

**“Profit Splitting, Power Sharing, and Policy Setting:
Organized Labor, the Forgotten Fight Against ‘Excess Profits,’
and Economic Amnesia in the Contemporary USA”**

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When newly-elected Congresswoman Alexandria Ocasio-Cortez suggested in a recent *60 Minutes* interview that top income earners should pay a much higher marginal tax rate than the current 37%, the response by some Republican officials bordered on incredulity. Veteran GOP leaders such as Georgia Congressman Steve Scalise accused Ocasio-Cortez of wanting to tax 70% of individuals' entire earnings, when in reality she was proposing to tax at that rate only any income above \$10 million (and thus impacting an extremely tiny fraction of the richest Americans). The partisan brouhaha was just the latest instance of a deep and disturbing feature of contemporary US political debate: a widespread and at times willful amnesia concerning the history of American attempts to curb excessiveness and promote economic fairness.

Throughout much of the twentieth century, Americans confronted extreme income inequality via labor unions, anti-monopoly regulation, and progressive taxation, but for the past four decades those efforts have been largely abandoned, and mostly forgotten -- apparently to the point that some elected officials don't even understand how marginal tax rates work. Ocasio-Cortez, for her part, revealed her familiarity with not only the history but also the policy, accurately referring to "our tax rates back in the '60s ... [hitting 70% for] ... the tippy tops" of the income scale. If she had gone back a decade further, she could have schooled her foes further, for in the 1950s, the highest-earning Americans paid 90% on

anything they made above \$2.5 million in today's dollars -- and this was during the two-term presidency of *Republican* Dwight Eisenhower.¹

What was attacked in 2019 by just-ousted Wisconsin governor Scott Walker as unbridled and un-American "Socialism," in other words, was uncontroversial and bipartisan democratic capitalist practice sixty years ago. And the differences between that era and ours go beyond the top tax rate; a related gulf concerns the presence and power of the labor movement, which today is a shell of its former self, with unions representing only one in ten American workers. Conversely, the Eisenhower era represented the apogee of trade union strength, as one in three eligible employees were covered by collective bargaining agreements. Moreover, unlike now, union leaders and their members played significant roles in both policymaking and agenda setting, whether at the workplace or in national politics.²

The personification of organized labor's mid-century might was Walter P. Reuther, who as president of the United Automobile Workers (UAW) from 1946-1970 was the most visible, forceful, and imaginative American union leader

¹ ["Alexandria Ocasio-Cortez: The rookie congresswoman challenging the Democratic establishment"](#) [Anderson Cooper interview of Rep. Ocasio-Cortez], *60 Minutes*, Jan. 6, 2019; Paul Solman, ["What the Ocasio-Cortez/Scalise debate teaches us about the marginal tax rate,"](#) *PBS Newshour*, Jan 9, 2019.

² Bill Glauber, ["Scott Walker, Alexandria Ocasio-Cortez get into Twitter fight over marginal tax rates,"](#) *Milwaukee Journal Sentinel*, Jan. 15, 2019; US Department of Labor Bureau of Labor Statistics, ["News Release: UNION MEMBERS — 2018,"](#) Jan. 18, 2019; Gerald Mayer, ["Union Membership Trends in the United States"](#) (Washington, DC: Congressional Research Service, 2004), 12.

of the postwar decades. One of the pioneers of the industrial union upsurge that transformed American labor relations in the depths of the Great Depression and during World War II, Reuther led the UAW into the postwar promised land through a series of contracts carrying autoworkers into the middle class. By the mid-1950s, the UAW's collective bargaining agreements with the Big Three automakers -- collectively celebrated ever since as the "Treaty of Detroit" -- delivered not only higher pay, but also innovations such as cost-of-living adjustments, company-provided health care, pensions, and supplemental unemployment benefits.³

On January 25, 1958, six decades before Congresswoman Ocasio-Cortez appeared on *60 Minutes*, Walter Reuther was the featured guest on a forerunner to that long-running news program, ABC's *The Mike Wallace Interview*. The topic was Reuther's proposed profit-sharing plan, which the UAW had just unveiled as

³ The "Big Three" customarily refers to the three largest US automakers -- General Motors, Ford, and Chrysler -- who dominated the industry in the postwar decades. In exchange for workers gaining greater pay and job security, the "Treaty of Detroit" granted management greater authority over investment, production, and workplace decisions. The term "Treaty of Detroit" was first coined by *Fortune* magazine in 1950, and it referred to the five-year contract the UAW signed with General Motors. **[GET THAT ORIGINAL CITATION.]**

