The Corporation

II

I

When William Crapo Durant formed the General Motors Company on September 16, 1908, there was, we are told, no "undue excitement" in the world of industry and finance.[1] No one, indeed, could have anticipated that the first chapter was being written in the story of what was to become the largest privately owned manufacturing enterprise in the world.

Durant, whom *Fortune* characterized as perhaps "the most romantic hero in the whole melodrama of twentieth-century business," was born in Boston on December 8, 1861, and came to Flint when he was six years old. About a dozen years earlier his grandfather, Henry H. Crapo, had also journeyed from Massachusetts to Flint where he had invested in the lumber business part of a fortune made in whaling and had become one of Michigan's great lumber barons. Durant quit school at sixteen and entered the general store his grandfather had established in association with one of his lumberyards. He soon left this position and in the next few years worked as a drug clerk and sold real estate, insurance, bicycles, cigars, and patent medicines. In 1885 he purchased a patent for a two-wheel cart and teamed up with hardware-salesman J. Dallas Dort to form the Durant-Dort Carriage Company.

The new concern initially contracted with an established Flint carriage maker to build the Durant-Dort carts, but soon the firm was assembling its own vehicles and turning them out at the rate of two hundred per day. Before the end of the century, Durant, exhibiting the same imperial ambition he was later to evidence in his career in the automobile industry, had embarked on a vast expansion program, had absorbed a variety of vehicle firms, and was producing a full line of carriages. Dallas-Dort by 1900 was turning out fifty thousand vehicles a year, and it had become the largest carriage manufacturer in the world.[2]

It was the Buick car that provided Durant with his entree into the automobile business and that became "the rock on which General Motors was founded."[3] The Scots-born David Dunbar Buick had been brought to Detroit in 1852 as a child of two. After working for a time in a brass foundry, he went into the plumbing supply business and with William S. Sherwood purchased the concern that had employed him when it failed in 1882. More an inventor than a businessman, Buick developed a process of applying enamel to the surface of

cast-iron bathtubs, the key to the modern bathroom. When his major attention turned to the internal-combustion engine in the 1890's, Buick sold his interest in the plumbing supply business and in 1899 organized the Auto Vim and Power Company to manufacture marine and stationary engines. The company failed three years later, and Buick then formed the Buick Manufacturing Company to produce the valve-in-head engine. Financial support for this venture came from two Detroit sheet-metal manufacturers, Benjamin and Frank Briscoe. The concern was reorganized in 1903 as the Buick Motor Car Company, with the Briscoes investing nearly the entire capital. The first Buick car, using a single cylinder engine, made its appearance that same year. Like Ransom E. Olds and Henry D. Leland, two of the other great pioneers of the automobile industry, Buick had turned from the manufacture of marine engines to the manufacture of automobiles.[4]

The Briscoes did not appreciate the potential of David Buick's vehicle and soon became anxious to unload their company. They found a purchaser in James H. Whiting, the owner of the Flint Wagon Works, who had concluded that the future probably lay with the horseless carriage rather than with the horse-drawn variety. The Buick machinery was brought to Flint from Detroit in 1903 and was lodged in a building adjoining the plant of the Flint Wagon Works. The two firms were then merged as the Buick Motor Company, with Buick serving as president and general manager.

At the outset the Buick gave little promise of its future greatness in the motor-vehicle industry: only twenty-three of the cars had been produced by the end of 1904. Discouraged by the company's prospects, Whiting turned to Durant, who had gone to New York to play the stock market, and asked him to take over the concern. Durant knew next to nothing about the automobile, but, after returning to Flint and personally testing the Buick for two months over all sorts of terrain, he decided to enter the automobile business. The deal between the Buick Motor Company and Durant was completed on November 1, 1904, the capital stock of the concern being increased from $75,000 to $300,000. Four years later, in 1908, the soundly engineered Buick, with sales of eighty-five hundred cars for the year, was the leader in the industry, and the Buick plant, which had been relocated in the northern part of Flint, was the largest automobile factory in the world.[5] David Buick, who seems to have been lacking in real business talent, had in the meantime left Flint and the company to which he had given his name only to suffer financial disaster first in a California oil venture and then in the collapse of the Florida land boom. He returned to Detroit in 1927 and taught for a

time in a trade school. He died on March 5, 1929, at the age of seventy-nine.[6]

Prompted by a soaring ambition and believing that an automobile company that produced a variety of makes was in a stronger position than one which offered the consumer a single model, Durant, along with Benjamin Briscoe, sought early in 1908 to effect a merger of the companies producing the Buick, the Maxwell-Briscoe, the Ford, and the Reo but allegedly could not meet the cash terms insisted upon by Ford and Reo. Later in the year, on September 16, Durant launched the General Motors Company with a nominal capitalization of $2000. This figure was increased to $12,500,000 on September 28, and the next day the new concern purchased the Buick Motor Company. Durant, whose talents were primarily those of a salesman and a promoter rather than of an engineer or administrator—"Mr. Durant," Alfred P. Sloan, Jr., later observed, "was a great man with a great weakness—he could create but not administer"—embarked upon a program of breath-taking expansion and by the end of 1909 had acquired or gained substantial control of more than twenty auto, parts, and accessory firms and had narrowly missed annexing even Ford to his domain. The principal vehicle makes added to the Buick, the nucleus of the company, were the Oldsmobile, the Cadillac, and the Oakland.[7]

Billy Durant, a man whose "vision was always running far ahead of his treasury," overreached himself in putting together his first automobile empire and found it difficult to secure the funds to keep the venture afloat. The affairs of the company late in 1910 were in "chaos," and General Motors would have perished had not the investment banking houses of Lee, Higginson and Company of Boston and J. and W. Seligman of New York stepped in and, at a high cost, provided the funds needed to ensure the firm's survival. Durant was forced out of the presidency of the company, thus ending "the first phase of General Motors history," a period, as the historian of the company has written, marked by "the glamor of bold dreams and brave deeds."[8]

General Motors remained under banker control until 1915. The great accomplishment of the banker regime was to provide the firm with "a secure financial base for its future expansion." The water was squeezed out of the company, some of its properties were disposed of, the internal administration was improved, standardized accounting and reporting systems were put into effect, and General Motors began the changeover from holding company to operating company.[9]

Down but not out, Durant set about to fashion a second automobile empire. Within a little more than a year after his ouster from the

General Motors presidency he had become associated with two new automobile firms: the Little Motor Car Company, a Flint-based concern that produced a small, low-priced runabout, and, of greater importance, the Chevrolet Motor Car Company of Michigan. It was the Chevrolet that was to catapult Durant back into control of General Motors and was to provide "the most dramatic chapter" in the history of the corporation.

Durant, as early as 1909, had financed the Swiss-born Louis Chevrolet, a member of the Buick racing team, in experiments in Detroit with a six-cylinder car. In 1913 production of the Chevrolet was transferred from Detroit to Flint, and the vehicles produced by both the Chevrolet and Little Companies henceforth carried the name "Chevrolet." In 1915, by which time the Chevrolet had enjoyed at least a modest success, Durant organized the Chevrolet Motor Company of Delaware as a holding company for Chevrolet activities. He quickly increased the capital of the new firm and began exchanging Chevrolet shares for General Motors shares at a ratio of five to one. At the General Motors stockholders' meeting of September 16, 1915, Durant contested on just about equal terms with the existing management of the concern, and the next year he became its president.[10]

On October 31, 1916, General Motors Corporation (GM) was incorporated in Delaware and acquired all the stock of the General Motors Company. The individual companies making up the firm were dissolved the next year and became GM divisions. The General Motors Company was dissolved on August 3, 1917, and nine months later, on May 2, 1918, GM acquired the Chevrolet Motor Company.[11]

The restless and imperial-minded Durant had in the meantime been annexing new territories to the GM domain. In 1916 he had brought together in the United Motors Corporation a variety of parts and accessory makers—Hyatt Roller Bearing Company, Dayton Engineering Laboratories, New Departure Manufacturing Company, Remy Electric Company, and the Perlman Rim Corporation. In 1918 United Motors was purchased by GM, giving the corporation its own parts and accessories division and bringing into the GM family the president of United Motors, Alfred P. Sloan, Jr. Sloan had been born in New Haven on May 23, 1875, the son of a wholesale tea, coffee, and cigar merchant. After graduating from the Massachusetts Institute of Technology, the twenty-year-old Sloan secured a job as a draftsman in the Hyatt Roller Bearing Company. The concern began making enormous profits after Sloan convinced various automobile manufacturers to use Hyatt bearings rather than the heavily greased wagon axles they had been employing.

When GM purchased United Motors, Sloan became a GM vice-president and a member of its board of directors and its executive committee. In 1923 he became president of the corporation, a position he still held when the sit-down strike began. The tall, gaunt, impeccably dressed, and very abstemious Sloan was a no-nonsense type who worked at his tasks with single-minded devotion. Tending because of his slight deafness to be rather quiet in the presence of people he did not know, Sloan became known in the GM organization as "Silent Sloan." At the time of the sit-down strike he was the highest paid corporation executive in the United States.[12]

The years 1918–20 were a time of enormous expansion for GM. The corporation purchased the assets of United Motors, launched what later became the Frigidaire Division, created the General Motors Acceptance Corporation to aid in the financing of sales, formed General Motors of Canada, and began construction of the massive General Motors office building in Detroit. Of even greater importance for the future of the corporation and for the GM strike was the decision of the company on September 25, 1919, to purchase a three-fifths interest in the Fisher Body Corporation, possessor of the largest and best-equipped body-building plants in the world.[13]

The six Fisher brothers, Fred J., Charles T., William A., Lawrence P., Edward F., and Alfred J., were third-generation vehicle makers. The oldest brother, Fred J., came to Detroit in 1901 from Norwalk, Ohio, and went to work for the C. R. Wilson Body Company, then the largest firm in the automobile body business. The Fisher Body Company was incorporated in Michigan in 1908, the year all the brothers moved to Detroit. The business prospered from the start. In 1910 the company received an order from Cadillac for 150 closed bodies, the first large order for closed auto bodies placed in the United States. Later in the year the brothers organized the Fisher Closed Body Company and then six years later merged their two Michigan companies with a Canadian firm they had established in 1912 to form the Fisher Body Corporation. When GM acquired its majority interest in Fisher Body, it agreed to purchase all its bodies from Fisher for the next ten years. In 1926 GM gained complete control of Fisher Body, which became a division of the corporation although remaining under the management of the Fisher brothers.

Fisher bodies for Buick cars were at first produced in Detroit and then trucked to Flint, but in 1923 Fisher Body built the plant on Chevrolet Avenue in Flint that was to become Fisher Body No. 2 to supply bodies for Buick and Chevrolet. Three years later Fisher Body acquired from Durant Motors a large plant on Saginaw Street at the southern edge of Flint and transformed it into Fisher Body No. 1.

