The Reality of Labor Unionism in America

When we studied U.S. history in high school and college, we were taught that during the Industrial Revolution working people in the United States were virtual slaves, mercilessly exploited by their employers. That spawned a strong labor movement, which raised factory workers from a state of destitution, and labor unions continue to wage a ceaseless struggle to prevent workers from once again being subjugated by their employers. But to what extent is this so-called “conventional wisdom” the result of union propaganda that has found its way into our educational establishment, rather than the result of a thorough analysis of the nature of labor unions and a comprehensive study of economic history? In other words, were we really being educated in our U.S. history classes, or were we actually being indoctrinated?

Many history textbooks that discuss the rise of the labor movement assume without question that there is an inherent conflict between employers and employees. This is based on the notion that each party will act in its own self-interest: Employers will want to employ the best workers available for the lowest wages possible, while workers will want to earn the highest wages possible for the least amount of effort. On closer inspection, however, one sees that employers and employees are not actually competitors. Rather than having an adversarial relationship with one another, their fundamental relationship is really based on cooperation and mutual benefit: The employer provides a job and the employee does the work. They must work together, because they are both trying to accomplish a common purpose, namely, the creation and delivery of some good or service for which there is a consumer demand.

How, then, do labor unions play their role in the economy? What is the true nature and character of a labor union? According to Webster’s Collegiate Dictionary, a labor union is “an organization of workers formed for the purpose of advancing its members’ interests in respect to wages, benefits, and working conditions.” In order to succeed in holding such an organization together over the long term, a labor union has to be able to deliver on the claim that it can and will obtain a better deal for its members than they would receive in a free and open market. The only means of accomplishing this is by controlling the supply of labor available to an employer, which the labor union does by preventing non-members from having access to the employer. When there is a contractual agreement between a labor union and an employer, it is essentially a compact whereby the employer agrees to enforce the provisions of the contract, which almost invariably includes the requirement that the employer will only hire members of that labor union.

Organized Against Whom?

Sherlock Holmes used to tell Dr. Watson, “People see, but they do not observe.” When we observe the phenomenon of labor unionism as described in the foregoing paragraph, the scales fall from our eyes. Labor unions are not organized against employers at all; they are organized against workers outside the union! To prove this to yourself, and to show that the conventional wisdom about labor unions being for the little guy is a myth, you need only ask yourself a very simple question: When was the last time you saw a labor union trying to organize the unemployed? (To what end would the unemployed be organized? Obviously, to try and get the jobs of those already employed, which is exactly what labor unions want to prevent!) In fact, employers and labor unions, far from being adversaries, actually become partners, working together to shut out from employment those workers who are not members of the union.

But why would employers agree to hire only union members and not avail themselves of the entire worker pool in a free and open market? And why would employers agree to pay more than they would otherwise have to, in order to attract workers? In short, what would induce employers to act against their own self-interest? Clearly, such conditions can only exist in an atmosphere of coercion or intimidation. And such an atmosphere can only prevail if the government is willing to turn a blind eye to it, or even encourage it. In the free and civil society that America is supposed to be, how did such a diabolical situation come to pass? In order to understand how that happened, we have to look at the U.S. history that we did not learn in high school and college.

Labor unions were of little importance in the United States until the latter part of the 19th century, mainly because most Americans were farmers. In addition, the courts did not tolerate the disruptive tactics that the fledgling labor unions used to enforce their demands. That is not to say that labor unions were non-existent during most of the 19th century. During periods of economic expansion, when the supply of workers was less plentiful, labor unions were able to gain in strength and numbers. But when the business cycle brought on the inevitable economic contraction, labor unions found it extremely difficult, if not impossible, to survive the competition from the expanding pool of unemployed and unorganized workers. The situation was compounded by the occasional surges of immigrants into the United States, such as occurred during the Irish potato famine of the 1840s.