The essential starting points for Walter Reuther's biography and the history of the UAW remain the thematically complementary yet argumentatively antagonistic Nelson Lichtenstein, *The Most Dangerous Man in Detroit: Walter Reuther and the Fate of American Labor* (New York: Basic Books, 1995) and Kevin Boyle, *The UAW and the Heyday of American Liberalism, 1945-1968* (Ithaca, NY: Cornell University Press, 1995). The scholarship on the UAW is voluminous; readers should consult the bibliographies of these titles as well as explore studies published since then, which have complicated but not yet supplanted their interpretations.

they headed into contract negotiations with the automakers. Calling attention to what he termed the auto industry's "excess profits," Reuther demanded their conversion into not only higher wages for workers, but also lower prices for customers.⁴ The proposal earned widespread national press coverage and academic interest throughout 1958, with a leading business journal predicting that "some of the fundamental issues it raises will be with the American people for a long time to come." Yet it has largely dropped from collective memory.⁵

Historians have devoted little energy to Reuther's profit-sharing proposal, mostly because the UAW quietly scrapped the plan in the face of a severe economic recession and fierce management resistance. Ultimately, the 1958 collective bargaining agreements, signed later in the year, extended the "Treaty of Detroit" by preserving the wage and benefit provisions that made autowork the gold standard of postwar working-class jobs. But they failed to address the

⁴ "[Walter Reuther,](#)" *The Mike Wallace Interview*, Jan. 25, 1958, Harry Ransom Center, University of Texas at Austin [accessed Oct. 12, 2018]. This website contains both the original video and a transcript of the interview, though the latter is littered with mistakes.

Mike Wallace honed his distinct interview style on this and other shows before becoming one of the initial co-hosts for CBS's new *60 Minutes* in 1968; he remained at that post until his retirement in 2006. Tim Weiner, "[Mike Wallace, CBS Pioneer of '60 Minutes,' Dies at 93,](#)" *New York Times*, Apr. 8, 2012.

⁵ Royal E. Montgomery, Irwin M. Stelzer and Rosalind Roth, "Collective Bargaining Over Profit-Sharing: The Automobile Union's Effort to Extend its Frontier of Control," *The Journal of Business* 31.4 (Oct. 1958), 318-334, quote on 322.

The 1958 UAW-Big 3 contract negotiations, including the profit-sharing proposal, were featured regularly in, among others, the *New York Times*, *Wall Street Journal*, *Fortune*, and *Business Week*.

“excess profits” issue raised so insistently by Reuther months before.⁶ Regardless of the proposal’s political viability in 1958, however, today the plan offers a useful window through which we can explore how Americans of an earlier era debated fundamental questions of excessiveness and economic fairness, offering clues to how and why we might approach these enduring questions now. In short, a brief look at Reuther’s 1958 long-forgotten profit-sharing proposal reminds us that our current debates over inequality and excessiveness aren’t new. Beyond that, an exploration of this moment in the lost history of American anti-excessiveness invites broader reflection on the relationship between economic inequality and political power, as well as the agency of non-governmental actors -- especially working-class ones -- in efforts to bend economies in a fairer, more equitable, direction.

The UAW’s profit-sharing plan proposed to take all before-tax annual profits above 10% of net capital, what Reuther termed “excess profits,” and split them into two, with 50% still retained by the corporation, and the other half distributed as 25% to workers as bonuses and 25% to car buyers as rebates. As

⁶ Lichtenstein, *The Most Dangerous Man in Detroit*, 295-96, cursorily treats the profit-sharing proposal, seeing it less as a serious program than as one of many bargaining chips in the UAW’s weak hand during the negotiations with the Big Three. More recently, Daniel J. Clark briefly discusses the proposal in *Disruption in Detroit: Autoworkers and the Elusive Postwar Boom* (Urbana: University of Illinois Press, 2018), but his emphasis on ordinary workers’ experiences and perceptions precludes much analysis of the UAW’s national strategies or campaigns. See chapter 9, “The Nadir, 1958,” Kindle edition, loc 3148-3536, which persuasively describes the severe recessionary context in which the UAW’s bargaining took place in 1958.

