

Wars of Attrition

***Vietnam, the Business Roundtable, and the
Decline of Construction Unions***

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Operation Breakthrough: Industrialized Housing and the Threat of Vertical Integration

If the workmen in the building trade are to take combined action to accelerate production, they must as a body be consulted as to the purpose to which their energy is to be applied, and must not be expected to build fashionable houses, when what are required are six-room cottages to house families which are at present living with three persons to a room.¹

[M]ajor manufacturing concerns are casting an eye on the construction industry to determine whether with new methods, they can take it over.²

“We have had a threefold surge in the homebuilding rate since 1969, but there has been no strain on the labor supply.” And the reason...is that more and more houses have become manufactured products—“just like everything else”—and the factories that make them can vastly increase production without tapping the limited supply of skilled building tradesmen.³

The origins of the federal government program to foster industrialized home building reached back into the 1960s.⁴ The account here begins where unions perceived developments as impinging on their capacity to guarantee the best possible conditions for the sale of their members’ labor power.

Soon after taking office, Nixon’s Secretary of Housing and Urban Development (HUD), George Romney, the former president of the fourth largest U.S. automobile manufacturing firm, announced plans to create low-cost housing in the same way that American Motors had produced cheap automobiles. Operation Breakthrough, which Romney unveiled on May 8, 1969, was designed to use mass production technology to build housing for the poor. From the outset the Nixon administration made it clear that construction unions’ restrictions on the size of the work force and on the use of prefabricated materials might subvert the program.⁵ Unions’ suspicions were scarcely allayed by Operation Breakthrough’s forerunner in Detroit—begun in the late 1960s while Romney was the governor of Michigan—in which producers relied on unskilled workers and paid them well below the going

¹R. H. Tawney, *The Acquisitive Society* 153 (1948 [1920]).

²Herbert Northrup, “Restrictive Practices and Racial Barriers” at 12, in *Papers Presented at the National Conference on Construction Problems* (Nov. 18-19, 1968).

³“A Housing Revolution in Precut Parts,” *BW*, Feb. 10, 1973, at 43, 44.

⁴On the congressional authorization of a program of industrialized housing for the poor, see Housing and Urban Development Act of 1968, Pub. L. No. 90-448, §108, 82 Stat. 476, 495.

⁵“Romney Expands Effort to Build Housing for Poor,” *NYT*, May 9, 1969, at 1, col. 5.

rates for factory and skilled workers in Detroit. Unions' fears were exacerbated by construction firms' reaction to the government training funds that additionally subsidized the operations: with the help of such low wages and subsidies "they, too, could build cheaper, even with conventional methods."⁶

The unions' response was not long in coming. Three days after Romney introduced Operation Breakthrough, 3,000 delegates to the BCTD national legislative conference booed him when he called on them to end their restrictive practices.⁷ Then on the same day (September 23) that the DOL announced implementation of the Philadelphia Plan, HUD Undersecretary Richard Van Dusen warned the BCTD national convention that it had to choose between, on the one hand, restricting membership, resisting technological change, and pushing for higher wages, thus frustrating the administration's plan for decent housing for all, and, on the other, drawing on unemployed minorities, shortening apprenticeships, increasing productivity by embracing Breakthrough's promotion of mass production techniques, and fighting inflation. The BCTD's skepticism was captured by the response of its president, C. J. Haggerty, that unemployment in housing was rapidly rising.⁸

HUD continued to view the building trades unions as a major impediment to the implementation of Operation Breakthrough. A memo to Romney on the subject of reducing construction costs emphasized that because shortages of skilled craftsmen enabled unions to demand large wage increases, it was absolutely essential that the federal government do everything possible to increase the supply. The memo also recommended that in order to avoid the relevant DOL offices that were "dominated" by organized labor, other agencies should set standards for training. Finally, the memo called for the promulgation of an executive order prohibiting the federal government from letting federally funded or assisted contracts in areas where prevailing wage rates exceeded maximum wage rates set by the order.⁹ The seriousness with which some in the Nixon administration were pursuing this last recommendation was underscored by the fact that two months later four cabinet members repeated it in a memo to the president.¹⁰

⁶Jerry Flint, "Houses Put on the Assembly Line in Detroit Test," *NYT*, Aug. 4, 1969, at 1, col. 4, at 47, col. 6.

⁷"Romney Jeered at Union Parley," *NYT*, May 13, 1969, at 42, col. 3.

⁸Damon Stetson, "Unions Are Urged to Spur Housing," *NYT*, Sept. 24, 1969, at 18, col. 4, 5.

