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A strike-bound nation, 1946.

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"A STRIKE-BOUND NATION"

WRHS

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By

Dr. Abba Hillel Silver

At  
The Temple

On  
Sunday morning, January 27, 1946



There are thirty-six to thirty-seven million wage earners. Of these there are a million and a half on strike today. In other words, ninety-six out of every one hundred men and women wage-earners are on the job today working. One must not get the impression, because of the prominence given to the strikes, that our entire economic system is in chaos resulting from strikes. On the other hand, it is to be borne in mind that prolonged strikes (especially in steel) are bound to affect the entire economy of our country and seriously hamper our entire reconversion program.

The industrial unrest which exists today is, in a way, not unexpected. Following the upheavals of the World War, in consequence of the whole problem of reconversion from wartime to peacetime economy, great unrest is almost inevitable. Many vital adjustments have to be made. They are not easily made, especially adjustments in the field of wages. During the last war, in order to prosecute the war successfully and in order to avert the danger of inflation, our people enacted certain necessary measures, and among these was the measure freezing wages at a certain level and fixing prices and rents at a certain level, and also, to an extent, controlling spending on the part of our people through a system of rationing. Although there were exceptions and violations to these regulations, by and large they held, and because they held we were able to prosecute the war successfully and we did not suffer from a run-away inflation. But all of these regulations could not hold---could not hold, to some extent at least, after the war. The principal reasons why they could not hold are, first, that the cost of living did, in spite of all attempted control, mount up sharply and consequently the take-home pay of many workers shrank since the close of the war because there was no longer much overtime work. So quite naturally demands arose here and there, and everywhere, for wage adjustments, and some of these adjustments could not be made. Others, however, led to protracted negotiations through stalemates and strikes.



It is interesting to remember that an almost identical situation (some of you will recall it) developed after the first World War. The years 1919 and 1920 witnessed a long series of strikes in all parts of the country, some of them attempted by extreme violence; strikes of shipbuilders, dock-workers, railroad shopmen, street car workers in many cities, coal strikes, and the very bitter steel strike of 1919. There were days of terrible turmoil the years following the end of the first World War. The issues of open and closed shop, and the rights of collective bargaining were bitterly contested. A concerted attack, you will remember, was made on what was known as "radicals" and "reds" by the I.W.W. The air was full of charges of plots to overthrow the Government. You may recall that the tension was so great that the one Socialist member of Congress was unseated by an almost unanimous vote of the House of Representatives, and the New York State Legislation refused to permit the seating of five Socialists who had been elected in the State of New York. You will recall that many people were deported from the United States. There is the time of Sacco & Vanzetti, and their railroading to the electric chair. Any post-war period is a dangerous period because it is a period of violence and a period of great tension and taut nerves, so that the industrial unrest of the moment is really not an unexpected one altogether.

The important industries which are strike-bound at the moment are steel, the packing-house industry, General Electric and Westinghouse, and General Motors. In each instance the question at issue is that of wages. The striking workmen demanded, at first, wage increases in these industries ranging from 25¢ an hour to 30¢ an hour. They have since been willing to settle in the case of steel at 18½¢ an hour; in the case of General Motors at 19½¢ an hour, and in the case of the packing-house workers at 17½¢ an hour. In the case of steel, the workmen are prepared to receive the settlement of 18½¢ an hour. The steel corporation offered them 15¢ an hour. The whole difference then is a matter of 3½¢ an hour, and it was this relatively small difference that caused an industry, which employs more than 750,000 men, to go into a strike and shut-down.



