

has also created a new theory of the relation of the state to labor and industry.

The state may determine the plane of competition; it may equalize the conditions of contract as between employer and employee; it may intervene to protect the standard of living of the workers. The only limits that theory places upon these lines of interference are consideration of the general good.

In the historical development of factory laws, well marked tendencies are traceable. The early attitude of timidity has given place to that of peremptory command. Progress has been steadily toward increased severity in the regulations imposed, increased exactness in detail and definition, towards distinctly placed responsibility and towards more adequate inspection.

The expansion of industry in this country has of course been accompanied by a like territorial extension of the labor laws. Accomplished through the independent action of the several state legislatures, the result has been an unfortunate confusion of unrelated and nonuniform measures. One of the recent and most important tendencies of this legislation is the movement for greater uniformity, made especially prominent by the attention given to it as a part of the study of the industrial commission. It indeed seems probable that these efforts will eventually issue in the determination of a minimum standard of labor legislation for the country as a whole, above which common basis the states will rise in grade according to the development of industrial organization and consequent increase of regulation demanded. This is necessarily a matter of voluntary conformity on the part of the separate state legislatures and therefore a fulfillment to be awaited with all patience.

## CO-OPERATION OF LABOR AND CAPITAL.

BY WILLIAM H. PFAHLER.

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There is no subject of greater general importance before the world to-day, none more simple in its character, and yet none so handicapped by fanaticism, as that of the relation of employer and employee.

Remove the curtain between the two real parties to the controversy, which is often held by men of selfish purpose on both sides, and you behold two simple factors, the wage payer and the wage earner, each dependent upon the other and both serving the same master, the great consuming public, of which they are also equal and very important parts.

The wage payer, being directly in contact with the purchasing consumer, claims that he must have a result in production equal in every way to the wages paid, while the wage earner contends that he must have a wage equivalent to his contribution in time, energy, and skill, to the article produced.

Every visible article of use, for food, clothing, or shelter, of necessity, luxury, or culture, represents three component parts, and the production of each such article depends upon the proper combining of these parts, which are: 1. Raw material. 2. Capital. 3. Labor.

Raw material, supplied by nature, is controlled only by the law of supply and demand, except when by legislation the natural law is for a time superseded, and it then becomes a matter of political action, in which the entire community, except the few who are directly interested in profit, join to abolish the corrupt legislation and restore the natural condition. Raw material, is, therefore, the basis of cost in determining the price of every product to the public.

Labor, whether skilled or unskilled, engaged in the reduction of the raw material to the finished product, is also dependent upon the law of supply and demand to fix its value or wage; and any effort to change this value brings the wage earner in direct conflict with the consumer, through his representative, the employer, whose duty it is to know, and who does know, what proportion of the entire cost of any article can be distributed in wage so as to retain the value of the article at a price not in excess of the ability of the consumer to purchase, and yet within limits which will prevent a more favored nation or district from furnishing the same article in competition, and thereby cause idleness for the wage earner and loss to the employer.

Capital represents plant, machinery, transportation, interest, and all the factors known as unproductive, and yet absolutely essential for the combination of material and labor. Capital is usually, though not always, the owner of material and the direct employer of labor, and therefore must stand for the silent partner in the combination. What is so frequently called a war between capital and labor is simply an effort on the part of the wage earner and wage payer to determine what part of the product of labor, as distinct from material, is represented in the price to the public, and after deducting the proper charge for plant, etc., how the balance, which is profit, shall be divided between the employer and the employee—or wage payer and wage earner.

The growth of prosperity in this country has always been in ratio to increased production, and until a recent period such increased production has been the direct result of the cooperation of the wage earner and the wage payer. In the beginning of our commercial history it was only necessary for one man to exchange the product of his own industry for that of other men to obtain the necessities of life, and then the results of labor were not measured by a unit of value or wage, but by the amount of energy expended in production.

When the rapid growth of the country required greater productiveness, and the enlargement of territory made necessary a change in the distribution of the products of labor, the factory system was introduced, whereby capital, or unproduc-

tive labor, was joined with productive labor to accomplish greater results than had heretofore been attained by individual labor.