⁹Memo from Samuel J. Simmons, Equal Opportunity, to George Romney, Subject: Recommendation for the Reduction of Construction Cost (Dec. 15, 1969), in NACP, RG 207: General Records of the Dept of HUD, Office of the Under Secretary, Subject File of Richard Van Dusen, 1969-72, Box No. 24, Folder: EO Equal Opportunity 1969 Part I (1 of 2).

¹⁰Blount, Stans, Romney, and Volpe, Memorandum for the President, Re: The Need for a more direct attack on the wage-price spiral (Feb. 14, 1970), in NACP, RG 207: General Records of the Dept of HUD, Office of the Under Secretary, Subject File of Richard Van Dusen, 1969-72, WH 1-1-WH 1-2, Box No. 74, Folder: WH 1-1 Memoranda to President 1970-1969 (2 of 2)

At the time of the May 1970 Wall Street demonstrations,¹¹ Haggerty, the BCTD president, stressed that the federal government had subsidized “non-union cheap labor shenanigans” by keeping afloat unprofitable firms making component parts by enabling them to pay apprentice wages of \$4 per day.¹² Even more instructive was his Labor Day message. After sympathizing with members who had expressed their outrage at antiwar demonstrators, Haggerty shifted his focus:

We must not allow our patriotic love for our country, particularly strong in this time of war, to be misinterpreted as a blanket endorsement of public officials or civic leaders whose domestic policies completely contravene our policies and all that we stand for.

Certainly it should not be considered an endorsement of the actions of those who would use their offices to destroy our standards, destroy our working conditions, destroy our training programs and even destroy our prevailing wage structure.¹³

Haggerty also delivered a sobering lecture on self-criticism to his members. Widely reported was his warning that: “Hundreds of millions of dollars of work was lost this year to nonunion contractors explicitly because” union construction workers failed to “deliver a full day’s work for a full day’s pay” or “honestly and rigidly observe” their contracts, or because “personal whims rather than actual illness or other compelling reasons” produced an above-average rate of absenteeism and quits, and “continuous and devastating work stoppages” resulted from jurisdictional disputes between unions. Portentously, Haggerty added that: “Unless we take drastic action to correct those abuses...our employers will soon turn to other sources for their labor supply.”¹⁴ Unsurprisingly, the AGC immediately used Haggerty’s admissions against interest as the epigram for its publication attacking restrictive practices.¹⁵

A few months later Romney confirmed that unions’ fears were not baseless.

¹¹See chapter 11 below.

¹²“AFL-CIO on Breakthrough,” *ENR*, May 7, 1970, at 3; 33 (5) *BCTB* (May 1970) [no pagination].

¹³C. J. Haggerty, “Labor Day Is Time for Objective Appraisal as well as Deserved Recognition of Efforts, President Haggerty Says in Annual Message,” 23 (8) *BCTB* (Aug. 1970) [no pagination].

¹⁴Haggerty, “Labor Day Is Time for Objective Appraisal as well as Deserved Recognition of Efforts, President Haggerty Says in Annual Message.” See also “Haggerty Questions Jurisdictional Strikes, Absenteeism, and Contract Compliance in His Annual Labor Day Message,” *CLR*, No. 780, Sept. 2, 1970, at A-12-A-14; “Honor Pacts or Lose Jobs, Labor Chief Tells Unions,” *NYT*, Sept. 4, 1970, at 9, col. 1. On the uniqueness of large-scale political jurisdictional disputes in the United States, see George Barnett, “The Causes of Jurisdictional Disputes in American Trade Unions,” 9 (4) *HBR* 400-408 at 404 (Apr. 1931). Barnett emphasized that building tradesmen believed that they could protect their employment by dividing the industry into a large number of sections “in each of which the exclusive right to employment belongs to the men practising that particular trade.”

¹⁵AGC, *Restrictive Practices in the Building Trades I* (Sept. 1970), in NACP, RG 174: General Records of the Labor Dept., Office of the Secretary, Records of Sec. James D. Hodgson, Box No. 20: Boards, Folder: 1970-Commissions: CICBC (October).

Ironically, *ENR* reported his predictions in an article headlined, “Nixon Shuns a Wage Confrontation with Labor.”

