

# Industrial democracy: made in the U.S.A.

*Labor-management cooperation to improve the quality of products, worklife, and the effectiveness of companies can be traced to the early 19th century*

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According to industrial relations expert Milton Derber, participatory management programs, shop committee plans, works councils, and similar employer-employee cooperative efforts can be classified as "industrial democracy."<sup>1</sup> There was a proliferation of such programs in the 1970's, spawning a plethora of books, articles, and pamphlets which dissected the concepts and drew philosophical guidelines for their implementation and expected results. Some publications cite these experiments as unique or novel, but, as Sanford Jacoby of the University of California at Los Angeles management school noted, the common presumption that these are new solutions to lagging productivity is wrong.<sup>2</sup> "The hand of the past," said historian Richard B. Morris, "is still writ large in . . . the labor relations of this country, and the early concepts and procedures often forecast the shape of things to come."<sup>3</sup>

Assuming that quality-of-worklife programs have two common threads, the quality of employees' work experiences and the improvement of organizational effectiveness, one finds the roots of industrial democracy in the United States, not in Germany or Japan, with certain appendages of the idea grafted from Great Britain.<sup>4</sup>

## **'Mutual dependency'**

The British mercantile system restricted manufacturing in the American colonies but that did not completely suffocate industrial experiences. In two early 18th century man-

ufacturing enterprises run by the Moravian religious order at Wachovia, N.C., and Bethlehem, Pa., groups of journeymen often cooperated with master craftsmen, suggesting improvements in product quality and proposing methods for increased output. These efforts, stated historian Carl Bridenbaugh, "were conducted on a wage earning economy; they were not communistic." It may have been the first American experiment in participatory management.<sup>5</sup>

But the true antecedents of our modern system of labor relations were formed in the 19th century, coinciding with rapid industrial growth. At one time, class distinctions between employers and journeymen were vague and ill-defined—most masters graduated from working ranks—until rapidly expanding economies of scale soon drew definable, if not bold, lines. An early report of the Department of the Interior claimed that by 1832 a distinction had arisen between "work-people" and employers.<sup>6</sup> John Commons, the dean of labor historians, focused on 1837 as the beginning of adversarial labor-management relations but noted that more than 200 strikes had occurred between 1820 and 1837.

Paradoxically, the period between 1820 and 1840 was marked by the "ascendancy of the common man," in the words of the French writer Alexis de Tocqueville. Developing political institutions tried to gain working-class support by emphasizing that workers and employers had a mutual dependency. The philosophical forebears of both the Republican and Democratic parties agreed on the concept of mutual dependency but disagreed on the means to achieve it.

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Philosophical mutual dependency developed because of declining economic conditions. Cheaper, inferior goods imported from Europe captured portions of the American market, adversely affecting both workers and domestic manufacturers. This, at times, created a common bond between highly skilled workers and their employers.

Among the woodworking trades, this mutual dependency led to the creation of the first labor-management committees. In 1828, a joint committee of employers and journeymen cabinet and chairmakers in Philadelphia published a list of prices so that each group "may become thoroughly acquainted with the principles upon which work is founded. . . ." The price book prescribed standards for quality work and furnished diagrams of the finished product. The joint committee concluded, "Two classes of men are each, in their several capacities, essential requisite to the well being of the other."<sup>7</sup>

Although not common, such cooperative efforts were not unique. A committee of seven journeymen and seven employers in the Cincinnati chairmaking industry also worked out price and standards lists. A similar price list "to promote uniform justice between carpenters and employers" was in effect in Washington, D.C., during the late 1820's. Other Washington area building trades unions compiled price lists in advance and submitted them to employers in an early collective bargaining procedure.<sup>8</sup>

