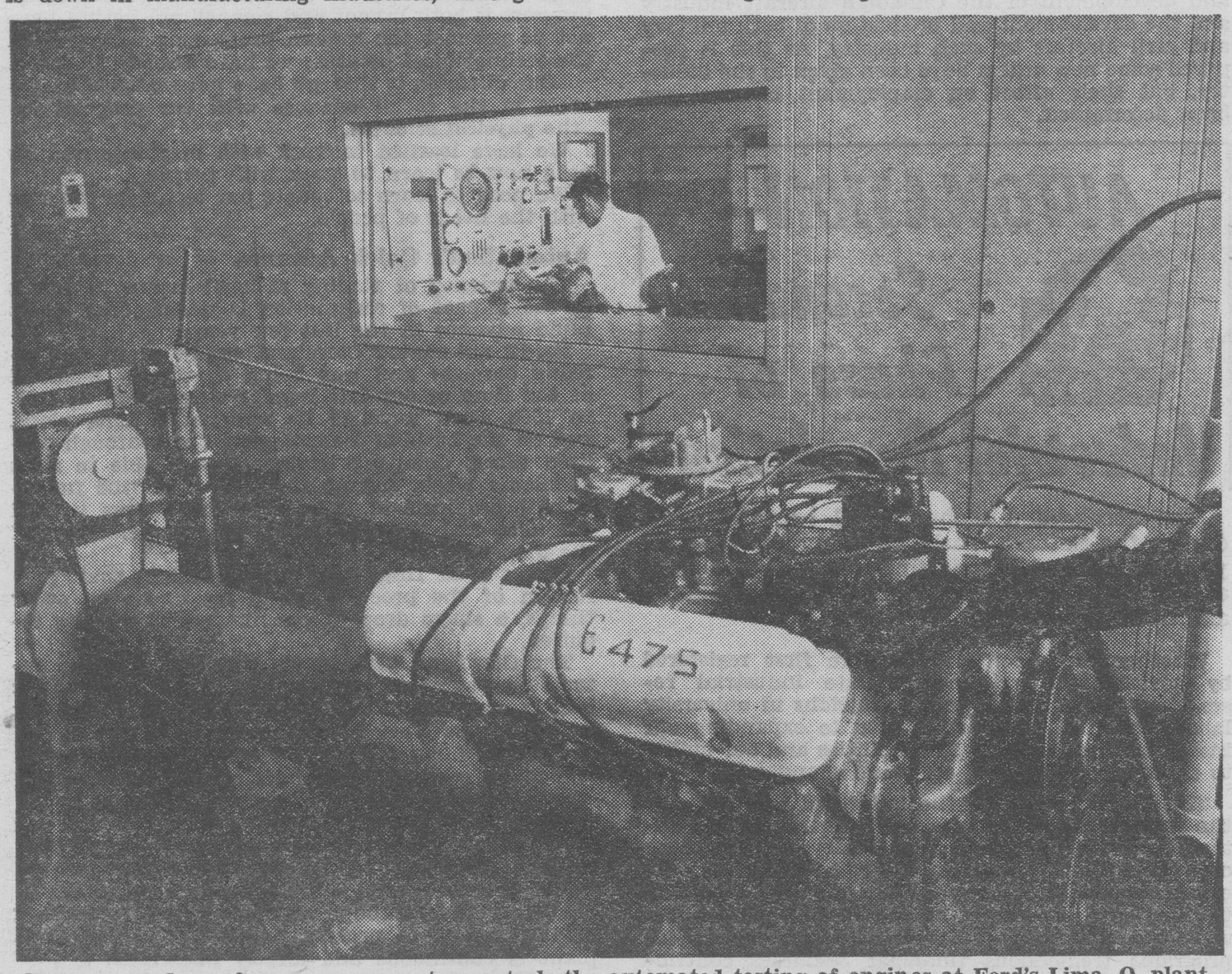
On March 26, 1955, the Joint Congressional Committee on Atomic Energy announced creation of a special study commission to report on the peaceful application of the atom. This study commission was composed of nine leaders in industry, labor, government, science, etc. I had the privilege of representing labor on this committee. At the end of the year's study, I concurred in general with the report but found it necessary to issue a separate opinion on certain key policy questions. Included among these was that "AEC policy seeks to achieve two purposes at once: to promote the development of nuclear power, and to transfer to private enterprise a major part of the initiative and responsibility."

Those who have studied the shortcomings of AEC policy since have recognized that this is the very core of the problem.

In striving to transfer initiative and responsibility before the technology was completed, the Eisenhower-Strauss policy brought delay and confusion to the atomic program in the United States.

A study by 70 experts in the atomic energy field, held at Columbia University in October 1957 concluded as follows:

"In recommendations which were taken into account in the drafting of the Atomic Energy Act of 1954, it was hoped that private industry could assume a more substantial role in the development of atomic power reactors. In the light of what has been learned since that time about the technical complexity and the cost of the program and the greater need for international actions, it is now apparent that at this time there is a larger need for government support and leadership."



From a sound-proof room, one operator controls the automated testing of engines at Ford's Lima, O. plant.

Congress Thwarted

Following the issuance of the report by the special study commission on which I served, the so-called McKinney Panel, the Congress sought to enact the Gore-Holifield bill providing for the completion of six types of reactors most highly recommended by leading scientific advisors in order to complete the technology at atomic energy sites and eliminate public versus private power controversy by using the power produced to meet the needs of the atomic energy program.

In view of the fact that the Atomic Energy Commission has been consuming 10 per cent of all the electric power produced in the United States,, this was a reasonable proposal of the Congress and should have prevailed.

Instead, the infamous Dixon-Yates proposal was made and the Gore bill was defeated by a narrow margin in the House of Representatives.

Since then efforts of the Joint Committee on Atomic Energy to accelerate the atomic power program have been thwarted. Repeatedly, the Congress has enacted provisions for new technical developments and the Atomic Energy Commission has ignored the action of the Congress.

"Atoms for Peace" Also Lags

The international program which President Eisenhower pledged to the United Nations resulted in the formation of an International Atomic Energy Agency.

Through the International Confederation of Free Trade Unions, we have sought to keep close contact with this hopeful effort to direct the use of the atomic sciences into peaceful purpose. Admiral Strauss chose as director-general, Congressman Sterling Cole of New York, who had led the fight **against** the Gore-Holifield bill and who had opposed acceleration of peaceful uses of atomic science in the United States!

The total operating budget of that agency for 1958, not including administrative and overhead costs, came to approximately $1,500,000, a sum obviously insufficient to even publicize, much less implement, the Atoms for Peace program on an international basis. This year the United States has given the agency a laboratory costing $600,000.

On the more fundamental question of the availability of uranimum to implement the International Agency's program the Canadian government provided free of charge the first supply of uranium needed to initiate the major role of the International Agency. In contrast, the United States offered the uranium at $35 per kilogram.

UAW and IUD Aid EURATOM

Following the Suez crisis, it became clear that the European economies could not plan a stable program unless provision for meeting their energy needs including use of the atom were met.

After extensive planning a program for joint use of the atom on a peaceful basis was developed. This program known as EURATOM had the complete support of ICFTU and the European Regional Organization of the ICFTU. At the request of these two organizations, UAW and the Industrial Union Department of the AFL-CIO joined in a campaign which resulted in Congressional action in favor of implementing the EURATOM treaties.

This program is substantially larger than the total of all other atomic aid programs and is now under way with cooperation of the European trade union movement. The European program has the additional advantage of developing joint cooperation between the U.S. atomic industry and the European atomic industry. Provisions have been made for joint research and development and the mutual exchange of information gained.

Monroe Case Finally Reaches Courts

The intervention of the UAW along with two other AFL-CIO unions, the International Union of Electrical, Radio and Machine Workers and the United Papermakers and Paperworkers, asking for suspension of the permit to Detroit Edison and affiliated companies to build a fast neutron-breeder reactor at Laguna Beach, Monroe, Mich., has been stalled by the AEC until the recent Senate debate regarding the confirmation of Lewis Strauss.

When Senator Monroney asked nominee Strauss regarding this case the reply, like so many of his replies, was evasive and inconclusive. As a result the role of the chairman of the AEC in hiding the Safeguards Committee's recommendations against proceeding with this reactor became important in the Senate debate on confirmation.

The position of the UAW and the unions associated with it in opposing construction of the Enrico Fermi plant near Monroe, Mich., is based entirely on the fact that the Atomic Energy Commission's own Reactor Safeguards Committee did not approve the design because it could not assure that such an installation could be operated safely.

The Atomic Energy Commission's Safeguards Committee was composed of the most competent experts in the field of atomic science and technology. These men were in the best possible position to make an evaluation of the safety of this reactor and they found that they could not assure that it was safe. The UAW's opposition was based upon the findings of the Safeguards Committee and not upon any technical judgment we made ourselves. The type of reactor to be built there had not, and still has not, been completely tested for safety through operation of small pilot plants by the Commission in remote unpopulated areas.

The only reactor that has been so tested "ran away," as the technicians put it. If this had occurred in an area as densely populated as the Detroit-Monroe-Toledo area, the effect would have been an unspeakably tragic catastrophe.

The AEC itself, taking what it described as hypothetical, estimated that the same kind of accident at the Enrico Fermi plant would result in property damage of $7 million and the killing of 140,000 people.

The most realistic action regarding fast breeder reactors (the type being built by Detroit Edison) was announced by the British government in connection with its effort to build such a plant on a prototype basis at its reactor testing station on the northernmost point of Scotland, Dounraey.

The official information bulletin for June 1959 of the United Kingdom contained under the headline "Fast Fission Breeder Reactor" the following comments:

"A reactor experiment is at present being conducted at Dounraey. Although this will probably be followed in the next few years by a prototype type, the development problems are so great that it is unlikely that this reactor can be considered industrially before the 1970's."

These sound considerations are being ignored by both the AEC and the Detroit Edison Company.

Mr. Strauss reversed government policy in this case and over the objection of the UAW and other intervening unions, granted the conditional permit which allowed Detroit Edison to proceed with the construction. Then the hearings were extended on and on. Only the pending debate on Mr. Strauss' confirmation in the Senate forced a final decision.

The issuance of the final decision made it possible for the intervening unions to seek an impartial review from the courts. It had been impossible under the law to proceed to court until the AEC granted its final decision. Now a petition for review of an order of the AEC is pending in the U.S. Court of Appeals for the District of Columbia.

Secretary-Treasurer Emil Mazey demands "right-to-eat" legislation for people, stresses UAW program for retired workers.

Legislation and the Washington Front

Since the 1957 UAW Convention, legislative progress has been slowed down and in too many instances blocked entirely by a lack of leadership in the Administration and in the Congress, by veto and the overhanging threat of veto, by filibuster, and by public apathy.

Public apathy came in the wake of disillusionment over the meager legislative fruits of Congressional election victories.

Voters apparently thought they would reap the rewards of those victories in automatic legislative achievement without the need for sustained public interest and demand. There is a tendency to look forward now to automatic political salvation in 1960.

In this atmosphere of drift, immobility and timid compromise, the President and the Congress dodged the challenge to encourage a faster rate of national growth, strengthen our seriously lagging defense capabilities both for limited war and in missiles, and support a federal educational program to meet the Russian technological threat and realize our own democratic promise.

