



Mitchell's Musings 11-26-12: LBJ and the Man of Steel

Daniel J.B. Mitchell

In earlier Mitchell's Musings, I have taken advantage of the growing availability of Nixon-era White House tapes to illustrate the economic policies and labor market features of that period. One byproduct of the disclosure of the Nixon White House tapes as part of the Watergate affair was the revelation that there were also tapes made during the Kennedy and Johnson administrations. These earlier recordings are also becoming available.

As a Democrat, Lyndon Johnson had an easier relationship with organized labor than did Nixon. But both presidents operated in a period in which unions represented a much larger fraction of the private-sector workforce than today. Both administrations occurred in an era in which concerns about wage-price spirals and wage-push inflation were prevalent. And both had interventionist policies to address those concerns; Nixon had formal wage-price controls while Johnson inherited a "voluntary" wage-price guideposts program from the Kennedy administration.

In both periods, there were notions of "key" industries whose union-management wage settlements were thought to set patterns for other industries. Steel was such a key industry. President Kennedy had gotten into a fight with the steel industry over a price increase in 1962 after the White House had intervened to promote what it viewed as a modest anti-inflationary wage settlement. (See <http://www.youtube.com/watch?v=aAVAJ6mwBVE>) The steel industry withdrew its price increase at the time but the issue of steel prices continued to be of concern to the Kennedy administration's economic advisors during the following year. (See <http://www.youtube.com/watch?v=XN-6RmagJtg>, <http://www.youtube.com/watch?v=ukA84gynl8w>, and <http://www.youtube.com/watch?v=fEMUodE3HEg>.)

The dollar under the 1945 Bretton Woods fixed exchange rate system began to come under downward pressure relative to other currencies under Kennedy and the problem continued during the Johnson years. Steel, because of its direct and indirect price implications, was seen as important in the foreign context. Price increases and strike disruptions were viewed as potentially undermining American competitiveness in world markets and therefore making support of the dollar more difficult.

Eventually, the pressures of economic expansion during the Vietnam War undermined the guideposts. And eventually, Nixon ended the Bretton Woods system. But the year 1965 was transitional as the economy began to up (and the War expanded). Johnson followed steel labor developments and ultimately intervened in the 1965 steel collective bargaining settlement. His interest in steel and in its economic implications can be heard in four telephone conversations I have placed on YouTube.

In the first conversation in early 1965 with Walter Reuther, president of the United Auto Workers, Johnson is concerned about the election contest going on within the Steelworkers, a union with a claimed membership of 1.2 million. David McDonald, president of the Steelworkers since 1952 was

being challenged for that office by the union's Secretary Treasurer, I.W. Abel.¹ McDonald had been president during the very lengthy 1959-60 strike in steel so it would be a mistake to characterize the contest as between a militant Abel vs. a soft McDonald. Abel's issue was in essence that McDonald was too distant from the rank and file. During the very bitter election, Abel pushed for dealing with a variety of local issues and for a greater worker voice in setting bargaining goals. Abel was also critical of the labor-management "Human Relations Committee" that had been set up in steel in 1960 to avoid future strikes such as the one that took place in 1959-60.

The negotiations for a 1965 contract with the basic steel companies were supposed to be going on during the election period. But bargaining was postponed as the contest developed. In their phone conversation, Johnson asks Reuther who will win the election. Reuther says that it will be very close – he doesn't make a prediction – but advises Johnson to stay out of it. As far as steel prices are concerned, Reuther suggests that Johnson have people from the Department of Commerce and the Council of Economic Advisors meet with "technicians" from the steel companies to discuss the companies' justifications for any price increases. But he is sympathetic to Johnson's wish not to have a Kennedy-style confrontation with the industry.

Top Aide Challenges McDonald For the Steel Union Presidency

Abel Begins Power Fight as Leadership Prepares to Reopen Industry Talks

By DAMON STETSON

David J. McDonald, the \$50,000-a-year president of the United Steelworkers of America, was challenged for the leadership of the giant union yesterday by I. W. Abel, secretary-treasurer.

Mr. Abel, the 66-year-old No. 2 man in the steel union, announced in Pittsburgh that he would seek the presidency that Mr. McDonald has held since the death of Philip Murray in 1952.