In 1837, the Nation experienced one of the first economic depressions of its young history, temporarily derailing the progress of labor-management cooperation. The union movement had grown despite developing employer resistance, but the depression virtually destroyed it. As historians note, the growth of the factory system, although originally idyllic in Lowell and Waltham, Mass., evolved into a system of severe competition intent on reducing costs and increasing profits. This nurtured the ills of child and female labor exploitation, paternalism, company stores, hazards in the workplace, and labor-management conflict.<sup>9</sup>

### Production cooperation

Between 1840 and 1860, the philosophies of employers and employees polarized. Many mill, mine, and factory owners extended social and economic distances by appearing to treat working people as chattel, paying the lowest wages possible, and blaming working class miseries on a lack of initiative. Among the alternatives to such a philosophy was worker control over the means of production, referred to as the cooperative movement or production cooperation.

Although it had converts in the United States, the cooperative movement developed on a broader scale in England. One of the most celebrated experiences, and the one most cited by historians, was in the town of Rochdale. In the so-called Rochdale Experiment, working class shareholders in jointly owned enterprises received fixed dividends on invested capital. Excess profits were reinvested in new

ventures such as insurance companies, foundries, factories, and so forth. The objectives of this experiment were to: (1) manufacture articles the society deemed necessary to provide employment to members; (2) provide quality products for distribution in growing markets; and (3) promote a philosophy that working people were not inferior.<sup>10</sup>

Production cooperation spread throughout Great Britain. By 1865, Parliament had legalized "industrial partnerships" among workers and cooperative enterprises had sprouted in Scotland, Wales, and Ireland. Guild Socialists adopted the concept and promoted it well into the 1940's.<sup>11</sup>

Some workers in the United States established manufacturing cooperatives well before the Rochdale experiment. (New York Cordwainers had one as early as 1835 and several cooperative foundries were established in the early 1840's.) One of the most significant American labor leaders to embrace the tenets of the British experiment was William Sylvis, president of the Iron Molders Union and founder of the National Labor Union (1866-1868). Sylvis advocated the creation of industrial cooperatives so that workers could control the means of production for their own profit.<sup>12</sup>

The cooperative experiments in factory ownership almost exclusively resulted from input by organized labor. The Knights of Labor, for example, established more than 200 cooperatives during the 1880's. Most of these cooperative experiments began out of necessity. For example, when a particular garment manufacturer in Indianapolis relocated his operation in the South to escape unions and be closer to the textile mills of the Southeastern Piedmont region, the Knights purchased the factory. The Martha Washington Cooperative Association, formed by the women members of the local union, elected a managerial staff for the factory and planned to cooperate in the production of high quality goods. However, this experiment apparently failed during the recession of 1893; as historian Mary Beard said, "most of these cooperative enterprises failed for one reason or another."<sup>13</sup>

### Shop councils emerge

Following the Civil War, an ever-widening rift between capital and labor alarmed moderates from labor, business, and the public. Violent railroad labor disputes in 1877 destroyed portions of Chicago, Pittsburgh, and several other cities. In 1886, the Chicago Haymarket Square riot outside the struck International Harvester Company intensified that fear. The 1894 Pullman Strike, led by socialist Eugene V. Debs, raised the possibility of class revolution. The Central Labor Union had informed a joint session of Congress as early as 1883 that unless capital-labor relations improved there would be "bloody revolution."<sup>14</sup> To compound matters, some employers believed that workers had little cause for complaint, as exemplified by this testament: "American laborers should be contented and manly in the sphere wherein God has placed them."<sup>15</sup>

There was never a scarcity of reformist ideas to solve

capital-labor problems, but some struck familiar chords. In 1885, the well-known reformer, Washington Gladden, wrote that the future of such relations would be marked by "the principle of cooperation."<sup>16</sup> In 1889, economist Richard Ely called for the creation of "worker councils."<sup>17</sup> But, in 1886, J. C. Bayles, editor of *Iron Age* magazine, had devised a highly publicized plan calling for a return to the cooperation that had existed between masters and journeymen in the early years of the Republic.<sup>18</sup> He developed a model for electing shop workers' representatives to an industry- or plant-wide problem-solving body of managers and employees. Calling the representatives "shop councils," Bayles clearly specified that these entities were not to be new forms of arbitration or collective bargaining, but a means of real labor-management cooperation.