I believe we'll see a reduction in labor costs. ... The American people are sick and tired of paying the tab for upward pressure on costs. This pressure will be brought to a halt though a combination of direct government action, new labor legislation, and the switch to industrialized housing which can be built without having to use highly skilled, high-cost trade union labor requiring years of training. Restrictive trade practices, too, will be eliminated....¹⁶

The fact that the head of the umbrella organization of building trades unions found it necessary to caution those behind the May demonstrations, which had been used to neutralize the Nixon administration's plans to curb union militance, whereas Nixon's administrator of the state industrialization program announced antiunion measures, makes a brief sketch of that program and the federal government's implementation strategy necessary. To be sure, the program was continuous with the impact that alleged labor shortages, operating through the normal processes of capital accumulation, had already been exerting. Scrutinizing the years from 1956 to 1968, the Department of Commerce observed that: “Shortages of skilled workers in the construction trades and rising wage demands have contributed to increased mechanization in all phases of the construction industry. New building materials and methods have led to greater mechanization of residential and non-residential building construction.”¹⁷

From its inception, Operation Breakthrough, which Nixon characterized as a means of solving the problem of a shortage of construction workers,¹⁸ relied on large industrial firms whose core operations lay outside of construction.¹⁹ Near the end of the Johnson administration, William Chartener, assistant secretary of commerce for economic affairs, had warned that: “It is possible—indeed inevitable

¹⁶“Nixon Shuns a Wage Confrontation with Labor,” *ENR*, Jan. 14, 1971, at 13.

¹⁷U.S. Business and Defense Service Adm., *Growth Pace Setters in American Industry, 1956-68*, at 28.

¹⁸“Annual Budget Message to the Congress, Fiscal Year 1971,” in Nixon, *PPPUS: 1970*, at 46, 66 ([Feb. 2, 1970] 1971).

¹⁹One of the important indirect benefits of Operation Breakthrough, according to assistant HUD secretary for research and technology Harold Finger, was that “the big corporations are moving into industrial production faster than they would have without Breakthrough.” John Herbers, “Housing Plan Turns Out First Factory-Built Unit,” *NYT*, May 20, 1971, in NACP, RG 207, General Records of the Dept. of HUD, Records of the Office of the Undersecretary, Operation “Breakthrough,” Press Clippings, 1971-73, Box No. 4. See also “Instant City Expert Builds Against All Odds,” *ENR*, Oct. 17, 1968 at 36, 41-42; Dorothy Nelkin, *The Politics of Housing Innovation* 102 (1971). Similar plans formulated shortly after World War II remained largely unrealized. James Fitch, *American Building* 344-45 (1948); Glenn Beyer, *Housing and Society* 504 (1965). At that time, too, armaments firms, which were attempting to adjust to demobilization, were to be accorded a significant role.

if present trends continue—that other industries, rich in technological know-how, managerial competence and financial resources, will take advantage of the inability of the construction industry to satisfy its market at a reasonable cost.... It is no secret that a number of major corporations are making plans to move into the field of construction with a new technological look.”²⁰ Johnson’s HUD had “decided early in the game that large industrial corporations should bring their research talents and money into the housing field. The chance of a foothold in what will be one of the nation’s most comprehensive programs—housing—provided the profit incentive....” The key to success was “figuring schemes to assemble enough units into a marketable package in a given area to interest large industrial corporations, the Kaisers, the GMs, GEs, and others.”²¹

The same focus characterized Operation Breakthrough. As a Cabinet Construction Committee memo from December 1969 noted, pointing to recent moves by Boise Cascade and ITT-Levitt, a “distinct trend toward massive capitalization is beginning to take formation.” And prescriptively the memo viewed the combined phenomenon of industrialized housing and the formation of large corporate diversified firms in the construction industry as one of the primary mechanisms for reaching national housing goals.²²

The reason for this orientation lay not only in the fact that the degree of capital concentration and centralization among traditional residential building firms would have been insufficient to finance the huge investments, but also in the fact that they and the unions associated with them would have regarded the plan as a threat to their interests.²³ As the president of the American Institute of Architects

²⁰“Attacking the Bargaining Crisis,” *ENR*, May 30, 1968, at 11-12.

²¹“Instant City Expert Builds Against All Odds,” *ENR*, Oct. 17, 1968, at 36, 41-42 at 42

²²Working Group of the Subcommittee on Industrial Structure, CCC, “The Contract Construction Industry: A New Focus” at 2, 18 (Dec. 16, 1969) (Limited Official Use), in NACP, RG 174: General Records of the Labor Dept., Records of the Secretary of Labor George P. Shultz, 1969-1970, Box No. 173: International Committee-Cabinet Committee on Oil Imports, Folder: 1970-Committee: CCC (May 5).