International Aid and Peace

In 1959, just as Congressional support for a bold, long-term program of international economic aid and cooperation was being strengthened (under the leadership of the new chairman of the Senate Foreign Relations Committee, Senator Fulbright), President Eisenhower dropped the budget-balancing hammer on proposals to provide $1.5 billion a year for five years for international economic development.

The end result was defeat of the Fulbright proposal for a five-year commitment of funds, a slashing of appropriations for the Development Loan Fund and a total foreign-aid package substantially less than requested and far below the Fulbright recommendation.

Funds for UN Technical Assistance, Technical Aid and other phases of the Mutual Security program also were cut below Administration requests.

Education

The Defense Education Act of 1958 did not answer the need for a federal aid bill to finance school construction and help pay teacher salaries.

The 1958 law appropriated money to enable colleges and unievrsities to make loans to needy students of up to $1,000 a year and not more than a total of $5,000. It also provided fellowships to graduate students, funds tc improve the teaching of science, mathematics and modern foreign languages in colleges and universities and money to help the states with vocational education.

There was no floor action in either house during the first session of the present Congress in behalf of federal aid for school construction or the payment of teachers' salaries.

Social Security

Since our 1957 Convention, Old Age and Survivors Insurance monthly benefit payments have been increased and otherwise improved.

In 1958, the Social Security Act was amended to (1) provide for payment of benefits to dependents of disabled OASI beneficiaries; (2) increase the OASI maximum family benefit payment from $200 to $254 a month and maximum individual primary benefit from $108.50 to $116 and ultimately to $127; (3) raise the taxable wage base from $4,200 to $4,800; (4) liberalize the requirement of recent earnings for disability payments; (5) outlaw OASI deductions formerly made to offset workmen's or veterans' compensation payments; (6) increase the minimum monthly OASI benefit to $33 and (7) liberalize public assistance payments and aid to mothers and dependent children, though only seven per cent because President Eisenhower thought a recommended 10 per cent increase would be too much and inflationary.

In 1959, AFL-CIO, the UAW and many other groups interested in social security and strengthening the economy supported the Forand Bill which will provide hospital and medical care for OASI beneficiaries.

A strong drive is planned to obtain enactment of this bill in 1960, over the bitter ,continued opposition of officials of the American Medical Association, the NAM and Chamber of Commerce.

Federal Unemployment Compensation Standards

The story of labor's efforts in this field is told elsewhere in this report.

UAW is working with the AFL-CIO to get the Kennedy - Karsten - Machrowicz bill out of the House Ways and Means Committee when Congress returns. Much will depend on the breadth and intensity of voter demand back in the Congressional districts and states during recess, when Senators and Representatives are most accessible to their constituents.

Reform Bills Enacted

The AFL-CIO and the UAW supported enactment of the 1958 Kennedy Bill requiring pension, health and welfare fund reporting and the 1959 Kennedy-Ervin Labor Reform Bill as reported out of the Senate Committee.

Early in Senate floor debate of the 1959 bill, Senator McClellan caught forces friendly to labor by surprise, offering a so-called "Bill of Rights" amendment that was adopted by a margin of one vote, 47 to 46, although nose counts taken shortly before the roll call had indicated a safe margin to defeat it.

Vice President Nixon supplied the tie-breaking vote that prevented reconsideration and renewed debate which, carried into the following day, would have insured defeat of the McClellan amendment since two opponents would have been able to return to Washington to cast their votes.

Had the original McClellan "Bill of Rights" stayed in the bill, damage to democratic unions and to the institution of collective bargaining would have been severe.

With the help of friendly Senators in both parties, Senator Kennedy managed to whittle down the McClellan amendment prior to Senate passage but it still contained some dangers to democratic unionism.

As the fight shifted to the House Labor Committee, Teamster President Hoffa and his aides launched a nationwide pressure drive aimed at defeating any labor reform legislation. Inside the House Labor and Education Committee, liberal forces were split two and sometimes three ways, among those opposing any legislation, those supporting the bill as it passed the Senate and those attempting to make liberalizing improvements in the bill that passed the Senate. And the last group was itself divided over the merits of two liberalizing bills.

The bill reported out was the product of the group seeking to liberalize the Senate-passed bill. A minority later supported the punitive Landrum-Griffin substitute, tougher than the Senate bill.

In the ensuing confusion in the House lobbies and on the House floor, and with the NAM, C of C, the Eisenhower Administration and Republican-Southern Democratic coalition exploiting

Hoffa's continuing defiance of the McClellan Committee, the Landrum-Griffin bill was substituted for the Committee bill by a vote of 219 to 201, the most severe defeat suffered by labor since the enactment of the Taft-Hartley Act in 1947.

All but three Democrats outside the South plus 15 Republicans voted against the Landrum-Griffin bill; but the Republican-Southern Democrat coalition formed an anti-labor majority.

But important ground was regained under the leadership of Senator Kennedy (D., Mass) in 14 days of conference by Senate and House Labor Committee members. The conference version, passed in the Senate by a vote of 95 to 2 and in the House by a vote of 352 to 52, was not the Landrum-Griffin bill.

With very few exceptions, Congressmen elected with labor support had stood firm throughout the session in support of a non-punitive law.

The bill sent to the White House and signed September 14, 1959, by President Eisenhower contained a section stiffening employer reporting and was free of the more punitive features of the Landrum-Griffin bill, especially with respect to secondary boycotts, informational picketing, the handling of membership lists and the filing of damage suits against unions for alleged violations of limitations on organizational picketing.

Senator Kennedy told the San Francisco Convention of the AFL-CIO Building and Construction Trades Department that the new law "is not what I wanted, or you wanted, or (what) the facts of the situation called for."

The law contains, he said, "several unfair, unsound and one-sided provisions . . . features inserted by the enemies of organized labor as a means of reducing honest labor strength at the bargaining table, slowing down the organization of the unorganized areas of this country and burdening small locals with unnecessary paper work."

On the other hand, he added: "We can be grateful for many of the items which were finally included . . . and we can be thankful that many other items in the final version weren't as harsh with restrictive and arbitrary rules as they were in the original Landrum-Griffin Bill that passed the House of Representatives by a vote of three to one."

Area Redevelopment

In the 85th Congress, legislation similar to the Douglas Area Redevelopment bill endorsed in our 1957 Convention passed both houses of Congress after extensive hearings.

It was pocket-vetoed by President Eisenhower on September 6, 1958, on the ground that it would cost too much. That repudiation contributed to the defeat of one of the bill's warmest sponsors, Senator Payne (R., Me.), four days later and to the sweeping Republican losses in November 1958.

In the present Congress, demands by labor, augmented by support from mayors, governors and other city and state officials, again resulted in passage of a new bill by the Senate on March 23, 1959.

However, President Eisenhower's pressure to "balance the budget" at any price resulted in a reduced margin in the Senate (49 to 46), and will probably have similar effect in the House, if and when the bill comes up there in the Second Session.

The present bill, now locked in the House Rules Committee's deep freeze, contains provisions for assistance in bringing new plants and new jobs into distressed areas, plus additional provisions for vocational training and retraining for unemployed workers, with subsistence payments for workers being retrained, asked for in our 1957 Convention Resolution.

Public Works

In 1958, the Community Facilities Bill (S. 3497) was approved by the Senate as a partial remedy to the then-continuing high level of unemployment.

The measure had the active support of the Senate leadership and would have done a great deal at local levels to provide jobs and needed public facilities through aid from a federal billion dollar fund.

Such works would have included water supply, sewage disposal, library, recreational areas, hospitals and parks. The results in increased purchasing power would have been immediate.

Repayment would have been spread over not more than 50 years of loans covering borrowing costs plus one-quarter of one per cent for administrative expenses.

The bill, which differed materially from the area redevelopment measure, was clearly an anti-recession step. The House killed the bill on a suspension-of-rules motion.

This year in the 86th Congress, the legislation started through the House Committee with the same purposes and substantially the same provisions. It became stuck in the House Banking and Currency Committee without action and without counterpart in the Senate Committee.

Many communities find it increasingly difficult to obtain sufficient financing at reasonable rates in the open money market. Without federal assistance, many small communities will continue decades in arrears of other portions of the population more able to provide the services and conveniences which a modern society demands.

Housing

President Eisenhower signed an inadequate housing bill into law on September 23, 1959, after vetoing two better bills as "excessive and defective."

The Eisenhower administration's tight money policy and persistent opposition to public housing and housing for the aged and other groups having special needs have blocked efforts of the Congress to make possible "a decent home in suitable living environment for every family."

A separate veterans' housing bill also became law. It increases loan interest rates from 4¾ to 5¼ per cent and cuts to $100 million from $300 million the sum available for such loans. Wherever veterans are unable to get private loans the government will make direct loans up to the limit of funds available.

Civil Liberties, Internal Security and the Supreme Court

In unacknowledged but unmistakable reprisal against the United States Supreme Court for its integration decisions beginning with the 1954 school cases, a coalition in the 85th and 86th Congresses launched a series of attacks on the Supreme Court.

These attacks have been aimed at setting aside or overriding vital Supreme Court decisions in the fields of civil liberties and internal security as well as civil rights.

Attempts to "get" the Court have thus far been unsuccessful but there have been close battles and some of these battles are still being waged.

One major effort to circumvent the Court has been the long campaign for the States Rights bill, HR 3, which in effect would undermine federal standards and regulations in many fields, by authorizing a multiplicity of state laws in such areas.

In the final days of the 1958 session, the Senate considered an omnibus anti-Court bill introduced by Senators Jenner and Butler. It aimed at overruling several major decisions of the Court, including those dealing with state anti-subversive laws, authority of Congressional committees, admissions to the bar and advocacy of force and violence. The bill, called up by its authors as an amendment to a minor bill, was defeated by 49 to 41, with party lines sharply divided on each side. Several other bills dealing with specific Court actions were similarly defeated.

But it was a close call for the Court!

In 1959, the campaign against the Court was renewed. Pending in July were several bills already passed by the House and others in committee. A Supreme Court decision late in June invalidated the Defense Department's industrial security program and bills were introduced to give it clear legal status. The issues of the range of a security program, of confrontation of the accused and his accusers and of other procedures, all had to be resolved.

An attempt by Chairman Francis Walter (D., Pa.) to railroad through without hearing a bill attempting to validate secret testimony by unnamed witnesses was blocked by alert liberal action in the closing days of the first session. Pending as the first session ended was another Walter bill limiting citizens' rights to passports and the right to travel by permitting denial of same on the basis of secret testimony. This bill passed the House 371-18, but was not acted on in the Senate.

Taxes

Tax cuts to boost purchasing power and help lift the economy out of recession last year were blocked by the Administration.

Pressure for legislation to close some major tax loopholes, at least in part, seems to be growing, particularly in the Senate.

Special hearings on tax reforms will be held by the House Ways and Means Committee in November of this year.

A Look Ahead

The legislative and political challenge facing us is not as simple as merely helping to nominate good candidates for President and Vice President and helping to elect the better of the two slates of candidates.

We also need to reorganize and revitalize our political parties and reform the Committee system in both Houses of Congress, so as to break the vicious circle of disfranchisement of voters, one-party Congressional districts and states where final decisions are made in primaries before the general elections, and the escalator system whereby Representatives and Senators from one-party states have an advantage in becoming committee chairmen solely on the basis of length of tenure.

To do these things, we need to make great progress in communication among our membership, in our local communities and states, and nationally.

The emphasis is always on our children . . .

