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ARTICLE VI.

THE STEEL STRIKE.

BY PROFESSOR ERNEST LUDLOW BOGART, PH.D.

II. CONCLUSIONS.

THE history of the steel strike has already been narrated;¹ it is proposed in this article to consider briefly the mistakes which marked this strike, and its effect upon the cause of trade-unionism. And, first, the conclusion is irresistible, even after the briefest survey, that the steel strike was unwisely inaugurated and badly managed. The men were throughout peaceful and orderly, and, in general, obedient to the commands of the leaders. The mistakes that were made were those of leadership. Mr. Shaffer vastly over-estimated the strength of the Amalgamated Association, and under-estimated the power of resistance of the Steel Corporation. He, in common with many other labor leaders, did not appreciate that, while an employer is in a relatively weaker position than the laborers before a strike, and can often be forced to large concessions by fear of a strike; yet, when once the struggle is begun, the capitalist can hold out much longer than the laborer.² As a matter of fact the Steel Corporation claimed that it lost but little, if anything, by reason of the strike, for it gave them an opportunity to make needed improvements in the closed mills, while the orders were transferred, as far as possible, to the non-union mills which continued in operation.

¹ In the *Bibliotheca Sacra*, Jan., 1902.

² Cf. Talcott Williams, "The Steel Strike," *Review of Reviews*, Aug., 1901.

In estimating the relative strength of the two parties, Mr. Shaffer judged that the enormous capitalization of the Steel Corporation would prove an element of weakness, and lead to a speedy victory for the union. Since a strike would lower the price of the stock on the stock market, the corporation would not dare run the risk of a suspension of work, but would yield as soon as the price of the stock declined. It was probably the first instance where a labor leader put his trust in the stock market to help win his battles. Mr. Shaffer was mistaken, however, in his judgment; the market value of steel stock declined but little as a result of the strike, and quickly rallied. It was currently reported at the time that the trust had a fund of \$200,000 which was used for the purpose of maintaining the price of the stock. Whether this was true or not, the public remained a liberal buyer all through the period of the strike.

Mr. Shaffer also counted on the unpopularity of the trust, but public opinion, which would have rallied quickly to the side of labor had there been any question of oppression by the Steel Corporation, refused to support the union in its demands. In fact, the attitude of the officers of the trust throughout the dispute, and their forbearance in not exacting harsher terms from the Amalgamated Association in the final settlement, did much to lessen public antagonism and to command the respect and confidence of the public and of organized labor. It also helped to dispel the vague fear upon which the strike was largely based, namely, that one of the objects of the trust was to crush organized labor. As a general matter it must be apparent that, from the standpoint of expediency as well as of efficiency, the opposite policy must be followed by the well-managed corporation in its dealings with labor. A somewhat detailed consideration of this point is, however, necessary.

One of Mr. Shaffer's principal grievances against the

steel companies was stated by him as follows: "We simply ask that the three companies—the Sheet Steel, Tin Plate, and Steel Hoop—sign the scale for all mills, whether non-union or union, thus preventing discrimination in favor of the non-union plants during dull times." In spite of some denials of such discrimination, the allegation that it existed may be accepted as true. But that it was dictated merely by hostility to the union may be rejected as an altogether insufficient explanation. The real reason was set forth in a press dispatch from Pittsburg during the strike:—

"The non-union mills are the best equipped, so far as machinery and appliances go, and are the larger, an instance of which is the sheet mill at Vandergrift, which the Amalgamated Association failed to organize. It follows, then, that in the matter of closing the mills the smaller and older should logically close. These are the union mills. The non-union operate more smoothly, economically, and energetically.

"A reason for this condition must be looked for before the era of consolidation. Ten years ago practically all the sheet companies were union. At one time and another strikes occurred. The stronger companies won and abolished the organization. The weaker lost to the union. Freed from arbitrary rule, the strong and now non-union companies adopted different labor-saving devices, which the smaller ones were unable to do, and thus forged to the front, making extensions and additions. A few years ago the Amalgamated Association withdrew its objection to labor-saving devices, but it was too late. The organization mills had been left behind in the march of improvement when the arbitrary practices were in vogue."¹

It must be said, in behalf of the Amalgamated Association, that it is to-day distinctly understood between them and the employers that any improved machinery put in by an employer is to be honestly handled by the men, and they are to submit to the removal of men supplanted by this machine without any complaint.² But this policy was not adopted early enough to avert the discrimination which had already begun against the worst equipped—union—

¹ New York Evening Post, Sept. 17, 1901.