The first practical application of Bayles' "shop council" concept to improve product quality and output was in the industrial heartland of Pennsylvania. In 1904, the Nernst Lamp Co. of Pittsburgh established a representative shop council of workers and managers. The company, with a poor quality product, had been threatened by bankruptcy until implementation of shop council suggestions improved marketing techniques and product quality, resulting in an 800-percent sales increase in only 18 months.<sup>19</sup>

The success of the Pittsburgh company spawned a similar experiment in Philadelphia. The Nelson Valve Co. established a plan of shop committee representation with an industrial congress composed of a senate for managers and a house for workers. Each body debated issues to improve product quality and working conditions separately before presenting them at joint sessions, with all results forwarded to the plant superintendent. Although the employees and foremen at both Pennsylvania plants liked the concept, changes in ownership eventually terminated the programs.<sup>20</sup>

Holbrook J. Porter, an industrial relations manager, was the architect of both Pennsylvania plans. As superintendent of the physical plant at Columbia University in the 1880's, Porter had instituted weekly meetings with his janitors and maintenance men to get their opinions and suggestions on improving operations. When the owners of the two Pennsylvania companies asked Porter to help them overcome financial difficulties, he adapted Bayles' theories to his own to set up the respective representation plans.<sup>21</sup>

The success of Porter's theories fostered a proliferation of employee representation plans. In 1911, the progressive garment manufacturer, Hart, Schaffner, and Marx, established probably the best known (and sometimes cited erroneously as the first) industrial democracy program. Two years later, the Packard Piano Co. implemented a "works plan of industrial representation." The Printz-Biederman Co. and the White Motor Co., both in Cleveland, introduced "departmental shop committee representation plans" in 1914. Between 1911 and 1917, more than 100 companies introduced employee representation plans.<sup>22</sup>

"Capital cannot move a wheel without labor, nor can

labor advance beyond a more primitive existence without capital," said John D. Rockefeller, while inaugurating one of the most controversial industrial democracy programs in U.S. history. In 1914, an intense strike had crippled operations at Rockefeller's Colorado Fuel and Iron Co. mines. The strike degenerated into open industrial violence resulting in the deaths of two women and several children, and touching off a national outrage.

Rockefeller, described by historians as a dedicated "welfare capitalist," wanted to make amends and restore peace. He blamed "outside agitators" from the United Mine Workers for all problems and, in 1915, implemented an employee representation plan to give workers a voice in operations without having to deal with organized labor. The Colorado Fuel & Iron plan permeated every facet of life in the company town, including social and recreational concerns. Organized labor complained that this was not industrial democracy but "paternalism" and "company unionism." Many employers, however, praised Rockefeller for setting a progressive precedent in labor-management relations. The controversy over this kind of plan had even greater impact following World War I.<sup>23</sup>

### Government steps in

Following the U.S. entry into World War I, President Woodrow Wilson's administration sought to prevent work stoppages in vital war production and related industries. Among the many ideas proposed was one calling for the creation of plant-level advisory committees of employees and managers to study and suggest ways of improving production outlays while maintaining industrial peace. Secretary of Labor William B. Wilson ardently promoted the plan, believing that the spirit of cooperation between labor and management would transcend the war and continue into peacetime. Largely through his efforts, government-sponsored labor adjustment agencies such as the Fuel Adjustment Agency, Shipbuilding Labor Adjustment Board, and National War Labor Board created employee representation plans for their jurisdictions.<sup>24</sup>

The benchmark for all war agencies was the labor board. A tripartite, quasi-judicial body of labor, management, and public representatives, the board, with jurisdiction over the majority of plants and factories involved in war production, promoted industrial equity to prevent strikes and increase productivity. It experimented with many progressive ideas, including maintaining "living wage standards," mandating overtime compensation, maintaining safety and health standards, and prohibiting discrimination in pay and employment because of race, creed, sex, or union affiliation.<sup>25</sup>

The War Labor Board also ordered industrialists to create "shop council" plans for their factories. The first were at the General Electric plant in Pittsfield, Mass., and the Bethlehem Steel works in Pennsylvania. The board issued administrative guidelines for the implementation of "shop councils" and ordered their creation in 88 major plants.