Now the air is becoming thick with charges and counter-charges and with denunciations from one side and the other, and the controversy is touching off old prejudices, causing men to break out with well-known slogans and catch-words. Nothing is to be gained by it--nothing. Few men question the need today of wage adjustments. No one questions--nobody knows the facts, but there has been a sharp rise in the cost of living which has been set at 23%. No man in his right senses and no woman in her right senses wants a run-away inflation in our country. If wages are raised and prices are then boosted, only to force further a rise in wages and still higher prices, it will surely bring about this fatal spiral of mounting inflation, which drains all of the value out of the dollar, and finally results in a collapse in capital and in industry. Yet no one who accepts our private property economy and organized American labor is opposed to State Socialism. No one thinks that industry can or should operate at a fair profit. In other words, capital is not only entitled to a fair return on its investment but it is essential for the proper functioning of the kind of economy that the American people prefer to have in this country. And finally, everyone agrees that strikes are a total loss, benefiting no one. What then is the answer? The answer is not difficult to formulate though difficult to apply--difficult but not impossible--especially if there is intelligence, common sense and goodwill on the part of all concerned.

It is clear that wages should be raised--that wages must be raised, and not only to meet the increased cost of living. Wages should be progressively raised so as to enable the people--that consuming public--to buy that which our industry continues to produce in very increasing amounts and volumes. Unless this is done, you will quickly find a condition as we did experience not so many years ago of over-production, followed by the closing-down of the plants, by unemployment, and by terrible depressions. There must be increased purchasing power. In our judgment, prices should be raised only when the profits of a given industry



would fall below a legitimate level on account of the increase in wages paid out to the working men in that particular industry.

In many instances increased wages can be absorbed by the industry without any price-rises, through decreased production costs and through production standards efficiency. A few months ago the Reconversion Director John W. Snyder declared that many industries should be able to grant wage increases that will not in turn be reflected in prices. Now, who is to determine this—who is to determine whether industry allowing its working men increased wages should simultaneously raise the price of its commodity? Clearly, neither labor nor management, but an objective fact-finding body. That is something that one cannot guess at—something that cannot be determined by sentiment or emotion. Even fact-finding bodies are infallible, but clearly it is the closest approximation to intelligent procedure in industrial disputes, after negotiations on the part of labor and management fail to achieve agreement.

You take the case of the Steel Strike. The original demand of steel workers was, as I indicated at the outset, 25¢ an hour; the original demand of the U. S. Steel Corporation was 12½¢ an hour. They negotiated, one yielding a little and the other a little. After a time they found themselves at a stalemate, the workers demanding 19½¢ an hour and the corporation insisting on 15¢ an hour, and remained adamant.

It was at this juncture that the President of the United States stepped in and asked for a report of the fact-finding board in the steel industry, and the board recommended 18½¢ an hour wage increase. And the Union accepted the recommendation of the fact-finding commission, now endorsed by the President of the United States. Now, it is our humble judgment and opinion that the United Steel Corporation did not exercise sound economy statesmanship in rejecting this offer, and thereby precipitating the steel strike. Similarly, in the case of General Motors (and I am now quoting Pres. Truman) "In the General Motors case the fact-finding board, after four weeks of hearings and consideration, reported to me that



a settlement of a 17.4 per cent increase, or 19<sup>1</sup>/<sub>2</sub>¢ per hour, was fair and reasonable under all the circumstances, to both parties. I approved and still approve that finding. The union has accepted it but the company has refused it." In my humble opinion again, I regard the action of General Motors as not characterized by wise economic statesmanship.

Neither of these two great companies stands to suffer materially from these recommended wage increases. General Motors, for example, has always been among the most profitable enterprising manufacturers in the United States. It earned more profits for its stockholders during the eleven peacetime years between 1927-37 than any other manufacturing corporation in the United States. During the three years of the war in 1942-44, General Motors paid out in dividends something like \$33,000,000. It was able to pay its 21 top officers an average of \$234,000 a year salary. That is pretty good. And was able to raise the salary of its President from a peacetime level of \$236,000 to a war salary of \$459.00.