Buick bodies were thereafter made at this plant, which was expanded into the largest body-building plant in the world, and the No. 2 plant confined itself to Chevrolet bodies.[14]

When the post-World War I economic boom gave way in the fall of 1920 to recession, most automobile manufacturers, including GM, found themselves in an overextended position. The downturn in the economy was also to mark the end of Billy Durant's association with GM. Caught in an effort to arrest the decline in the market for GM securities, Durant was saved from ruin by the intervention of the du Pont Company, which in association with a Morgan syndicate bought his 2.5 million shares of GM stock for $23 million. As part of the arrangement Durant was forced once again to resign the presidency of the company, which was assumed by Pierre S. du Pont. Sloan, as executive vice-president, was now able to implement a plan for the reorganization of the chaotically administered and "physically unintegrated" company that Durant had appeared to favor but had failed to put into effect. Sloan's plan was guided by the concept of "decentralized operations with co-ordinated control." The GM divisions at the time enjoyed a substantial degree of autonomy, and they continued to do so under the Sloan plan, but in order to coordinate the functions of the corporation as a whole, Sloan organized a central office to formulate the general policies for the divisions and created a staff of specialists to serve the general officers and the divisions in an advisory capacity. The Sloan plan helped to produce "a wonderfully lithe organization" that at the time of the GM strike was rated by Wall Street as "the best managed big corporation in America."[15] As tends to be true of federal systems, however, the GM plan of organization did not entirely eliminate uncertainty regarding the precise distribution of powers as between the central corporation and its more or less autonomous divisions. This was to become a matter of considerable importance when union leaders, beginning in 1933, demanded that the corporation meet with them for purposes of collective bargaining.

The historian John B. Rae has pointed out that Sloan's "greatest achievement" as a GM executive was the quality of the men he selected to run the organization. The most important of these men, unquestionably, was William S. Knudsen. Signius Wilhelm Poul Knudsen—the name was later Americanized—was born in Copenhagen on March 25, 1879, the son of a customs inspector. He came to the United States in 1900 with only $30 in his pocket and with some experience as an apprentice mechanic in a bicycle shop. His first employment in the New World was as a reamer, at $1.75 a day, in a shipyard in the Bronx. He then took a job repairing locomotive bodies in the Erie Railroad shops in Salamanca, New York. In 1902

Knudsen went to work as a bench hand in the John R. Keim Mills of Buffalo, New York, and worked his way up during the next few years to the position of assistant superintendent.

The Keim Mills had originally manufactured bicycles, but with the development of the automobile industry in the first decade of the twentieth century it had become one of the principal producers of pressed steel parts for motor vehicles, particularly for the Ford Motor Company. Ford purchased the company in 1912 and acquired Knudsen's services in the process. Knudsen played a part in the refinement of mass-production techniques at Ford and directed the building of Ford assembly plants all over the United States. Ford, however, fired Knudsen in March, 1921, and the next year Sloan wisely brought him into GM. Knudsen was assigned the task of rehabilitating Chevrolet, which had been selling so poorly that a firm of consulting engineers engaged by Pierre du Pont had recommended the company's liquidation. Knudsen enjoyed phenomenal success in his new role, and by 1924, when he was made president and general manager of the division, Chevrolet sales were increasing more rapidly than those of any other American car. In 1927 Chevrolet, higher-priced but more stylish and comfortable than Ford's Model T, was the most widely purchased car in the United States, and GM, with 42.5 percent of the total new car registrations, had passed Ford as the leading producer of passenger vehicles for the first time since 1910.[16]

In 1933 Knudsen was promoted to executive vice-president of GM, the position he was occupying when the sit-down strike began. The six-foot, two-inch, heavy-set Knudsen was a frank, simple, down-to-earth type whose primary interest was in production rather than finance. He did not employ female secretaries lest he feel compelled to curb his expletives in their presence, and he liked to work with his hat on because he claimed that this helped him to think better.[17]

In 1928, the last full year of prosperity before the Great Depression and GM's "most successful year" to that time, the corporation's net sales were almost $1.5 billion, its net profit before income taxes was more than $330 million, and its net profit after income taxes was approximately $296 million. Its investment in just the motor-vehicle portion of its business (including Fisher Body) was, according to the Federal Trade Commission, more than $366 million, its profits on this portion of its business almost $216 million, and its rate of return on this group 58.89 percent.[18] The corporation's share of new car registrations was 41.3 percent, which placed it at the head of the industry. GM in that year employed 208,981 hourly and salaried workers, and its payroll exceeded $365 million.[19]

During the last half of 1929 GM, as it noted in its annual report

for that year, had to reduce its manufacturing schedules "in a very material degree" because of "the declining trend in general business activity." But 1929 was a good year for the corporation compared to the lean years that were to follow. Between 1928 and 1932 sales of cars and trucks to dealers in the United States plummeted approximately 74 percent (from 1,810,806 to 472,859); net profits after taxes fell from more than $296 million to less than $8.5 million for the consolidated operations of the corporation as a whole and to a loss of almost $7 million for the motor-vehicle portion of the business; employment dropped almost 50 percent (from 208,981 to 116,152) and the corporation's payroll by about 60 percent (from $365,352,304 to $143,255,070). The Ford Motor Company, enjoying success with its new Model A, supplanted GM as the industry's leading producer in 1929 and 1930, but GM, with 43.26 percent of the new passenger-car registrations, forged to the front once again in 1931 and has remained there ever since.[20]

The New Deal, during Franklin D. Roosevelt's first term in office, was to introduce changes in the relationship of government to the economy and to the individual citizen that GM regarded as deplorable, but the more it protested the more its economic position improved. Net sales of the corporation for its consolidated operations more than tripled (from $440,899,312 to $1,439,289,940) between 1932 and 1936; net profits before income taxes increased more than thirty fold (from $8,824,212 to $283,696,144); and net profits after taxes increased approximately twenty-seven fold (from $8,359,930 to $239,550,075). For the motor-vehicle portion of its business the corporation converted its 1932 loss into a 1936 profit of approximately $163 million before income taxes, a rate of return of 37.93 percent. Sales of cars and trucks to dealers in the United States almost quadrupled between 1932 and 1936 (from 472,859 to 1,682,594), the company's total employment doubled (116,152 to 230,572), and its payroll jumped 168 percent (from $143,255,070 to $384,153,022).[21]

The corporation that the UAW struck at the end of 1936 was a concern of enormous economic strength. It was not simply "big," but, as *Fortune* remarked, it was "colossal." It had sixty-nine automotive plants in thirty-five cities and fourteen states, and its total assets exceeded $1.5 billion. It produced passenger cars "for every price and purpose" ("Chevrolet for *hoi polloi*, . . . Pontiac . . . for the poor but proud, Oldsmobile for the comfortable but discreet, Buick for the striving, Cadillac for the rich"), commercial vehicles, trucks and trailers, a great variety of parts and accessories, refrigeration, heating, and air-conditioning equipment, lighting equipment, household appliances, airplanes and aviation equipment, locomotives, and

power plants, and it had very substantial interests in real estate, finance, and insurance. Its 342,384 shareholders at the end of 1936 received over $200 million in dividends for the year, a record for the corporation. It accounted for 43.12 percent of all new passenger-car registrations and 37.8 percent of new truck registrations in the United States that year, and the more than two million cars and trucks that it sold around the globe constituted 37 percent of the entire world's sales of such vehicles and was 7.3 percent above the corporation's 1929 sales. Its 171,711 hourly employees worked an average of 40.5 hours per week and received an average hourly wage of 75.6 cents, which compared very favorably with the average hourly rate of 55.6 cents for production workers in all manufacturing. Eighty-five percent (145,860) of these employees had been on the company payroll for the full year and had earned an average of $1541 for the year, which was 7 percent above the 1929 figure in current dollars and 29 percent above in real terms and which exceeded by 19.7 percent the average annual earnings for full-time employees in manufacturing as a whole.[22]

II

During the course of the sit-down strike GM explained to the supervisory personnel enrolled in the corporation's executive training program that the "recent serious problems in employee relations" indicated that GM had lagged behind in the development of policies, processes, and methods relating to the "human phase" of its activities and that this deficiency was threatening to offset the progress made in the areas of manufacturing, engineering, and distribution.[23] This was unquestionably an accurate judgment, although it is unlikely that the leaders of the corporation would have admitted the fact before the strike began.

GM, prior to the 1930's, had paid scant attention to the question of labor organization in its plants: the subject of labor relations, indeed, had yet to enter the "corporation consciousness." Some of the corporation's craftsmen, to be sure, were union members, and plant managers occasionally had conversations with them, but GM had no officially stated policy regarding labor unions and, as a matter of fact, given the unusually small number of unionists in its plants, had little need for such a policy. This did not mean, however, that GM was neutral on the question of unionism. It believed firmly in the virtues of the open shop, and it found it difficult to distinguish between bona fide efforts to organize and union "agitation" that allegedly posed a threat to efficiency and had to be dealt with summarily.[24]

To say that GM had not formulated a specific policy with regard to labor unions does not mean that it had failed to concern itself with the broader question of personnel administration. At the close of World War I GM, like so many other large American corporations, decided to introduce a program of welfare capitalism for its employees. Arthur Pound, the sympathetic historian of the corporation, contends that GM, in so acting, was responding to the "new spirit of brotherhood" of that era, but the corporation was also undoubtedly motivated by an understandable desire to link its employees more closely with their employer and thus, hopefully, to lessen the possible appeal of outside unionism to its workers at a time when labor organizing was on the upswing and to reduce labor turnover in its burgeoning work force and in such boom towns as Flint. At the same time that it embraced welfare capitalism, GM also joined with nine other major corporations in secretly establishing the Special Conference Committee, "an exclusive labor relations organization" that was clearly hostile to independent unionism. The Special Conference Committee was still functioning at the time of the sit-down strike.[25]

GM directed its executive committee in 1919 to investigate industrial conditions in communities where the corporation's plants were located. The committee appointed a research committee which made a study of working and living conditions as they affected GM employees and collected data on a variety of plans of welfare capitalism. The findings of the research committee formed the basis for the enlargement of the corporation's welfare program that had been initiated the previous year by the introduction of a bonus plan for GM employees. The bonus plan originally encompassed all corporation employees, but it was limited, beginning in 1922, to personnel earning at least $5000 per year (later reduced to $2400).[26]

Although blue-collar workers were eventually excluded from GM's bonus plan, they were permitted to take advantage of the housing program and the Employes Savings and Investment Plan initiated by the corporation in 1919. In communities where the rapid expansion of GM employment was making it impossible for the corporation's workers to find housing, GM itself began to make provision for the erection of homes that it occasionally rented to its employees but more commonly sold to them at cost on a deferred-payment basis. Houses were built in Flint and Pontiac, Michigan, Janesville, Wisconsin, and Walkerville and Oshawa, Canada. By the end of 1929 almost thirty-five thousand GM employees had availed themselves of corporation housing.[27]