The announcement signaled a major power struggle in the 1,120,000-member union at a time when the steelworkers are making plans for reopening their agreements with the nation's major steel producers.

The union can serve notice



Associated Press
I. W. Abel

Abel was the victor in a close election and by the time the election results were clear, negotiations with steel (and aluminum) had resumed. In a second conversation, Johnson talks with Abel during August 1965 as bargaining continued with the major steel companies. However, the president avoids any detailed discussion of the talks and instead calls to invite Abel ("Abe") to an informal dinner at the White House and ostensibly to discuss as the Vietnam situation. The call is clearly one of relationship-building more than substance. Johnson asks Abel for his views on the Watts Riot. Both agree that "Negro boys" need to be more responsible now that civil rights legislation has been adopted. But Abel compares the Riot with violent labor disputes in the 1930s and believes things will eventually work out. You can hear the

RECESSION FEARED OVER STEEL FIGHT

Union Election Is Viewed as Threat to Economy

Special to The New York Times

WASHINGTON, Jan. 2 — "It is reprehensible that a power struggle between two men can create a situation which is likely to drive this country into a recession."

The words are those of a Michigan State University economics professor, John H. Hoagland.

The two men are David J.

¹ There had been earlier challenges to McDonald over such matters as the level of union dues, but they had not succeeded in toppling him. McDonald, as Secretary-Treasurer, had been the heir-apparent to Phil Murray who was essentially the founder of the union and died in 1952. Abel just used his initials in preference to Iorwith Wilbur (for obvious reasons). After being ousted by Abel, McDonald was invited to attend the 1966 Steelworkers' convention by those still loyal to him but he played no role in organized labor or the Steelworkers thereafter. Perhaps in bitterness over his treatment, he went against his union and most other unions and endorsed Nixon in 1968.

first two phone conversations at <http://www.youtube.com/watch?v=cXIIensRbSQ>.

The third conversation takes place in September after the steel negotiations have been completed – with White House intervention – and a strike has been averted. There is the same cordiality between Johnson and Abel that was heard in August. Abel thanks Johnson for federal assistance in settling a bitter local dispute in the aluminum industry in the Los Angeles area.²

In a fourth call with Senator Russell Long (Dem. – Louisiana) in November, Johnson reflects on his relationship with the labor movement including with the Steelworkers. He insists he has been strict with labor and that union settlements have been within the wage guideposts. But he also details, in X-rated language, a spat he had with the aluminum industry over releasing government stockpiles of aluminum to hold down prices in the face of Vietnam-related demand. You can hear the third and fourth calls at <https://www.youtube.com/watch?v=MUK7VKMtVRk>.

These four phone conversations paint a picture of very different economic and political times from what we have today. Clearly, unions are much weaker than they were in the mid-1960s. No one would imagine negotiations in the steel industry (now much shrunken and fragmented) as preoccupying a president today. Surely, it is hard to conceive of President Obama – although a Democrat – spending much time fretting over who would become the next president of the Steelworkers if there were an election contest in that union.

Notions of key industries, wage-price spirals, and such are not part of the contemporary debate on economic policy. And to the extent that unions are in the news, it is more likely to be in the public sector than the private. But that was then and this is now.

STEEL DEADLINE EXTENDED 8 DAYS AS JOHNSON ACTS
President Calls Leaders of Both Sides to White House and Demands an Accord
CITES INTERESTS OF U.S.
Talks on New Contract to Continue in Washington—Strike Tonight Averted
By DAVID B. ROSS
Associated Press Wirephoto

JOHNSON REPORTS ACCORD ON NEW STEEL CONTRACT AFTER SUGGESTING TERMS

STRIKE IS AVERTED
Cost of the Agreement

² The Harvey Aluminum Company in Torrance, California had been nonunion and a longtime target for organizing. The Steelworkers won representation but were unable to negotiate a contract and went on strike. Violence occurred and talks were resumed under the auspices of the Labor Department and the Federal Mediation and Conciliation Service. The dispute had a political aspect as the daughter of the firm’s owner was married to a major California Democratic figure.