This gave workers, most for the first time, a definite voice in management. Following this example, the shipbuilding board ordered the creation of 31 councils and by the end of the war, Government boards had created more than 225 shop councils. Private firms sometimes voluntarily created employee representation plans, and one Labor Department official remarked, "There was a deluge of works councils."<sup>26</sup>

Whether called the "Bridgeport Plan," "General Electric Plan," or "Proctor & Gamble Employees Conference Plan," all works councils, shop committees, and employee representation plans were basically the same. Commissioner of Labor Statistics, Royal Meeker, commented that there was a "monotonous sameness" about these plans. They consisted of a representative body of employees, chosen from a variety of work stations (departments, floors, shops, and so forth), who met separately before meeting with managers or sat in joint session with them. These industrial congresses discussed and debated a wide range of topics, particularly: labor turnover and productivity; living and working conditions; terms of employment; and social and recreational needs of employees.<sup>27</sup>

In most cases, the employee representation plans set up by Government order were used to full advantage by organized labor. Although officially operating under the "open shop" principle, these plans soon became avenues for organized labor to meet with employers on an equitable level. When the Federal Government seized the railway lines in 1917, the Director General of the U.S. Railroad Administration, William Gibbs McAdoo, faced a maze of problems including low productivity and manpower shortages. In 1918, he issued two general orders directing the managers on all lines to establish committees of employers and employees to discuss and try to solve problems. W.S. Carter, former president of the Brotherhood of Locomotive Firemen and McAdoo's labor director, stated that these orders gave railroad union labor an aspect of equal participation with railroad officials and, consequently, a strategic position more advanced than any ever before enjoyed by organized workers. However, many railroad officials did not like sharing managerial decisions, and, once the Government returned the railroads to private ownership in 1920, management either abolished the employee representation plans or converted them into company unions.<sup>28</sup>

The end of the war affected other labor programs. Employers, generally, wanted a return to prewar normalcy. In many industries, especially those in which Government boards had ordered the creation of worker-manager councils, employers unilaterally disbanded the cooperative plans. Company officials at Bethlehem Steel's main plant abolished the shop council program and refused to honor the collective bargaining agreement negotiated with organized labor less than 1 month after the armistice. Another employer admitted that "we would not have started the employees' committee had we not been forced to do so."<sup>29</sup>

A determined Wilson administration tried to reverse the trend back toward prewar conditions. The National War Labor Board ruled that employees and employers had to continue to comply with the wartime orders because the emergency period existed even after the armistice. President Wilson supported the board's orders in a proclamation of December 2, 1918. Board Cochairmen William H. Taft and Basil Manley wrote to Bethlehem Steel President Eugene Grace, "This is a question of the good faith of your company . . . if the award of the board should now be repudiated, your workmen would have every right to feel they had been deceived and grossly imposed upon by your company."<sup>30</sup> Yet Bethlehem Steel, General Electric, and a host of other industrial giants rejected such pleas, and the postwar years witnessed the highest incidence of strikes in U.S. history until the years following World War II.