In the case of the United Steel Corporation, its profits after taxation rose from an average of \$115,000,000 a year in peacetime years to \$245,000,000 in war years, an increase of 113%, and its dividends increased from an annual period of \$84,000,000 in peacetime years to \$153,000,000 in wartime years, an increase of 82%. And there is definite ground to believe that this industry can absorb a reasonable wage increase without any appreciable price increase, if any, and this too should be borne in mind. As a result of the carry-back section of the excess-profits taxes, any corporation whose profits fall below its average pre-war profits can collect the difference from the Treasury of the United States in the shape of a refund from the excess-profits taxes which the corporation had paid in the previous two years. While this excess-profits tax law was repealed last year, the carry-back provision was not repealed, so that in 1946 for example, any corporation which fails to make normal profits can still draw on its excess-profits taxes which they paid in 1944 and in 1945, and there has been built up a credit as it were of these excess-profits taxes, available for such refund, amounting to over twenty



billion dollars. This is an extraordinary measure of guarantee for profits which corporations enjoy. However, it should be stated that these corporations were offered (steel corporations at least) a price relief which would have amounted to a sum considerably in excess of what the corporation would be paid out in increased wages. I therefore believe that these corporations did not exercise the best kind of economic thinking and judgment in refusing recommendations which an impartial fact-finding board made, backed by the endorsement of the President of the United States.

My good friends, the world is going Leftist! Great Britain voted in a socialist Government a few months ago, and that Government will remain in power for at least five years. France has gone Leftist; the Soviet Union, of course, has been Leftist, and now all of the Sattelite States. That means pretty well two-thirds of Europe are bound to go Leftist in their economy. Those who are interested in what we call the "American Way" (which is not Leftist) would do well to take stock of world situations. The leaders who are interested in preserving this type of economy would do well to take stock of what is happening in the world, and to realize that it is wiser to bend than to break. That our American system is not sabotaged by blind unreasoning on both sides by social conflict. The emphasis tomorrow will be placed where it belongs--on Production--on producing civilian goods of wealth for which our industrial apparatus is geared and whose possibilities are boundless, as the war has demonstrated with what rapidity our system can be made to do unexpected and extraordinary things. I say that the emphasis tomorrow will be placed upon production--volume production of all things the people need. If the emphasis is placed upon the wise distribution of what is produced in order that that thing which is produced can be abundant, because there will be purchasing power within the hands of the consuming public, then there are no limits to the prosperity and the abundance that the American people can enjoy in the years to come. If on the other hand leaders of industry lack vision, and if leaders of labor are not keenly aware of the grave responsibilities which rest upon their



shoulders, they too must set their house in order, and in instances they too have been guilty of anti-socialist acts, acts harmful to themselves and to the country, and of contracts in some instances, wildcat strikes, jurisdictional disputes between labor and union. If that unfortunate condition will come to prevail, and in spite of all that we have and all that we are capable of having, we might find ourselves as we found ourselves in the early 20s, in the late 20s, and in the early 30s—a people economically prostrate, with 16 to 18 million of our people unemployed, with a complete breakdown of our entire industrial life.

What is the solution? It is doubtful whether drastic legislation can really relieve the situation. It is necessary that leaders, capital, management and labor understand what is involved and adopt proper answers to their responsibilities. Perhaps the process of collective bargaining in the future could be facilitated if, as an important economist has suggested, a permanent mediation board could sit in with management and labor in their negotiations from the very beginning if possible, before these negotiations reach the strike stage and both sides are determined to slug it out.

We have the equipment, we have the raw material, we have the resources. Human selfishness ought not to be permitted to stroy these marvelous possibilities that lie ahead in our country.



Perspectives

1)  $36\frac{1}{2}$  % Wage - earners.  $1\frac{1}{2}$  % - on sub 6 . 96 out of every 100 employers

Consequences - Altho a prolonged stuck in Steel - bound to affect entire U.S. economy - seriously hampers our reconversion program

2) Not unexpected - Conversion - at the least, which is adjustment of wage - scale.

During war - to avert inflation - measures were enacted freeing wages at a certain level, and fixing prices at a certain level; + controlling spending through Rationing Altho there were exceptions + violations - by flagrantly - violations.

held

These regulations could not hold after the war. Principal reason being that the cost of living mounted sharply and the "take-home pay, many workers struck here. there was no work to do.

Demand arose for wage adjustments - some were graciously made. Others have led to protracted negotiations, strikes etc.

3) A number of strikes, some of an ill scale, developed after the last war.