Reuther argued, by delaying redistribution of the profits until the end of the year, the plan rewarded collaborative efforts by workers and managers without putting “inflationary pressures on the price structure,” something the automakers insistently decried and pundits predicted when the union asked for a straight-up wage increase. In short, the plan would serve two important functions simultaneously. First, as a matter of justice, it would reward all stakeholders who contributed to a company’s success, not just the executives. As Reuther put it, “we say that workers, consumers, and stockholders should share in getting their equity out of the fruits of advancing technology.” Second, as a matter of economics, such a scheme would be “the most effective way to expand purchasing power,” Reuther’s longtime favorite phrase for promoting national economic growth and development, because it would put more money into the pockets of ordinary autoworkers and customers, whose spending would then spur further demand for other goods and services.⁷

The Mike Wallace interview, where Reuther publicly articulated and defended the profit-sharing proposal, represented in microcosm the hostile reaction his plan received from business leaders and much of the mainstream press. For thirty minutes the pugnacious newsman challenged the statesmanlike labor leader. Committed, in his words, to “supply and demand and free private enterprise,” Wallace characterized the profit-sharing plan as “most

⁷ All quotes in this paragraph come from [“Reuther,” *The Mike Wallace Interview*](#), Jan. 25, 1958. For more details on the proposal, see the good overview in Montgomery, *et. al.*, “Collective Bargaining Over Profit-Sharing,” 318-22.

controversial,” and we warned that the proposal had “outraged the Big Three” and was “being attacked by big business as a giant step towards socialism.” To top it off, Wallace then mocked what he called “this ... golden cornucopia ... [for] all workers and all customers to share in.”⁸

Reuther, for his part, failed to play this game of red-baiting gotcha, remaining cool and confident in the face of the attacks. Instead, he stressed the moderation and logic of the proposal: “I think this is perhaps the most pro-free enterprise demand that we have ever made. Because the only way you ... make free enterprise secure is to give every American a stake in the fruits of its technology. And what we're proposing here is not a new idea, nothing revolutionary about it; there are more than twenty thousand companies in America that have profit-sharing plans ...” But, Wallace rebutted, other profit-sharing plans “were granted freely by the company, not asked for” -- he might have said demanded -- as a matter of right and justice in contract negotiations.⁹ And that was the rub. The debate over Reuther’s 1958 profit-sharing plan -- in particular the sparring over the correct definition of “free

⁸ [“Reuther,” *The Mike Wallace Interview*](#), Jan. 25, 1958.

⁹ [“Reuther,” *The Mike Wallace Interview*](#), Jan. 25, 1958.

Montgomery, *et. al.*, “Collective Bargaining Over Profit-Sharing,” 318-22, features the negative reactions of several business leaders, including Roger M. Blough, chairman of the board of US Steel, who predicted that such a plan “would share the life right out of the employer’s profits -- the fellow who is supposed to provide the jobs” (318n2). But not all reaction was hostile. Rawson Wood, chairman of Profit Sharing Industries, an organization “supported by Sears Roebuck and Standard Oil of New Jersey,” called the UAW plan “one of the best ways to preserve the American free enterprise system” (320).

enterprise” -- exposed the correlation between profits and power inherent in a capitalist economy and in tension with a democratic polity.

In other words, what the *Detroit Free Press* referred to as the UAW’s “profit-split plan” was as much about power sharing as profit splitting. One of Reuther’s long-standing charges against the Big Three was their oligopolistic power, as together they controlled up to 90% of market share in the US. Ever since the 1946 UAW strike against General Motors, when he demanded that executives “open the books” to prove that they were raking in “excess profits,” Reuther had accused the automakers and other giant firms of “rigging” the economy, warning Americans of “powerful corporations who exercise monopoly control of basic industries and who can arbitrarily set aside the law of supply and demand and fix the price.” The 1958 profit-sharing proposal, then, was one in a long line of attempts to produce what Reuther called “a competitive price rather than a rigged administered price.” “[T]he consumers of America and the wage earners have both been shortchanged,” Reuther intoned, and the conversion of “excess profits” into wages and rebates was “the only way we can get them their equity.”¹⁰

Reuther’s solution to the monopoly power of corporations, then, was to compel the owners to negotiate with unions over the proper distribution of the profits. Further, by embedding consumer interests within the profit-sharing plan,

¹⁰ For references to the “profit-split plan,” see Clark, *Disruption in Detroit*, Ch. 8, footnotes 4 & 5, Kindle loc. 5231. All other quotations in the paragraph come from “Reuther,” [The Mike Wallace Interview](#), Jan. 25, 1958.

