THE LABOR SPY RACKET

by

LEO HUBERMAN

PRESS

CLASSICS OF RADICAL THOUGHT

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PREFACE TO 1967 EDITION

The Labor Spy Racket was first published in June 1937, exactly 30 years ago. Most of the material in the book was based on the evidence introduced in the hearings before the Subcommittee of the Committee on Education and Labor of the United States, popularly known as the La Follette Civil Liberties Committee.

The hearings had been reported in the press and the complete text of the first eight volumes — 2,500,000 words of stenographic records — had been published by the Government Printing Office. "An obvious need," I wrote in the original Preface, "lest this vitally important material be buried on committee shelves, was a short book that would fall between the too-short newspaper and the too-long stenographic record." *The Labor Spy Racket* was my attempt to satisfy that need.

The story it unfolded of the employers' war on trade unionism, graphically presented in the unwilling testimony of the employers and their hired spies, came as a shock to those Americans not familiar with the class war in the United States. Within a few weeks of publication, 125,000 copies of the paperback edition of the book were sold.

In 1957, twenty years after the revelations of the La Follette Committee, testimony before another Senate Committee (Select Committee on Improper Activities in the Labor or Management Field — The McClellan Committee) proved that anti-unionism and the use of labor spies was still The American Way. In this reprint of the original volume, I have added a postscript entitled "No More Class War?" based on the findings of the McClellan Committee. This postscript first appeared as an article in the July-August 1958 issue of the magazine, MONTHLY REVIEW.

LEO HUBERMAN

New York, June 1967

I. $80,000,000 a Year for Spies

FOR TEN YEARS Richard Frankensteen had been a trimmer in the Dodge plant of the Chrysler Corporation in Detroit. He had followed in the footsteps of his father who had worked for the Dodge Corporation for many years before and had been a leader in the plant band. Frankensteen was popular with the other employees in the trim division and in 1934 they elected him as their representative in the Chrysler Corporation Representation Plan. At a meeting of the representatives of the other divisions, Frankensteen was elected as chairman of the whole section. It was not long before he and the other representatives learned that their Works Council had definite limitations: collective bargaining under this company union plan meant that the men could ask for and get better lighting, a larger milk bottle, improved ventilation, and similar concessions. But beyond these they could not go. When it came to collective bargaining for higher wages, shorter hours, seniority rights, etc., the employee representation plan failed them.

The representatives decided to get together and call meetings of their constituents to see what could be done. The outcome of these meetings of the Chrysler workers was the formation of a union of their own, the Automotive Industrial Workers Association. Fourteen locals of the A.I.W.A. were organized in the Dodge plant and Richard Frankensteen was elected president. At the same time, Frankensteen, along with the other representatives, continued his services in the Chrysler employee representation plan. The workers had both a company union and their own union.

Frankensteen was a hardworking president. He attended the meetings of the fourteen locals and made speeches to the members. One night in 1934, after a speech to the members of the paint local,

Frankensteen was driven home in the car of the vice president of the local, John Andrews. This was the beginning of a warm friendship. Andrews became Frankensteen's most trusted companion. Richard wanted more than anything else to create a strong union composed of militant wideawake members, and he naturally took to John who was fearless, uncompromising, and able. John was a strong union man; he harangued the men for hours and gave them courage to go out on strike when conditions grew too bad; he was the leader on the picket line; he drove Richard around in his car to union meetings at any and all hours. Richard felt that he could depend on John to devote every moment of his spare time to the formation of that powerful body of militant unionized workers which was Richard's sole ambition.

Both men were married and had two children. The families, living less than ten blocks apart, became very friendly. John's wife, Dee, and her two children, were frequent visitors at the Frankensteen home. While Carol-Lee and Marilyn Frankensteen played with Ronnie and Dale Andrews, Richard's wife, Mickey, and Dee Andrews would go on shopping trips together. When Dee was sick Mickey brought over some custard she had made and took care of Ronnie and Dale. On another occasion John and Dee drove Mickey and the babies to and from her parents' home in Dayton, where all of them stayed together in the old folks' house and had a grand two day visit. Five nights a week and all day Sunday the two men rode around together busy with their union work, but every Saturday night was set aside regularly for Fun — a joint good time when the two wives with their husbands met for dinner and the movies. In the summer of 1935 when the plant was shut down for a few weeks, the two families went to Lake Orion for a vacation. They took a house together and shared expenses. The Andrews and the Frankensteens were firm fast friends for the two years following that night in 1934 when John Andrews first shook hands with Richard Frankensteen after his speech at the meeting of the paint local.

Yet every day for the whole period of their friendship, John Andrews

wrote a detailed report of the activities of his pal, Dick Frankensteen. John Andrews was a spy. He sent his reports to the office of the Corporations Auxiliary Co., a private detective agency hired by the Chrysler Corporation. For spying on his friend Frankensteen and his other fellow workers, John Andrews was paid $40 a month by the Corporations Auxiliary. For the services of its spy, L-392 (the code number of John Andrews), Corporations Auxiliary billed the Chrysler Corporation at the rate of $9.00 per day. And for the services of all its undercover operatives in 1935, Corporations Auxiliary was paid by the Chrysler Corporation the sum of $72,611.89.