The year 1919 marked a very serious series of strikes in all parts, the country - in some instances attended with great violence. Shipbuilders - dock workers, railroad shopmen, street-car workers in many cities, coal miners etc. the latter Steel strike of 1919.

The issues of free closed shops etc. the right of collective bargaining were hotly contested. A concerted attack was made on "radicals" + "reds" - I.W.O. The air was full of charges of plots to overthrow the govt. The so-called members of Comm.



was upseated by an almost unanimous vote, the House, Rep.  
N.Y. State Leg. refused to permit the reading, 15 loc. checked both country.  
Many people were reported.

Sacco & Vanzetti were railroaded to the electric chair.

Any post-war period is a dangerous ~~con~~ period of ~~con~~ -  
volence... a period of great turmoil, & tant needs of fighting.

4) The important industries Auto - Iron at the moment are  
Steel, Packing House, Gen. Elect. & Westinghouse, & Gen. Motors.

In each instance the question at issue ~~was~~ <sup>was</sup> very serious.  
The striking workmen, then their recruited workmen, at first  
demanded wages increases of 25 cents or 30 cents an hr. - Have  
been willing to settle in case of Steel at 18 1/2 c. an hr.  
Gen. Motors 19 1/2 c. Packing House another 17 1/2 c. - probably 15c.

→ U.S. Steel offered 15c. Diff. 3 1/2 c. an hr. an industry suffering severely

It was on this relat. small diff. that 750,000 men  
was forced thru into a strike or shut-down.

5) Now the air is becoming thick with charges counter-charges.

Denunciations -

- The controversy is working off old prejudices letting out the  
well-known slanders & catch words, & then for shutting down  
their unfair labouring on the fact of up their  
emotional rationing.

- Nothing is to be gained by it!

- Few men question that there is a need for large adjustment

- No one question that there has been a sharp rise in cost  
& living. It has been set at 23%.

- No intell. person wants a run-away inflation  
in this country, which will cost about nothing



if wages are raised & prices are <sup>then</sup> boosted, only to pass further a (3)  
rise in wages & still higher prices, this would be fatal  
spirit ends in total collapse of capital, industry & labor.  
- and value is drained out of the dollar.

- Again - no one who accepts our private property economy  
and of Amer. labor is opposed to state socialism - ~~that~~  
think that industry can or should operate without a  
profit. In other words that capital is entitled to a fair  
return on its investment, but that this is essential  
for the proper functioning of the kind economy we  
prefer in this country.

- And finally, every one agrees - that Wages are a severe  
drain both on capital & labor - & benefits no one.

What then is the answer? The answer is not very  
diff. to formulate tho for man difficult to apply -  
difficult but not impossible - esp. if there is  
intelligence & good will ~~working~~ <sup>preparing</sup> on all sides.

Wages should be raised to meet the increased cost of  
living. They should be progressively raised so as to  
enable the people <sup>if necessary</sup> to purchase what our industry produces  
in increasing quantities i.e. tech. improvement. As  
this ~~is a dangerous~~ <sup>is a dangerous</sup> ~~leads to~~ <sup>leads to</sup> ~~the closing down of~~ <sup>the closing down of</sup>  
plants, unemployment & depressions. There must be increased  
wages for increased  
production

Prices should be raised only where the profits of  
a given industry would fall below a legitimate level  
on account of the war on wages paid out to the  
employees without that industry. In many instances



industries can absorb a substantial wage increase without  
price-lifting their production - <sup>desire for production costs as a profit</sup> standards efficiency & volume ~~but~~  
in Oct. 45 - <sup>Reorganization Director John W. Snyder declared that many industries should look</sup>  
who is to determine it. Clearly neither labor nor

management but an objective fact finding body. This is not  
something that one can guess at. Even fact finding bodies are  
not infallible - but it is the closest approximation to  
intelligent procedure in industrial disputes - after  
negotiations on the part of labor & management fail to  
achieve agreement.

6. In the case, the Steel Strike - the orig. demand, the Steel  
workers was for an increase of 25¢ an hr. The orig. offer  
the U.S. Steel Corporation was 12½¢ an hr. They negotiated  
but found no at least at this ~~stagnant~~ <sup>unfavorable</sup> work  
19½¢ - Corporation = 15¢.