The inability to control the supply of labor was not the only obstacle facing labor unions in 19th-century America. During that time, there was no social or legal acceptance for what labor unions were trying to accomplish. Socially, the prevailing national ethos was one of rugged individualism, self-reliance, and personal responsibility. That did not represent a very receptive environment for the success of labor unionism, which requires a collectivist framework in which to thrive. Legally, organizations were allowed to possess no more rights than those of individuals. The rationale for that was spelled out in an 1835 New York case, *The People v. Fisher*, in which the court ruled as follows:

> The man who owns an article of trade or commerce is not obliged to sell it for any particular price, nor is the mechanic obliged to labor for any particular price. He may say that he will not make coarse boots for less than one dollar per pair, but he has no right to say that no other mechanic shall make them for less. The cloth merchant may say that he will not sell his goods for less than so much per yard, but has no right to say that any other merchant shall not sell for a less price. If one individual does not possess such a right over the conduct of another, no number of individuals can possess such a right. All combinations therefore to effect such an object are injurious, not only to the individual particularly oppressed, but to the public at large.

Collective Framework

In order for labor unions to become successful in gaining a large following and establishing themselves as permanent institutions in American society, a more favorable framework would be required than that which existed in the 19th century. A considerable portion of that framework would have to be provided by some ideology, an ideology that would shift the emphasis of the predominant national sentiment from the individual to the group. The most useful ideology would also serve to hide the real motives and objectives of labor unionism, as well as provide a justification for the alleged conflict, which labor unionists claimed to exist, between workers and their employers.

The ideology that was ultimately adopted was socialism, or at least the planks of the socialist platform that the labor unionists found useful in justifying their existence. Socialism is a vision of a future utopian society, and labor unions were conceived as a means to correct certain perceived injustices in the present capitalist society. There are three doctrines that were formulated by socialists, primarily Karl Marx, which serve to form the foundation of labor unionism. The first is that the wage system in a capitalistic economy is unjust. Socialists argue that the owners of capital receive more than their fair share of the profits produced by labor and blame this inequity on the private ownership of the means of production. According to Marx's labor theory of value, the owners of private property would be entitled only to the profits produced from their own labor. In that case, anything kept by owners and managers was considered as coming from what rightfully belonged to the workers. (In reality, the labor theory of value is nonsensical both in theory and practice, because it ignores the many non-labor factors that enter into the creation of economic value, is based upon unproven assertions, and ultimately leads to economic chaos and the loss of political freedom.)

The second doctrine is class consciousness, that is, all workers share a common interest and a common goal, because they are members of a single economic class. In reality, workers are in competition with one another for jobs, just as employers are in competition with one another for workers, which means that the primary struggle of labor unions is against unorganized workers or against workers in competing labor unions. This inconvenient fact must somehow be hidden from public view. The doctrine of class consciousness provides the means to accomplish that. If all workers can be made to believe that they have a common interest and a common goal, then they can more easily be persuaded to support labor unionism. Furthermore, the doctrine of class consciousness enables labor unionists to portray workers who don't go along with the labor union movement as traitors to the cause.

The third doctrine is the class struggle, which gives coherence and direction to the labor movement. It was originally described as a struggle between labor and capital, but is nowadays more often referred to as a contest between workers and management, or between employees and their employer. Most union leaders do not subscribe to the revolutionary goals of socialism, but use the class struggle doctrine to define the employer as the antagonist. The class struggle doctrine is essential to the labor movement, because it serves to divert attention away from the real conflict, which is between unionized and non-unionized workers, and helps to focus attention on the spurious contest between labor unions and employers.

Most labor union leaders have not been Marxists, but any doubts that they consciously and deliberately borrowed the above-mentioned three doctrines from the ideology of socialism should be satisfied by reading the following statement, which was drafted during an 1894 Chicago conference of labor leaders, including the historically famous Samuel Gompers of the American Federation of Labor:

> The trade union movement has its origin in economic and social injustice.... It stands as the protector of those who see the wrongs and injustice resultant of their present industrial system [unjust wage system under capitalism], and who by organization manifest their purpose of becoming larger sharers in the product of their labor, and who by their efforts contribute toward securing the unity and solidarity of labor's forces [class consciousness]; so that in the ever-present contest of the wealth producers to conquer their rights from the wealth absorbers [class struggle], we may … work out through evolutionary methods the final emancipation of labor.