The Employes Savings and Investment Plan provided for the establishment of two funds, a Savings Fund and an Investment Fund,

with a new class beginning each year and maturing in five years. The individual employee could pay into the Savings Fund up to 10 percent of his annual earnings, but not more than $300, at a fixed rate of interest (originally 6 percent but reduced to 5 percent in 1935). The employee contribution was matched dollar for dollar (fifty cents beginning in 1922, twenty-five cents beginning in 1933, and thirty-five cents in 1935) by a GM contribution to the Investment Fund, the money being invested in GM common stock and the principal and earnings credited to the employees. The employee could withdraw his savings plus accrued interest in advance of maturity, but if he did so he forfeited the unmatured sum placed by the corporation in the Investment Fund. He could, however, apply his savings toward the purchase of a home without losing any of the benefits of the plan; and by the end of 1928 more than eighteen thousand employees had been aided in building or buying homes in this fashion. At the close of 1928, 89 percent of the eligible GM employees were participating in the savings plan; and by the time it was suspended on December 31, 1935, because of uncertainty caused by the Securities Act of 1933 and the Social Security Act of 1935, more than $242 million had been paid out by the corporation to its employees, of which GM had contributed slightly more than $100 million in the form of interest on employee savings, investment fund credits, accrued dividends, and the appreciation in the value of GM stock.[28]

In 1924 GM also adopted a preferred stock-subscription plan that permitted an employee to buy up to 10 shares of the company's preferred stock on the installment plan. As a special inducement, GM, in addition to its regular dividends, promised to pay $2 per share for five years to those employees who participated in the plan. Only 3342 employees took advantage of the new scheme in 1924, and at no time before the plan was discontinued in 1930 did an appreciable number of the company's workers participate.[29]

Of far greater impact in terms of the number of employees involved was the group-insurance plan inaugurated by GM on December 1, 1926. All employees of GM, its subsidiaries, and affiliated companies could be insured for $1000 under the plan, without a medical examination, provided they had worked for the corporation for three months. The cost was shared by GM and the insured worker, and the insurance was payable at death to the beneficiary of the insured or to the employee himself in twenty equal installments if he suffered total and permanent disability before the age of sixty. In 1928 the plan was expanded to include larger death benefits and health and non-occupational accident insurance. Ninety-eight percent of the eligible employees were participating in the plan at the end of

1936, and by that time a little more than $28 million had been paid out to employees.[30]

Still another feature of the GM program of welfare capitalism was the recreational and educational activities of the Industrial Mutual Association (IMA) of Flint, whose slogan for years was "Somewhere to go in Flint." The IMA was established in 1923 for recreational, educational, and welfare purposes as the result of the merger of the Flint Vehicle Factories Mutual Benefit Association, founded in 1901 for the workers of Flint's four major carriage producers, the Flint Vehicle Workers Club, formed in 1910 for social and recreational purposes as a subsidiary of the Flint Vehicle Factories Mutual Benefit Association, and the Industrial Fellowship League, created in 1921 to accommodate Flint workers not reached by the organizations for vehicle workers. The benefit and relief features of the IMA were of diminishing importance after the winter of 1930–31, but the organization during the depression increased its recreational activities as a response to the increased leisure time unfortunately available to so many Flint workers. Although the IMA was not specifically a GM enterprise, it had been established by Buick personnel, nearly all of its officers were GM officials, and it became GM's agent for the group-insurance program when the plan was introduced in 1926. It is not surprising, therefore, that the *I.M.A. News*, "The Factory Workers' Own Paper," was converted into a company propaganda sheet during the GM sit-down strike.[31]

At the beginning of 1937 some forty thousand Flint workers, a majority of them GM employees, were participating in one or another of the IMA's activities. The dues were ten cents a week, and they entitled a member to take advantage of a considerable variety of recreational activities. The IMA offered its members gymnasia, bowling alleys, billiard tables, card rooms, chess and checkers, facilities for dancing, an auditorium seating sixty-five hundred (the second largest facility of its type in Michigan), and a summer resort at Potters Lake. It carried on an elaborate intra- and inter-company sports program in cooperation with the personnel departments of the various plants—the editor of *Mill and Factory* described the IMA as "the largest amateur athletic association in the world"—and sponsored gardening, stamp, hiking, bridge, cribbage, youth, and similar clubs, a male glee club, a women's chorus, several bands, and classes in such things as handicrafts, sewing, and modern dance.[32]

Quite apart from the IMA, GM sponsored a variety of recreational programs in its plant cities. It supported orchestras, glee clubs, men and women's clubs, and a large number of sports programs. Management in the various divisions and plants was in "complete accord,"

one observer reported, regarding the value of the far-flung recreation program of the corporation.[33]

When GM at the end of 1931 surveyed the results of the depression for its workers, it pointed with pride to the part the Employes Savings and Investment Plan was playing in cushioning the impact of unemployment and reduced hours of labor. Through the operation of the plan, the corporation noted, GM workers had entered the year 1930 with a reserve of about $75 million to tide them over their time of troubles. They had withdrawn $35 million from the fund in 1930–31; and, in addition, by the end of 1931 they had applied about $23 million toward the purchase of homes. "So far as it is possible for any single institution to go in the way of discharging its responsibility to its workers," GM observed, "it is believed that this plan has, to a very great extent, been made to answer industry's social responsibilities to its workers."[34]

By the end of 1932 GM had abandoned the tone of self-congratulation with regard to its programs of welfare capitalism so evident in its annual report for the previous year. The inability of GM employees to maintain payments on their corporation-built housing and the increased cancellation of housing contracts caused great problems for the corporation's subsidiaries in the housing field and led GM on April 1, 1932, to reduce the interest rate on the homes it had built and to establish a relationship between employee earnings and their monthly mortgage payments. It began renting vacant houses that it was unable to sell and decided to build no new houses and to liquidate its housing investment. Of greater importance, heavy withdrawals forced the corporation to suspend the Savings and Investment Plan on April 30, 1932, despite the glowing remarks of a short time earlier concerning its value in times of economic adversity. The plan was resumed in August, 1933, but with a reduced corporation contribution. In addition to its Savings and Investment Plan, GM sought to counteract the ravages of the depression among its employees by such devices as sharing the work and the extension of loans to laid-off workers,[35] but the burden of unemployment was, perforce, increasingly carried by the public treasury rather than by the welfare schemes and the private treasury of the corporation.

The extent to which GM gained the loyalty and affection of its employees by its welfare program is necessarily difficult to gauge with any precision, but it would appear that if the plans won some friends for the corporation among its workers, they also made it some enemies. During the depression years in particular there were bitter complaints from workers who had lost their GM homes because they could not maintain their payments; some of them foolishly attributed

their layoffs to the corporation's desire to repossess their homes. The Employes Savings and Investment Plan had many attractive features and was a boon to many employees, but some workers complained that it was a "big detriment" to them because they lost the principal benefit of the plan if they left the company or lost their jobs. There were charges that the payment of IMA dues and participation in the group-insurance plan were in effect compulsory since employees feared that they would suffer discrimination if they did not join in these programs. Some employees resented the fact that they did not participate in the management of any of the plans and that GM consequently could change the rules unilaterally or abandon a program altogether whenever it saw fit.[36] One may guess, however, despite these complaints, that the GM "cooperative plans," before 1929 anyhow, were a plus rather than a minus factor for the company in its relations with its employees; but welfare programs, at best, were of far less significance in determining the attitude of the GM worker toward his job than the wages he received, the hours that he toiled, the security of his position, and the conditions under which he labored.

Quite apart from its efforts to promote the idea of partnership among its employees by programs of welfare capitalism, GM hoped that its workers would remain loyal to the corporation because of the high hourly wages that it paid relative to other manufacturers. In the final weeks before the sit-down strike GM increased the wages of its hourly workers by five cents per hour and also began paying them time-and-a-half for hours worked above forty per week (rather than above forty-eight, as before) and on Sundays and six holidays. GM, on November 9, 1936, also decided to award its employees an Appreciation Fund bonus of about $10 million, with individual workers receiving between $35 and $60 depending on their rate of pay.[37]

It was a common complaint of automobile workers and of union spokesmen that the high hourly rates paid by the industry did not translate themselves into high annual wages because of the considerable irregularity of automobile employment. Prodded by the National Recovery Administration (NRA) and President Roosevelt and because of the obvious economic disadvantages of irregular production and employment, GM, along with the other automobile manufacturers, sought during the New Deal years to reduce the dimensions of the problem of seasonality. As a major step in this direction, the Automobile Manufacturers Association agreed at the end of 1934 to introduce new passenger-car models in the early fall rather than shortly after the first of the year, as the car makers had been doing, a practice that had accentuated the already heavy spring demand for new cars by "superimposing a new model urge on top of a normal seasonal urge."

The fall introduction of new models was designed to increase demand in the sluggish final quarter of the year and to lower the spring peak, thus providing a more level production curve for the year as a whole. The new plan was put into effect by GM and the other automobile manufacturers in the fall of 1935, and it had the stabilizing effect on automobile employment that had been predicted.[38]

It was to its foremen that GM looked to maintain discipline in its plants and to keep the individual worker reasonably satisfied with his job. They were "the first unit in the direction of production and the handling of employes." In the rather stilted foremanship training courses given in the General Motors Institute[39] in Flint, foremen were reminded that it was their role to represent management to the men and the men to management and that it was important to establish a "balanced relationship." It was the foremen before 1933 who had the primary responsibility for adjusting individual grievances in the plant and who were supposed to explain changes in company policy and in work standards to the employees. Had they performed their role properly, the foremen were told in one of their training courses in 1934, there would have been little need for any kind of employee representation in the company's plants.[40]

III

As Sloan later explained, GM was "largely unprepared for the change in the political climate and the growth of unionism" that followed the inauguration of Franklin D. Roosevelt in 1933. When it came to collective bargaining, GM, as *Fortune* wryly observed, was "a complete and rather skittish virgin." Despite GM's continuing membership in the Special Conference Committee, interest in industrial relations at the corporation level at the beginning of the New Deal was largely analytical and statistical; not until early 1934 when Merle C. Hale became director of the department of industrial relations did labor matters per se become the responsibility of an individual in the central office of the corporation. Hale was succeeded in the summer of 1935 by Harry W. Anderson, but not until 1937 were personnel programs centralized in a single department at GM.[41]

The "change in the political climate" that most concerned GM in the early months of the New Deal was that portended by Section 7 (a) of the National Industrial Recovery Act (NIRA), which became law on June 16, 1933. Section 7 (a) provided that every code, agreement, or license approved or issued under the statute had to stipulate that employees were to have "the right to organize and bargain collectively through representatives of their own choosing"

and were to be free from employer "interference, restraint, or coercion" in designating such representatives, in self-organization, or in "other concerted activities for the purpose of collective bargaining or other mutual aid or protection"; and that no employee and no one seeking work was to be required as a condition of employment to join a company union or to refrain from joining, organizing, or assisting a labor organization of his own choice.