Secretary of Labor Wilson firmly believed in labor-management cooperation. In regard to works councils and similar experiments, he felt that "there were no preconceived ideas and fixed prejudices about the relationships that should exist between employer and employee." Wilson persuaded the President to arrange for two national industrial conferences in 1919, with representatives from labor, management, and the public attending. Intended to promote cooperation, the first conference fell apart when employers totally alienated the labor representatives. The second conference accomplished little more than to illustrate that some employers had found use for employee representation plans.<sup>31</sup>

The 1920's, called the "open shop era," were years when employers sought to reduce the power and influence that organized labor had attained during the war. Many employers enthusiastically adopted employee representation plans based on the paternalistic model of Rockefeller's Colorado Fuel & Iron Company. A union partisan, commenting on the plan set up by the Pennsylvania Railroad, said, "What sort of industrial democracy is that which supervises every action of the men, does not allow them to have department meetings as a rule, and initiates every step taken by them?"<sup>32</sup>

### Experiments abroad

While the United States struggled with postwar labor relations, Great Britain scored better, especially in regard to industrial democracy. Prior to and during the war, strikes continuously plagued the country, particularly in the crucial munitions, shipyard, and railway industries. This forced Parliament to look for remedies. A subcommittee of the British Cabinet Reconstruction Committee, under the deputy speaker of the House of Commons, John H. Whitley, submitted five separate reports on industrial problems, basically advocating worker representation in the decision-making process of industry. The committee recommended the establishment of joint industrial councils (Whitley Councils) at three levels: factory, district, and total industry. The final report emphasized that workers should have equal standing with employers at all levels.<sup>33</sup>

The relationship between Whitley Committee findings and U.S. industrial democracy programs is not clear. Committee members knew about the U.S. programs and considered them in the process of study. Officials from the Bureau of Labor Statistics visited England before U.S. entry into the war (1915–16) to study that country's labor problems, and to exchange ideas with labor ministry officials. In 1919, Secretary Wilson sent a delegation of U.S. employers to monitor the Whitley Councils. Britain, however, had had employee representation plans in effect long before the war, plus the experience of "Rochdale" type cooperatives. Apparently, both nations borrowed from each other.<sup>34</sup>

Whitley Councils continued through the 1940's, but suffered resentment. One British employer commented, "Whitley Councils are a most expensive luxury with any advantage on one side only, that of labour."<sup>35</sup> The more militant trade unions, dedicated to abolishing all private ownership of industry, also opposed labor-management cooperation, although most unions approved and supported the concept. Some of the militants, particularly the railroad engineers, eventually dropped opposition to the councils and established joint committees with employer federations.<sup>36</sup>

Other nations, excited by the promises of democratic self-determination in Woodrow Wilson's peace plans, adopted works council programs. The Austrian government passed "works councils" legislation in 1919, and the new German government followed a year later. The grand duke of Luxemburg decreed the establishment of works councils in October 1920. In the same year, Sweden enacted a law stating, "works councils shall be instituted in industries with a view of giving workers a greater insight into production. . . ." Even Japan, emerging as a world power after World War I, copied the "works council" concept from the West; its plans, however, were more paternalistic than democratic. In October 1919, the first International Labor Conference of the League of Nations, held in Washington, D.C., and chaired by Secretary Wilson, encouraged the expansion of worker councils in all new democratic nations.<sup>37</sup>

### **A need for efficiency**

Only a few industrial democracy programs remained in existence in the United States between 1920 and 1930, mostly in the hosiery, textile, railroad, and garment industries. However, many new representation plans appeared to be attempts to circumvent unionism by adopting the format of the Colorado Fuel & Iron plan.