Coercion and Intimidation

We know that a labor union is an organization of workers, but what kind of organization is a labor union? Is it a fraternity? Is it a business? Is it a charity? In any case, there is a crucial distinction between labor unions and all other private organizations: Labor unions use coercion in the attempt to achieve their goals. No other form of private organization is legally allowed to compel people to become members and force them to pay dues. In their employment of coercion, labor unions initially brought themselves into conflict with government, because only government was granted the monopoly use of force. Government was granted this monopoly by society as a form of collective self-defense so that our rights to life, liberty, and property could be secured without recourse to personal retribution or vigilante-style justice. Prior to government laws favoring unions, when labor unions used coercion, they exercised it against those whom the government was obligated to protect, and government responded by suppressing coercive labor union activity.

During most of the 19th century, the responsibility for maintaining the peace and protecting life and property fell to local and state governments. In the few instances when the federal government got involved, it was in response to requests from state Governors, such as during the Railway Strike of 1877, which was actually a series of strikes that spread to several railroads and states during that year. The Pullman Strike of 1894 provided the setting for a turning point in dealing with labor disputes. The federal government became involved on its own initiative because the delivery of mail was being disrupted by the strike. As a result, the contest between labor unions and government shifted to a different level from the 1890s through the 1920s. Much of the responsibility for maintaining the peace shifted from the police to the courts.

The main instrument for controlling labor unions became the injunction, which was issued by both state and federal courts. The Sherman Antitrust Act of 1890 provided legislative support for the use of injunctions during labor disputes, but didn't stop there. The Sherman Act also prohibited combinations or conspiracies whose objective was to restrain or obstruct interstate commerce, and the courts interpreted that as applying to labor unions, as well as trusts. As one could easily imagine, labor union leaders were not at all happy about those developments and responded by launching a political campaign to get the antitrust laws changed so as not to apply to labor unions. The campaign resulted in the passage of the Clayton Antitrust Act in 1914. The key passage in Section 6 of the act reads:

> That the labor of a human being is not a commodity or article of commerce. Nothing contained in the antitrust laws shall be construed to forbid the existence and operation of labor … organizations … ; nor shall such organizations, or the members thereof, be held or construed to be illegal combinations or conspiracies in restraint of trade, under the antitrust laws.

Samuel Gompers hailed it as "Labor's Magna Carta" and declared that it was "the most important and comprehensive measure ever enacted touching the freedom of workers."

Prior to the 1930s, the federal government generally ignored labor unions, unless they created some disturbance, and did not actively encourage unionization. However, the federal government did take some actions that recognized the increasing influence of labor unions. In 1884, Congress created a Bureau of Labor, which was assigned to the Department of the Interior, but its role was simply to gather information. In 1913, the head of the Bureau of Labor was elevated to Cabinet rank and the bureau became the Department of Labor, whose stated purpose was to "foster, promote, and develop the welfare of the wage earners of the United States, to improve their working conditions, and to advance their opportunities for profitable employment." Since the Secretary of Labor has usually been a union leader or a pro-union person, it has essentially been a department for labor, which means that it has historically promoted the interests of labor unions, and not necessarily the interests of all wage earners, as its stated purpose would normally lead one to believe.

Union Empowerment

With the election of Franklin Delano Roosevelt in 1932, the federal government set upon a course of actively encouraging unionization by enacting laws that empowered labor unions. The centerpiece of FDR's New Deal legislation, which was supposed to bring about economic recovery from the Great Depression, was the National Industrial Recovery Act (NIRA) of 1933. It was the brainchild of economic intellectuals who believed in a collectivist solution to America's economic problems because free-market capitalism had allegedly failed to deliver permanent prosperity. The effect of the act was to hamstring employers to such an extent that a labor union would often call a strike at a non-union factory, set up a picket line, and demand recognition of the labor union. The NIRA ultimately brought labor relations to the brink of chaos because it was based on the naïve socialist assumption that workers would abandon the pursuit of their own self-interest in favor of collective action for the common good. In the end, a Supreme Court decision forced the FDR administration to abandon the program in 1935.