Firmly committed to the open shop, Sloan stated shortly before the recovery bill was approved by Congress that GM would "not subscribe to the Industrial Recovery Act as long as the possibility remains for the American Federation of Labor [AFL] to organize . . . [its] plants." In the end Sloan and his fellow automobile manufacturers other than Henry Ford did subscribe to the NIRA but only after the NRA permitted the industry to include a merit clause in the automobile manufacturing code stipulating that employers in the industry could "exercise their right to select, retain, or advance employees on the basis of individual merit, without regard to their membership or nonmembership in any organization."[42]

The enactment of the NIRA did not in any way cause GM to modify its views concerning the open shop or the evils of outside unionism; it remained convinced that it was impossible to come to terms with the AFL short of surrendering basic management prerogatives and accepting the closed shop. The Federation, Sloan believed, was not interested in the real problems of the automobile industry but simply wished to force the automobile workers to pay tribute to a union in order to hold their jobs. "Under no circumstances," he declared in the spring of 1934, "will we recognize any union as that term is interpreted by the American Federation of Labor—that means the closed shop."[43]

Actually, GM, like the other automobile manufacturers, feared the growth of unionism in its plants less because organization was thought likely to raise the cost of automobile production than because it threatened to circumscribe the customary prerogatives of management. What Robert E. Lane has said of the reaction of businessmen in general to the labor legislation of the New Deal era applies to GM in its response to Section 7 (a) and later to the National Labor Relations Act (NLRA): the danger posed was not one of economics but of "cost in status, in conceptions of the self, in freedom to make certain traditional decisions, in the [possible] disruption of once familiar and stable areas of managerial discretion." For GM as for so many other employers the union was "a disordering influence" which in seeking to share power with the corporation challenged its view of the proper manner in which the business should be conducted.[44]

In responding to the potential union threat to its prerogatives, GM, exhibiting the tendency of institutions and men to make as few changes as possible in their customary way of doing things when confronted with new conditions, evolved a set of principles with respect to its obligations under the NIRA to which it adhered with a high degree of consistency throughout the period that the statute remained in effect and to which it remained committed at the time the sit-down strikes were initiated in its plants. Of greatest significance was the corporation's rejection of the principle of majority rule in the selection of employee representatives for collective-bargaining purposes, which was championed by the United Automobile Workers (UAW) Federal Labor Unions (as the AFL plant unions in the automobile factories were known) and by the National Labor Board (NLB) and later the first National Labor Relations Board (NLRB), and its unswerving support of the concept of collective-bargaining pluralism. The phrase "representatives of their own choosing," GM, like the other automobile manufacturers, contended, meant precisely what the words said: any one purporting to represent a group of employees in bargaining with management must present "satisfactory evidence," as by an authenticated list, that he had been authorized to speak for these employees. An employer, it was alleged, would be violating the statute if, on the other hand, he accepted the principle of majority rule and agreed to bargain with union representatives on behalf of all the employees in a bargaining group, including employees who had not specifically authorized these representatives to speak for them. This interpretation of Section 7 (a) left the door open for each group in a plant to select its own representatives for bargaining purposes and for individuals who wished to do so to bargain for themselves. This made it unlikely that the employees in the foreseeable future would be able to present a united trade-union front to GM for collective-bargaining purposes even if the majority of workers in a particular plant or unit were able to agree on a bargaining representative.[45]

GM also insisted that just as Section 7 (a) protected employees against employer coercion so, "in fairness to the great majority of our employees who do not belong to unions," must any settlement with its employees or any new legislation seeking to define the nature of collective bargaining specify that employees were similarly to be protected against union coercion. Furthermore, despite the contrary decision of the NLB, GM stated that it would not recognize a labor organization *as such* nor would it enter into a contract with a union on behalf of the company's employees.[46]

GM and the other automobile manufacturers pitted their inter-

pretation of Section 7 (a) against that of the UAW plant unions in a showdown battle between automobile unionism and automobile management in March, 1934, that ultimately had to be resolved by President Roosevelt himself. When the federal labor unions in the Buick, Fisher Body No. 1 and No. 2, and Hudson plants threatened a strike that might have spread to other automobile plants, President Roosevelt took charge of the dispute and on March 25, 1934, proclaimed a settlement that hewed more closely to the GM than the AFL concept of collective bargaining. The President, on the crucial question of the form that representation should take, rejected majority rule in favor of proportional representation. The employers, by the settlement, agreed to bargain with the "freely chosen representatives of groups," and if there was more than one group in a plant each bargaining committee was to have "total membership pro rata to the number of men each member represents."

The President made the victory of the automobile manufacturers complete on the issue of representation and collective bargaining by endorsing their view that automobile workers did not necessarily have to join a trade union to secure their rights under the NIRA. "The government," the settlement stated, "favors no particular union or particular form of employee organization or representation." The government's only duty is to secure absolute and uninfluenced freedom of choice without coercion, restraint or intimidation from any source." Thus the company union was, in effect, sanctioned as long as employees had not been coerced into joining it, and union coercion was put on a par with employer coercion.

Although victorious on the major issues, GM and the other automobile manufacturers did have to make some concessions to organized labor to achieve a settlement. The final terms agreed upon in Washington specifically barred discrimination against workers "because of their labor affiliation or for any other unfair or unjust reason" and provided that questions of discrimination would be passed on by a board—subsequently established as the Automobile Labor Board (ALB)—composed of a labor representative, an industry representative, and a neutral arbiter. The employers also surrendered a portion of their complete control over hiring, firing, and layoffs by agreeing that in reductions and increases of force "such human relationships as married men with families come first and then seniority, individual skill and efficient service." The ALB was later to devise a set of rules to implement these guiding generalizations with regard to the job tenure of automobile workers.[47]

"We all feel tremendously happy over the outcome in Washington," a GM vice-president understandably reported after the negotia-

tions leading to the President's settlement had been completed. Although his prediction that the settlement would prove "tremendously constructive" in meeting problems of industrial relations in the automobile industry[48] was not to be borne out by events, GM continued to believe in the wisdom of the settlement's principles. GM thought poorly, on the whole, of the New Deal, and the corporation's leadership was among Roosevelt's most determined foes when he ran for reelection in 1936, but GM nevertheless was still proclaiming the virtues of the President's settlement and of proportional representation in collective bargaining when the sit-down strike paralyzed the company's operations early in 1937.

GM experienced a strike of some of its tool and die makers in Flint, Detroit, and Pontiac in September and October, 1933,[49] but the first work stoppage by GM production workers during the NRA era did not occur until April 21, 1934, when the key Cleveland Fisher Body factory was struck by the plant's federal labor union. The strike soon spread to Fisher Body and Chevrolet plants in St. Louis, Kansas City, and North Tarrytown, New York. In an effort to compose the dispute and to avert a further spread of the strike, the ALB arranged a summit conference between GM and Fisher Body management and representatives of the UAW and the plant locals involved. As a precondition of the meeting, however, GM successfully insisted that the Cleveland strike must be called off, and when the conference began on April 30 Knudsen would not agree to the admission of union representatives from the Kansas City and North Tarrytown plants, which were still on strike, because "we don't propose to deal with men on strike."[50] GM became committed to the idea of no negotiation with strikers, but it was a tenet from which the corporation would be compelled to recede before the NIRA had run its course.

At the Fisher Body-UAW conference, the first meeting in history between higher GM executives and union officials, Knudsen stood fast on the principle of which much was to be heard just before and during the GM sit-down strike, namely, that the corporation was willing to engage in top-level talks with employee representatives regarding labor matters that affected GM as a whole but specific issues like wage classifications and differentials would have to be negotiated at the plant level. "Collective bargaining is all right as long as it is confined to your own territory," Knudsen explained, "but when you begin to run around, I think we should step in there."[51] GM had its way on this question at the Fisher Body conference, and it was to continue to insist upon the principle, but the corporation did not

define precisely which bargaining issues were general in scope and which local; and although it asserted that individual plant managers had the authority to come to terms with employee representatives on matters of local concern, the degree to which the factory heads were really autonomous in this area was less than GM indicated.

Union officials at the Fisher Body conference reluctantly accepted Knudsen's suggestion that, in Cleveland and Pontiac at least, representatives of all the organizations in the plants, including the company unions, should meet with the management in a single body. Since these meetings were barren of significant accomplishment and since the AFL was opposed to the procedure, the ALB did not insist on the holding of similar meetings in other Fisher Body plants. Pending the working out of its scheme of proportional representation, it simply stipulated, as it had from the beginning of its existence, that in accordance with the settlement's endorsement of collective-bargaining pluralism, employers must confer with all bona fide labor organizations in their plants.[52]

Having staved off the threat of majority rule in the choice of employee representatives, GM concluded that collective bargaining could contribute to the establishment and maintenance of "sound human relations" in its factories. Collective bargaining, GM foremen were told, "can be a logical means of communication and negotiation between management and worker and in most cases can be used for the purpose of adjusting differences. Through it, a better understanding can be had, and as a result the relationship between employer and employe can be improved and a better spirit of co-operation built up."[53]

With thoughts such as these influencing its action, GM decided to formulate a policy statement on collective bargaining that would apply uniformly to its various divisions. The statement was officially adopted on August 15, 1934, and was later mailed to all GM employees with an accompanying letter from Sloan in which he declared that the corporation recognized collective bargaining as a "constructive step forward" and that it was its intention "not only to continue the idea, but to develop it."[54] In the statement itself GM declared that the principles it embodied applied throughout the corporation and that uniform policies in industrial relations were not inconsistent with the GM system of decentralized operations. GM asserted its belief that there was "no real conflict of interests between employers and employees" and no reason why the problems as between them could not be settled *within the organization*. The company wished to make it clear, however, that its endorsement of collective bargaining did "not

imply the assumption by the employee of a voice in those affairs of management which management, by its very nature, must ultimately decide upon its own responsibility."

Division managers were advised that they did not satisfy the requirements of collective bargaining merely by listening to employee proposals and that they must make every effort to arrive at a satisfactory agreement. They were reminded, however, that mere membership in a labor or employee organization did not in itself establish the right of an organization to represent its members in collective bargaining; representatives for this purpose would have to be specifically chosen by the employees, and the fact of this choice would have to be established. Although employees were to be given "entire freedom with respect to the selection and form and rules of their organization and their selection of representatives," management could aid or advise an employee organization in developing plans for the benefit of employees, provided that all employees could participate in the enjoyment of these benefits on a nondiscriminatory basis. If an outside union sought to coerce employees to become members, the divisional management was to investigate and to refer the matter to GM's industrial-relations department. The possibility that coercion might be used to enroll members in an inside union was ignored.

Each division was instructed to establish a definite plan providing for a conference with an employee or group five days after the receipt of a written notice setting forth the purpose of the meeting. The division was to report to the GM executive vice-president the grievances that could not be satisfactorily adjusted. Employees or their representatives were also permitted to take their grievances to the corporation's department of industrial relations. If the latter found that company policies had been violated or that the matter in contention was beyond the scope of divisional authority, it was to refer the facts through the group executive (the car-making and parts divisions were assigned either to the car, truck, and body group or the accessory group) to the executive vice-president, who was to report on the issue to the executive committee, the chief policy-making body of the corporation.