Public Review Board

In accordance with the recommendations of the International Executive Board the 16th Constitutional Convention of the UAW adopted constitutional amendments creating a public review board of seven independent, distinguished citizens to which members of the UAW could appeal.

In creating this voluntary machinery to guarantee to both our members and the public that our Union remains democratic and clean and observes the highest standards of moral and ethical conduct, the UAW did not imply that we were correcting errors of the past or that we intended to cover up any errors in the future.

Even before the creation of the Public Review Board, our Union had earned a reputation as the most democratic in America. While the UAW has not been perfect, your officers have tried to the best of their ability to make fair and honest decisions on appeals in the trial procedure of our Union, and there have been no complaints on this score.

Similarly, the UAW has been free of racketeering, corruption and other immoral or unethical practices and your leaders have always acted vigorously to keep our standards of human service untarnished.

By acting voluntarily to establish effective internal machinery to ensure democratic, clean and honest trade union operations, we believed that the labor movement could maintain public confidence and support and make unnecessary government imposition of harsh legal restraints on all unions.

PRB REPORTS TO MEMBERSHIP

At the 16th Constitutional Convention, the delegates took a number of important steps to strengthen our internal democratic machinery, including the creation of the Public Review Board.

First, the delegates adopted a resolution on "ethical practices," which, among other things, endorsed the principles and codes of ethics previously enacted by the AFL-CIO Executive Council and the recommendations of the UAW International Executive Board for further improving our Union's observance of the highest ethical and moral standards.

Second, the Constitution was amended to improve the local union trial machinery, providing, among other things, for the selection of the members of the local union trial committee by lottery at a membership meeting, rather than by election as previously. By eliminating the pressures of electioneering, such selections of trial committees were designed to insure greater fairness and democracy in the handling of local union trial procedures.

Third, the powers and responsibilities of the Public Review Board were spelled out in the Constitution. In addition to his previous right to appeal to the convention, a member aggrieved by a decision of either his local union or the International Executive Board was given the right to appeal to the Public Review Board. The Public Review Board was also given the power to enforce the ethical practice codes of the AFL-CIO and of the UAW to insure that all leaders live up to the highest principles of unionism.

To carry out its task, the Public Review Board was given constitutional authority to establish necessary staff and office personnel, to conduct investigations, to hold hearings and to make decisions on cases appealed to it by any member of the UAW.

The Board was also required to issue periodic reports to the membership and to the public on its findings, both as they relate to the internal trial procedure and the broad question of ethical and moral practices.

Fourth, the Convention delegates approved the names of the first six members of the Public Review Board. These outstanding citizens whose dedication to democratic values had been demonstrated many times are Rabbi Morris Adler of Detroit; the Very Reverend Monsignor George C. Higgins of Washington; Dr. Clark Kerr, president of the University of California; Judge Wade H. McCree of the Wayne Circuit Court, Detroit; Bishop G. Bromley Oxnam of Washington, D. C.; and Dr. Edwin Witte, professor of economics at the University of Wisconsin.

Following the Convention, these six members submitted a panel of names to the UAW International Executive Board, from which the Board selected Magistrate J. Arthur Hanrahan of Windsor, Ontario, as the seventh board member. Rabbi Adler was chosen chairman of the Board and Walter E. Oberer, professor of law at the University of Texas, was appointed by the Public Review Board as its executive director.

As provided in the constitutional provisions creating the Public Review Board, its members established an office separate from any union at 1408 David Stott Building, Detroit.

FIRST PRB REPORT

In December 1958, the Public Review Board issued its first report, covering the period from its formation to September 1958.

Its second annual report is scheduled to be made to this Convention.

During the period covered by its 1957-58 annual report, the Public Review Board received 24 cases, involving some 70 parties. Eleven of the cases were referred to the Public Review Board by the International Executive Board on the latter's own initiative, while the other 13 were appeals taken by members from decisions of the International Executive Board.

Of the 24 cases, the Public Review Board wrote decisions in 16 cases, dismissed five for jurisdictional reasons or abandonment by the appellant, and the remaining three were still pending at the close of the 1957-58 period. One of these three was decided early in 1959.

Citizenship

This past year we have had yet another dramatic demonstration of the very close ties between the bread box and the ballot box.

After the UAW negotiated its first supplementary unemployment benefit plans in 1955, reactionary groups attempted to block operation of the agreements by getting states to rule that payments from SUB plans were "wages" which would deny or reduce the worker's state unemployment compensation benefits. These groups, working on the political front in getting administrative or legislative actions taken to bar SUB integration with unemployment compensation were successful in only four states, including Ohio and Indiana. In California, these forces opposed SUB by means of a law suit.

However, as a result of effective political action during the last election in Ohio, Indiana and California by the united labor movement and liberal forces, the "climate" was changed and all roadblocks to SUB were eliminated in the three states.

1958 Elections

In last year's Congressional elections, the men and women of the American labor movement turned out in record off-year numbers at the polls. The results were as follows:

- Of the 30 Senate candidates endorsed by state COPEs (or other state bodies in unmerged states), 23 were elected and seven defeated, for a 77 per cent victory margin;
- Of the 293 House candidates supported by state and Congressional district COPEs, 181 were elected and 111 defeated, for a winning percentage of 62.
- State COPEs also endorsed 23 candidates for governor, of whom 17 won and six lost, for a winning percentage of 74.

There has been a great deal of misunderstanding concerning the effectiveness of labor's political activity as a result of the passage of so-called labor reform legislation by Congress.

Of the 181 members of the House of Representatives who were endorsed by the Committe on Political Education (COPE) in th 1958 elections, 165 voted against the Landrum-Griffin Bill—only 16 voted for the bill. Of the 52 first-term Congressmen who were endorsed by COPE, 48 voted against the Landrum-Griffin Bill with only four voting for it. Of the members in the U.S. Senate who were endorsed by COPE in the 1958 elections, 22 Senators voted against the so-called McClellan amendments to the Kennedy-Ervin Bill.

The Landrum-Griffin Bill was passed in the House by a vote of 229 to 201.

	For	Against
Republicans	134	17
Democrats	95	184
	229	201

Of the 95 Democrats who voted with the Republicans, 85 came from 11 Southern states.

Another way in which to assess the role of labor in the 1958 campaign is to look at the 13 states with a very high concentration of union members. This shows that in 42 marginal districts (where previous elections showed swings of just five per cent either way), 37 candidates backed by AFL-CIO unions won and five lost. Thus the American people last year overwhelmingly rejected at the polls the vicious attempts to split off the American trade union movement from the rest of the nation.

At the same time, the voters rejected the programs and principles of the Eisenhower Administration and its tenderness toward the "special interests" representing the bankers and the big businessmen.

One of the causes championed by the Republicans in 1958 fared as badly as did the party itself. In state after state where the misnamed "right-to-work" laws were placed on the ballot, voters rejected them by overwhelming margins. The anti-labor "right-to-work" proposal passed in only one state, Kansas, which is primarily an agricultural state.

The UAW itself was the target of a vicious campaign carried on by the forces of organized political reaction. Because the UAW fights to advance the general welfare and opposes the programs of special privilege, attempts were made by the Republican party to make the UAW and its president a campaign issue.

The American voter, however, rejected this high-powered campaign based on lies, and the forces of reaction were beaten at the polls.

Increased Business Activity in Politics

Ever since the 1958 elections there have been a number of newspaper stories and magazine articles reporting increased political activity on the part of many corporations. Actually, business has always been in politics, but in the past two years it has plunged more vigorously into the political arena than ever before.

The conservative magazine **U.S. News and World Report** noted in its November 28, 1958, issue: "Political education, party work, 'get-out-the-vote' drives —they're among the goals of front office men in industry. The end result, backers of the idea hope, will be to send junior executives and white collar men from industry to work ringing doorbells, handing out campaign literature, collecting political contributions, serving on party committees and getting people to register and vote.

"Trade associations, chambers of commerce, the National Association of Manufacturers and branches of these organizations in various states are taking part. Among companies, General Electric is taking the lead now, and such firms as the Ford Motor Company, International Harvester, Gulf Oil Corporation, Standard Oil Company of California and others are preparing to embark on one form or another of political education in the communities where they operate."

That this activity by America's top corporation officials has had some effective response can be seen by an article in the May 30, 1959, **Business Week** which said:

"The drive to get businessmen into practical politics is gathering momentum . . . More and more corporations, for instance, are sponsoring courses in grass roots political action for management, professional and supervisory personnel. More than 10,000 representatives of big and little business have attended—or soon will attend—such sessions.

"The U.S. Chamber of Commerce which announced its package course in grass roots politics only four months ago estimates that more than 7,000 individuals are now, or soon will be, enrolled under the sponsorship of corporations, local chambers and trade associations . . . The National Association of Manufacturers Citizens at Work program, brought out last fall, has some 2,000 participants, NAM says.

". . . GE is active in both of these latter groups but it also has its own program with about 800 graduates.

"More than 85 per cent of the participants in the Syracuse, N.Y., seminars, for example, had never before been active in politics. After taking the course, one out of 10 solicited funds for his party in the 1958 campaign, one out of three made a donation, half attended a political meeting, and all voted. The graduates, on the average, devoted 20 hours to political activity during the campaign. Of the first 300 to graduate, 40 ended up with identifiable party jobs.

"A number of companies now have executives with such titles as director of public or civic affairs to coordinate activities. Among them are Continental Oil Company, Monsanto Chemical Co., Ford and GE."

We Must Meet This Challegne

So, American business is obviously on the political march with 1960 in its sights, and American labor must be ready to meet the challenge:

- Labor must educate its members on a year-round basis.
- Labor must raise money through voluntary, individual contributions to its COPE dollar drives to help counter industry's overflowing coffers.
- Labor must continue building its organization block-by-block, so that every worker and his wife is registered and eligible to vote on Election Day.
- Labor must develop and support a broad, liberal, community program to counter the deceptive, narrow, special interest program of Big Business.

On November 17, 1958, the International Executive Board issued an Administrative Letter indicating to the local unions the desirability of their setting up year-round functioning area Citizenship Councils. The letter also pointed out in some detail what the duties and responsibilities of such councils would be.

All We Want Is Good, Honest Government

We believe that our democracy will be as strong as an enlightened citizenry makes it. We believe that we can have truly representative government only if the people elect those who believe that government should serve all of the people. If the representatives of the oil and gas monopolies and other special interest groups take over in Washington, the government will serve the few at the expense of the many.

The UAW is not interested in political power, prestige or patronage. All we want is good, honest government, responsible to the basic needs of all the people. We believe, with Abe Lincoln, that free government exists for the purpose of doing for the people what the people are unable to do for themselves.

We will continue to call our political shots as we see them, reactionary pressures notwithstanding.

The UAW and the American labor movement is not, nor will it become, the tail of any political party's kite. We support candidates based on their stand on the basic issues relating to the welfare of the American people.

We will continue to assert the Union's right to engage in these citizenship activities because there is no way to draw a line between labor's economic interest and its political interest. And to fulfill this function, we will stand on our fundamental right, guaranteed by the First Amendment to the Constitution, to free expression.

We do not intend to let our voice be stilled.

Vice President Richard T. Gosser is director of the Union's Skilled Trades Department. (See Page 31).

12 Families Outspend 15 Million Workers

In the last presidental campaign in 1956, just 12 families spent $1,153,735, which was more than the total contributions from 15 million trade unionists, according to the Senate Elections subcommittee.

