

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

Date June 10, 1946

To Chairman Eccles

Subject: Senate Amendments to the

From Kenneth B. Williams *KBW*

Truman Strike Control Bill

In passing Truman's Strike Control Bill, the Senate made some fundamental changes in the version passed by the House. The changes are not likely to meet with much opposition in the House. The Senate amendments are:

(1) The President's authority to draft strikers and union and company officials who fail to return to work after Government seizure is eliminated. However, criminal penalties will still apply to union and company officials who fail to take affirmative action to end the work stoppage.

(2) Loss of seniority rights is eliminated as a penalty for individuals who strike after Government seizure. In the Senate version, the striker regains his seniority rights if he is rehired. However, rehiring of any individual is at the discretion of the Government or the owner.

(3) Owners are permitted to retain any net profits earned during the period of Government operation. In the House version, net profits go to the Treasury.

(4) The Act is to expire on June 30, 1947, or on passage of a concurrent resolution, or at the end of six months after termination of hostilities, whichever occurs first.

Analysis:

The Senate Amendments are not likely to reduce materially the Government's ability to handle a serious strike and they may make the Act more workable.

Less drastic penalties may be as effective in obtaining compliance as drafting strikers and the risks involved would be less. The risks to the Government in using the draft arise from the possibility that a large body of strikers may resist being drafted. If this should happen, the Government would have to overcome the resistance even if bloodshed were necessary. Although demanding the end of the strike, the public might not support the Government in using such compliance measures in peacetime, or if it does support the Government at the moment it may turn against the Administration as soon as the emergency has passed. This, of course, is what happened when Hoover used the Army to evict the bonus marchers.

Permitting the employer to retain the net profits earned during the period of Government operation is a concession to management intended

to match the elimination of the draft as a concession to workers. The effect of the profit concession is to reduce the employer's incentive to bargain in advance of seizure since he will lose little by Government operation. This may tend to increase the number of instances in which seizure is necessary. On the other hand, workers' incentive to bargain in advance of seizure is increased because they are unlikely to gain an advantage over the employers by the seizure. This may tend to reduce the number of instances in which seizure is necessary. These offsetting influences may cancel out in terms of number of seizures but the agreements reached in advance of seizure are likely to be more favorable to the employer than to the workers.

The loss of seniority rights is an awkward penalty for non-compliance because the degree of punishment has little relationship to the seriousness of the offense. Seniority rights are extremely important to some of the older workers who are not so inclined to strike anyway but they may be of little importance to the younger workers who are inclined to be more hotheaded. The net effect may be to make the younger men look with suspicion on the motives of the older men who counsel moderation and thus to reduce the influence of the older workers in union decisions, unless the older men are in a majority. Indeed, it may be to the interest of the younger men to call a strike hoping the older men will lose their seniority rights and thus make more room at the top for them. An employer also may find it to his advantage to encourage a strike in order to free himself of the restrictions imposed on him by the seniority rights of his older workers.