With regard to increases and reductions in force, employment departments were instructed to make every effort to hire local employees so as to avoid "the economic and social consequences" resulting from the importation of employees for limited periods of employment. Layoffs and rehiring, of course, were to be governed by the rules of the ALB, but the management retained the "just right" to discharge a worker for cause.[55]

The GM collective-bargaining statement, the first attempt by a

large employer since the NIRA had been enacted to set down its labor policies in black and white, was hyperbolically described by the *Michigan Manufacturer and Financial Record* as "the most striking labor document which has been issued in the history of American industry," and even AFL secretary Frank Morrison hailed the statement as "a step forward beyond any position the motor companies have taken heretofore."[56] It is difficult, however, to understand why the GM statement was received with so much éclat. The corporation actually conceded nothing in the realm of collective bargaining not already required of it by Section 7 (a), the President's settlement, and the interpretations of that settlement by the ALB. GM did not deviate from its commitment to collective-bargaining pluralism, and it made no effort to disguise its preference for the company union over the outside union. It failed to indicate which "affairs of management" were not subject to collective bargaining, and it provided no guidelines that would have permitted interested parties to determine which issues could be taken up with the central management, which issues with the local management. The statement, moreover, as some of GM's friends appreciated, although addressed to the corporation's employees, lacked the clarity and specificity that might have given it some appeal to the average worker.[57]

That the collective-bargaining status quo had not been altered by the GM statement was quickly indicated when Francis Dillon, the AFL's national representative in the automobile industry, wrote Sloan on November 6 requesting him, in view of the statement, to meet with accredited representatives of the organized automobile workers to negotiate a joint agreement. Sloan advised Dillon to take up his request through "established channels," but the AFL representative found no ready reception when he pursued this course. Dillon thereupon denounced the statement as "unfair" and "unworkable" and as designed to thwart the development of "free and independent" unionism.[58] Whatever the AFL's views of the document, however, GM thought sufficiently well of it to preserve it intact until some of its workers, by sitting down in several of its plants, forced it to modify some of its collective-bargaining policies.

Whether or not Dillon was correct in his assumption that the GM collective-bargaining statement was intended to forestall the growth of outside unionism in GM plants, there is no doubt that the corporation from the very beginning of the NIRA experiment was determined to resist by whatever means necessary the development of independent unionism within its domain. In practice this meant not only the construction of the representation and bargaining rights of trade-union officials in as narrow terms as were possible, as already

indicated, but also discrimination against union workers, refusal to abide by the decisions of labor boards that the company regarded as pro-union, the use of espionage, and the establishment of company unions in GM plants. The company's tactics met with a high degree of success; throughout the period from the enactment of the NIRA to the inauguration of the sit-down strike the UAW was never able to organize more than a small minority of GM's automotive workers.

Given the high rate of discharge, layoff, and rehiring in the automobile industry, it is not surprising that the UAW suspected that employers took advantage of the situation to discriminate against union members. GM was the principal target of the UAW's charges from the moment the federal labor unions were established in the automobile plants until the day the sit-down strike began. Discrimination, however, was more easily charged than proved, and there was certainly a tendency among unionists to assume that when union workers were laid off or discharged for cause, the real reason was their union affiliation. But if the AFL was inclined to exaggerate the extent of the practice, the record indicates that GM did sometimes discriminate against union members in its plants. In the period before the President's settlement of March 25, 1934, the NLB's regional labor boards ruled in a few instances that GM had been guilty of discrimination, and after the ALB was established the evidence is strong that the corporation discriminated in the reemployment of strikers in St. Louis and Kansas City following the walkouts at the Chevrolet and Fisher Body plants in those two cities in April, 1934.[59]

It is, as a matter of fact, extremely difficult to determine the extent to which GM may have practiced discrimination after the ALB was established. Leo Wolman, the chairman of the board, stated flatly soon after the ALB began to function that GM was unconcerned as to whether or not its employees were active unionists. Considering the number of workers in GM plants, relatively few cases of discrimination involving GM reached the ALB for decision, and in only a small minority of these cases did the board find for the plaintiff; but since the ALB relied primarily on voluntary procedures to dispose of the discrimination complaints brought to its attention, one can assume that GM allowed cases involving alleged discrimination to go to a board decision only when the company was fairly sure that its actions would be upheld. A majority of the 1129 workers who complained of discrimination to the ALB and then were voluntarily reinstated by their employers without a hearing or decision by the board were GM employees, and one has to assume that at least some of these workers were out of work for reasons other than the seasonality of employment in the industry and the depressed state of the economy.[60]

Appearances, at all events, were more important than reality where discrimination was at issue. It mattered little really how few were the cases of actual discrimination; the fear of discrimination was sufficient reason for a worker to eschew union membership. The UAW, as a matter of fact, may have done itself a disservice by its constant iteration of the discrimination theme. It hoped to convince the automobile worker that he could gain security against arbitrary employer action only by joining the union, but the majority of the insecure automobile workers may very well have concluded that if discrimination were so prevalent, the way to protect their jobs was to avoid any identification with an outside union.

Although GM did not have as perfect a record of compliance with ALB rules and orders as the chairman of the board was prone to assert, the corporation was on the whole satisfied with the personnel of the ALB and the principles under which it operated, and it generally made a conscientious effort to conform to the board's implementation of the President's settlement. The company, however, refused to submit to the rulings of the NLB and the first NLRB, both of which were more disposed to interpret the law in the union's favor than the ALB was and both of which, significantly, sought to implement the principle of majority rule rather than proportional representation in the choice of employee representatives for collective-bargaining purposes.[61]

"Espionage," the Senate's La Follette Committee concluded after extensive hearings on the subject, "is the most efficient method known to management to prevent unions from forming, to weaken them if they secure a foothold, and to wreck them when they try their strength." The best customer of the labor spy agencies before 1936 was GM, and its expenditures for espionage, according to the La Follette Committee, "strikingly reflected" the growth of union membership.[62]

Espionage was resorted to by some GM divisions even before 1933,[63] but the practice did not become widespread in the corporation until Section 7 (a) sparked the formation of federal labor unions in GM plants. The relationship between espionage and unionism in GM was nicely described to the La Follette Committee by Alfred Marshall, Chevrolet's director of personnel relations. Detective services had originally been employed, he said, to ferret out "sabotage and theft and various other irregularities in the plants to more enlighten the management and the thinking of the people in the plant. . . . Now the service grew from that time on. N.R.A. came into the picture. The strike situations arose. Plant detection became quite a problem. Union activities became quite a problem. Collective bargaining came

into the picture. We went into the collective bargaining ourselves, signed the N.R.A., ... it was a natural growth. There was a very natural growth for those services."[64]

The extent to which GM resorted to labor espionage was bewildering in its complexity and frightening in its implications. The corporation employed at least fourteen detective agencies for espionage services between 1933 and 1936, and it spent approximately $1 million for this purpose between January 1, 1934, and July 31, 1936. GM was Pinkerton's National Detective Agency's largest industrial client, and the La Follette Committee characterized the contract between the company and the agency as "an astonishing document" that "stands as a monument to the most colossal super-system of spies yet devised in any American corporation."

At times, as many as two hundred spies were reporting on union activities in GM plants. Every single GM plant manager used a private detective service, and, in addition, personnel directors of the Fisher Body and Chevrolet Divisions made independent contracts for their own espionage service. Similarly, the department of industrial relations of the central office of GM had a separate contract with Pinkerton, which it concealed from the corporation's plant managers. "A weird framework of spies among spies was created that bewildered even the Pinkerton officials." "The irresistible logic of espionage," according to the La Follette Committee, "reached its final stages" when GM, fearing that its spies might be betraying its trade secrets to a competitor, employed Pinkerton agents to spy on the operatives assigned to the company by the Corporations Auxiliary Company, another detective agency that serviced GM.[65]

It was the responsibility of espionage operatives "to furnish complete information to General Motors about anything which even remotely bore upon union organizing activity." Merle Hale told the La Follette Committee that he engaged Pinkerton in March, 1934, because he wanted to know "what the outside union was doing," how large its meetings were, the arguments organizers were using to enlist members, and their criticisms of the management. A survey summary of spy reports on employees in the Flint Chevrolet plant in 1936 names an employee who was prepared to rejoin the union "if there is any activity" and states that "it would be but a simple matter to get former members to reinstate ... if an organizer would work on them." There is much information in the report about employee efforts to restrict production, and one worker is quoted as saying that he intended to buy a Ford rather than a Chevrolet because "he knew how Chevrolets were built and he would not advise anyone to buy one."[66]

A spy on the basis of his day-to-day observation of workers in a plant could detect union members in the violation of plant rules and could then supply management with information that could serve as a safe basis for their dismissal. A spy who had worked his way into the union could help to create dissension in the ranks by bringing false charges against union leaders, and as a union leader himself he could sabotage the organization by the improper performance of his duties. Playing the role of *agent provocateur,* a spy could help to destroy a union by inciting it to violence or to the calling of a premature strike.[67]

The detective agencies employed by GM used their operatives to spy on high union officials in the AFL and the UAW, including William Green, the president of the AFL, Dillon, Homer Martin, and Walter Reuther. In an effort to keep track of UAW activities, Pinkerton on several occasions maintained an office next door, or at least as close as possible, to the Detroit headquarters of the automobile workers in the Hoffman Building. When the Toledo Chevrolet plant went on strike in April, 1935, GM "flooded" Toledo with labor spies, and Hale, as he told the La Follette Committee, "tried to keep track of the union activities very definitely." Two of the officials of the striking local were Pinkerton agents, and Pinkertons mingled with the strikers on the picket line. Not only were the AFL and the local leadership placed under surveillance, but when Edward F. McGrady, the assistant secretary of labor, was sent to Toledo to mediate the dispute, Pinkerton operatives took a hotel room next to his in a vain effort to listen in on his conversations. A Pinkerton official "found nothing impossible" in the suggestion that the company's agents might have undertaken to shadow Governor Frank Murphy of Michigan during the GM sit-down.[68]

Of the various labor spies who served GM, none received more publicity than Arthur G. ("Frenchy") Dubuc. Of French-Canadian origin, he was described by a La Follette Committee investigator late in 1936 as "a nervous, excitable, and overwrought man of about 40." Dubuc, who worked in the Chevrolet plant in Flint and had once been president of the Chevrolet federal labor union, revealed himself to union officials and the La Follette Committee in the fall of 1936 and for a time afterward served, in effect, as a double agent.

While still president of the Chevrolet local, Dubuc, on June 1, 1936, was visited in his home by the director of Pinkerton's Detroit office, Arthur Lawrence Pugmire, who identified himself as Arthur L. Palmer. He seemed to know everything there was to know about "Frenchy," except, as Mrs. Dubuc remarked, " 'when he went to the toilet.' " Dubuc, in his prolix, confused, and self-serving account of

his activities to a La Follette Committee investigator and later to the committee itself, claimed that he had been suspicious of espionage in the plant and had concluded that Pugmire, who appeared to be so well informed of what was going on, might somehow be the cause of the trouble. Dubuc had recently seen and been much impressed with the movie *Bullets or Ballots*, in which Edward G. Robinson, playing the role of a police officer, had worked his way into a gang of thieves in order to expose them. Seeing himself in Robinson's role and heroically exposing espionage activities in the plant, Dubuc decided by the time of Pugmire's second visit to play along with him.