One of the exceptions to the paternalistic plans, and probably the best plan introduced during the period, was at the Baltimore & Ohio Railroad. In 1923, industrial relations manager Otto Beyer and Machinists' Union President William Johnston coauthored a shop committee plan of representation acceptable to B&O President Danial Willard, who used it at the Glenwood Maintenance Plant in the Pittsburgh district—a particularly troublesome site with high labor unrest and low productivity. The committee representatives

did not discuss issues traditionally reserved for collective bargaining, instead limiting themselves to methods to improve work and product quality. Otto Beyer commented, "The men became very active in observing opportunities for improvements, working out practical suggestions and presenting them at their local union meetings . . . for submission to shop management." By 1927, the B&O plan was working so well that management accepted 83 percent of all suggestions.<sup>38</sup>

In the 1920's, the quest for efficiency made two strange bedfellows: the American Federation of Labor (AFL) and the disciples of Frederick Taylor's scientific method of management. Work-rule changes based on Taylor's time and motion studies had sparked strikes during the war, and organized labor generally held them as anathema. Yet Taylor, before his death in 1915, began to actively solicit the cooperation of labor in the stewardship of efficient production techniques in industry. Taylor's disciples continued to promote cooperation and AFL President Samuel Gompers and his successor, William Green, appeared often as guest speakers before the Taylor Society. In 1927, Green said, "If given the opportunity we will earnestly and sincerely in all efforts promote efficiency in management with the high standard of American workmanship."<sup>39</sup>

Both American workers and employers needed to promote efficiency as the Nation slumped into the Great Depression of the 1930's. Poor economic conditions forced labor and management to experiment with new ideas. For example, by the late 1930's, when many small steel mills verged on bankruptcy, employers began to cooperate with the Steel Workers' Organizing Committee of the new Congress of Industrial Organizations (CIO) to solve problems. Two pioneers in this drive were Clinton Golden, Pittsburgh area director of the committee, and Joseph Scanlon, open hearth furnace operator, local union president, and father of the Scanlon joint-stock ownership plan. These men had approached several area steel plant superintendents and proposed to improve production, stabilize employment fluctuations, and participate in productivity research through union participation in the managerial process. Several plants in the upper Ohio Valley improved efficiency and attained solvency as a result of adopting the recommendations of labor-management committees.<sup>40</sup>

CIO President Philip Murray fully endorsed the concept. He coauthored a book on the Golden-Scanlon model with Morris Cooke (Frederick Taylor's prize student), setting standards for codetermination of production procedures and administrative policies to increase distribution and output of goods and services.<sup>41</sup> Known as the Murray plan, their concept called for cooperation at both the shop and factory level, and eventually at the "intra and inter industry levels." Murray and Cooke called their representative bodies "Industry Councils" and they would cause considerable controversy during World War II.<sup>42</sup>

The U.S. entry into the war, as in the previous conflict,

necessitated cooperation from management and labor. Only weeks after the Japanese attack on Pearl Harbor, President Franklin D. Roosevelt created a War Production Board to coordinate industrial output. The director of the board, Donald Nelson, adapted parts of the Murray plan to stimulate production; yet he never fully embraced it.

Nelson inherited basic strategies for his task from two predecessor agencies: the Defense Advisory Committee and Office of Production Management. Sidney Hillman, labor director of both of those agencies between 1940 and 1942, former president of the Amalgamated Clothing Workers, and contributor to the Hart, Schaffner, and Marx plan, advocated the Murray idea for industry. Actually, Hillman favored the "Reuther Corollary" to the Murray plan, which was based on the results of a 1942 study conducted for Murray by Walter Reuther of the United Auto Workers. The "Corollary" called for small groups of autoworkers to devise methods that would efficiently upgrade and retool auto assembly lines to produce airplanes. "If accepted," as one student of industrial democracy noted, "these industry councils proposed by Reuther and Murray guaranteed that management would cooperate with labor in making industrial decisions."<sup>43</sup>

Donald Nelson, however, knew that employers would not accept such an idea, and called for the creation of voluntary labor-management committees at plant levels as a compromise. Murray and Clinton Golden, vice chairman of the War Production Board, accepted this to prevent employers from abandoning the cooperative production program.