Congress wasted no time in responding to that setback and passed the National Labor Relations Act (also called the Wagner Act, after its chief sponsor, Senator Robert Wagner) that same year. The act removed the ability of employers to resist unionization by defining various unfair labor practices, all of which were directed at employers. (The assumption appeared to be that there were no unfair labor practices that could possibly be committed by labor unions!) The justification for the Wagner Act was stated therein as follows:

> Experience has proved that protection by law of the right of employees to organize and bargain collectively safeguards commerce from injury, impairment, or interruption, and promotes the flow of commerce by removing certain recognized sources of industrial strife and unrest by encouraging practices fundamental to the friendly adjustment of industrial disputes arising out of differences as to wages, hours, or other working conditions, and by restoring equality of bargaining power between employers and employees.

Translating that from legalese into plain English, the justification for the act starts with the recognition that Congress is empowered to make laws regulating interstate commerce and that labor disputes often lead to disruptions in interstate commerce, then finishes with the assertion that the cause of those disruptions is the resistance of employers to reach agreements with their employees through collective bargaining.

The authority to enforce the provisions of the Wagner Act was granted to the National Labor Relations Board (NLRB). The NLRB has ruled that employers must bargain with the labor union representing its workforce. And the NLRB has ruled that an employer must do more than just bargain; it must offer counter-proposals. In other words, an employer must be willing to make concessions, or else it will be deemed to have committed an unfair labor practice, for which it will face penalties. After all, Section 6 of the Clayton Antitrust Act asserts that "the labor of a human being is not a commodity or article of commerce." That implies that the price of labor (wages) should not be determined by the free market. The federal government has determined that the price of labor must therefore be a matter that is subject to negotiation. Furthermore, it must be negotiated under duress according to rules established by the federal government that favor labor unions over employers.

Even when Congress has attempted to rein in labor union excesses during strikes, the courts have often come to the aid of the labor unions. Here is a classic example: In 1946, Congress passed the Hobbs Act, aimed at suppressing a wide spectrum of union violence. It included a provision that defined criminal extortion as "the obtaining of property … by wrongful use of actual or threatened force, violence or fear." In using the word "wrongful," Congress apparently did not anticipate the unintended consequences that would result, when the legislation was eventually challenged in the courts. Using logic that would strain the credulity of a rational person, the courts argued that, if certain acts of violence were wrongful, then that would imply that there must be some acts of violence that are not wrongful. As a result, in the case of *United States v. Enmons*, the Supreme Court upheld a lower court ruling that three electrical union members indicted for sabotaging a substation and perpetrating other violence had done nothing illegal, because they were pursuing "legitimate" union objectives, that is, wage and benefit increases and improved working conditions.

That decision opened the floodgates to an epidemic of labor union violence. The National Institute for Labor Relations Research has documented more than 11,000 incidents of labor union violence since 1975, including more than two hundred acts of murder. For all practical purposes, labor unions are now allowed to function as something akin to extortion rackets operating under government protection, because that is the only way labor unions can survive on anything like a permanent basis.

In a truly free and civil society, where individual freedom and private property rights are protected, workers receive fair value for their labor. Workers in the past earned low wages for long hours of toil because of their relatively low productivity, not because there were no labor unions. The economic principles of the free market, the competition among employers for workers, and the mobility and freedom of choice of workers ensured that a person received fair wages under the conditions of production prevailing at the time. In a free-market economy, labor productivity has a significant influence on wage rates. Labor unions act to reduce labor productivity. Through the application of coercive measures, such as strikes, labor unions impose higher labor costs on employers. Those higher costs are a drag on economic growth and job creation.

Longtime union members who are able to keep their jobs usually enjoy higher wages. But those who cannot find unionized jobs are forced to seek employment in non-unionized areas of the economy. This influx of excess labor tends to reduce wages in non-unionized jobs, which accounts for the difference between union and non-union wage rates. The wage rate difference makes it appear that labor unions benefit workers. In reality, the existence of non-unionized jobs serves to hide the negative consequences of labor unionism, by preventing mass unemployment.

The rise of the labor union movement was helped along by an ideology based on Karl Marx's erroneous doctrine of the labor theory of value, and by the other socialist doctrines of class consciousness and the class struggle. Labor unions, with their long and sordid history of coercion, intimidation, and violence, are the legacy of those who allowed themselves to be seduced by that flawed socialist ideology, departed from the American principles of good government, and embedded a malignant form of collectivism into American society.