Pugmire, who on his first visit had offered to pay Dubuc $60 to $65 per month for daily reports on conditions in the plant, now told "Frenchy" that he wanted reports on "communistic activities and radical elements," shop conditions, safety and theft in the plant, and "public opinion." He said that the people he represented, who he implied were "big financiers" in New York, thought poorly of unions but were not in the union-busting business. Only after Dubuc had been "hooked," a point which Pugmire conceded,[69] was he asked to supply information about union activities as such.

Dubuc was originally told to mail his reports to Detroit, but then Pugmire began to collect them weekly in person. At the end of September, 1936, after Pinkerton had been served with a subpoena by the La Follette Committee, Dubuc was instructed to make his reports by long-distance telephone. He was to call from a pay phone and to use a different phone each time that he called. He was to "cover" his conversation by mentioning all kinds of harmless items and was always to refer to himself in the third person. After he had revealed himself to the union, Dubuc fed Pinkerton information supplied him by the union. When Dubuc, whose identity was unknown to his employer, was discharged on December 30, 1936, Pugmire took him to a Flint cemetery and paid him $125 for his month's work. Previously, Pugmire had told Dubuc that if he were called to Washington to testify he should reveal nothing—"we have a perfect system, they can't pick us up." When Dubuc subsequently appeared in Washington as a La Follette Committee witness, he was paid a sum of money by a Pinkerton official not for services rendered but so as " 'not to create any ill feeling between the two of us.' " He was invited to a hotel room by agency officials and plied with liquor in an effort to influence his testimony.

Pugmire, Dubuc reported, had an "intimate knowledge" of all the personalities in the Flint labor movement, and he also professed to know everything there was to know about the UAW in general. "I have so many contacts [in the UAW]," Dubuc remembered Pugmire's

saying, "that it would be impossible to organize the union; I know everything that is going on inside, I know every move, I know what everyone is doing in that union."[70]

The effect upon the worker of the knowledge that his activities were possibly being observed by a labor spy was sharply etched for the La Follette Committee in an exchange between James H. Mangold, a unionist who worked in the Flint Chevrolet No. 10 plant, and Senator Elbert D. Thomas of Utah:

> *Mr. Mangold.* They are very quiet, they are skeptic [*sic*] about everything you have to say, they do not take part in activities at all. If you ask them to read anything that pertains to organization, or give them any pamphlets, stuff like that, they just glance over it and throw it aside because they figure someone is looking at them.
> *Senator Thomas.* Are they afraid to talk to their neighbors?
> *Mr. Mangold.* Yes. You don't know whom you are talking to.
> *Senator Thomas.* You never take a chance?
> *Mr. Mangold.* You never take a chance.
> *Senator Thomas.* You get suspicious of everybody?
> *Mr. Mangold.* You get suspicious of everybody.

"Fear," the La Follette Committee said of the spied-upon worker, "harries his every footstep, caution muffles his words. He is in no sense any longer a free American."[71]

The La Follette Committee concluded that GM's "network of espionage" had "destroyed" the federal labor unions in the corporation's Michigan plants and had driven UAW organizing efforts "underground." What had happened to the unions in GM's Flint plants constituted, in the committee's judgment, "an epitome of the process of union . . . busting." In Flint, the committee reported, union membership had fallen from twenty-six thousand in 1934 to 120 in 1936, and the cause had been espionage: three of the thirteen members of the executive board of the amalgamated Flint local were Corporations Auxiliary Company spies, and at least two others were Pinkerton agents. The La Follette Committee, however, grossly exaggerated the consequences of espionage in GM plants. Espionage undoubtedly was a factor in limiting union membership in GM, but it was only one factor, and it would be difficult to prove that it was the most important factor. As for Flint, the committee was guilty of accepting uncritically membership figures given to it by Robert C. Travis, the UAW's director of organization in the city. Membership in Flint may have dwindled to about 120 by the summer of 1936, but it had never even

remotely approached the twenty-six thousand figure in 1934, which would have constituted a very substantial proportion of GM's production workers in the city; and the decline from the 1934 totals cannot be explained solely as a consequence of labor espionage, even conceding that union organizers who came to the city in the summer and fall of 1936 found the workers in a "state of terror" and had to operate underground "like a band of conspirators."[72]

GM used the one-month interval between the service of subpoenas on Pinkerton and on the corporation "successfully and completely to gut their files of all documents connected with their use of industrial espionage." About January 20, 1937, shortly before GM officials knew they would have to testify before the La Follette Committee and by which time Anderson knew that Fisher Body and Chevrolet plant managers had been "served a notice of discontinuance,"[73] he advised all other GM plant managers to discontinue all Pinkerton services. If it were "necessary to have people in our plants to tell about it," Anderson remarked, he preferred to use GM's own employees. This statement prompted Senator La Follette to ask Anderson whether the corporation simply wished to eliminate "the third party." "That is right," Anderson replied. GM had already hired three men "to go out in the various plant grounds and circulate among business people and employees and pick up whatever information they can as regarding the attitude of employees toward the plant, the attitude of the employees toward foremen, and the attitude of foremen toward the management, and the attitude of foremen toward employees."[74]

Unlike some other large corporations, GM had not thought it necessary in the 1920's to establish company unions in its plants. The threat of outside unions posed by Section 7(a), however, caused GM, like so many other employers, to view the company union as the safest means of satisfying the statutory requirement that employees be permitted to bargain through representatives of their own choosing. "The basic aim of the Employee Associations" in the GM plants, a GM source declared, "was to provide group organization through which employe sentiment and interest could find expression and thus indirectly render the militant outside union superfluous." Knudsen stated that the corporation advocated the establishment of employee associations because "no one seemed to have anything better to advocate," but the nature of the problem from GM's point of view was more accurately stated by the supervisor of maintenance in the Delco-Remy Division, who declared when the Delco-Remy company union was being formed: "Under this N.R.A., we are going to have to organize, and if we don't organize, someone will organize us."[75]

The question of company unionism was discussed at a GM divi-

sional managers meeting in July, 1933, and the decision was reached to set up employee associations in GM plants on a corporation-wide basis. Articles of association were drafted under Hale's direction and supplied to the various divisions, but because of GM's policy of decentralized responsibility, the divisions could and did modify these articles as they saw fit. The various plans were inaugurated in GM's Michigan plants during August and September, 1933. Employees were notified that the management would suggest a plan to them providing a method for the consideration of their mutual problems. In the elections held in GM's Michigan plants to select employee representatives under the plans, an average of 77.9 percent of the eligible voters participated, the figures ranging from 46 percent in the Fisher Body No. 23 plant in Detroit to 98 percent in the Saginaw Steering Gear plant. In Flint the percentages ranged from 59 at Buick and Fisher Body No. 2 to 86 at Chevrolet.[76]

It would be a mistake to interpret the relatively large vote in company-union elections in GM plants as an indication of worker support for the employee-representation plans. Since the plans went into effect regardless of the number of workers who voted, employees must have concluded that they might as well cast their ballots for the candidates they favored. Many workers, undoubtedly, were afraid to abstain. The voting, after all, was done in the plant under the eyes of company officials, and the foremen generally let it be known that they expected a large vote. In the Fisher Body plant in Cleveland, for example, the machines were stopped to permit the employees to vote, the foremen led the men to the polling places, and supervisory personnel looked on as the workers cast their ballots.

The fear that workers who did not vote would be discriminated against was so pervasive that the AFL national representative in the industry found it necessary to advise union members to participate in the elections. The fact that one was a member of another labor organization did not, of course, prevent him from voting in a company-union election; and in some instances officers or members of UAW locals were elected to employee-association posts. Finally, the GM plans, at the outset, tied membership in the company union to various company welfare plans and thus provided workers with an additional incentive to participate. It is not difficult in view of these considerations to understand why the NLB specifically ruled that the election of employee representatives could not in itself be interpreted as constituting employee approval of a company-union plan.[77]

The employee-association plans put into effect in GM plants[78] provided for the division of the plants into voting districts and for primary and final elections leading to the designation of one employ-

ee representative for approximately every three hundred workers (at least two representatives for each major department in Fisher Body) to serve on the employee or works council. In the Fisher Body plants all employees who met certain qualifications were eligible to vote, whereas in the other GM plants only members of the employee association could vote. This distinction was not of particular significance, however, since voting qualifications and association membership qualifications were more or less the same: to qualify for either, one had to be twenty-one years of age, a citizen, and an employee of at least ninety days service. Eligibility for election to the employee or works council was limited to nonsupervisory workers who had been with the company for one year, were at least twenty-one years of age, and were citizens. Employee representatives had to be employed in the district they represented and had to vacate their position if they left the company or were promoted to a supervisory job.

Although Charles T. Fisher claimed that Fisher Body had tried to remove the company from the employee-association plans and Knudsen declared, "If anyone can find the company in them, they will find something I haven't been able to find," management was present to some degree in all the GM plans.[79] The employee-association constitutions thus generally specified that management was to bear the cost of the plan, to provide the meeting place for employee representatives, and to pay them for time spent on employee-association business. The Chevrolet plan provided that any dues paid by association members for welfare purposes were to be matched by the company. The Fisher Body scheme specified that minutes of the works council meetings were to be kept by a secretary who would be paid by the company and that the plant manager or someone designated by him was to attend meetings of the works council, although only in an advisory or consultative capacity. The plan, moreover, could not be amended without the approval of the plant manager.

All the GM plans established a grievance procedure permitting individual employees to carry their complaints by stages, either directly or through the works council, to the top management of the division. The Chevrolet plan called for the general management of the division to discuss with a committee consisting of the chairmen of all the Chevrolet works councils those grievances that affected all plants of the division, but this procedure never seems to have been invoked.

The GM employee-association plans, sponsored and paid for by the company, not submitted to the workers for approval, and containing restrictions both on the suffrage and on office-holding, were hardly consistent with the right of self-organization, free from employer

interference, supposedly guaranteed to workers by Section 7 (a) and later the National Labor Relations Act (NLRA). The NLRB was later to find that Delco-Remy had "dominated, interfered with, and contributed support to" the administration of the Delco-Remy Employees' Association,[80] and the same can safely be asserted with regard to the company-union plans in other GM plants.