collective bargaining by management and the union would promote the economic health of the nation at large. This was the essence of what Reuther had earlier called “truly-free enterprise,” and it reminds us that the increasing income inequality characteristic of our contemporary economy is both a reflection and cause of massive power imbalances, not just between large employers and their workers, but between corporations and the public at large.¹¹

Intimately related to this question of profit-sharing as power-sharing was the decision-making inherent in that process. Today those who challenge excessiveness tend to think largely, if not exclusively, in terms of redistribution of profits and large incomes via progressive taxation. The Twitter tempest occasioned by Ocasio-Cortez, for example, centered on marginal tax rates. In 1958, on the other hand, Reuther’s vehicle to curb excessiveness was not the federal government; instead, the UAW would police profits, bending them toward wages and rebates, through the collective bargaining process. Of course, at that time the highest marginal income tax rate was 90%, while the top corporate tax bracket was 52%, so there was little incentive to focus on tax policy.¹²

¹¹ As Reuther declared in 1946, the UAW’s objective was “to save truly-free enterprise from death at the hands of its self-appointed champions.” Reuther quoted in Nelson Lichtenstein, *State of the Union: A Century of American Labor* (Princeton, NJ: Princeton University Press, 2002), 103.

For more on Reuther’s ideas, see Lichtenstein, *The Most Dangerous Man in Detroit*, especially chapters 11 (“On Strike at General Motors”) and 13 (“The Treaty of Detroit”).

¹² [“Corporate Top Tax Rate and Bracket, 1909 to 2016,”](#) Tax Policy Center, Feb. 14, 2017.

Still, the point still bears repeating: Reuther's profit-sharing proposal envisioned the UAW, not the IRS, as the policymaking agent. Further, under the union's proposal, the 25% of reclaimed excess profits wouldn't necessarily translate directly into individual bonuses. Instead, the allocation's destination would be determined, as one analyst put it, "by the workers themselves ... through the democratic machinery of their union." Possibilities included, and the list is not exhaustive, "additional wage increases; added hospital-medical insurance protection; added protection against short work weeks and layoffs; added protection for workers affected by plant and job movements and technological change; further pension improvements; additional paid holidays; [or] lengthened vacations."¹³

It may be difficult for Americans today to envision a union purporting to play such a prominent role in allocating a private company's profits, and -- even more -- suggesting that the destination of those profits might be deliberated democratically and awarded collectively rather than individually. Well, even in 1958, the profit-sharing plan aroused a storm of opposition, leading one contemporary observer to conclude, "some of the reactions to Mr. Reuther's injection of it into collective bargaining bordered on the violent." In one of many examples, the president of General Motors lambasted it as "a radical scheme,

¹³ Montgomery, *et. al.*, "Collective Bargaining Over Profit-Sharing," quotes from 319 and 319n6. In a sign of the complexities of power-sharing within the UAW, the authors noted, "the various departments of the union would separately vote on the disposition of the profit-sharing fund" (319).

foreign to the concepts of the American free enterprise system.” In reality, though, the overheated rhetoric and alarmist responses represented less a genuine shock and more an astute strategy to delegitimize what many business leaders feared as the next frontier of collective bargaining. Further, because the auto sector was “typically something of a ‘pattern-setter’ for other industries,” as one reporter correctly observed, employment policy here would likely produce significant spillover effects across the national economic landscape.¹⁴

The democratic potential of the UAW’s 1958 profit-sharing plan, let alone its economic soundness, is beyond the scope of this investigation, but the widespread press attention it generated, and the alarmist reactions it prompted amongst executives, suggests the seriousness with which it was received. And their seriousness is something we should take seriously, because recovering forgotten initiatives like this one can encourage and empower us to consider alternatives to the straightjacket of liberal and neoliberal non-thinking that has prevented us from tackling excessiveness and inequality for decades. Throughout the postwar era, Walter Reuther argued that unions like the UAW could represent ordinary people as workers, consumers, and citizens simultaneously, in collective bargaining with corporations and in political negotiation with elected leaders. In 1958, his profit-sharing proposal attempted to turn that argument into concrete reality. He failed, but his cause was worthy – and it remains so today. What

¹⁴ Montgomery, et. al., “Collective Bargaining Over Profit-Sharing,” 318-22, quotations from 320, 320, and 318n2.

vehicles might we forge to carry on the twin struggles for economic fairness and against excessive profits and power? That remains to be seen, but -- as this short case study hopefully shows -- our vision is enhanced when we look to the past to see how our predecessors confronted challenging scenarios not that very different from our own.