From that last figure — the payment to one detective agency by one corporation in one year — it becomes obvious that the story of John Andrews and Richard Frankensteen is more than the story of a friend betrayed. It is the story of a big business. John Andrews was one operative of one agency. There are hundreds of agencies employing thousands of operatives in the United States. There are agency chains with branch offices in many large industrial centers. Their undercover operatives are at work in every part of the country in every industry. It is impossible to obtain exact figures for either the number of agencies or their operatives. They operate in secret and never divulge more information than they have to about their business. In the hearings before the Subcommittee of the Committee on Education and Labor of the United States Senate — the La Follette Civil Liberties Committee — they were very unwilling witnesses. They lied frequently and suffered from partial and complete loss of memory throughout. However, Mr. Heber Blankenhorn, industrial economist on the National Labor Relations Board, was able to furnish the committee with a list he had compiled after twenty years of study of industrial espionage. Mr. Blankenhorn is the foremost authority on the subject in the United States. Here is his list from the record:

As of April 1936

Total agencies..... 230 [Turn to Appendix A for complete list]

Systems:

	Cities
William J. Burns, International Detective Agency, Inc.	43
Pinkerton's National Detective Agency	35
Railway Audit and Inspection Co., with affiliates (known to be incomplete)	18
Corporations Auxiliary Co. (known to be incomplete)	8
Sherman Service, Inc.	9

How many operatives these 230 agencies employ is still a mystery. Estimates vary from 40,000 for all of them to 135,000 for just the Burns, Pinkerton, and Thiel agencies alone. The minimum figure is based on the fact that there are some 41,000 union locals in the United States and it is estimated that *there is a spy in every local.* One labor leader with many years of experience states that he never "knew of a gathering large enough to be called a meeting and small enough to exclude the spy."

What is the cost to industry of this countrywide spy service? How much of the money that you pay for the milk you drink, the car you drive, the clothing you wear, the furniture you use, the food you eat, went to paying the miserable wages of the stool-pigeons and the fabulous salaries of the agency heads? We don't know exactly, but even the lowest estimate will astound you. Mr. Blankenhorn, figuring an average of $175 a month paid to the agency per spy, and 40,000 spies, computes the minimum cost at over $80,000,000 per year! That this is probably too low an estimate was indicated in the hearings before the committee when General Motors officials testified that their plants had paid to Pinkertons alone, $419,850.10, for the period from January 1934 through July 1936; and that they paid to all the agencies they hired in that period a total of $994,855.68! Small wonder that so many detective agencies have given up shadowing criminals and have turned their attention to selling what they euphemistically call their "industrial service." They have found that there is more money in industry than in crime.

Who are the clients of these detective agencies? Here is a partial list of the customers:

Employers' associations	36
Corporations of nationwide scope	14
Railroads	27
Tractions, utilities, bus companies	29
Metallurgy and machinery	52
Mining	32
Auto industry	28
Clothing, silk, and textile mills	29
Steamship lines	20
Radio and refrigerators	9
Food	28
Shoe and leather	11
Building, supplies, etc.	7
Milling	8
Department and clothing stores	7
Publishers and printing	5
Real estate	6
Trucking, delivery, warehousing	17
Lumber, woodworking	3
Hotels and theaters	9
Banking, trust and security	5
Miscellaneous	47
Total	429

A breakdown of that list will reveal some names of companies which are well known to you. For example, among the 499 clients in 19 states of the Corporations Auxiliary Co. in the period 1934–1936 were the following:

Aluminum Co. of America
American Book Co.
Chrysler Corp. (23 plants)
Crane Co.
Diamond Match Co.
Dixie Greyhound Lines

Firestone Tire and Rubber Co.
General Motors Corporation and subsidiaries (13 plants)
International Shoe Co.
Kellogg Co.
Kelvinator Corp.
Midland Steel Products Co.
New York Edison Co.
Postum Co.
Quaker Oats Co.
Radio Corp. of America
Standard Oil Co.
Statler Hotels, Inc.

The Pinkerton Agency, in the years 1933–1936, "serviced" these familiar firms, among many others:

Abbott's Dairies
Bethlehem Steel Co.
Campbell Soup Co.
Continental Can Co.
Curtis Publishing Co.
Endicott-Johnson Corp.
Libbey-Owens Ford Glass Co.
Montgomery Ward & Co.
National Cash Register Co.
Ohrbach's Affiliated Stores
Pennsylvania R. R. Co.
Shell Petroleum Corp.
Sinclair Refining Co.
United Shoe Machinery Corp.