Thus, labor-management committees were formed, but workers did not participate in the decision-making process to any considerable degree, and there were no industrywide councils as proposed by Murray. Internal memoranda of the War Production Board emphasized that "the whole drive may succeed or fail depending on our ability to promote a give and take spirit between labor and management," but employers would not "give" in the area of labor encroachment on managerial prerogatives. Murray, nonetheless, supported the committees, and actually confused matters by claiming that they "were directly in line with our industry council proposals." This alarmed overcautious employers who accused Donald Nelson of "sabotaging" and "sovietizing" industry. Charles Wilson, President of General Motors, candidly stated, "There will be none of this equal voice bunk at GM."<sup>44</sup>

The refusal by many giant industries to fully cooperate set the tone for the overall program. When Theodore Quinn, director of the War Production Board's production drive, pleaded with some industry leaders to cooperate and involve labor in their decision-making process, the Ford Motor Co. responded: "We have not been able to find any examples where labor has run manufacturing plants as well as management."<sup>45</sup>

Yet, there were some success stories in the War Produc-

tion Board's production drive. The Westinghouse Electric Co. in Springfield, Mass., established a quality improvement plan committee in 1942 to reduce rates of waste and scrap which had run as high as 15 percent. The Quality Improvement Committee of three representatives each from labor and management met with committees of foremen and employees from various shops, which submitted suggestions made by small work area subcommittees. Waste levels were reduced by more than 50 percent throughout the plant. Experiments such as this one, however, were rare.<sup>46</sup>

In 1945, the War Production Board estimated that more than 5,000 labor-management committees had been formed. About 2,000 of them existed only on paper, and only one-third of the actual committees had representation plans to solicit suggestions from employees. Only about 500 committees took active roles in production-related issues such as "work quality, material conservation, plant lighting and layout, tool and equipment care, and production. . . ."<sup>47</sup>

### Other countries grasp the concept

The post-World War II period mirrored the first postwar period. Employers wanted to return to "normalcy," while workers, beneficiaries of government-induced industrial freedoms during the war, wanted to retain their advanced status. President Harry S. Truman, like Woodrow Wilson, tried to reduce tensions and promote industrial cooperation by calling a National Labor-Management Conference. Many employers at this 1945 meeting concurred with the opinion: "Management members cannot agree to joint management of enterprise. [It] has functions that must not and cannot be compromised."<sup>48</sup> In the wake of this failed conference, the United States witnessed the most intensive wave of strikes in its history. Although some forms of labor-management cooperation continued, most employee representation programs fell by the wayside.

Philip Murray did not forget. He warned as late as 1951 that "in the future, unless some comprehensive plan is undertaken within industry . . . we may find [foreign nations outproducing us and unemployed Americans walking the street]." His comments focused on European and Asian nations which had grasped the American concept of industrial democracy.<sup>49</sup>

On April 10, 1946, Germany, with a history of prewar codetermination, reintroduced the works council in industry under law No. 22, issued by the American Allied Control Commission. German employers resisted the reintroduction of worker participation into the managerial process, but the Allied command insisted that they cooperate with trade unions on works councils.<sup>50</sup>

The most surprising implementation of industrial democracy was in Japan. Except for a few isolated experiments after World War I, democracy had not been practiced in Japanese industry. Three million unskilled workers lived and toiled under a feudalistic "padrone system." After World War II, General Douglas MacArthur, the Supreme Com-

mander of Allies in the Pacific, imposed industrial democracy on Japan. He stripped the huge industrial trust combine (the *Zaibatsu*) of power for a time, and abrogated all anti-labor and anti-civil rights laws by his directive of October 4, 1945.<sup>51</sup>

The United States, according to several scholars, took pride in Japanese achievement and developed a sense of responsibility for its direction. Japanese growth, they claimed, stemmed from the U.S. policy and Japan's adoption of newly introduced techniques and methods of production. Several U.S. management experts, most notably William E. Deming, lectured and worked with Japanese public and private leaders on quality control methods—from which came the quality circle program. As one expert noted, "Even Japanese critics of the former political and economic activities of Westerners . . . are keenly alive to and anxious to share in the benefits of Western technology and Western methods of economic organizations." Japan's postwar economic recovery and new production techniques (for example, labor-management cooperation) were products of American social, economic, and military influences.<sup>52</sup>