This brought with it the employment of a number of wage earners under the direction of one or more employers, or wage payers, and made it necessary to determine the relation of one to the other, or rather the share each should have in the division of profits.

All conflicts which have ever arisen between men upon any subject, whether social, political, or religious, have been based, not upon difference in conditions really existing, but upon difference of opinion as to the relation which existed between the parties to the conflict; and strife, to a greater or less extent, has been brought into use to determine such position.

An excess of power on one side or the other succeeded in establishing for a time the opinion of the victor, but never removed the cause of dispute; and so the organization of wage earners into associations or unions enabled them to establish from time to time, by power which they never hesitated to exercise, such wages and conditions as in their opinion were fair to them, but not always in accord with the condition of supply and demand.

From their struggle arose the continual change of wages in ratio to the power of either party, the employer lowering wages when by reason of limited demand he could limit production, and the employee raising wages when his services were in sufficient demand to enable him to do so.

The union was able in many cases—I may say in all cases—to enforce its demands because of the combined power it could exercise against the individual employer, and, as is usual in such cases, soon began to exercise a power which was unnatural and unwarranted. The result of this was the necessity of forming an organized opposition to their force by creating an opposing force in the organization of the employer class, and this brings me to the history of two organizations of this character with which I have been closely identified during the past fifteen years, and which have been successful in establishing a new basis of relation between the employer and employee.

Fifteen years ago the industry in which I am engaged was in perpetual conflict, involving three or four strikes or lockouts every year, causing great loss in time and money to employer and employee. Unable longer to endure the strain, an association was formed of about fifty of the leading firms engaged in the business, for the sole purpose of defending the members against the unjust demands of their employees. It was decided to create a large fund for the purpose of carrying on a warfare against the union to which our men belonged. Within a year from the organization a strike occurred which resulted in every member of the defence association closing his shop, and the consequent defeat of the union. A second strike occurred in which, after many weeks of severe struggle, the union was again defeated by the united action of the defence association. In the third year of its existence, the defence association was invited by the officers of the union to appoint a committee to meet a similar committee from their organization for the purpose of discussing some plan by which strikes and lockouts could be avoided. Frequent meetings were held; many attempts at forming a plan were abandoned, until finally it was agreed that all questions of difference between any employer, member of our association, and his employee, member of the union, should be referred to a committee of three from each association for arbitration and that, pending such action, no strike or lockout should occur. As a result of this agreement, during the past ten years no strike has occurred in this industry, and every point of difference has been amicably adjusted by conference. Each year a general conference is held, at which the wages are fixed for the ensuing year, and such other changes as may be of mutual advantage are adopted.

It is true that at first the members of local unions, led by some wild agitator, would make a demand upon their employer, and, failing to enforce the demand, would quit work; but the national officers of the union would require them to return to work at once and await the usual and proper means of adjustment.

The arbitration board is composed of an even number of men because then an agreement when reached becomes unani-

mous, and a failure to agree (although no such failure has ever occurred) will not result in the enforcing of the opinion of either side by the decision of a third party. We prefer rather to adjourn from time to time, under the agreement to have no strike or lockout, and let time and reason aid in finding some common ground upon which we can agree. These agreements made from time to time have been signed for the members of the union by their officers, and it gives me the highest pleasure, as a tribute to human nature, and in reply to those who deny the responsibility on the part of workmen to a contract, to say that in the history of our organization no agreement has ever been violated in any manner.

The success of this organization led to the formation of a larger and more powerful one, known as the National Founders' association, of which I had the honor to be the first president. It required a long time to convince many of the larger employers of men that the formation of such an association was not dangerous, because in the negotiations it would be a virtual recognition of the union; but we at last succeeded in organizing with about fifty members.

Within six months the president of the union in which most of our men are employed addressed a letter to our body requesting a conference to devise a plan for conducting negotiations on lines similar to those of the stove defence association. This conference resulted in what has ever since been known as the New York agreement, which is as follows:

Whereas, The past experience of the members of the National Founders' association and the Iron Molders' union of North America justifies them in the opinion that any arrangement entered into that will conduce to greater harmony of their relations as employers and employees will be to their mutual advantage; therefore,

Resolved, That this committee of conference indorse the principle of arbitration in the settlement of trade disputes, and recommend the same for adoption by the members of the National Founders' association and the Iron Molders' union of North America on the following lines:

That, in the event of a dispute arising between members of the respective organizations, a reasonable effort shall be

made by the parties directly at interest to effect a satisfactory adjustment of the difficulty, failing to do which either party shall have the right to ask its reference to a committee of arbitration, which shall consist of the presidents of the National Founders' association and the Iron Molders' union of North America or their representatives, and two other representatives from each association appointed by the respective presidents.