²³Nelkin, *Politics of Housing Innovation* at 68; “Is the Crisis a Catastrophe?” *Forbes*, Jan. 1, 1971, at 76. Some authors, committed to a leftwing conspiracy approach, explained the plan as flowing from the need for a new source of profits for the military-industrial complex once it hit up against its limits to growth. Marc Weiss, “Housing Industrial Complex,” 4 (1) *PRWET* 23-27 (Nov.-Dec. 1972). On the participation of such aerospace firms as Boeing, Avco, Grumman, Northrop, Raytheon, Aerojet General, and TRW in addition to Ford, GE, Westinghouse, ALCOA, ITT, Kaiser, Hercules, U.S. Steel, Chrysler, Bethlehem Steel, CBS, Borg-Warner, Goodyear Rubber, Jones & Laughlin Steel, see “The Siren Call of Housing,” *Forbes*, Jan. 1, 1971, at 119; Donald Schon, “Innovation by Invasion,” *IST*, No. 27, at 52-60 (Mar. 1964); “Alcoa Expands Housing Role,” *ENR*, July 17, 1969, at 78; “Ford Buys Share of Prefab Firm,” *ENR*, Sept. 25, 1969, at 58; *ENR*, Apr. 16, 1970, at 3; *ENR*, May 7, 1970, at 3; *ENR*, Nov. 12, 1970, at 3; Lawrence Meyer, “The Housing Shortage Goes Critical,” 80 (7) *Fortune* 136 (Dec. 1969); “Factory Housing Faces More Sticky Obstacles Than Its Boosters See,” *WSJ*, Mar. 8, 1971, at 1, col. 6; *WSJ*, Feb. 4, 1971, at 18; “Northrop Holds Talks on Possible Purchase of George A. Fuller Construction Co.,” *WSJ*, Sept. 2, 1971, at 8, col.

warned contractors in 1969: "You better do something about it. There are a lot of other people, including the aerospace firms, that can perform your management functions. You can join up or get bent."²⁴ The close meshing of the federal government with the great national industrial capitals proved to be necessary to overcome the impediments to industrialized housing. For the microeconomic point of the new method of production lay precisely in creating a new spatial division of labor by substituting capital for labor: "Modular production is primarily intended to overcome the skilled labor shortage. Levitt estimates that 250 skilled man-hours in the field will be replaced by less than 150 unskilled and semi-skilled man-hours in the factory...."²⁵ To be sure, it was misleading of advocates to speak of a shortage when they really had the price of skilled labor power in mind. This substitution process did not per se guarantee an improvement in profitability—the point was whether the increased fixed capital investments could be amortized over sufficient units of output to lower unit costs. This stage was not attained in the United States during the period under review.²⁶ (Although Romney had predicted that by 1980 two-thirds of all houses would be manufactured in factories, as of 1995 less than one-third of new U.S. single-family homes was factory built.)²⁷

The success of such an undertaking presupposed either the agreement or

1; "Housing Enters the Era of the Superbuilder," *BW*, Dec. 26, 1970, at 50-53; "Northrop Snaps Up a Big-Name Builder," *BW*, Dec. 25, 1971, at 19 (purchase of Fuller); "Corporate Giants that Soured on Real Estate," *BW*, Feb. 16, 1974, at 96, 98. These articles chronicle many of the firms' precipitate entry and retreat. Despite emphasizing that large corporations had exercised caution in committing their own capital, William Keating, *Emerging Patterns of Corporate Entry into Housing* 75, 125 (1973), declared that it could be "safely said" that they would soon extend their dominance to the housing industry.

²⁴"The AGC Sees No Panacea Ahead," *ENR*, Mar. 27, 1969, at 17-18.

²⁵"Housing Enters the Era of the Superbuilder," *BW*, Dec. 26, 1970, at 52-53.

²⁶"Making Modular Units Is Easy, Making Money at It Isn't So Easy," *WSJ*, Sept. 7, 1972, at 1, col. 6. Ironically, modular builders complained: "Large tract builders putting up 100 to 500 homes at a time have what is almost an assembly line in the field—we can't beat that." "Modular Housing Takes a Beating," *BW*, May 13, 1972, at 148. For international comparisons, see W. Roest, *Bouw en economische groei* 56 (1973); Alexander Pike, "Failure of Industrialized Building and Housing Programs," 37 (2) *AD* 507 (Nov. 1967). For an example of the inability to make accurate prognoses, see Battelle Memorial Institute, *The State of the Art of Prefabrication in the Construction Industry* 83 (1967). A principal obstacle to cheap modular housing was the high cost transportation. "The Modules Look for a Cheaper Ride," *BW*, May 22, 1971, at 22-23. As early as 1972, one critic awarded Romney the Edsel Award. 1 (3) *Impact* 3 (Nov. 1972). HUD maintained a file with scores of critical materials. NACP, RG 207: General Records of the Dept. of HUD, Records of the Office of the Undersecretary, Operation "Breakthrough," Company and Subject File, 1971-73, Box No. 3, Folder: Criticism.