² William Garrett, "Wages and Labor in the American Iron and Steel Trades," *Cassier's Magazine*, Dec., 1901, p. 147.

mills. If, and so long as, they are less efficient, it is inevitable that the union mills should be closed during times of depression.

There remains, however, the danger that in a struggle between a large trust, such as the Steel Corporation, and its work-people, the former could, if it chose, exert its power to crush the unions and depress wages.¹ That this was one of the underlying motives to the steel strike can hardly be doubted, although the question of wages was seldom mentioned. No complaint was made as to existing scales of wages, but the feeling was strong that they might at any time be reduced, and it was decided by the union to forestall such action on the part of the Steel Corporation and take the aggressive while the conditions were favorable. While it may be conceded that in a struggle of this sort the trust is undoubtedly stronger than the union, the question presents itself whether it would be to the advantage of the employer to exert this power. The principle which enlightened employers have adopted is that it is good economy to pay high wages, since this influences largely the efficiency of labor, and the efficiency of labor is one of the main elements in the profits of an undertaking. There is, therefore, an obvious limit below which wages cannot in the long run be economically reduced. In his testimony before the Industrial Commission on the subject of trusts, Mr. Schwab said: "I think the principle of these great companies is to preserve and give to their workingmen as

¹ The following extract from the testimony of Mr. P. E. Dowe, President of the Commercial Travelers' National League, before the Industrial Commission (Report, vol. i. p. 35), emphasizes this point:—

"Question.—If they [the combination] were threatened with trouble at one place it would be the most natural thing in the world to immediately shut that [plant] down so as to make the employes submit, and they have power to do it?"

"Answer.—Yes. The American Tin Plate Company controls over 240; the Federal Steel Company controls enough establishments to fill a space of several inches in the newspaper columns."

high wages as they can possibly give them, especially in steel."¹

The essential facts regarding wages paid by the Steel Corporation in 1899 are presented in the report of the Industrial Commission. The officials of the American Tin Plate Company testified, that, since the formation of the combination, there has been a general advance of 15 per cent in the wages of skilled labor, and 20 for unskilled, while in special cases the advances have gone as high as 50 per cent.² The American Steel Hoop Company has advanced wages from 15 to 25 per cent since its organization; about half of the men employed belong to the Amalgamated Association of Iron, Steel, and Tin Workers.³ In the National Steel Company's works "there has been a marked increase in wages for all skilled labor," of from 15 to 25 per cent.⁴ In the Federal Steel Company the number of employes had increased 17 per cent, and average wages 15.6 per cent between 1898 and 1899.⁵ Finally, the American Steel and Wire Company, in which only non-union men are employed, paid wages about 40 per cent higher in 1899 than the constituent companies were paying before the combination.⁶ The same upward tendency of wages under industrial combination is shown for trusts in general. In the following table is stated concisely the results of Professor Jenks' investigations into the number of employes and their wages before and after the formation of the combination, for thirteen combinations:—⁷

¹ Quoted in "The Billion Dollar Trust," by S. G. Hobson and H. W. Macrosty, in the *Contemporary Review*, Aug., 1901, p. 187.

² Report of the Industrial Commission, vol. i., *Trusts and Industrial Combinations*, p. 186.

³ *Ibid.*, p. 193. ⁴ *Ibid.*, p. 192. ⁵ *Ibid.*, p. 198. ⁶ *Ibid.*, p. 204.

⁷ "Trusts and Industrial Combinations," by J. W. Jenks, *Bulletin of the Department of Labor*, July, 1900, p. 682.