Following the criticism of its employee-association plans at the NLB automobile hearings in March, 1934, and the subsequent promulgation of the President's settlement, GM arranged for the revision of the employee-association constitutions in an effort to eliminate "any appearance of management domination."[81] Despite the changes made in the constitutions, however, employee associations continued to be identified with and favored by the division managements. GM officials were still inclined to make bulletin-board space available to the company unions but not to their rivals; they sometimes permitted the company unions, but not outside labor organizations, to solicit membership on company time and company property; and some of them supplied the names and addresses of employees to the employee associations but not to the UAW.[82]

The company unions were always suspect among GM workers as management instruments, and they failed, in the final analysis, to serve the purpose the corporation had intended for them. They were not the product of "a spontaneous or militant conviction" on the part of company employees; and, as a source friendly to GM conceded, they were "difficult to maintain as going organizations without constant stimulation on the part of management even to the point of actual domination in managing and keeping them alive." When the ALB late in 1934 and early in 1935 held its plant representation elections, which admittedly were more designed to yield a result reflecting the popularity of particular individuals than the comparative strength of competing employee organizations, only 14.4 percent of GM employees who voted selected candidates they identified with the employee associations. In the major plants later to be involved in the sit-down strike, the employee associations fared less well than in GM as a whole. The vote for company-union candidates in the Cleveland Fisher Body plant was 9.3 percent; in Fisher Body No. 1, 7.7 percent; in Fisher Body No. 2, 3.6 percent; and in Flint Chevrolet, 8.2 percent. The employee-association vote was greater than the 10.1 percent of the vote received by candidates identified with the AFL, but the Federation was boycotting the elections and the company unions were not, and the candidates identified with the employee associations were probably better known than those the voters associated with the AFL.[83]

Although the company unions fell considerably short of GM's hopes for them, they were not without significance in the evolution of labor-management relations in GM. Most important, they provided a mechanism by which management could be made aware of employee grievances and by which these grievances could be adjusted. The leadership of the employee associations understandably liked to point to improvements in working conditions for which the plans were responsible, and the specific items that they cited in the areas of welfare, safety, seniority, equalization of pay differentials, and adjustment of efficiency ratings were real enough. It is, indeed, entirely likely that many of the changes in working conditions that the company unions enumerated would not have occurred when they did had not the employee-association plans facilitated the airing of employee grievances. On the other hand, it must be noted that GM, in order to increase the appeal of the associations to the workers, liked to make it appear that improvements in working conditions that would have been introduced in any event had actually been secured by the company unions. The company union was thus, in a sense, assigned the role of conveyor of good news to the workers that in the pre-1933 era the company had generally accorded to the foreman.

Like the other automobile employers, GM saw the employee-association plans primarily as a means of dealing with the grievances of the individual worker rather than with the collective problems of the employees as a whole. The individual grievances most readily adjusted were not those concerned with the bread-and-butter issues of wages and hours but rather with housekeeping questions such as sanitation and ventilation and also with alleged favoritism in the plants. "The Works Council," declared a union official who had once been an employee at the Chevrolet Gear and Axle plant, "never got around to discuss anything but broken windows and safety hazards. When some unruly committeeman had the temerity to mention wages or seniority, the company representatives promptly sidetracked the discussions into less dangerous channels."

Just as the company union provided the individual worker who was not afraid to avail himself of its procedures with a means for seeking the adjustment of his grievances, so it provided at least a modicum of experience in the bargaining process for both employer and employee. This was of some importance in a company where no negotiation of any sort between labor and management had previously taken place. At least a few workers were now given some idea of managerial problems—in some plants works council members were even permitted to take the training courses designed for supervisors—

and GM, for the first time in its history, was forced to pay some attention to the subject of labor relations and to develop a technique for dealing with employee representatives.[84]

It is, of course, difficult to determine in any precise way how many workers were deterred from joining an outside union because of the obvious management support for the company union. It is not irrelevant to observe, however, that the AFL came to regard the company union as its "greatest menace" in the automobile industry and that it protested again and again that companies like GM were using the employee associations as a means of avoiding genuine collective bargaining.[85]

The company union in the GM scheme of things receded into the background once the ALB early in 1935 began to implement a complicated election plan designed to provide each of the plants under its jurisdiction with a bargaining agency whose membership reflected the proportionate voting strength in the plant of workers who designated company-union, outside-union, or unaffiliated persons to represent them.[86] That GM, however, viewed the new bargaining agencies as simply the company unions in a somewhat different guise was indicated by the nature of the rules that it issued to govern their operations in the period before the ALB devised its own set of instructions.

GM drew up its rules for bargaining agencies without consulting them and without indicating in any way that the rules were subject to negotiation. The instructions conceded that collective negotiation of the terms of employment was one of the purposes of the new plan but categorically stated that the determination of wages and hours was the exclusive prerogative of management, a nice indication of GM's constricted view of the bargaining process. The bargaining agencies, the GM rules provided, were to meet on the company premises twice a month, once without management representatives present and once in a joint meeting with management. The procedure for handling grievances was spelled out, with provision made for referring disputes within its jurisdiction to the ALB. Representatives not employed in the plant[87] were denied access to it but were permitted entry to the conference room for bargaining-agency meetings. Individual employees who so desired could bargain separately with the management. No dues or assessments were to be levied by the bargaining agency, nor was any representative to solicit membership for an organization on the premises. The company would compensate employed representatives at their usual rate for time spent during regular shift hours on bargaining-agency business. The GM rules were not dissimilar to the

instructions for bargaining agencies later issued by the ALB, and they indicate clearly the framework within which the bargaining agencies functioned in the corporation's plants.[88]

The AFL, already differing with the ALB on a variety of other matters, decided to boycott the board's elections that preceded the establishment of plant bargaining agencies. The Federation not only vigorously opposed proportional representation in collective bargaining as a scheme that tended to pit a divided labor group against a single employer, but it was also undoubtedly evident to the AFL leadership that if the ALB bargaining agencies became the accepted medium through which bargaining took place in the auto plants, the auto workers would see little point in paying dues to a labor union.[89] It was, in the end, to head off a final election in the strongly organized Toledo Chevrolet plant and hopefully to gain exclusive rather than proportional representation and a signed contract that the AFL's powerful Toledo federal labor union initiated a strike on April 23, 1935, that developed into the most significant work stoppage in the history of GM to that date.[90]

Although the Toledo Chevrolet plant employed only about twenty-three hundred workers, it was one of the most important links in the GM chain of shops at that time since it was the corporation's sole producer of Chevrolet transmissions. The Toledo local sought to spread the strike to other GM plants, but it was primarily the lack of transmissions that resulted in the idling of thirty-two thousand of the corporation's workers before the strike was settled. The threat that the strike posed to the continued production of Chevrolets, combined with the rejection of the company's terms for settlement by a two-to-one margin in a poll of employees conducted by the Department of Labor, forced GM to abandon the policy that it had insisted on at the outset of the strike and at the time of the Fisher Body strike of April, 1934, and to agree to negotiate with the local strike committee while the strike continued.

In the agreement concluded on May 12 the strikers gained neither a signed contract nor exclusive representation, but GM, in substance although not on paper, retreated somewhat from the collective-bargaining position that it had defended since the enactment of the NIRA. The memorandum of negotiations that served as the agreement ending the strike indicated that the union *as such* had had something to do with working out the terms, a point that Knudsen, as the company's chief negotiator, had previously refused to concede.

The company did not grant the union exclusive bargaining rights and simply agreed, as it had from the outset of the strike, to meet with duly accredited employee representatives on all questions

at issue, but there seems to have been an "informal understanding" that GM would not seek to form a company union in the plant, that no final ALB election would be held, and that no plan of proportional representation would be introduced. This left the Toledo local, de facto, as Knudsen privately conceded, the sole bargaining agency in the plant. Quite apart from the issue of representation, GM was compelled by the strike to improve its original offer to the union with regard to wages, seniority, and the timing of jobs. Also, Knudsen promised to confer at other GM plants with the AFL national representative in the industry and the local shop committees.

The Toledo strike demonstrated that GM could be compelled to modify its position with regard to collective bargaining by a show of union force at the right place and the right time and that, if pressed hard enough, the company might even concede exclusive bargaining rights de facto however strenuously it might oppose doing so de jure. If this was a lesson of the strike that impressed some of the UAW leaders, GM, for its part, thought that it too had learned something of importance for its future from the unpleasant Toledo experience. The corporation had been caught "napping" in Toledo, but Knudsen informed a federal conciliator that it was determined "never to be in such a position again."

Knudsen believed that to strengthen GM's hand in future union negotiations, the company should carry larger inventories of semi-finished and finished products than it customarily did and that it should also adopt a policy of "diversification of plants where local union strength is dangerous." In line with this kind of reasoning, GM in the fall of 1935 removed about 50 percent of the machinery from the Toledo plant to Saginaw, Michigan, and Muncie, Indiana, thus providing the company with alternative sources of transmissions for Chevrolets.[91] But GM did not implement a policy of diversification with adequate thoroughness, and as of the end of 1936 the corporation remained vulnerable to a shut-down in a few strategic plants, a fact of which union leaders were by no means unaware.

Less than two weeks after the Toledo strike had been concluded the United States Supreme Court declared the NIRA unconstitutional and thus relieved GM of the necessity of complying any longer with the requirements of Section 7 (a). GM had been compelled by the statute and the automobile code to pay far greater attention to the human aspects of production than it ever had before, but, although somewhat shaken by the Toledo strike, it had nevertheless kept the unionization of its plants to a manageable minimum. The flight of the Blue Eagle had now come to an end, but GM realized that it could not return to the pre-1933 pattern of employer-employee rela-

tions. It assured its employees that, despite the demise of the NIRA, GM would make no blanket changes in wages and hours, it would continue to observe the ALB seniority rules, it would not alter its policy of dealing with groups of its employees or with their representatives, and it would still handle labor cases in accordance with the corporation's official 1934 statement on collective bargaining. The corporation, however, advised its plant managers that they were to provide "no direct or indirect financial aid ... to employe groups organized for collective bargaining."[92]

To the consternation of GM, the end of the NIRA did not mean the abandonment of efforts by the federal government to prescribe rules for the conduct of labor relations in American industry: on June 27, 1935, the National Labor Relations Bill was approved by both houses of Congress, and the President, who had so often sided with the automobile manufacturers in the past and who had contributed so decisively to the sidetracking of similar legislation in 1934, signed the measure into law on July 5. The NLRA reasserted the right of employees to self-organization and to bargain collectively through representatives of their own choosing. It declared that it would be an "unfair labor practice" for an employer (1) to "interfere with, restrain, or coerce" employees in the exercise of this right; (2) to dominate or to interfere with a labor organization or to contribute to its support; (3) to discriminate against employees for the purpose of encouraging or discouraging membership in a labor organization; (4) to discriminate against an employee for filing charges or giving testimony under the measure; and (5) to refuse to bargain with employee representatives. The statute established a three-man nonpartisan National Labor Relations Board to carry out its terms and authorized the board to issue orders requiring the cessation by employers of unfair labor practices and to appeal to the federal circuit courts for the enforcement of these orders.