In 1960, Big Business campaign contributions are expected to reach even greater heights. An indication of this came in a story in the very conservative **Syracuse (N.Y.) Herald Journal** of June 9, 1959, which revealed that "Republicans overflowed two large banquet halls at $100 plate dinner Monday night . . . and a solid fact is that the dinner racked up more than $300,000 net for party purposes."

Just a few days before that in New York City, a Republican dinner honoring Gov. Nelson Rockefeller netted over $400,000, according to **The New York Post.** From now on through 1960, industry will see to it that its friends in politics are well-heeled financially.

We must meet this challenge to representative government by the forces of organized wealth. Workers must help provide the funds needed to give effective voice to their hopes in the political sphere. As a part of this over-all effort to raise a little from the many, the UAW will support the AFL-CIO COPE Dollar Drive in 1960.

We urge that all our union officers and local union Political Action Committees make plans early so that this can be the most successful COPE Dollar Drive in our history.

We must redouble our efforts to collect individual voluntary dollar contributions from our members so that candidates who are pledged to work in the interest of all the people will not be overwhelmed by the power of organized wealth.

The Meaning of the GOP-Dixiecrat Coalition

There is great need for progressive people to talk out loud about some of the facts of life facing us in both parties in Congress and in the state legislatures.

One of these facts is the vast number of political sins committed in the name of party unity. There is an assumption that to keep party unity the conservatives in either party must be placated.

In the case of the Democrats, almost without exception, the conservatives represent a small minority of their constituents, being products of political organizations which retain power by discouraging the exercise of the franchise through poll taxes or other anti-democratic devices. By the same means these conservatives are able to accumulate seniority which gives them such power over Congressional action.

In the Republican Party, that small group of liberal Senators which tried to place some of its own members into leadership positions discovered that their once great friend in the White House suddenly found it much easier to go along with the conservatives.

The issue of civil rights illustrates in a most compelling way the problems discussed above. The civil rights issue has long occupied a central place in the development of national party organization and in the formation of political alliances. Because of this, it is said that the Democratic Party tends to promise the Presidency to the North and control of Congress to the South.

The Republican Party, on the other hand, tends to operate effectively only in the North, leading to bargains with Southern Democrats linking white supremacy with business supremacy.

As a result we have a Dixiecrat-GOP coalition which is buttressed by seniority and protected by carefully-designed rules. This coalition is a tragically effective device by which economic conservatives keep both political parties from becoming genuine instruments of majority rule.

The evil work of this unholy political alliance between the Dixiecrats and reactionary northern Republicans was apparent for all to see in the deal between Mr. Charles Halleck, Republican leader in the House, and Mr. Howard Smith, a Dixiecrat, who is the chairman of the House Rules Committee. They joined forces with the southerners in supporting an anti-labor bill sponsored by the Republicans. The Republicans payed off their southern friends by joining forces to block effective civil rights legislation.

Another basic political fact of life we need to resolve is the continued betrayal of the liberal voter through gerrymandering and lack of reapportionment. Millions of individual voters are deprived of the right which should be theirs under our system of universal suffrage.

In 1900, at least 60 per cent of all Americans lived on farms or in small rural communities.

Today, about 70 per cent of all Americans live in urban areas.

However, state legislatures, almost without exception, continue to be controlled by the rural population.

After the 1960 census, nine states will gain Congressional seats and 14 will lose seats. However, the actual reapportionment is carred out by each state legislature which must redraw the Congressional districts. Since most state legislatures are dominated by small-town and rural conservative areas, they constantly scuttle anything which gives a more equitable representation to industrial areas.

Our local unions, through state and city labor councils, should work with other groups for the reapportionment of election districts in line with growth and shifts in population to insure fair and adequate representation for all citizens. This will be one of the most vital aspects of the 1960 elections.

1960 Presidential Campaign

Still another political fact of life is the necessity of preparing for the 1960 election campaign.

We must demand of both political parties and

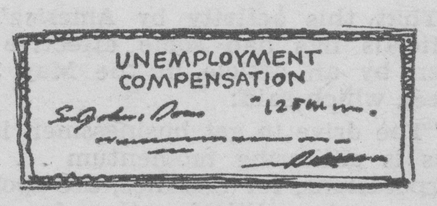
their leaders that they declare themselves to the voting public in clear and meaningful terms and that, after they have been elceted, they perform as they have promised.

Instead of blurring the issues, liberals should be sharpening them. Instead of worrying about a veto, they ought to let the nation see how far a Republican President is willing to go in blocking programs for schools, housing, airports, minimum wage, social security, resource development, foreign aid and other vital needs.

There is more need for a political realignment than ever before.

Through such a realignment the American people could vote for a clear-cut and meaningful program, as proposed by one of the major political parties, with the full assurance that when elected, that party would have the internal discipline and integrity to carry out its program without qualifications, compromise or delay, and thus keep faith with the people whose popular mandate put the party into power and responsibility.

Unemployment Compensation



There are few groups of workers in American industry to whom a sound and adequate unemployment insurance is more important than it is to the members of the UAW.

As we were sadly reminded in the 1958 recession, our Union's members and their families depend for their incomes on three of the most unstable industries in the American economy. The automobile industry and the individual companies that compose it suffer from extreme fluctuations in demand.

Shifts of consumer preference from one company's products to those of another can bring layoffs to the workers of individual auto producers and their parts suppliers even when the economy as a whole is generally prosperous. In recessions, employment declines much more sharply in auto and parts plants than in industry generally. When the economy catches a cold the auto industry catches pneumonia.

The Fight for Federal Standards

The job opportunities of our members in the agricultural implement industry are dependent not only on the health of the economy as a whole but are affected also by all the factors—unpredictable weather and equally unpredictable government farm policies, among others—that cause fluctuations in the incomes of farm families.

In the aircraft industry, tens of thousands of workers may become jobless overnight as a result of shifts in government defense procurement programs including both basic changes in programs such as shifts from planes to missiles and less far-reaching shifts such as those from one type of plane or missile to another.

Unemployment compensation is the workers' first line of defense against the risk of job loss inherent in our economy. But it does more than give a degree of protection to the wage-earner and his family. By braking the drop in mass purchasing power in a recession, it helps to slow, if it cannot stop, the downward economic spiral.

Such, at least, were the original intentions of the federal-state unemployment insurance system that began to function in 1937 as a result of passage of the Social Security Act in 1935. Those intentions seem to have been almost forgotten in the last two decades, however, as state benefits have failed to keep pace with the movement of wages, and as employer lobbying for restrictive gimmicks has kept state unemployment compensation laws from carrying out their function.

When the unemployment insurance system was initiated, benefits offset about half of an unemployed worker's lost wages; today, they make up for only about one-third.

Unemployment is national in its causes and effects. It should properly be met by a national unemployment insurance program.

The present federal-state system began through federal initiative. It remains a federal-state system. But a proper assertion of federal responsibility has been lacking.

The absence of adequate federal benefit, duration, and eligibility standards has sown confusion at the state level, enabling employers to use the threat of migration of plants to low-benefit and low-tax areas as a means of discouraging improvement of unemployment compensation laws, although in reality unemployment compensation taxes are not a significant factor in employer decisions to move plants.

Jobless breadwinners have been caught, like the bird that wandered into the badminton game, between reactionary efforts at the federal level to pass responsibility for unemployment compensation back to the states, and equally cynical efforts by employers at the state level further to weaken the state laws.

We in the UAW, together with other labor and liberal groups, have long sought to put an end to this game.

Our Sixteenth Constitutional Convention renewed our call for federal standards of benefits and duration and for federal supplementation of state benefits until state legislatures brought their systems up to federally-prescribed levels. We repeated this demand at the Special Convention of January 1958.

Temporary Aid Finally Came

On February 10, 1958, the AFL-CIO Executive Council endorsed the Kennedy-McCarthy Bill providing for federal minimum standards.

On February 19, 1958, I wrote President Eisenhower, proposing that as part of an immediate attack on the recession he seek temporary federal supplementation of state unemployment benefits while pressing for a federal standards bill. I called for such action again on February 25, 1958, following another advance of the Consumer Price Index to a record high despite mass unemployment.

On April 30, 1958, in urging upon the Congress a legislative program to halt the economic tailspin in which the nation was caught, I again asked for federal standards for unemployment compensation.

The Temporary Unemployment Compensation Bill (TUC) was passed by the 85th Congress in May, 1958 in an atmosphere of Administration resistance to federal standards, and was signed into law on June 4, 1958.

TUC was no answer to the fundamental problems. It was a stop-gap measure. It left state standards where it found them, and its benefits were available only to workers in those states that elected to apply for federal loans. Only 17 states joined the program, using the loans to extend benefits for an additional number of weeks equal to one-half of the period provided in each state law. Another five states extended duration temporarily under their own laws independently of the federal TUC program. The 85th Congress ended without further action in this area.

Arthur Burns, former chairman of President Eisenhower's Council of Economic Advisers, endorsed federal standards, as did the April 1958 report on the American economy by the Rockefeller Brothers Fund.

With the 86th Congress getting under way, 31 senators and 120 representatives joined in a bipartisan move to enact federal standards.

The UAW Action Program to Put America Back to Work gave support to the new drive to enact a federal bill. We also advocated extension of unemployment compensation to persons in depressed areas taking vocational training, as provided in the Douglas-Cooper area redevelopment bill.

I sent telegrams on March 6, 1959, to Congressional leaders of both parties, urging prompt passage of the federal standards bill and asking for a genuine emergency bill to provide immediate benefits to all the unemployed including those not then eligible for payments under state unemployment compensation laws.

Both AFL-CIO President Meany and I spoke out against proposals to evade federal responsibility for adequate permanent improvement in unemployment compensation laws by merely extending the stop-gap TUC.

At this juncture, the White House callously sabotaged the fight for decent protection for the unemployed by opposing even an extension of TUC.

I testified on March 20, 1959, before the Senate Finance Committee in support of a real emergency bill, a bread-and-butter measure that would have given up to 16 weeks of benefits at state rates to about 2,000,000 jobless workers who had exhausted their rights under the state and TUC plans or who were never covered.

Congress was not listening to reason on the subject of the immediate needs of the unemployed although Labor Department figures showed that there were 76 more areas with unemployment over six per cent than there had been a year before, when business activity hit bottom. The TUC act was renewel at the end of March on a limited basis that could not benefit more than a small fraction of the jobless.

Proposals Brushed Aside at White House

The AFL-CIO Mass Conference on Unemployment and its Legislative Conference, both held early in April 1959, reiterated labor's demand for national unemployment compensation standards, a demand I repeated in testimony prepared for a hearing of the House Ways and Means Committee and presented by IUE President James Carey when illness prevented my appearance.

We advocated passage of the Karsten-Machrowicz Bill, the 1959 House version of last year's Kennedy-McCarthy Bill. This bill would require the states to amend their laws to provide benefits equal to at least half of the individual worker's weekly wage subject to a state maximum equal to no less than two-thirds of the average weekly wage in the state.

Although this is the benefit formula which the Eisenhower Administration claims it favors, no state except Hawaii has thus far met it.

The federal standards bill remains bottled up in the House Ways and Means Committee. The fight will be taken up again when Congress reconvenes early next year. We will not rest until the federal government carries out its responsibility to assure that the state unemployment insurance laws, which it brought into being, provide a genuinely adequate measure of protection to the families of the unemployed.

District Council is a vibrant forum in the Candadian Region.