²⁷"Secretary Romney Predicts Two-Thirds of All U.S. Housing Will Be Factory-Produced by 1980," *CLR*, No. 799, Jan. 13, 1971, at A-3; "And Now for the Homeburger," *Economist*, Aug. 10, 1996, at 19. As Peter Williamson, "Tomorrow's Housing," *ENR*, Apr. 30, 1974, at 137-44 at 139, noted: "Unfortunately for would-be industrialized builders, there are no markets to justify the capital outlay for a \$1-million or \$2-million factory."

weakening of construction unions since the industrialization program would have triggered not only an enormous process of dequalification and thus of labor power devaluation, but also construction-industry-wide disemployment.²⁸ A way, therefore, had to be found to induce unions to accept a situation in which fewer and fewer skilled workers would be employed.²⁹ To be sure, this program was based on an empirical assumption that was contested even at the time—namely, that residential construction was largely unionized.³⁰ If, as other contemporary authorities observed, 80 percent of housing was built by nonunion workers, “the union wage spiral was not a direct factor in pushing up the price of housing,” especially since unorganized construction workers’ wages amounted to only half of union rates.³¹ By 1974, the domination of residential construction by non-and

²⁸On the displacement of skilled on-site construction workers by factory workers with three weeks of training, see David Shipler, “Small Plant Taking Big Step in Prefabs,” *NYT*, Oct. 27, 1970, at 47, col. 1. The Sheet Metal Workers International Association in San Francisco agreed that journeymen working in fabricating shops would be paid \$5 an hour instead of the \$9.41 paid for on-site construction. “Metalworkers’ Union, California Employers Set Lower Shop Wage,” *WSJ*, July 9, 1971, at 24, col. 4.

²⁹“A Steeper Labor Cost Spiral in ’71, Lower in ’72,” *ENR*, Sept. 17, 1970, at 88-103 at 103; *The Report of the President’s Committee on Urban Housing: Technical Studies* 2:49 (1968).

³⁰Howard Foster, “Unions, Residential Construction and Public Policy,” 12 (4) *QREB* 45-55 (Winter 1972); *idem*, *Manpower in Homebuilding: A Preliminary Analysis* 42-48 (1974). A vice president of the NAHB testified before Congress in 1969 that 50 percent of housing units and almost all apartment houses were built by union labor. *Situs Picketing: Hearings Before the Special Subcommittee on Labor of the House Committee on Education and Labor*, 91st Cong., 1st Sess. 126 (1969) (testimony of Louis Barba). In 1952, a survey of 16 cities revealed that almost 100 percent of workers on commercial, industrial, public, and semi-public work were unionized, whereas in nonapartment residential construction the share varied from 100 percent in Chicago, St. Louis, and Cleveland to 25 percent in Indianapolis, Cincinnati, and Columbus. William Haber & Harold Levinson, *Labor Relations and Productivity in the Building Trades* 35-36 (1956). William Tobin, the chairman of the NAHB labor department testified before Congress in 1951 that 24 percent of local affiliated associations operated in cities with 100 percent unionization of residential construction and 22 percent in cities with no unionization. *To Amend the National Labor Relations Act, 1947, with Respect to the Building and Construction Industry: Hearings Before the Subcommittee on Labor and Labor Management Relations of the Senate Committee on Labor and Public Welfare*, 82d Cong., 1st Sess. 139 (1951). In 1946, when 250,000 organized workers were employed in residential construction, 73 percent of building trades locals reported that they negotiated agreements covering most of residential construction in their areas; in only eight cities did all of the unions claim to control a majority of residential construction. BLS, *Union Wages and Hours in the Building Trades* 24 (Bull. 910, 1947). In 1939, the BLS reported that the consensus among unions and contractors was that nearly all large residences in the cities surveyed were constructed by union labor. In only four cities did union rates prevail in virtually all residential construction; in 12 to 16 cities union rates were estimated to prevail in half of small residential jobs; in 47 to 52 cities, less than half. BLS, *Union Wages, Hours, and Working Conditions in the Building Trades* 37 (Bull. 674, 1940). A BLS survey from 1936 revealed that 57 percent of workers in residential construction were unionized compared to 72 percent in nonresidential construction. Edward Sanford, “Wage Rates and Hours of Labor in the Building Trades,” 45 (2) *MLR* 281-300 at 297 (Aug. 1937).

³¹Lenhart, “Construction Wage-Stabilization Efforts” at 2215.

