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FDR and Compulsory Unionism Destroyed Jobs

by Jim Powell, April 16, 2009

For decades, labor unions struggled for power, but until the 1930s they had made little headway.

Unions were based on force and violence, which repelled a substantial number of employees as well as employers. The aim had been to raise the wages of members above market levels, but this was only possible if they went on strike, forcibly prevented employers from hiring other employees, shut down businesses, and ultimately forced employers to accept union demands. Union bosses talked about securing the “right to strike,” but they didn’t mean the right to quit which everybody already had. In practice, the “right to strike” meant the right to forcibly prevent others from filling jobs that strikers had left.

Union bosses proclaimed the ideal of “collective bargaining,” even described this as the essence of “industrial democracy,” but what they sought was compulsory unionism — a labor market monopoly. They weren’t satisfied if some of a company’s employees chose to join one union, while others joined another union, and still others continued to bargain individually on their own. Union bosses demanded a “closed shop” that made union membership a condition of employment.

Until the 1920s, as far as labor issues were concerned, U.S. courts generally respected individual rights. Employers could choose their employees freely, and employees could choose among employers freely, and either could deal with a union or not as they wished. Employers who hired employees on an “at will” basis were free to let them go for any reason or no reason at all, just as “at will” employees could quit for any reason or no reason at all. Terms of employment depended on supply and demand. Because of the growing American economy, wages were in a long-term uptrend before compulsory unionism became a force to reckon with.

When unions were violent, courts sometimes provided equity relief by issuing injunctions to stop the violence. Often injunctions prodded police to do their job of protecting life and limb. Historian Howard Dickman reported, “the lion’s share of injunction cases involved physical coercion of the nasty variety.”

On March 23, 1932, President Herbert Hoover signed into law the Norris-LaGuardia Anti-Injunction Act. Among other things, Norris-LaGuardia exempted labor unions from the Sherman Antitrust Act. Even when unions used violence in an effort to stop production or stop the interstate shipment of

goods, they couldn't be prosecuted under the Sherman Act for acting "in restraint of trade." Moreover, Norris-LaGuardia declared that federal courts couldn't protect companies and non-union members from labor union violence by issuing injunctions to cease and desist.

New York Senator Robert F. Wagner, Sr. introduced a bill to promote compulsory unionism. This became the National Labor Relations Act, also known as the Wagner Act, that FDR signed on July 5, 1935. Section 7 provided that employees could be bound by "an agreement requiring membership in a labor organization as a condition of employment."

The Wagner Act provided that if 30 percent of employees signed a petition for a certification election to determine whether a union would negotiate on behalf of all the workers, it must be held. The Wagner Act did not require periodic elections to determine whether workers wanted to remain with the first union or choose to be represented by another union or no union at all. If this principle were applied to the government sector, we might never have had another election after the first one more than two centuries ago.

Backed by the Wagner Act, labor union bosses moved aggressively to monopolize labor markets in mass production industries. For example, 28-year-old Walter Reuther, a socialist visionary, emerged as a leader of the United Auto Workers. On December 30, 1936, 1,500 UAW members (out of 42,000 employees) seized control of Fisher Body Plant No. 1 owned by General Motors in Flint, Michigan. They stopped the assembly line and staged a sit-down strike. Eventually, the company caved, agreeing to negotiate only with the UAW and let it force all factory employees to become members. The strikers finally left the plants on February 11, 1937. During the next several months, the UAW recruited some 40,000 new members from five GM factories and several dozen smaller companies. Granting the UAW a bargaining monopoly didn't bring peace, however. The union struggled to gain more and more power over wages, seniority, the pace of work and other issues.

Unions succeeded in gaining above-market wages for their members. Wages increased more than 11 percent in 1937 and another 5 percent in 1938 — amidst America's worst depression. But as a result, the unions priced their members right out of the market. Consumers couldn't afford to pay higher car prices that reflected costly union contracts, and sales plunged. Between November 1937 and January 1938, GM dismissed a quarter of its employees. Thousands of unemployed auto workers abandoned the UAW, and by 1939 only 6 percent of GM employees were paying UAW dues.

In one industry after another, union bosses gained bargaining monopolies and negotiated contracts calling for above-market compensation as well as restrictive work rules. But consumers have had the last word. U.S.-based unionized companies in the textiles, garment, steel, automobile, newspaper, and other industries have either gone bankrupt, gone offshore, or are in serious trouble, and private sector union membership is about the lowest it has been in the past half-century. That's why union bosses want the government to bail them out now.

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