UAW Members Have a Role In World Affairs

H-bombs, intercontinental missiles and space satellites have tragically changed the character of international relations and the personal situation of each human being in the world. Today, we are no longer engaged, as a nation, in a competition for advantage over other countries in the world. Our struggle is for survival.

The continuance of the human race itself will be in jeopardy in the event of an atomic war. Moreover, the final destiny of every human being, which is weighed in a world-wide balance, cannot be separated from the facts of his daily existence.

The sharp recession in the United States in 1958, from which Americans together with workers throughout the world have not yet completely recovered, pulled the plug on the world-wide demand for coal, oil, iron, tin, rubber, coffee, vegetable fats and farm products.

Independently of the recession, other powerful forces are at work in the world which inevitably will bring about profound changes not only in international relations but in the personal lives of most human beings.

Since the Second World War, 24 new nations, representing more than 750 million people in one million square miles of territory, have emerged to take their places in the society of nations and to demand equal access to the Twentieth Century.

In Asia, the fateful race between the democratic government of India and the iron-handed communist regime in China is going in favor of the communists, chiefly because the free nations of the world have not recognized that freedom for the world is the stake in India's economic development.

Economic aid to the underdeveloped countries is not proceeding fast enough, whether considered in terms of the human needs of the people of the world, the requirements of the free economies for expansion or the security of the free nations. In the war on hunger alone the movement is backward —not forward. Rice production in the free countries of Asia increased only 18 per cent from 1938 to 1957 while population in the same period increased 27 per cent.

Within the calculation of the American economy,

however, the failure to enter into the war on want is a factor rearding the advancing well-being of American workers. A bold attack on hunger, disease, illiteracy and primitive drudgery in the underdeveloped countries—in which the United States, acting in concert with the United Nations, made a contribution comparable to its responsibility—would insure full production in the United States and jobs for all for years to come. The fact is that a program for the economic development of the non-industrial areas of the world broadens the market for U.S. exports and creates opportunities in every field of activity for the constructive and humane use of American skills, ingenuity and knowledge.

UAW and the ICFTU

How the nations of the world respond to the challenge of these dramatic transformations in the nature of the world bears directly on the personal destiny of every UAW member, as it does on the life of very American and everyone alive at this climax in human history.

For this reason alone, the AFL-CIO has placed an ever-greater stress on efforts to influence key international decisions by its work within the International Confederation of Free Trade Unions.

More than 54 million union members in 124 national federations and 88 non-communist nations who are affiliated to the International Confederation of Free Trade Unions today march in the vanguard of the struggle for bread, peace and freedom.

Hungary

When the Hungarian workers revolted in freedom's cause, the first caravan into Budapest bearing medical supplies for the casualties in the struggle for liberty was sent by the ICFTU.

Through the ICFTU International Solidarity Fund, to which UAW members voluntarily contributed almost $100,000, housing was provided for the refugees from the Russian repression in Hungary after the revolt was suppressed by tanks and troops. Workers who escaped the Russian firing squads into Austria, penniless and propertyless, were supplied with the tools of their trade to enable them to take up their lives again. In cooperation with the UN, housing was provided the refugees. Apprenticeship schools and scholarship funds were established for the orphaned children of the men and women who lost their lives in the struggle against tyranny. Clothing, medical care and foods, including thousands of pounds of American surplus butter purchased by the UAW, enabled the refugees to start their lives over again.

North Africa

Again in North Africa, the original freedom formations which ultimately fought their way to Moroccan and Tunisian independence included ICFTU affiliates. Attempts to repress the freedom movement by terror and repression were published by the ICFTU and world opinion was mobilized in support of the North African democratic movements. Today, a 700,000-member labor movement is a powerful factor operating for the growth of democracy in this crucial area of the world.

Kenya

In these struggles, UAW itself has made direct contributions by delegating staff to meet and advise with the leaders of the plantation unions.

Tom Mboya, the brilliant youthful leader of the Kenya Federation of Labor, who has emerged as a leading spokesman for freedom on the continent of Africa, has received support through the ICFTU. International Solidarity Fund financial aid financed his legal defense against the efforts of reactionary British colonials to frustrate the drive forward toward economic and social democracy. The ICFTU Solidarity Fund also provided the African labor movement with the tools for organization from bicycles and mimegraph machines to labor schools and salaries for organizers.

Through the ICFTU, the free workers of the world have elped teir brothers in hundreds of other crises, sometimes decisively. ICFTU aid, for example, weighed heavily in the struggle of the workers of the United Fruit Company in Costa Rica to win recognition and a contract. An attempt by the Japanese government to limit drastically the activities of unions in that country was defeated with ICFTU aid.

Financial support from the ICFTU has helped keep up the courage and determination of the men and women in South Africa who contend against the brutal inhumanity of the apartheid measures.

The remarkable success of the ICFTU has been due because—in contrast to the striped pants diplomats—its leaders and rank and file have acted in the knowledge that food, running water, toilets, warm clothes, medical care, decent wages, personal dignity, access to justice, job security and education make up the only context in which the world-wide fight for freedom can be effectively waged and won. The advances have been made and allies have been won over from among the uneasy people in a troubled world because the work of the free world labor movement is carried on, not alone at high-level conferences, but chiefly in the areas where the people struggle to live—in the mines, shops, mills, factories, warehouses and docks where they work and in the communities where they live.

Education Program

But a ceaseless struggle against poverty and oppression is exhausting and meaningless unless it is illuminated by a continuing education program which constantly lights up the gains made in the past and the goals of the future.

Permanent schools or labor education centers have been established by the ICFTU in Kampala in East Africa, in India, in Mexico City and in Paris. Other schools and institutes have been conducted in the major industrial and commercial centers of Europe and the Near East.

International Metal Workers Federation

Closely associated with the ICFTU are the 21 International Trade Secretariats, world-wide federations of unions whose members work in a particular trade or industry.

Interest of UAW in world affairs is highlighted, for example, by the frequent visits of members of the union to the United Nations. Here, a group of UAW women and Mrs. Caroline Davis (left), director of the Union's Women's Department, take time out during a seminar on "The UAW and World Affairs," to see the U.N. at first hand.

While the affiliation of a union within a country to the ICFTU is accomplished through its national federation so that, for example, the UAW works in the ICFTU through the AFL-CIO, the affiliation with the Trade Secretariats is direct.

Thus the UAW is a member directly of the International Metal Workers Federation, the eight-million-member organization which represents the interests of metal workers of 25 nations, and enables the metal workers in all the free countries to join hands in pursuit of their common objectives.

Other American unions which belong to the IMF are the United Steelworkers, the International Association of Machinists, the International Union of Electrical Workers and the Marine and Shipbuilders Industrial Union.

IMF Spearheads Global Drive

Since the metal-working industry is the most advanced in the world technologically and is the economic sector where the most profound alterations in trade relations are in process, it is natural that to the IMF has fallen the task of spearheading the drive of free workers for minimum standards of wages, hours and working conditions which reflect the present stage of economic development.

The step toward this objective has been an IMF drive for a universal five-day, 40-hour week in the metal industry. The campaign, launched at a Conference on the Reduction of Working Hours in October 1955, has met with significant success and is still continuing.

World-wide reduction in hours, however, is only one feature of a many-sided eight-million-worker attack on the problem of attaining prosperity and full employment in the free world, based on a rational and just utilization of the world's resources in materials, technology and human skill.

Plan Worker Exchange

In the immediate future it is planned that this fruitful cooperation will be still further strengthened through the exchange of workers among IMF affiliates for periods up to six months. Under the plan, workers at GM, Ford, Chrysler, International Harvester, Fiat and Volkswagen will spend periods of time with workers of the same company in other countries. "Such an exchange," the Executive Committee of the IMF has pointed out, "would enable union officials in responsible posts to wokr in immediate contact with the union at the plant level in order to broaden their experience and understanding of international unionism . . . it could make a real contribution to international union solidarity."

International Fair Labor Standards

Measured in terms of eventual economic meaning to UAW members, however, perhaps the most important activity in which the IMF and its leadership can engage is the drive to win an International Fair Labor Standards treaty.

This aspiration was first voiced in the U.S. by CIO President Philip Murray in 1943. Approval was given to the principle by the U.S. government delegation at the time the General Agreement on Tariffs and Trade (GATT) was negotiated under the auspices of the United Nations in 1953.

This year, as the result of recent activities by the IMF, the prospect has been taken out of the files and has been made into a live and attainable goal.

What is needed, we have contended, is an international approach linking our admission of foreign goods to the standards of living of workers who produce these goods. If international trade is to serve the interests of workers and not merely increase the profits of employers, the free labor movement must undertake the task of winning acceptance of international fair labor standards preventing employers from invading export markets with products through the sweating of labor.

What is proposed is that an international standard be adopted which would relate tariff concessions for exporting countries to the progress in those countries toward a fair labor standard. By this device, nations in which wages, hours, and working conditions are below standard would be encouraged to raise wages and reduce hours at a pace possible within the limitations of the productivity levels of the industries involved. Countries in which productivity gains were not shared with workers through improved wages and hours would be penalized by the loss of tariff concessions.

International Solidarity Fund

The accelerated pace of developments in the world which affect workers today, and the vast sweep of the stage on which the ICFTU and the International Trade Secretariats operate, have laid a financial burden on these organizations which cannot be met out of the almost nominal per capita payments made to these organizations by the free unions of the world.

Moreover, in many countries the free unions have as adversaries communist formations which are supported by the nearly unlimited financial resources of communist governments.

Responding to this challenge, the ICFTU has created an International Solidarity Fund which is used to pay for special urgent projects whose cost exceeds the limits of the regular budgets of the ICFTU and the International Trade Secretariats.

Money for the International Solidarity Fund is contributed by the national labor federations affiliated to the ICFTU in addition to their prescribed per capita payments.

Altogether the free unions of the world have pledged $5 million to the fund. Of this amount the AFL-CIO has pledged $1 million, which amounts to two cents per member per year over a period of three years.

At this moment the UAW, as has been the case in most unions throughout the world, is now seeking to raise its share of the American pledge through voluntary individual contributions.

The range and significance of the activities financed by the Solidarity Fund can be read in a sample of Solidarity Fund expenditures.

Aid has gone from the Solidarity Fund to victims of mine disaster in Korea, to strikers in the Argentine, to finance organizing drives in India, Malaya and Ceylon, for wage-earner flood victims in India, for strikers in desperate need of help in Colombia, Costa Rica and Tanganyika.

UAW in the World

While the major programs of every union in the field of international labor affairs must necessarily be worked for through the international labor organizations with responsibility in this specific area, there nevertheless remains an inescapable and important role for individual unions to play.

In the case of the UAW, because of the drama of its history and its pioneering activities in collective bargaining, this is especially true.

During recent years, within the outlines of the policies of the ICFTU and the IMF, the other officers of the UAW and I have particularly attempted to project to wage-earners overseas an accurate image not only of the goals and methods of unionism within the United States and Canada but also of the commitment of the American labor movement to a democratic and dynamic economic policy in the world.

My visit to India at the invitation of the Indian National Trade Union Congress has proved to be especially timely in view of the increasing effort by the communists to penetrate India economically.

The UAW program for a United Nations World Fund, equal to two per cent of the gross national product, to which the U.S. could contribute a sum to finance a positive program for peace and reconstruction, together with the UAW proposal that a United Nations technical task force be organized with young scientists and technicians serving in the war on disease and poverty, continues to recur in the proposals made for the development of the low-income areas of the world.