“militantly anti-union” firms had motivated the United Brotherhood of Carpenters to try to organize homebuilding, just as it had resolved, with some success, in 1970 to organize in-plant and erection employees of firms manufacturing prefabricated housing.³² On another track, however, the Carpenters’ resistance to the use of prefabricated materials as limiting on-site work provoked builders, including such a vertically integrated firm as Boise Cascade, supported by the Chamber of Commerce of the United States and the Business Roundtable, to file unfair labor practice charges under the NLRA.³³

According to the well-informed insider, Daniel Quinn Mills, the federal government’s error set in motion an unwanted self-fulfilling prophecy:

There is little doubt that the federal government has inadvertently facilitated the organization of industrial housing by the unions. The government largely misunderstood the labor relations situation in homebuilding, believing organization by the unions to be greater than it is, and publicized as critical a somewhat minor problem of union acceptance of prefabricated housing. In order to resolve the supposed dispute, the government sought labor agreements to facilitate on-site acceptance by the unions. ... In the process, the building trades obtained further representation in the housing production industry.³⁴

If this view was correct, then the policy could be traced back to a deal that the Nixon administration had entered into with construction unions and parts of the industry. Mills’s reference to a “minor problem” appears, however, to have been an understatement; after all, even in the factories supplying the industrialized housing industry that were organized by (construction) unions, workers’ wages were barely more than half of those of skilled building tradesmen.³⁵

³²“Carpenters Launch Major Organizing Drive for Residential Construction,” *CLR*, No. 951, Jan. 2, 1974, at A-9; “General Executive Board Policy Statement on Prefabricated Housing,” 90 (4) *Carpenter* 2, 3, 36 (Apr. 1970). At least one modular house manufacturer’s production-line workers were members of the United Brotherhood of Carpenters. “Stirling Homex Plans to Ship Housing Units to Markets by Water,” *WSJ*, Mar. 1, 1971, at 8.

³³E.g., *Chamber of Commerce of the United States v. NLRB*, 574 F.2d 457 (9th Cir. 1978). See generally, Douglas Leslie, “Right to Control: A Study in Secondary Boycotts and Labor Antitrust,” 89 *HLR* 904-20 (1976).

³⁴Daniel Quinn Mills, *Industrial Relations and Manpower in Construction* 267-68 n.54 (1972). Felician Foltman, in reviewing this book, characterized Mills, based on his career activity, as a spokesman for the construction industry as a whole. 26 (3) *ILRR* 1030-31 (Apr. 1973).

³⁵“Metalworkers’ Union, California Employers Set Lower Shop Wage,” *WSJ*, July 9, 1971, at 24, col. 4. Eastern European state-socialist countries acknowledged the progressive aspect of the higher degree of the socialization of the forces of production associated with such dequalification processes. R. Richta et al., *Politische Ökonomie des 20. Jahrhunderts* 54-55 (1971); Edward Kuminek, “Changes in the Output of the Building Industry as a Factor in the Development of Home-Building,” in *The Economic Problems of Housing: Proceedings of a Conference Held by the International Economic Association* 228-35 at 234 (Adela Nevitt ed., 1967) (discussing Poland). Although unions in capitalist societies as working-class protective organizations cannot trust

The second important reason for the necessity of 'collaboration' between the federal government and the large industrial firms investing in the construction industry was to weaken the the alliance of local governments, construction unions, and unionized building firms standing in the way of a thorough national industrialization of residential construction.³⁶ Within the sector investing in construction three groups of firms can be distinguished: (1) those whose technological basis offered specific advantages in industrialized building; (2) those without such possibilities, but that bought up larger traditional construction companies with the aim of using large investments to enable them to acquire such a technological basis; and (3) those manufacturing various components for the construction industry that were induced to integrate forward into building because of the difficulties that union restrictions might cause them in selling their products to contractors.³⁷

That this state-promoted industrialization movement did not achieve the successes that had been widely predicted was due to several factors: (1) the level of short-term profits was, in view of the long-term uncertainties, not high enough

modernized versions of the compensation theory that promise new and better employment to those displaced by mechanization, every national labor movement that aspires to transcend the status of a factor of production chasing after special interests must also seek to promote a humane development of the forces of production. Thus in view of the chronic shortage of decent housing for low-income workers, construction unions that flatly reject methods of production that would alleviate this dearth undermine classwide goals. For an example of a pseudo-communist analysis that ignores this contradiction, see "Construction Unions Attacked," 6 (10) *Challenge* 13 (Jan. 1970). On the world's leading example of a union that paid as much attention to the projects its members built as to the conditions under which they built them, see Pete Thomas, *Taming the Concrete Jungle: The Builders Laborers' Story* (1973). Under the leadership of Jack Munday, its Communist secretary, the Builders Labourers Federation of New South Wales instituted green bans on environmentally harmful projects and struck at a university that fired a homosexual and refused to hold a women's liberation course. Such actions prompted the *Sydney Morning Herald* to declare that: "There is something highly comical in the spectacle of builders' labourers, whose ideals in industrial relations do not rise above strikes, violence, intimidation and the destruction of property, setting themselves up as arbiters of taste and protectors of the national heritage." Jon Tinker, "Tin-Hatted Conservationist," 62 (901) *New Scientist* 620-24 at 620 (June 6, 1974). On the judicial deregistration of the union for exceeding the scope of its legitimate activity, see *Master Builders' Ass'n of New South Wales v. Australian Bldg. Constr. Employees and Builders' Labourers Fed'n*, 23 FLR 356 (1973-1974).