"Convinced" by the experience of the ALB that "pluralism provoked confusion and strife, defeating collective bargaining," the draftsmen of the NLRA included a provision that specifically endorsed the principle of majority rule in the designation of employee representatives. The act authorized the NLRB to hold elections when necessary to determine whom the employees wished to represent them and lodged in the board the power to determine the appropriate unit for collective-bargaining purposes.[93]

From the time in 1934 when Senator Robert F. Wagner of New York had first sought the enactment of a measure similar to the NLRA, GM had left no doubt of its unqualified opposition to legislation of this nature that departed so widely from the principles em-

Saginaw taxicab in which four union leaders were injured, Jan. 26, 1937.

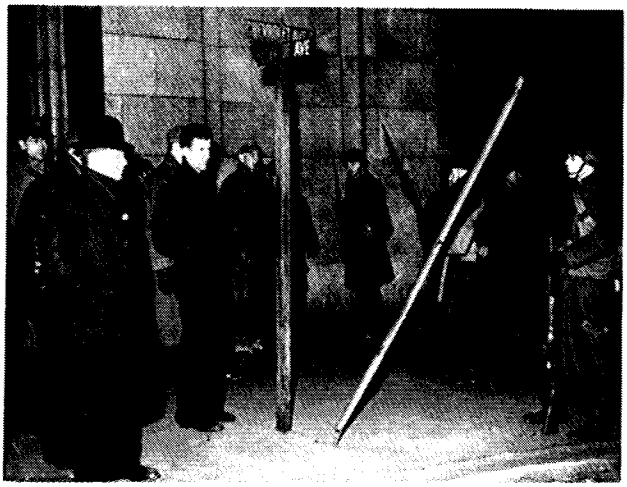
Below:
Chevrolet No. 9, Feb. 1, 1937.

Outside
Fisher Body No. 2,
Jan. 12, 1937.

Strike leaders arraigned before Judge Edward D. Mallory (left to right—Victor Reuther, Robert Travis, Roy Reuther, Maurice Sugar, Henry Kraus).

Picketing in Flint.

National Guard blockades Chevrolet No. 4.



Sheriff Wolcott reads the Gadola injunction.

National Guard arriving in Flint.

Dancing in front of Fisher Body No. 1, Flint.

Robert Travis (in topcoat, with hand in pocket) in one of the Flint Fisher Body plants.

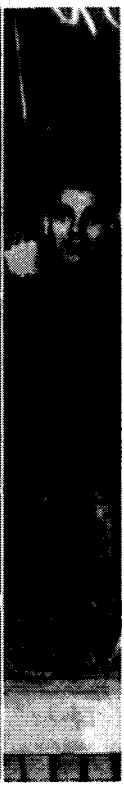
Strikers react to the Flint Alliance.

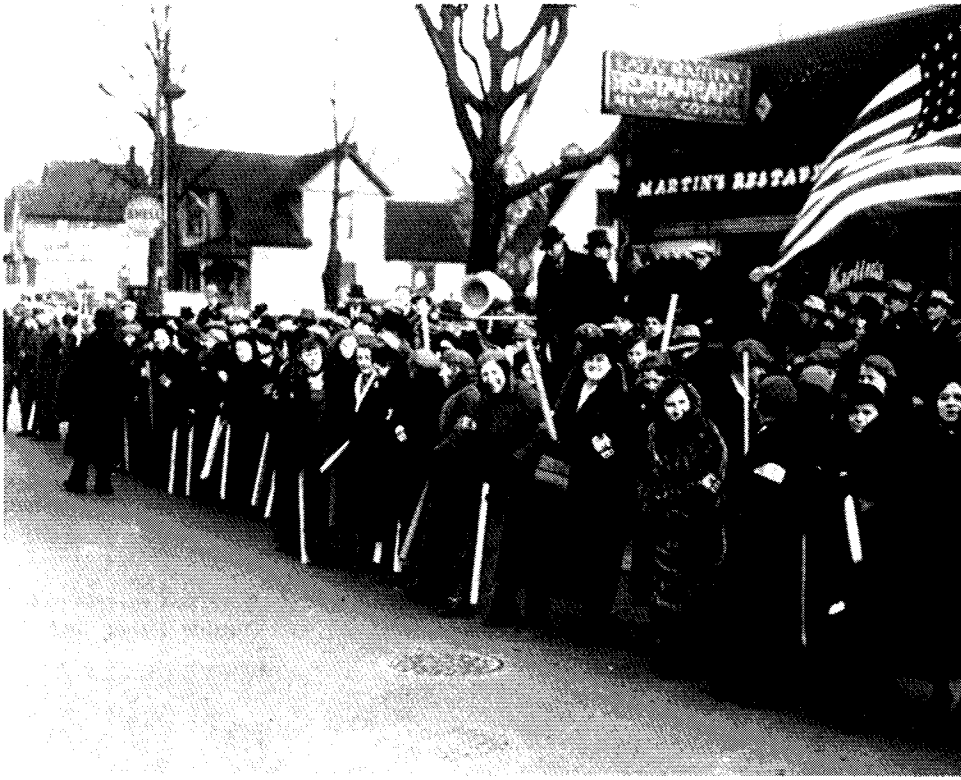
Flint Fisher Body sit-downers lean out the plant windows to chat with reporters.

Roy Reuther at the mike.

Bud Simons waving from Fisher Body No. 1.

Outside Fisher Body No. 1.





Women's Emergency Brigade.

Frank Murphy and John L. Lewis.

The strike is over. Fisher Body No. 1, Feb. 11, 1937.

bodied in the President's settlement of March 25, 1934. While Wagner's 1935 bill was before the Congress, Sloan denounced it as "most unfair and one-sided" and characteristically charged that its result would be "to promote the exploitation of the American worker for the benefit of a comparatively few professional labor leaders responsible only to themselves by making the worker pay them a price for his job through the instrumentality of the closed shop." Knudsen later animadverted that the measure was "thinly disguised class legislation." Like other automobile manufacturers, he complained that the bill prohibited coercion by employers but not by unions and that its validation of the contested principle of majority rule would place employee representatives in the "hands of professionals."[94]

GM was no more inclined than the other automobile manufacturers to comply with the terms of the NLRA unless and until the United States Supreme Court upheld its constitutionality. GM foremen were advised that the company would continue to adhere to the principles set forth in its statement on collective bargaining, even though these principles were at variance at some points with the NLRA. Specifically rejecting majority rule, GM told its foremen that collective bargaining suggests "a definite group of representatives properly authorized to represent definite groups of employees" and that management would continue to afford a hearing to "anyone presenting a reasonable claim to represent the employees, and desiring to discuss matters purporting to affect them." When an NLRB trial examiner began a hearing on June 30, 1936, on complaints that GM, in violation of the NLRA, had discharged numerous employees, employed industrial spies, and dominated employee organizations at its St. Louis Chevrolet-Fisher Body plant, the corporation secured an injunction from the Circuit Court of Appeals for the Eighth Circuit restraining the NLRB from proceeding any further with the matter. The injunction was still in effect when the sit-down strikes were staged in several of the corporation's plants.[95]

Refusing to accept the principles embodied in the NLRA and assuming that its employees were "not much interested in the subject," GM continued to cherish the hope that employer-employee differences could be settled within the GM family. Plant managers were therefore advised "to encourage supervisors to have a Management viewpoint," to ascertain whether their personnel officials were likely to contribute to the improvement of labor relations, and to adopt policies and procedures regarding hiring, wages, promotions, working conditions in hot weather, and plant safety that would reduce employee discontent. Also, although the employee associations had not lived up to management expectations and although the ALB

bargaining agencies had not proved to be a workable alternative and, indeed, had come to be looked upon by many employees as simply "a continuation of the company union," GM, in many of its plants, sought to supplement the activities of its foremen in dealing with grievances by keeping alive either the company union or the bargaining agency or both. These organizations, however, were, if anything, even less effective from the employees' point of view in the year prior to the sit-down strike than they had been previously. One observer partial to GM thought that the corporation had defeated the AFL with " 'kindness' " in 1935 but that it had done a poor job of adjusting grievances in 1936, which indicated that the works councils and company unions were functioning ineffectively.[96]

In the Flint Chevrolet complex no new elections were held to replace bargaining-agency officials after the ALB ceased to function, and the bitterly anti-union plant manager, Arnold Lenz, forbade works-council representatives to meet with their constituents. When James Mangold, an elected member of the works council, sought in November, 1936, to secure a readjustment of wages and the speed of operations on the cab-top line, he was "thrown out" of the divisional superintendent's office. Mangold then took his complaint to Lenz, who, Mangold later testified, "jumped all over me, bawled me out, told me if I did not drop the matter I would never have the job, that it was agitated from the outside . . . that he would not have anything to do with it, and he would not tolerate such agitation." Lenz, Mangold said, "wanted men that would not say anything . . . about hours and wages, he did not want any of that." When the Chevrolet works council held a general discussion of its role on January 28, 1937, while the sit-down strike was underway, the members concluded that they had "never had any bargaining with [the] Chevrolet management. We was [*sic*] only beggars. . . , with no power to demand anything that we asked for. Although we have asked for plenty. . . , nothing was ever granted or even promised."[97] Other works councils and bargaining agencies may have had happier relations with their plant managers than the Chevrolet works council had with Lenz, but they were equally without power and equally unable to challenge a negative reply to their requests. They were regularly reminded of their infirmity as the UAW pressed its campaign to organize GM's automotive plants.

GM sought to counter the union campaign not only by providing alternative forms of organization within its plants and by schooling its foremen in the importance of grievance adjustment but also by striving to create "a favorable public opinion" in the cities where its plants were located. In the view of the corporation's executive com-

mittee, the development of good public relations in plant cities was "just as much a responsibility of the executives as the conduct of ordinary business." The value of good public relations, according to one GM source, had been demonstrated in Dayton, Ohio, in 1935, where strenuous corporation efforts to cultivate the press and to provide for the "direct education" of the city's influential citizens had won friends for the corporation and had resulted in the publication of favorable articles in Dayton's newspapers and "cooperation" in suppressing labor union "propaganda." "If," the same source declared, "we could have our own employes and the public of our plant cities think and say 'WHAT HAPPENS TO GENERAL MOTORS HAPPENS TO ME' this would be the most effective protection against efforts to undermine our corporate goodwill."[98] GM's public-relations campaign made headway in several GM towns, but the UAW sought by the strike route to challenge the concept that what was good for GM was necessarily good for its employees.

As 1936 drew to a close GM remained as opposed as ever to outside unionism, majority rule, and the signing of written agreements with employee representatives. It was still committed to the concept of collective-bargaining pluralism, the settlement of most issues between labor and management at the plant level, and the preservation of management prerogatives. The Cleveland Fisher Body strike of 1934 and the Toledo Chevrolet strike of 1935 had demonstrated, however, that the corporation's automotive production was vulnerable to shutdowns in a few strategic plants and that, when faced with the reality of union power, GM was willing to make substantial concessions to union demands. GM, for the most part, had been able to adhere to first principles between 1933 and 1936 because the UAW had enjoyed relatively little success in organizing the corporation's plants, but the use of the sit-down strike as a labor weapon was to bring a profound and historic alteration in power relationships in GM's automotive domain and was to compel the corporation to say "yes" or at least "maybe" where before it had said "never."