I was also privileged to present to the British Trade Union Congress in Blackpool during September 1957 a view of the American labor movement which, because of the inadequate reporting of labor events in newspapers, had never penetrated to England.

In January of this year, on the occasion of the visit to the United States of Soviet Deputy Premier Anastas Mikoyan, I and other union leaders were able to sit down with him and try to help him understand that the labor movement here is dedicated to freedom and completely rejects communism and communist propaganda.

The Soviet leader, after he had been lavishly wined and dined by the brass of American finance and industry, asked for a meeting with key American labor officials.

A meeting was arranged through President James Carey of IUE at which the gloves were discarded and Mikoyan was challenged on the central facts of Soviet tyranny.

At the climax of the interview, Mikoyan protested:

"The American trade-union leaders are more antagonistic toward the Soviet Union than were the American capitalists whom I have met."

"You should know the reason for that," I explained. "It is because the American trade-union leaders understand the communists better than the American capitalists."

"Berlin Bleibt Frei"—Berlins Remains Free

While echoes of this interview with Mikoyan were still reverberating throughout the world, Mayor Willy Brandt of Berlin graciously tendered to me an invitation to speak at the gateway to Soviet imperialism—the Brandenburg Gate in Berlin—on Berlin Freedom Day, May 1, 1959.

There, before 600,000 people, and later in the day before a meeting attended by 22,000 men and women from behind the Iron Curtain who had made a pilgrimage to freedom from East Berlin, a simple declaration of the UAW philosophy won a world audience.

United Labor Movement

UAW's interest in clean unionism is no mere latter-day response to the revelations of the McClellan Committee. We have always championed the cause of clean unionism, for a union that is subject to any form of corruption, whether by communist, fascist, or "fast-buck" racketeering, is a union incapable of serving the best interests of its members.

We have never strayed from the conviction that leadership in the labor movement is a sacred trust and must be judged by higher standards than those that prevail in the market place and in business enterprise, where the end is not so much service as profit.

During the first unity discussions before merger of the AFL and the CIO, we raised the question of racketeering in certain unions. Throughout the merger talks, CIO unions insisted upon constitutional principles committing the united movement to the highest ethical standards—and providing the machinery for implementing those principles.

That was our position before merger and that has remained our position. At the 1955 joint AFL and CIO Convention which completed the merger and created the AFL-CIO, those commitments to the highest of ethical standards and conduct were written into the Constitution of the united organization, and an Ethical Practices Committee was created to police and enforce those standards.

When labor's house was re-united in that historic 1955 Convention, none of the parties to the merger was unrealistic enough to think that we were going to sit back and live happily ever after. We knew that we were making a new beginning full of problems and challenges.

Problems Still

Four years after merger, problems and the challenges still confront us; yet the reasons for staying together, after four years of experience in the problems and possibilities of unity, are much the same as our original reasons for seeking merger—and they are just as compelling now as they were in 1955.

Labor's enemies have not folded their tents and quietly abandoned the field. On the contrary, they are as arrogant as ever, and they have in the past few years eagerly exploited the evidence of corruption in a few unions, notably the Teamsters, not toward the end of helping labor clean house, but in support of an overweening ambition to cripple the whole labor movement.

It must be said that the McClellan Committee, which began under the shadow of typically irresponsible and false charges against the UAW by the late Senator Joseph McCarthy, has not fulfilled its whole mandate, which was to investigate improper activities by both labor and management, and has lent itself, deliberately in the case of Republican members, to the reactionary employer game of cutting all unionism down.

Warped Press View

The work of seeking out and eliminating corrupt elements and practices in labor has been made more difficult by a general refusal on the part of the American press to see corruption in unions as part of the broader problem of the values not only of business but of the whole society.

We have said again and again that labor must be clean—cleaner than management—and that labor's performance must be judged by higher standards than those used by business.

We point to this record only because it forms the environment in which trade unionists, like all Americans, live. The ethics of the market place cannot be the ethics of the labor movement. Labor's continuing problem is how to prevent the easy values of a materialistic and acquisitive society from becoming the dominent values of the labor movement.

The dishonest labor leader does not function in a vacuum. He adopts the prevailing business philosophy of the fast buck. His victims are the rank-and-file union members—but his collaborators and frequently enthusiastic defenders are the very businessmen who through their trade associations cry loudly for punitive laws against the unions.

Labor Acts

Within the range of its own authority and responsibility, the united labor movement has moved against corrupt practices.

The Second Constitutional Convention of the AFL-CIO, held from December 5 to 12, 1957, ousted the Teamsters and the Laundry Workers.

The Bakery and Confectionery Workers were expelled and a new Bakers union, the American Bakery and Confectionery Workers (ABC), was chartered and has been very successful in organizing the workers in this field.

The Distillery Workers were continued on probation, having agreed to a new election of top officers by secret ballot within 90 days, and to compliance with all other AFL-CIO directives.

The Convention adopted the ethical practice codes earlier approved by the AFL-CIO Council. On the question of Congressional action, delegates went on record in support of honest Congressional attempts to uncover and legislate against corrupt practices, but served notice that they would strongly oppose "all proposals which under the pretext of protecting workers from corruption seek in reality to weaken unions or to undermine their ability to fulfill their proper responsibilities."

By August 1958, when the AFL-CIO Executive Council next met, 55 AFL-CIO affiliates had acted to make the AFL-CIO codes of ethical practices, in effect, part of the laws of their unions.

The Council took further action against the Teamsters, designed to isolate them in the national and international labor movements and to prevent Teamster local officials from using the device of dual membership to hold office in state and city bodies of the united labor movement.

The Council cracked down on the International Union of Operating Engineers and ordered an investigation of the International Jewelry Workers. Progress reports on clean-up campaigns in the Distillery Workers and the United Textile Workers were heard. Full reports from the Hotel and Restaurant Workers and the Amalgamated Meat Cutters on the correction of unethical practices were demanded.

The united labor movement has been doing its part to eliminate unethical practices. But these practices, being rooted in understandings with corrupt employers and figuring largely in the activities of unions already expelled from the united labor movement, extended beyond the authority of the AFL-CIO. The UAW will continue to support all constructive efforts inside the AFL-CIO to insure that the labor movement continues to clean up its own house whenever evidence of corruption and wrong-doing is shown to exist.

Industrial Union Department

The IUD, grouping over 70 former AFL and CIO affiliates with a combined membership exceeding seven million, has opened up new possibilities for effective cooperation among the unions of the united labor movement.

Within the framework of the AFL-CIO Constitution and policies of the parent body, the IUD seeks to represent and promote the common interests of the industrial unions.

The guide line of IUD activity are simple: to serve its affiliates in every way, without running counter to over-all AFL-CIO policy and without interfering in the conduct of its affiliates' affairs; and to serve the whole labor movement and the nation by creating a forum and a sounding board for the discussion and dissemination of ideas and viewpoints with respect to all matters affecting the basic, long-term interests of wage earners and their unions.

Much of the IUD's activity has developed out of an awareness that the experience of the industrial unions themselves provides a great untapped source of information and skills—untapped in the sense that it has been acquired piecemeal in response to specific situations in one or another union's daily activity, and has not been systematically shared with other unions.

The IUD has become a clearing house for the collection, analysis and distribution of such information on matters of common concern. Through the IUD, the technical skills and special knowledge available to each affiliate are made available to all, upon request, or as useful background material and without any intention of intervening in the internal affairs of any IUD member union.

Jurisdictional Agreements

June 9, 1959, marked the fifth anniversary of the No-Raiding Agreement that prepared the way for the merger of the AFL and CIO in 1955. Of the 214 cases processed under the agreement, 160 were settled by the unions before any arbitration hearing was held and 23 more were resolved before an arbitration decision was rendered. The arbitrator was required to hand down decisions in only 31 cases during the agreement's first five years.

The No-Raiding Agreement machinery was extended to all AFL-CIO affiliates by action of the AFL-CIO Executive Council in February 1958 with the umpire making recommendations (rather than binding decision) in any cases involving non-signatory unions.

In the course of the same meetings, the Executive Council also outlawed boycotts by any affiliated union of goods made by members of another AFL-CIO union, with complaints to be processed through the no-raiding machinery.

The Industrial Union Department and the Building Trades Department, moreover, took, during those same Executive Council sessions, a significant step forward in providing regular machinery for the settlement of disputes involving craft and industrial unions.

But the first practical step in this most difficult area of adjusting jurisdictional disputes was taken under the leadership of the UAW when an historic agreement became effective in March of this year between the UAW and the Building and Construction Trades in Detroit. It signified the willingess to solve old and bitter problems and to give greater strength to the labor movement by greater unity and cooperation.

Terms of Detroit Area Agreement

The agreement said in part: "In accordance with the principles set forth in the IUD-BTD Agreement, the UAW and the Detroit Building Trades Council (Wayne, Oakland and Macomb Counties) mutually agree that production and maintenance work shall be done by UAW members and that new construction shall be done by members of the Building Trades Unions and that jobs in the doubtful areas shall be decided based upon past practices in accordance with the definitions and procedures set forth below.

"It is further agreed that the UAW and the unions comprising the Detroit Building Trades Council shall refrain from attempting to organize or represent, for purposes of collective bargaining, workers who properly belong within the jurisdiction of the UAW or the Building Trades Unions, respectively, in accordance with the definitions set forth in this agreement.

"The basic principles governing the agreement between the Detroit Building Trades Council and the UAW on work jurisdiction are set forth in the Agreement between the Building and Construction Trades Department of the AFL-CIO and the Industrial Union Department of the AFL-CIO as follows:

" 'There are two areas in which the jurisdictional line between the building trades craft unions and the industrial unions are clear. New building construction, on the one hand, should be the work of the workers represented by industrial unions.

" 'Between the two clear areas set forth above, there is a doubtful area. In this doubtful area, decisions should be made on the basis of established past practices on a plant, area or industry basis."

Other Area Agreements

Similar agreements have been worked out, or are under consideration at the present time, between the UAW and other local Building and Construction Councils in Michigan, Indiana, Connecticut, and several other states. Recently the United Steelworkers and the Youngstown, Ohio, Building Trades Council worked out an agreement patterned after the Detroit Agreement.

The Detroit area agreement, signed by the UAW and the Detroit Building Trades Council, went beyond the national agreement in that it provided for cooperation in organizing the unorganized and for making collective bargaining more effective.

In addition to such disputes machinery for dealing with jurisdictional problems, the merged labor movement has continued to benefit from the use of procedures that had been developed by craft and industrial unions before merger. The AFL had its Internal Disputes Plan for settling jurisdictional differences, while the industrial unions, first in the CIO and now in the Industrial Union Department of the AFL-CIO, have resolved jurisdictional problems through their Organizational Disputes Agreement.

The industrial unions, moreover, have devised a code of organizational practices governing competitive organizing techniques. The code outlaws misleading and slanderous propaganda which would violate the spirit of trade-union fraternity, bring the labor movement into public disrepute, and thus hamper the organization of the unorganized.

The jumble of jurisdictions inherited from the past, the common will to achieve unity without waiting for a definite solution of jurisdictional conflicts, and the recognized autonomy of all affiliates, large and small, combined to present the united labor movement with somewhat the same problem as that faced by members of the United Nations: that of setting up the machinery of law and of winning the consent of sovereign entities to such law in the interest of strengthening the whole community—in this case the community of the labor movement.