³⁶Weiss, "Housing Industrial Complex" at 25-26; James O'Connor, *The Fiscal Crisis of the State* 83-84 (1973).

³⁷"Some New Approaches to Industrialized Housing," *JH*, No. 8, at 431-39 (Sept. 1967); Lefkoe, *Crisis in Construction* at 11. The best example of a firm falling into the last group was Boise Cascade, whose construction activity proved unsuccessful. "Housing Builds Boise Cascade," *ENR*, Dec. 12, 1968, at 28, 33-34; A. Richard Immel, "Sales of Scenic Lots for Vacation Homes Run into Many Woes," *WSJ*, Dec. 24, 1970, at 1, col. 1; "Boise Cascade Says It Had 4th Period Loss, Profit in '70 Plummeted," *WSJ*, Feb. 4, 1971, at 18, col. 6; "Boise Cascade to Incur \$44 Million Charge in 2nd Period Writeoffs, Writedowns," *WSJ*, June 21, 1971, at 10, col. 1; "Corporate Giants that Soured on Real Estate," *BW*, Feb. 16, 1974, at 96, 98.

to justify the further withdrawal of this capital by industrial firms from more profitable spheres of investment; (2) the rapid and (as always) unexpected sequence of phases of the business cycle (1967-69: boom; 1969-71: crisis and depression; 1972-73: inflationary boom; 1973-75: inflationary crisis and depression) prevented the planning and implementation of an expensive state program that had to be secured for the long term; and (3) undermining the livelihoods of hundreds of thousands of small building contractors together with the workers relying on them for employment became a politically delegitimizing impediment.³⁸ That resistance stemmed not only from small business owners is shown by the fact that construction lenders were also seen as having “no interest in new and more economic production methods or lower prices for new housing since they are typically identical with mortgage lenders having a great stake in capital values in the existing housing supply.”³⁹

This analysis makes it implausible to identify Operation Breakthrough as derived from or corresponding to the interests of capital in general without recourse to dubious a priori or a posteriori constructions.⁴⁰ This non-correspondence may derive from the fact that aggregate capitalist interests cannot be articulated from the standpoint of an individual branch.

Such agnosticism can be contrasted with the contemporaneous approach of the Maoist Progressive Labor Party: “There are 870,000 contractors in this country. Most are small and have a hard time staying in business. Big Business could easily set up a few big construction firms that would force most of the small fry out. This is the whole direction of the Big Business plan.”⁴¹ Here was paired a reckless overestimation of the “power of the monopolies” with neglect of the conditions of production for profit. The group’s approach was, moreover, inconsistent since it in effect demanded that workers together with small contractors ward off the threat of big business, although it also reported that the 870,000 contractors were “united against the men.”

The possible results of such tactics can be imagined using Lefkoe’s contemporaneous insider-analysis commissioned by the Roundtable. Lefkoe observed a certain opposition of interests between general and specialty contractors, which led to the latter’s refusal to coordinate their wage negotiations: “Each

³⁸On these “mittelstandspolitischen” reasons, see C. Offe & V. Ronge, “Fiskalische Krise, Bauindustrie und die Grenzen staatlicher Aufgabenrationalisierung,” 1 (2) *Leviathan* 214 (May 1973).

³⁹Leo Grebler, *Production of New Housing* 150 (1950). See also “An Historical Evaluation of Industrialized Housing—Building Systems in the U.S.,” in *The Report of the President’s Committee on Urban Housing: Technical Studies* 2:184; Fitch, *American Building* at 334-35.

⁴⁰Claus Offe, *Strukturprobleme des kapitalistischen Staates* 65-105 (1973); Joachim Hirsch, *Staatsapparat und Reproduktion des Kapitals* 217-30, 252-61 (1974).