And among the mutilated records of the Railway Audit and Inspection Co., the following names appeared:

Borden Milk Co.
Carnegie-Illinois Steel Corporation } subsidiaries of
H. C. Frick Coal and Coke Co. } United States Steel
Consolidated Gas Co. of New York
Frigidaire Corp.
Jewish Hospital, Brooklyn, N. Y.
Pennsylvania Greyhound Bus Co.
Western Union
Westinghouse Electric & Manufacturing Co.

These are only a few of the clients of three of the agencies. A complete list covering all the agencies would contain hundreds of other names. Big firms and small firms, old firms and new firms, famous firms headed by famous people and unknown firms headed by unknown people — all are subscribers to the "industrial service" of these private detective agencies.

II. Smash the Union!

NOW $80,000,000 a year is a lot of money.

When the detective agencies sell their industrial service, what are they selling? What do their customers get in return for the $80,000,000 a year?

You would think that the quickest and easiest way of having that question answered would be to ask the people who buy the service and the people who sell it. Senator La Follette and Senator Thomas tried that. But they found that this was a peculiar business. The people who knew most about it wouldn't talk. They were very secretive. They destroyed many of their records. Often they didn't hear the question — or when they did hear it, they didn't understand it. They beat around the bush. They were shifty unwilling witnesses. They lied frequently. Nevertheless, there were times when the evidence was so overwhelming, that they had to come clean. Backed into a corner from which there was no escape they had to confess to the truth. And bit by bit, the story did come out. Salvaged records, indiscreet letters, confessions by spies, confessions by operatives, admissions by plant managers — all were piled up until the broad outlines of the business and many of the details, were clear. We know now what the private detective agencies sold.

They sold a unique service — Union-Prevention and Union-Smashing. Industrialists who bought the service wanted to know about their workers' attempts to organize. They paid $80,000,000 a year to keep their plants from becoming unionized, or if they were unionized, to break up the union. There is no longer any doubt about it. The record is clear.

Here, for example, is part of a letter from the Foster Service to a prospective client:

Your letter of July 28 is received. With reference to your inquiry about my experience and what I am prepared to do in case of disturbance, etc.

First, I will say that if we are employed before any union or organization is formed by the employees, there will be no strike and no disturbance. This does not say there will be no unions formed, but it does say that we will control the activities of the union and direct its policies, provided we are allowed a free hand by our clients.

Second. If a union is already formed and no strike is on or expected to be declared within 30 or 60 days, although we are not in the same position as we would be in the above case, we could — and I believe with success — carry on an intrigue which would result in factions, disagreements, resignations of officers, and general decrease in the membership.

That's plain and to the point. Another letter, from the Marshall Detective Service Company to the Red Star Milling Company of Wichita, Kansas, was equally precise. It is especially interesting because in it the agency found it necessary to explain something that might have puzzled the client: the Red Star Company was paying for Union-Smashing, yet the reports it received from the agency showed that the operative was about to become an officer in the union! It looked like the doublecross, but the agency assures the client that everything is O.K.:

You have doubtless learned from the reports that our No. 20 is likely to be elected Recording Secretary of the Local in Wichita, and for fear that you may not understand this in the right light, we wish to advise you that all of our Operatives are instructed to accept the office of Recording Secretary if possible; as the Recording Secretary has nothing to do with agitation, simply keeping the records which are valuable to us, and from which we obtain all our information. You will understand that if No. 20 is elected to this office he will be in a position to give the name and record of every man who belongs to the

union, and as to whether or not he pays his dues, and attends the meetings regular, and all the inside information that we desire.

The only office in the Union that we bar our men from accepting is that of Business Agent. The Office of Business Agent is the only office in the union, which can harm the mills, as it is the duty of the Business Agent to induce the men to join the Union, and as it is not our policy to induce men to join the Union, but to endeavor to keep them from joining, our Operatives are naturally barred from accepting the office of Business Agent . . .

We trust that you will fully understand this matter and if No. 20 is elected, he will be instructed to take any orders from you which you may think will benefit the mill and endeavor to carry them out in the Union, and as an Officer in the Local his views will carry more weight with your men than they would otherwise.

That was written in 1919. The Foster Service letter was written in 1920. Has the service changed much since then? Not very much according to Mr. James H. Smith, president of the Corporations Auxiliary Co. He ought to know because he has been in the business about 40 years. Senator La Follette asked Mr. Smith, when he was on the witness stand, whether there had been many changes since he originally came into the business. Here is his answer, "Well, I think it has changed slightly, but not very much. We have gone into the efficiency end of it more definitely and particularly as the years have gone by."

But though the business hasn't changed much the method of describing it has. The agency heads no longer commit themselves as openly as they once did. They rarely make the mistake of allowing themselves such complete frankness as in the past. In 1910 the Corporations Auxiliary Co. could inform a client that "wherever our system has been in operation for a reasonable length of time, considering the purpose to be accomplished, the result has been