I have been serving for the past several months on a special committee of the AFL-CIO Executive Council which was assigned the responsibility for working out more effective machinery for handling these jurisdictional disputes inside the AFL-CIO. One of the principal difficulties with the approach which has been used to settle these disputes over the past few years has been that there has been no terminal point in the machinery for adjusting these disputes, and all unresolved problems ended up on the agenda of the Executive Council itself.

To resolve the bottleneck in the adjustment machinery, we have long advocated inside the AFL-CIO the establishment of final and binding arbitration as the terminal point in the jurisdictional disputes machinery, and I am very pleased to be able to report that the special committee of the Executive Council was able to agree on such final and binding arbitration as the terminal point of the machinery and so recommended to the Executive Council.

The Executive Council adopted the report of the Special Committee and recommended the following action to the AFL-CIO Convention in San Francisco.

EXECUTIVE COUNCIL RECOMMENDATION TO CONVENTION WITH RESPECT TO UNION DISPUTES

The Executive Council herewith submits to the Convention the report of its Special Committee on Union Disputes. This report has received the approval of the Executive Council and the Executive Council therefore recommends to this Convention that it adopt the following resolution suggested by this Special Committee:

BE IT RESOLVED: That the report of the Special Committee of the Executive Council on Union Disputes be approved and that the Executive Council be directed to develop, through this Special Committee, a detailed plan of procedure for the settlement of disputes between affiliates, of the nature indicated in this report, embodying final and binding arbitration as the terminal point in the settlement of such disputes, it being understood however that such arbitration shall be limited to the settlement of disputes only and shall not include the determination of the work of trade jurisdiction of affiliates; and be it further

RESOLVED: That the Executive Council be further directed, upon its approval of such a plan, to call a Special Convention and to submit such plan, together with such constitutional amendment as may be necessary to make it effective, to this Special Convention for such action as the Special Convention, by appropriate vote pursuant to constitutional provision, may determine.

The Convention approved the Council's recommendation and our Special Committee will now proceed to work out a detailed plan of procedure for the settlement of disputes between AFL-CIO affiliates.

White Collar Workers Need Union Protection

In the years ahead the organizing sights of the trade union movement will be trained sharply on the need for white collar workers to unionize.

This organizing effort will grow more vigorous as the changing economy of the nation and its changing industry reach deeper into the relationship of the white collar worker with his employer and establish new and different office working conditions.

It is already well established that the proportion of white collar workers to production workers in the nation as a whole and in industry in particular has been increasing rapidly and steadily. Thirty years ago, just prior to the great depression, there was one white collar worker for each four production workers in industry. Today the proportion is one to three, and in some industries there is close to a fifty-fifty ratio.

In the decade 1947-1957, professional and technical workers increased their work force across the nation at a rate of 60.6 per cent, the office and clerical workers by 22.8 per cent, while the number of production workers moved upward by a mere 4.4 per cent.

Within the industries under UAW jurisdiction a similar population movement is evident. In the automobile industry, for instance, total employment in 1951 was 854,500; of these, 717,900 were production workers and 136,600 were white collar workers. The proportion of white collar workers was 16 per cent of the work force.

In 1957, total employment declined to 786,300 but the number of white collar workers increased to 156,200, which was 20 per cent of the work force.

A similar trend appears in the agricultural implement industry.

More startling, however, are the comparable figures for the aircraft industry. In 1951 employment in the aircraft industry totaled 463,600. Of these, 341,900 were production workers while 121,700 were white collar workers, or 26 per cent of the total. By 1957 total employment had risen to 861,700, of which 298,100, or 35 per cent, were white collar workers, an increase of nine per cent in a six year period.

The Meaning of White Collar Growth To White Collar Workers

This explosive shift in worker population, particularly in industry, directly affects the white collar worker's evaluation of his job, his day-to-day relationship with his employer and his economic, social and political impact upon the community and the nation. It is effecting a reorientation of old and outmoded attitudes to meet the problems of the new era of industrial life.

The increasing complexity of the technical and administrative aspects of running a large corporation and the rise of giant white collar worker forces in the industrial plants have wrought vast changes in the white collar worker outlook.

Jobs have become specialized. Professions are being "fractionalized." The impersonal direction that develops in large firms where the private owner has disappeared and the manager-director has evolved cuts the personal ties that previously existed. Now only a small circle of "top brass" directs the affairs of the business. Technological progress and the increasing impact of automation have made strangers of the employer and the employe. The opportunities to rise to the top rapidly dwindle. The white collar worker feels he is just another cog in a vast business machine—another clock card number.

The Value of Organizing

To counteract the cold and impersonal relationship that the "clock card number feeling" engenders, management for some years embarked on a program of "human relations." It has deliberately tried to sell the white collar worker on the proposition that he is in a higher social status, that he does not need organization to accomplish his objectives of high living standards and comfortable working conditions. The employer has urged that organizational activity, collective action, is something objectionable and beneath the dignity of the white collar worker.

Too often the white collar worker attempts to fight the power of multimillion dollar corporations with the feeble strength of his individual ability to perform the job. Too often he equates ability on the job with bargaining power.

But he is awakening to the realization that he acquires dignity and prestige in his job by combining his bargaining strength against the employer with the collective strength of all his fellow workers.

White Collar Workers Have Special Problems

There are generally three groups of white collar workers in industry: engineers, technicians, and office and clerical. All three groups have certain common problems, yet each group has certain problems peculiar to its own type of work. It is axiomatic that white collar worker problems must have white collar worker solutions.

The answer to thes problems will be found in only one way: organize its unions and bargain collectively.

The Job Ahead

More than 80,000 white collar workers already organized in the UAW are finding the answers to these problems. But these represent only a small percentage of the hundreds upon hundreds of thousands in the vast army of unorganized white collar workers who need the comfort and protection of union organization and the power of collective bargaining.

The UAW recognizes that organizing the as-yet-unorganized white collar worker represents the most formidable organizing challenge we have encountered since the exciting and pioneering days when our Union was created.

The time for a major effort is ripe. We must set our course and follow through with vigor and determination.

Skilled Trades

The tremendous progress of the UAW as an industrial union has been made possible by the united efforts of both the skilled and production workers who are its members.

Working together, production workers and skilled workers can withstand management's constant efforts to divide, and thus weaken, the whole Union.

During our April 1957 Convention, our Union adopted a resolution on "New Tools—Tactics—Techniques for Collective Bargaining" in which we point out in part:

"During the 20-odd years of the history of the UAW, the workers in the auto, agricultural implement and aircraft industries have learned that they were able to make progress only as we were able to unite workers and pool their collective strength and determination at the bargaining table. The complete failure of craft unions to protect and advance the interest of workers in the mass production industries and the success of the industrial unions in this respect offers conclusive proof that workers in these basic industries, whether production, skilled trades, office workers, technicians or engineers, can best solve their problems and advance their common individual interests only as they stand and act together through the instrument of a single powerful industrial Union.

"Without in any way weakening or compromising the principle of industrial unionism, which is the source of the strength and the solidarity of our Union, we must find new ways to implement the principle of industrial unionism in order to meet today's problems, to meet the problems common to all the workers in our Union and at the same time be able to deal satisfactorily with their special problems. No member of our Union has a right to special privilege, but every member of our Union, who may have a special problem because of the nature of his work, has a right to have this special problem dealt with effectively."

The 16th Constitutional Convention, after lengthy debate, took appropriate steps to meet the need of our Union for "New Tools—Tactics—Techniques for Collective Bargaining" by amending our UAW Constitution to provide for separate ratification machinery for special groups, and for more effective representation in the various levels of the bargaining process.

Policy Applied

During our 1958 negotiations with the auto industry, these new constitutional provisions were put into effect by the UAW for the first time and, on the whole, worked fairly well. Based upon this very important experience that was gained during the 1958 negotiations, the International Executive Board analyzed and evaluated our entire skilled trades council structure and program in order to further implement our 1957 Convention action by bringing our skilled trades council structure into closer relationship with the bargaining work of the Union.

Accordingly, the UAW's International Executive Board at its February 1959 meeting further implemented the policy detailed by the 1957 Convention and geared the Union's skilled trades council structure more closely to the UAW's collective bargaining machinery.

This was done after the Board had carefully evaluated the council structure from the point of view of improving representation of skilled workers in the Union.

The new structure eliminates payment of special dues to skilled trades councils by skilled workers. Normal UAW dues now cover the cost of issuing journeymen cards to qualified tradesmen.

The new structure also created a National Skilled Trades Advisory Committee of nine delegates from newly-created councils or subcouncils representing various sections of the UAW which are comprised of delegates from local unions grouped together for collective bargaining purposes, namely, General Motors, Ford, Chrysler and Jobbing Shops.

Structure and Function of Advisory Committee

The Advisory Committee will work under the National Skilled Trades Department's general supervision and in cooperation with the International Executive Board's Skilled Trades Committee to assist the International Executive Board in developing programs and policies essential to advancing the welfare and interests of all UAW skilled workers. In this, the Committee will consider any differences between different sections of the Union.

The Advisory Committee will meet at least twice each year. In addition, the annual Skilled Trades Conference of delegates elected by all local unions will be continued to facilitate broad representative discussions of the programs, policies and problems affecting tradesmen.

Because the Canadian collective bargaining structure differs in important ways from that in the U.S., the Board delegated to the officers and Canadian Regional Director George Burt the responsibility for developing a Canadian skilled trades structure geared to the needs of Canadian skilled trades workers.

Text of Board Action

Here is the complete text of the International Executive Board's action reorganizing the skilled trades structure:

"Experience has clearly demonstrated that there is an urgent need to reorganize the skilled trades structure of the UAW to make it more representative and more responsive to the needs of the skilled trades members of our Union.

"The International Executive Board shall continue the special skilled trades subcommittee of the Board for the purposes of advising the Board on policy, administrative and collective bargaining matters related to the needs of skilled trades workers.

"There shall be created a National Skilled Trades Advisory Committee composed of one member elected by the following skilled trades councils or subcouncils based upon the collective bargaining structure of the UAW:

General Motors	**Agricultural Implement**
Ford	**Aircraft and Missiles**
Chrysler	**Parts and Industry**
Jobbing Shops	**Independents**

Miscellaneous

"The skilled trades councils and/or subcouncils shall be composed of delegates elected from the local unions that are related to their respective subcouncils based upon their collective bargaining function and the particular structure in that section of the industry. If any subcouncil desires to have representation on the National Skilled Trades Advisory Committee from both the maintenance trades and the tool and die trades, it may elect an alternate member to accomplish this purpose provided that all expenses of such alternate member attending National Skilled Trades Advisory Council meetings will be fully borne by the respective subcouncil.

"The National Skilled Trades Advisory Committee will work under the general supervision of the National Skilled Trades Department and shall cooperate with the Skilled Trades Committee of the International Executive Board in developing policies and programs essential to the advancement of the welfare and the best interests of all skilled trades workers in the UAW, taking into consideration differences that may exist between different sections of our Union. The National Skilled Trades Advisory Committee shall meet twice a year and be subject to call by the director of the National Skilled Trades Department.

"The collective bargaining and administrative responsibilities for each of the sections of our Union shall reside in the departments charged with the responsibilities of collective bargaining and contract administration.