It was at this juncture that the Pres. U.S. - asked  
for a report, the fact-finding board in the Steel industry.  
The Board recommended 18½¢ — The Union accepted  
the Board Pres. Truman's recommendation. Mr. Fairbanks for  
the Steel Corp. rejected it.

It is an humble <sup>purpose</sup> ~~proposition~~ that U.S. Steel Corp.  
did not exercise sound econ. statesmanship in rejecting  
the offer & in precipitating the Steel Strike.



15  
7/ humbly in the car, Sen. Motas. And I am just  
Pres., the U.S. -

That, too, is not wise econ. ~~management~~ & ~~stakeholder~~ relationships.

8/ Neither, then, 2 great corporations stand to suffer materially  
from the recommended wage increases.

Gen. Motors has always been among the most profitable  
manufacturing enterprises in the country. It earned  
more profits for its stockholders during the 11 yr. period  
bet. 1927-1937 than any other ~~and~~ <sup>most</sup> manuf. concern  
in the U.S.

During the 3 yrs., war 1942-1944 - G.M. paid out  
in dividends 333 M. dollars. It was able to pay it  
21 top 7 execs an average of \$237,000 annually,  
and raise its President's <sup>compensation</sup> ~~salary~~ from pre-war stand  
\$236,000 to \$459,000.

= (b) U.S. Steel. Profits after taxes rose from  
average 9115 m. a year in pre-war years 35-39  
to 245 m. in war years - an increase of 113%.  
In dividends - increase from annual average 84 m.  
to 153 M. - 82% increase.

(c) there is definite <sup>ground</sup> reason to believe that the industry  
can absorb the reasonable ~~pay~~ wage increases without  
any appreciable price increases, if any.



(d) It should be further borne in mind that as a result, the "carry-back" section, the excess-profit tax, a corporation, whose profits fall below its average previous profit, can collect the difference from the Treasury in the shape of a refund from the excess profits taxes which the corporation had paid in the previous 2 years.

While the excess-profits tax law was repealed last year by Congress, the "carry-back" provision was not repealed. Thus in 1946 corporations, <sup>which fail to make "normal" profits</sup> can still draw on their excess-profits taxes which they paid in 1944 and 1945. The total of these taxes amount to 20 billion dollars.

There is thus ~~the~~ <sup>an</sup> extraordinary measure of guarantee for profits which corporations enjoy.

(c) Govt. further fuel price relief <sup>at 10% more than in 1944</sup> ~~at 10% more than in 1944~~ <sup>would cost it</sup> ~~at 10% more than in 1944~~ <sup>would cost it</sup>

9) The world is going Leftist! England - France - Russia & Soviet states.

(a) Those who are interested in the "American way" would do well to take stock of world situation and realize that it is wiser to blend than to break.

(b) If ~~the~~ an Am. system is not sabotaged by blind, unreason as to the sides of <sup>opposed to collectivization</sup> ~~by regional conflict~~ <sup>Emphasis</sup> ~~European~~ is placed.



When it belongs - on Production - The Production <sup>concentrations</sup> of  
wealth for which Am. is planned - & whose beginnings  
are with handicaps - & upon that wide distribution of  
the wealth produced - <sup>which will</sup> ~~so~~ that it can be consumed -  
- there is no limits of prosperity <sup>& abundance</sup> that we cannot  
reach -

10). It is doubtful whether arbitrator legislation will meet  
the situation. ~~the~~ Perhaps the ~~state~~ process, collective  
bargaining in the future could be facilitated if, as  
Dr. Lusserson, suggests a permanent mediation board  
would sit in with management and labor ~~before~~  
~~even~~ in the negotiations, before ~~the~~ <sup>the</sup> ~~definitive~~ crack  
reached, ~~the~~ the strike stage and both sides  
begin shutting it out.

11). Am. - place where private prop. - capitalism  
will have its last chance.

① Visions -

② Contracts - Wild Cat - jurisdictional

competition -

Let Justice well up as waters  
And righteousness as a mighty stream.