SKILLED LABORERS.					UNSKILLED LABORERS.				
Rates of Wages per week.	Under Uniting Companies.		Under Combina- tion.		Rate of Wages per week.	Under Uniting Companies.		Under Combina- tion.	
	Num- ber	Per cent	Num- ber	Per cent		Num- ber	Per cent	Num- ber	Per cent
Under \$10.....	9915	29.48	9349	23.25	Under \$8.	25592	58.61	19937	36.78
\$10-\$15.....	14122	41.98	14344	35.67	\$8 and over.....	18077	41.39	34277	63.22
\$15 and over ...	9600	28.54	16544	41.08					

The same facts, put in another way, showed that the average annual wages paid under combination, as compared with wages paid in any one year before the combination, had risen 13.71 per cent for skilled laborers; and 19.39 per cent for unskilled; while the number employed had risen 23.34 and 20.06 per cent respectively.¹

These facts would seem to indicate that the labor organizations have not been the sole, nor even the main, factor in raising wages. Unskilled laborers are not eligible to membership in the Amalgamated Association of Iron, Steel, and Tin Workers, nor are they otherwise organized, yet the greatest increases in wages have taken place in the ranks of unskilled labor. And they also prove that the trusts are not trying to hire their labor as cheaply as they can. Such a policy would not only be uneconomical in the long run, but it would be decidedly inexpedient. Trusts depend largely upon political favor and public opinion, and in a land of universal suffrage would hardly dare to coerce their workmen. The danger seems indeed much greater that they may combine to form "Birmingham alliances" with the unions than that they will oppose them.²

With the growth in size of the business unit, the number of men brought under one control has increased enor-

¹ "Trusts and Industrial Combinations," by J. W. Jenks, Bulletin of the Department of Labor, July, 1900, p. 687.

² Cf. the exclusive alliance described by the writer in the *Political Science Quarterly*, March, 1901, p. 121.

mously. These men are hired in groups; they work for the same number of hours and for the same wages.¹ No one of them could possibly make a different bargain than the others with his employer. To make a collective bargain with the group as such, rather than with the individual members thereof, is not only desirable, but the logical and inevitable result of modern conditions of employment. Before collective bargaining will be generally accepted by employers, however, the labor unions have an elementary lesson to learn in the law of contracts. They must learn that wage contracts are equally binding upon both parties, that they are—or should be—as inviolable as an ordinary business contract, and that any breach of in their observance must be regarded as an act of bad faith. The unions can permanently succeed only as they win the confidence and respect of the employers. No manufacturer who can be held to the fulfillment of his contracts will assume obligations to men who will take advantage of him, get all they can by promises to stand by him, and then turn on him and refuse to carry out their part of the agreement the minute some other men want to make war on him or some of his manufacturing friends. If an agreement with a trade-union is to be purely one-sided, the employer, instead of welcoming the extension of unions, is likely to feel his own safety depend on breaking them down and securing liberty to deal with individual workmen, who, if not more to be relied on to keep their word than the union, will at least be less able by breaking faith to cripple him entirely. If this lesson has been learned by the unions, the failure of the steel strike (and of the machinists' strike, which shattered on the same rock²), will not be too dear a price to pay for such knowledge.

¹ George Gunton, "Employers and Labor Unions," *Gunton's Magazine*, Dec., 1901, p. 542.

² Cf. an article by the writer in the *Yale Review*, November, 1901.

The attitude taken by some of the unions in the Amalgamated Association, and of several of the best labor leaders outside of that organization, was in absolute condemnation of Mr. Shaffer's course in this regard. As voicing the sentiments of organized labor at its best, the following quotation, written during the strike, is of significance:—

“ While it is true that a large majority of the unions are not incorporated, that they have no legal existence, that they can neither sue nor be sued, I do contend that the contracts made between them and the employers of labor have been and would be observed as sacredly and their provisions carried out as religiously as though it were a penal offense to violate them. . . . The constitution and laws of nearly every labor organization make it an offense punishable by expulsion for any member to violate a trade agreement or even by subterfuge to evade any of its provisions. The officers of the trade organizations of the present day recognize the great responsibility resting upon them, and they are few indeed who would dare, even if they were so inclined, ruthlessly to disregard the sacred obligations of a contract.”¹

In spite of Mr. Mitchell's disclaimer, however, the cases have not been infrequent within the past few months where contracts have been “ruthlessly” broken by labor organizations. And this fact has led to a renewal of the demand that the unions should be made legally responsible by being incorporated. The union men themselves are on the whole averse to such a movement, as they fear that they would lose more than they could gain. Their present irresponsible position gives them a certain immediate advantage which they are unwilling to sacrifice for a future good. The recent development of the legal status of the unions in England, has, however, done much in that country to dispel this illusion, and to show that the permanent interests of labor lie along the line of stability and responsibility rather than the reverse. The movement in England