"The Skilled Trades Department shall coordinate the activities of the following subcouncils:

Jobbing Shops	**Miscellaneous**
Independents	**Parts Industry**

"There shall be convened an Annual Skilled Trades Conference for the purpose of facilitating a broad, representative discussion of skilled trades problems, programs and policies. This Conference shall be called under the direction and supervision of the National Skilled Trades Department and representation to the National Skilled Trades Conference shall be from the local unions on an appropriate representation basis.

"The National Skilled Trades Department shall be responsible for directing and coordinating the general activities of the Union as it relates to skilled trades problems, apprentice standards and related matters and shall be available to assist Regional Directors and departments on skilled trades problems upon request where the need arises.

"The International Executive Board shall continue to assume the responsibility for the designation of skilled trades classifications and for the establishment of proper standards for recognizing skilled trades classifications.

"The National Skilled Trades Department shall assume full responsibility for the coordination, supervision and issuance of journeyman cards. Application for skilled trades journeyman cards shall be made available at all regional and subregional offices of the UAW. The National Skilled Trades Department shall develop appropriate committees and procedures and work in cooperation with the National Skilled Trades Advisory Committee and the various skilled trades subcouncils in order to facilitate proper clearance of journeyman cards.

"This new skilled trades structure, designed to provide the most effective collective bargaining coordination on skilled trades problems and to assure the advancement of the best interests of skilled trades workers, shall replace the present skilled trades structure."

The UAW has already held its first National Skilled Trades Conference under this new skilled trades structure, and appropriate steps have already been taken, or are in process, by the various sections of our Union to establish the appropriate new functional councils or subcouncils, and to elect the representatives who will serve on the National Skilled Trades Advisory Committee. In the next few months this re-organization will be completed, and we feel certain that this new skilled trades structure will be more effective in meeting skilled workers problems.

Civil Rights

Since our 1957 Convention, progress has been made in the fields of civil rights and civil liberties. But progress is still too slow, too late and too little, measured by the needs of those Americans denied their full constitutional rights and measured by our nation's needs for clean credentials in the eyes of watching millions throughout the world.

Five years of failure by President Eisenhower and successive Congresses to support and to provide practical implementation for the Supreme Court's 1954 decision on segregation have had the tragic effect of tolerating and encouraging massive resistance, interposition and other devices for evasion and delay. Little Rock, it has been pointed out, damaged our standing more than Soviet Russia's launching of the first Sputnik.

In recent months, campaigns of planned defiance or circumvention of law have contributed to systematic terror and to acts of violence at Poplarville, Miss., Tallahassee, Fla., and elsewhere.

Effective anti-discrimination laws have been enacted in California and Ohio. Weak laws have been strengthened in Wisconsin and Colorado. This brings the total number of states having such protection of minority rights to 16.

But it is still part of our national shame that most protection is given where least needed and least protection is given in those sections of the country where such protection is most needed.

Seven States Stand Out

Compliance with the Supreme Court's 1954 and 1955 integration decisions is general in the northern and western states; substantial progress toward compliance has been made in most of the border states and in Oklahoma and Texas. But in seven southern states massive resistance continues.

Slight but nevertheless substantial progress was made four months after our 1957 Convention when the House of Representatives passed a comprehensive Civil Rights Bill, the first in 80 years.

Operating under the threat of filibuster and weakened by President Eisenhower's abandonment under bombardment by Senator Russell (D., Ga.) of the vital Part III, the Senate reduced the bill passed by the house to protection merely of voting rights. Part III would have empowered the Attorney General to get court orders to give any citizen the equal protection of the laws. He could have intervened in Little Rock before paratroopers became necessary to enforce the law of the United States.

As passed, the 1957 bill also set up a temporary Federal Civil Rights Commission authorized merely to assemble more evidence in a field in which the evidence of unconstitutional denial of equal protection of the laws is already mountain high.

Encouragement to Faubus

In January 1957, the vote to change Rule 22 so as to break the power of King Filibuster had shown that 41 Senators, seven less than a majority, (counting Vice President Nixon's vote to break a tie) were committed to changing Rule 22.

As the UAW has stated to House and Senate Judiciary Committees since, the Republican cave-in under Southern Democratic pressure to kill Part III encouraged Governor Faubus of Arkansas. Faubus was further encouraged by President Eisenhower's 10-day delay in approving the cut-down civil rights bill.

Starting in September 1958, the Leadership Conference on Civil Rights, in which the UAW and some 50 other national organizations are active participants, asked the candidates for the United States Senate to pledge themselves to support the Douglas-Javits proposal to change Rule 22 so as to make it possible to break a filibuster by vote of the majority of the members of the Senate, instead of requiring a vote by two-thirds of all the members of the Senate.

Shortly after noon January 7, 1959, after newly-elected Senators had been sworn in, Majority Leader Johnson got and held the floor for the purpose of presenting such a resolution sponsored, significantly, by the top brass of both parties.

The crucial vote came on January 9, 1959 when Senator Johnson moved to table the Anderson motion to dissipate filibuster control over civil rights. The motion to table carried 60 to 36, 40 Democrats and 20 Republicans voting to table, while 22 Democrats and 14 Republicans voted against tabling and for the Anderson motion that would have kept the road open for a real weakening of King Filibuster's veto power over civil rights and all other legislation.

The Margin for Survival

As always, justice delayed is justice denied.

Looking to the future, if because of segregated and unequal educational facilities we miss one Einstein, one Lise Meisner, one Nils Bohr, one George Washington Carver, one Dr. Jonas Salk or one Ralph Bunche in the class of 1960, we may, as Senator Hubert Humphrey has pointed out, "miss the margin between survival and disappearance of freedom or civilization itself."

If I understand the feeling of those of us who have fought the fight for civil rights for the past 15 years since President Franklin D. Roosevelt's wartime FEPC was put to death by the threat of filibuster against a wartime appropriation bill, we are getting sick and tired of the civil rights run-around practiced by the present leadership in both political parties. We are going to have to look at the words and deeds of each Representative and Senator and each candidate for Congress and for President and Vice President.

UAW Renews Pledge

The demand that will make the need apparent to them must be reinforced at this Convention. It must be carried back to two-party Congressional districts and states by the delegates. It must have the active support of officers and members of all the fifty national organizations who for so long have fought the good fight in the Leadership Conference on Civil Rights.

I propose that the UAW renew our pledge that we will continue in the fight, however long it may take, to break the long reign of King Filibuster and bring about the enactment by Congress of a complete civil rights legislative program.

Let us re-dedicate ourselves at this Convention.

BALLARD

BERNDT

BIOLETTI

BURT

FRASER

GERBER

HAWKS

JOHNSTON

KERRIGAN

KITZMAN

Teamwork in the Leadership—Solidarity in the Ranks

The period since our 1957 Convention has been a trying time for the labor movement. UAW members were hit hard by recession and unemployment. Our 1958 agreements had to be worked out against the stubborn resistance of employers who saw in the economic predicament of workers an opportunity to weaken their unions. UAW had to face in 1958 the first wave of the reactionary offensive that has sought to beat down the steelworkers in 1959.

Through this ordeal at the bargaining table and the picket line, the loss of jobs and purchasing power hitting UAW members and these families, the loss of operating income hitting our Union, we put to the severest of tests the formula that has made for our success in the past: teamwork in the leadership, solidarity in the ranks. The leadership team functioned, the ranks held fast. Management cancelled our contract, but management couldn't cancel the Union.

My thanks go to Secretary Treasurer Emil Mazey, to Vice Presidents Richard Gosser, Norman Matthews and Leonard Woodcock and Pat Greathouse, and to the members of the International Executive Board for their cooperation, for their hard and selfless work at all hours and in many critical moments, defending and advancing our members' interests.

Their devotion to the basic principles of our movement could not, however, have borne fruit under the pressures of the last years, were it not for the solidarity, the dedication, and the support of the thousands of men and women in local union leadership and in the rank-and-file. To all these men and women go my thanks and my gratitude.

With sincere and fraternal good wishes to all members of the UAW and their families, this report is

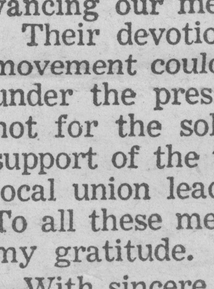
Respectfully submitted

Walter P. Reuther

President, UAW

(signed) Walter P. Reuther

(Note: The material in this edition of SOLIDARITY is a condensation of President Reuther's full report presented to delegates to the Seventeenth Constitutional Convention in Atlantic City and to all local unions. The full report also contained accounts of the activities of all UAW councils and departments.)



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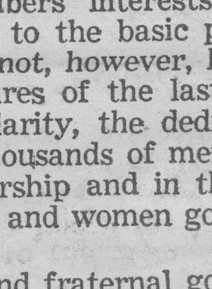

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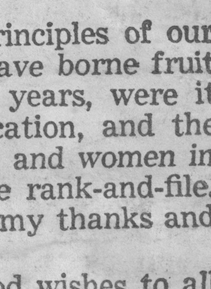

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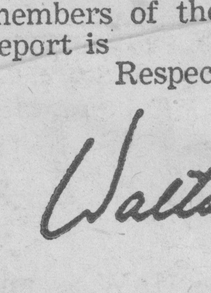

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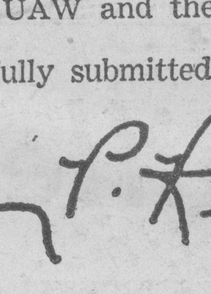

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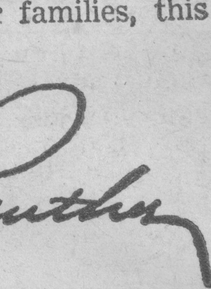

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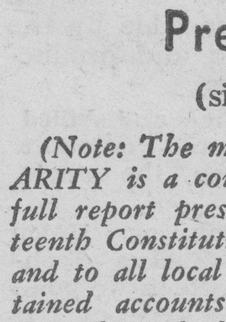

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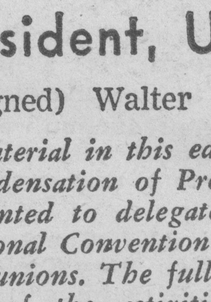

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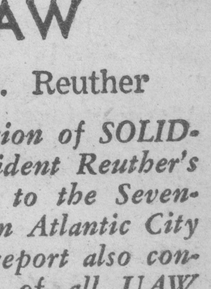

ROSS

In Memoriam

The death of a dedicated trade unionist removes something vital from the lives of all workers and his passing is always untimely because the dedicated are ever in the center of the struggle for human betterment.

Seventeen members of the International Union's staff died since our last Convention. While their passing is felt most immediately and deeply by their families, it is accurate to say that every worker lost also.

In a world where materialism is flourishing, the humanities are pushed aside except by those too few who think and act and hope in terms of human beings and the better life. They are the exceptions, the idealists, and their ranks are already too thin.

From our midst, 17 courageous and loyal trade unionists are gone:

George Bethel	**Edwin O. Barttelbort**
Thomas H. Burke	**Marcene (Mac) Biddle**
Walter Cappel	**George Campbell**
Norman L. Crapo	**Edward J. Cote**
Charles C. Lewis	**Robert E. Lee**
Donald E. Montgomery	**Lawrence P. McNally**
Curt Murdock	**Archie Myers**
Richard E. Reisinger	**Jess F. Nichols**

Ralph Winstead

We shall continue to cherish their memories and someday, I hope, their names will be indelibly inscribed on a plaque at Solidarity House honoring those UAW staff members who lived and died for the democratic labor movement.