The finding of this committee of arbitration, by a majority vote, shall be considered final so far as the future action of the respective organizations is concerned.

Pending adjudication by this committee of arbitration there shall be no cessation of work at the instance of either party to the dispute.

The committee of arbitration shall meet within two weeks after reference of the dispute to them.

This agreement to go into effect Monday, March 4, 1901.

Occurring at the time when we were passing from extreme depression to a revival of business activity, when there was an enormous demand for good workmen, when wages were moving upward and when strikes were of almost daily occurrence in every industry, this agreement was observed in letter and in spirit, and, as a result, both employer and employee enjoyed industrial peace and prosperity.

Because of a failure to agree on certain demands made by the union, which would have resulted in reduction of production, a strike was commenced in the city of Cleveland by the union, which lasted over seven months and cost upward of a million dollars, but at the end resulted in a conference lasting some days, in which both parties to the conference agreed to prevent a recurrence of warfare and united in an agreement which marked greater progress in the labor situation than had ever been reached before.

The National Founders' association now numbers nearly 500 members, having a combined capital of over \$400,000,000, and employing nearly 30,000 molders and more than 100,000 workmen in other departments, and is daily adding to the number because the manufacturer has seen that it is the best—in fact, the only—method of dealing with organized labor.

On the other hand, the labor organization, recognizing the strength and fair dealing of the employers' association, is from time to time so modifying its plans and methods as to make it possible to work in harmony with the employer, and together secure results for both that have heretofore been impossible.

This brief history enables me to declare not only as a conviction, but as an axiom, that there is a common ground upon which the wage earner and the wage payer can safely unite to form a community of interest in the great industrial problem, and that negotiation for the adjustment of their several interests can be conducted without strife, to the mutual advantage of both.

The history of all associations of manufacturers formed for the purpose of establishing and maintaining just and fair business relations between their employees and themselves, proves beyond doubt that better results can be obtained in this way than in any other.

In England, several years ago, the great strike of engineers involving 75,000 men, and extending over a period of six months, was finally settled by conference between the representatives of the associated employers and representatives of the several unions, and resulted in an agreement which established harmonious relations between both parties, and has ever since prevented strikes or lockouts.

In Belgium, in 1899, a lockout, probably the greatest which has ever occurred, involving almost every industry, shutting out more than 50,000 men, and extending over a period of seven months, was only settled after the employers discovered to their own great advantage that matters can be arranged more satisfactorily when the representatives of organized capital confer with the representatives of organized labor. The result of their conference was the removal of all obnoxious demands and the adjustment of wages and conditions of labor upon an equitable basis, embodied in an agreement now in force and held equally binding on employer and employee, the result of which was, in England as in the examples cited in this country, the elimination of strikes and lockouts.

A review in detail of the results accomplished by the methods of conference and conciliation, in these cases referred to, would require more space than can be used in this paper, but warrants the following conclusions:

First. That labor organizations are the natural result of a great movement in the business world which is replacing costly competition with profitable co-operation, and are formed primarily for the protection of their members, upon the theory that collective bargaining for the sale of their labor is more profitable than individual contract.

Second. The accomplishment of their object requires labor organizations to secure the membership of the largest number of persons employed in any kindred trade, and (because voluntary advancement of wages rarely or never occurs) to demand a change in wages and betterment in conditions whenever it appears that the need for their labor is in excess of the supply, and therefore warrants such demand. Labor organizations are necessary also to resist collectively any movement on the part of the employer which would result in injury to the workingman.

Third. Whenever labor organizations by reason of false leaders have made unfair demands or established conditions which were unfair to the employer, it has been because of the use of collective force against the individual employer, and this has been defeated whenever the employers have organized similar associations for their own defence.