¹John Mitchell, “[Recognition of the Trade Unions,” the Independent, August 15, 1901, p. 1895.

has been such an interesting one that it is worth while to recount it at some length.¹

Although in England the trade-unions have not been incorporated, a recent legal decision, which declares that a trade-union can sue and be sued, has virtually had the effect of incorporation. The decision has produced a crisis in English labor circles and is of sufficient importance to reproduce here. In August, 1900, there was a strike on the Taff Vale Railway, and the railway station at Cardiff was picketed by the strikers. The railway company applied for injunctions against Bell and Holmes, two officers of the Amalgamated Society of Railway Servants, and the society itself, to restrain them from picketing the property of the railway or the residences of their workmen, except for purposes of information. The injunction was granted by Justice Farwell, whose decision on the point was, in effect, that trade-unions were responsible for the acts of their members, and that, being legally responsible, they became civilly liable for damages in case an injury was done by a member. This made the gravity of the decision from the standpoint of the trade-unions. They contended that their responsibility was purely individual; they were a trade-union registered under the acts, and such a union could not be sued under its registered name. The courts had frequently awarded employers damages against individual members of the unions, and the award had always been a barren victory, as the average workman has no money with which to pay the judgment, but if the union was to be held responsible, the situation was entirely changed, as many of the unions have large funds to their credit.

The question whether a trade-union could be sued was held to be too important to be decided by a single judge,

¹ See an excellent article by A. Maurice Low, "Labor and Law in England," *Forum*, Oct., 1901, p. 156.

and the society appealed. The Courts of Appeal reversed the decision of Justice Farwell on November 12, 1900. The case was then carried to the House of Lords, and on July 22, 1901, the decision of the Court of Appeal was unanimously reversed, and the highest tribunal in the land decreed that a trade-union, as such, could sue and be sued. According to the British Constitution, this decision is now the law of the land. Except by Act of Parliament it can neither be altered nor abridged, and Parliament unquestionably will let it stand as it is. In moving that the appeal be allowed, the Lord Chancellor summed up the matter as follows: "If the Legislature has created a thing which can own property, which can employ servants, and which can inflict injury, it must be taken, I think, to have impliedly given power to make it suable in the courts of law for injuries purposely done by its authority and procurement."

The consequences of this judgment are far-reaching, but they are not all unfavorable to labor. For thirty years they have been legal bodies, but it has always been assumed that they were in a position of special disability and privilege. They could not, it was supposed, sue for injuries done to them, nor be sued for injuries done by them. Now, however, they are liable to civil actions, and in an award of damages their benefit and insurance as well as their strike funds are liable. Thus at one blow the unions find their offensive weapons seriously weakened, and the immunity of their funds from legal attack destroyed.

On the other hand, it is not impossible that the general interests of labor may be furthered by the decision. The main reason why employers have hesitated to negotiate with trade-unions is, that the latter have never been legally accountable. They have felt that it was futile to make terms with an organization that could not be held to its word and might at any moment break its contract with

impunity. Now that the liabilities of trade-unions are legally defined, a distinct impetus is given to the settlement of trade disputes by arbitration. Those who believe that the arrogance of the trade-unions in England is one of the chief handicaps on the development of commerce have welcomed the decision as a guarantee of caution on the part of the labor leaders in the future.

While it is scarcely probable that the development in the legal status of the trade-unions will follow the same course in the United States as in England, it is to be hoped that our labor leaders will profit by the experience of their English brothers as well as their own mistakes. But such losses and mistakes do not necessarily indicate the passing away or even the failure of trade-unionism as such. The failure of the steel strike does not prove that we need less, but rather more and better organization, under wiser and more efficient leadership. Strikes and lockouts, threats and chips on shoulders, belong, it has been said, to the kindergarten stage of industrial organization. The hearty participation by our best labor leaders, as well as by leading employers, in the New York labor conference of December, 1901, shows that both sides are ready to accept a more rational method of settling disputes. The writer is optimistic enough to believe that the steel strike was an exception to avowed trade-union policy, and that the cause of conservative trade-unionism, of collective bargaining and of arbitration, will be helped rather than harmed by the lessons drawn from its failure.