⁴¹“Construction Workers,” 7 (4) *PL* 52 (Feb. 1970). See also 6 (7-8) *Challenge* (Oct.-Nov. 1969).

specialty group is as anxious as the union it deals with to promote and retain the on-site work it does. Thus, certain types of specialty contractors and the unions they deal with often join forces in opposing technological advances that would take work they perform from the site to the factory.”⁴² Even if specialty contractors had created a united front with the general contractors (AGC) against national wage contracts (of the NCA-members), which continued in force, so that workers striking under local contracts might have found employment elsewhere, the former tended to appeal to their industrial customers for help—in the hope that they would suspend the projects in order to resist the workers’ wage demands.

Of overriding importance in this context is that many of the firms participating in Operation Breakthrough formed the Roundtable, which established that resistance as its highest priority.⁴³ After Lefkoe attempted to explain microeconomically why such behavior on the part of the large construction customers would be irrational, he demonstrated how capital exists only individually:

The argument that client firms should be willing to act against their own economic self-interest in order to help “the economy as a whole” probably will not get very far. It will be seen by the executives of most of the client firms as a not very well disguised way of asking them to reduce their own companies’ profits in order to increase the profits of those *other* companies which are being called “the economy as a whole.”⁴⁴

Lefkoe then warned those who did not understand that customers would use that call for help to bring the industry under their control: “Unfortunately contractors...almost a century ago did not understand any better than contractors today that if the business community is going to provide money..., it also is going

⁴²Lefkoe, *Crisis in Construction* at 38. Some of Lefkoe’s incisive analyses about the construction industry contrast sharply with the bizarre and ignorant assertions that he makes about the NLRA and labor law in general. His point of departure—quoted by him at length from a monograph, published by Lefkoe Consulting, Inc., *Organized Labor’s Use of Coalition Bargaining: The Noose Gets Tighter*—is the allegation that underlying labor law is the “almost universal acceptance of...numerous economic and historical myths about capitalism,” in particular the theory that “employees are ‘exploited’...by employers, who band together to drive wages down to the level of bare subsistence.” Lefkoe, *The Crisis in Construction* at 57-58. His outlandish claims about the relentlessly pro-union Taft-Hartley Act are especially inapt since he alleges that the government is “the primary source of union coercive power,” whereas in fact the NLRB did not even exercise jurisdiction over construction unions until Taft-Hartley, which curtailed building trades unions’ power—which had flourished without protection by the Wagner Act—by outlawing and enjoining secondary action. *Id.* at 55-79. Under the name Morty Lefkoe, he has moved on to the business of new age self-improvement consulting. <http://www.decisionmaker.com/bio.html>

⁴³Lefkoe, *Crisis in Construction* at 93-96; Weiss, “Housing Industrial Complex” at 26.

⁴⁴Lefkoe, *Crisis in Construction* at 114-15.

to make sure that its assistance is used properly and for its benefit.”⁴⁵

Fortune later understood this novel strategy, observing that initially the CUAIR “had to buck considerable suspicion among contractors. Ordinarily customers do not interfere with the business of a supplier; if they dislike his product or price, they go elsewhere. But here was something new in U.S. business—big companies were encouraged to intervene in the affairs of suppliers who had lost control of their costs. Contractors soon saw that their long-term interests were served by the arrangement.”⁴⁶ As an entrepreneurial strategy for medium-sized and small firms, Lefkoe suggested vertical and/or horizontal integration, which would not only have done away with the opposition between general and specialty contractors, but also prompted the rationalization movement to apply modular methods, which could, in turn, have reduced the number of skilled workers. Thus Lefkoe imagined a strong trend toward capital concentration and centralization, which would bring about the disemployment of many union members, whereas others “would be willing to renounce...union membership in return for year-round employment at union wage rates.” Further advantages would accrue to the new construction firms in the form of the restoration of management prerogatives associated with the disappearance of unions.⁴⁷

From this analysis of the forces operating within the industry it emerges that collaboration of workers with small building contractors in order to thwart an invasion by industrial capital could have led to catastrophic consequences. To be sure, many firms, especially in large cities such as New York, were apparently prepared to undertake this effort—hence the May demonstrations, which, however, hardly expressed the political standpoint that the Progressive Labor Party strategy would have ascribed to it.

⁴⁵*Id.* at 119-20. Lefkoe was referring to the so-called American Plan in San Francisco in the beginning of the 1920s, which undermined the power of local building firms and unions; that such a scenario had lost none of its currency was demonstrated by Lefkoe’s reference to the NAM and the Roundtable. *Id.* at 116-20; see also below ch. 14.

⁴⁶Gilbert Burck, “A Time of Reckoning for the Building Unions,” *Fortune*, June 4, 1979, at 82, 88.

⁴⁷Lefkoe, *Crisis in Construction* at 136-43, 148, 162 (quote), 168.