In a recent NBC News *White Paper*, "IF JAPAN CAN, WHY CAN'T WE?" it was suggested that copying Japan's methods might not work for U.S. industry. That may or may not be true because of cultural or other differences between the nations, but it does not explain why American ideologies lay dormant here while flourishing abroad. There are many theories, including those stating that economically ravaged

and defeated nations were ripe for experimentation, especially when it was forced upon them.

The United States survived the war in relatively good shape, and industrial production soared after 1946. Trade unions, assisted by favorable New Deal legislation, grew in power to the point that Congress restrained them under the Taft-Hartley Act of 1947 and the Landrum-Griffin Act of 1959. Under these conditions and given the historical relationship between capital and labor, an adversarial, not cooperative, spirit has pervaded U.S. labor relations. And, during recent years, as inexpensive, high-quality manufactured products labeled "made in Japan" captured markets previously the domain of American firms, we looked overseas for answers to our problems of lagging productivity instead of within.

Today, as U.S. firms once again experiment with industrial democracy in the form of quality of worklife programs and similar efforts, our own past warrants a second look. Although most earlier attempts at labor-management cooperation did not endure, they were not necessarily undertaken in vain. One historian has described presidential labor-management committees as "productive failures,"<sup>53</sup> perhaps a fitting definition for the majority of participatory management committees in the past. They produced favorable results when they were needed most and only failed when social, economic, or political conditions changed. Industrial democracy does have a place in the American system of labor relations, for it was born here. □

—FOOTNOTES—

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<sup>1</sup>Milton Derber, *The American Idea of Industrial Democracy: 1865-1965* (Urbana, University of Illinois Press, 1970), pp. 4-6.

<sup>2</sup>Sanford Jacoby, "Union Management Cooperation: Past, Present, and Future," Working Paper No. 44 (Los Angeles, UCLA Institute of Industrial Relations, July 1982), p. 1; and Thomas Kochan, Daniel J. B. Mitchell, and Lee Dryer, eds., *Industrial Relations Research in the 1970s: Review & Appraisal* (Madison, Wis., Industrial Relations Research Association, 1982).

<sup>3</sup>Richard B. Morris, *Government and Labor in Early America* (New York, Columbia University Press, 1946), p. viii.

<sup>4</sup>Robert Chisolm, "Quality of Working Life: Critical Issues for the 80s," *Public Productivity Review*, March 1983, pp. 101-12; and Robert Irving, "Is America Turning It Around in Quality?" *Iron Age*, July 22, 1983, pp. 40-41.

<sup>5</sup>Carl Bridenbaugh, *The Colonial Craftsman* (Chicago, University of Chicago Press, 1950), pp. 27-28, 118.

<sup>6</sup>*Report of Special Agent Carroll Wright on the Factory System in the U.S.* (Bureau of the Census, 1884), pp. 16-20.

<sup>7</sup>*The Philadelphia Cabinet & Chair Makers Union Book of Prices: Established by a Committee of Employers & Journeymen* (Philadelphia, William Stavely, 1828), p. 1a.

<sup>8</sup>*The Bill of Prices of the Chairmakers of Cincinnati: Agreed to by the Journeymen and Employers in Joint Committee, September 6, 1831*; W.Q. Force, *The Builders Guide* (Washington, Peter Force, 1842), p. i-iv.

<sup>9</sup>John R. Commons and Associates, *History of Labour in the United States* (New York, The Macmillan Co., 1918), pp. 381-423; *Radical*

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<sup>11</sup>Acland and Jones, *Workingmen Co-operators*, pp. 28-30; and Cole, *Century of Cooperation*, pp. 57-75.

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