Fourth. That strikes for advance in wages and improvement of condition—occurring, as they do, during a period of prosperity—usually succeed, while strikes for recognition of the union, usurpation of the rights of the employer or against the reduction of wages almost invariably fail in their purpose.

Assuming that the employer is governed by honesty of purpose in dealing with labor, and that the employee is equally honest in his desire to give worth for wages, the organization of both parties must slowly but surely remove force as the means of securing results, and cause a resort to reason and conciliation as the best means to accomplish the greatest value for both.

There are two great obstacles which prevent the substitution of these means of settling the labor question at present, and which must be first removed before better conditions can be realized.

On the part of the employer there is the refusal (usually sentimental) to recognize the union, and the determination to destroy it. He forgets that his effort to destroy the union presupposes his recognition of it, else he would be fighting a nightmare, while the recognition in fact would enable him to learn its scope, purposes, and plans, and by co-operation secure a valuable ally instead of an unreasonable enemy.

In the use of the word union, I desire always to be understood to refer to such organizations of workingmen as are conducted along reasonable lines and are led by representatives worthy of the best element composing the membership, who formulate their demands in harmony with known business conditions and control their movements within the lines of law and order, because when they assume any other condition they are simply mobs, and deserve only the condemnation of every worthy citizen.

The obstacle on the part of labor is the effort to establish the idea that recognition of the union implies more than the agreement to make collective bargains between employer and employee at such times as a change in business conditions demands or permits, or to insist that it conveys the right to enforce rules and methods in the conduct of the business without the consent or co-operation of the employer.

To remove these obstacles and establish a condition of harmony and mutual prosperity, the employer must not forget that wage earners have formed powerful associations for the purpose of advancing and protecting their interests, and have delegated their individual power to, and placed their confidence in, the officers of their unions.

That these officers are in many cases far above the average of their craftsmen, and their highest ambition is to better the condition of their fellow workmen.

That the aggressive methods of labor unions are very frequently caused by the determination of the employer

to destroy them, without giving them a chance to be heard in their own defence.

That in the conduct of business involving large investment for plant, and the employment of a large number of men, able management is required to secure the best results from machinery and power, but good government is necessary to secure the highest efficiency of men, and the best government is that which is founded on the consent of the governed.

That responsibility for the performance of such an agreement as should exist between employer and employee cannot be measured by legal or financial standard, but can be safely based on individual integrity, and in this I have found that a very large majority of the workingmen in this country hold an agreement which is made for them by the officers of their union as binding them in every sense of the word.

That the organization of associations of employers in kindred branches or industry tends to uniformity in method of regulating the employment of men, and at the same time affords protection against the demands which may be unfair or the strife which may be instigated by unwise leaders of organized labor.

The employee must not forget:

That the right to be a union man implies also the right to be a nonunion man.

That no honest employer can discriminate between the men in his employ, or recognize the right of any body of men to determine whom he shall employ.

That the effort to establish a minimum rate of wage, if based upon the lowest standard of efficiency, destroys the earning power of the more competent workman and lowers the standard of all.

That the effort to limit production is false in principle, and can only succeed, if at all, when the demand is in excess of the supply, and when it succeeds, it causes the creation of methods and machines which supplant the skill of the mechanic and brings into competition a lower grade of labor at a lower wage.

That the effort to create a monopoly by attempting to retard the privilege of the American boy to acquire a trade is destructive to the best interests of a progressive nation.

That the laws, rules and methods of labor unions must be changed to conform with present conditions, if the union hopes to be recognized as a factor in the adjustment of the labor problem.

That the right to strike, or refuse to work, under certain conditions, does not involve the right to prevent others from working, if the conditions are satisfactory to them, and involves responsibility for all the damage that may arise.

That the standard of wage cannot be measured by the standard of time employed, or energy expended, but by the results attained.

These, and many other differences which might be enumerated, are the causes which make for strife and dissent, and prevent the harmony which should exist for the mutual benefit of both classes. These differences can only be removed or harmonized by honest and intelligent conferences between the employer and employee, and to bring about such conferences is the purpose and aim of the national civic federation. The success of the effort promises, for the employer, the markets of the world; for the employee, continued and increasing profits; for the country, industrial peace and better citizens.