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MARITIME UNIONS
&
U.S. SHIPPING POLICY

by
JON LUCAS

SUBMITTED IN PARTIAL FULFILLMENT OF THE
REQUIREMENTS FOR THE DEGREE OF
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ABSTRACT

This paper explores the role played by U.S. maritime unions in influencing the formation of American shipping policy. The thesis of the paper is that maritime unions have exerted great influence on legislators, through lobbying efforts to foster special-interest legislation which benefits union members at the expense of the taxpayer.

The research is based on standard works on shipping and maritime labor relations, Hearings of the House and Senate Merchant Marine Committees, and newspaper and magazine articles which trace the progress of various pieces of maritime legislation. Only the activities of the seagoing unions are discussed, and the paper does not deal with similar activities by longshoremen's unions and other labor organizations indirectly associated with the maritime industry. Where research is based on newspaper accounts, conclusions are drawn from several independent sources wherever possible.

The overall conclusion of the paper is that labor unions, while small in size compared to other industrial unions, have great power over Congress through lobbying and large campaign contributions. Further conclusions are that this power has sometimes been exerted in ways which do not accord with the public interest and is, to some extent, based on illegal lobbying practices. The negative effects of this on the economy and on the future of the merchant marine are discussed, and present trends are examined for their possible future impact.

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CHAPTER I

U.S. SHIPPING POLICY UNTIL 1970

American Seagoing Supremacy

The American merchant marine once led the world. Although Britain ruled the seas from a military standpoint until WWI, the 19th Century ushered in an era of American supremacy in merchant shipping, as Yankee ingenuity combined shipbuilding skills inherited from the British with the design superiority of the French.

While the French and British fought it out in a series of exhausting wars which decimated their naval and merchant fleets, American merchant tonnage rose from 400,000 tons in 1791 to over 800,000 tons by 1806.¹ This is not surprising; the U.S. had all the ingredients necessary to make it a major maritime power. It possessed plentiful timber, close to the water; a long coastline indented with numerous good harbors; and a relatively primitive system of interior communications which made commerce heavily dependent on water transport.

It is difficult for Americans today, when the sea plays a relatively insignificant role in our national life, to imagine the hold ships had on the popular imagination before the turn of the century. The names of famous builders and captains were as familiar to the public then as are those of film stars and sports heroes today. Ships were (and still are) the largest movable structures created by man. Their creation and operation called forth the maximum in ingenuity, skill and bravery, like the space program of the 1960s. The nation rose to the challenge by creating a series of ships - culminating in the clipperships - which commanded the

¹Marvin, W.L. , The American Merchant Marine
(New York, Harper & Co. , 1902) p. 131

world's wonder and respect. They carried our flag to every corner of the world, and made vast fortunes for the men who could manage them successfully. There was not one American millionaire before the advent of the railroad empires whose fortune was not based on shipping.

This points up an obvious but sometimes overlooked fact. Ships have to make money. That is their only real purpose. Whether we consider profits to the owners or furtherance of the nation's trade, the bottom line is making money. In recent years a relatively new concept has emerged: that a strong merchant marine is necessary for our national security. The tension between these two ideas lies at the root of all the controversy which surrounds U.S. shipping policy.

The War of 1812

American naval strength lagged well behind that of its merchant marine in the early 1800s and, during the War of 1812, the British navy took a devastating toll of U.S. merchant tonnage. The restoration of British merchant navy supremacy was, in fact, one of the major goals of the British in that war.

The U.S. merchant marine recovered slowly but steadily from 1815 until 1840, and then entered a period of great prosperity which lasted until around 1858. After the American Revolution, the Congress had established a system of protective tariffs and tonnage taxes designed to encourage the growth of shipping. Following the War of 1812, many of these barriers were lowered in exchange for various free trade agreements with major shipping nations. This free trade situation lasted until the 1840s, when a technological revolution overtook the world shipping industry: steam navigation became commercially practical on open ocean routes. The establishment of a transatlantic route by the Cunard Steamship Co. impelled Congress to meet the threat by extending a system of mail subsidies to U.S. shipping companies.

This was a significant move. It marked the first time Americans had responded to foreign technological superiority - not by designing something bigger and better - but by propping up the less efficient ships with subsidies from tax revenues, and it set the pattern for what was to come.

The Challenge of Steam

The reasons behind this move are not hard to find. The Industrial Revolution had occurred earlier in Britain than in the U.S., which was still preoccupied with absorbing its vast interior. Britain and Germany were the world leaders in iron and steel construction technology during the Victorian era, while the U.S. singlemindedly continued its practice of wooden shipbuilding. The introduction of subsidy removed the incentive for Americans to replace their beautiful but obsolescent ships with the spark-spewing iron monsters being produced on the Continent. Indeed, financial pundits of the day declared that steamships had reached the limit of their commercial development in dominating the transatlantic runs. The lucrative trade to the Orient, the grain trade to Australia, the gold-rush packet trade to California; all were out of reach to coast-hugging paddle-wheelers which needed regular and frequent coaling stations. Steamships could not survive in the Roaring Forties which lay between the Atlantic and the rest of the world. They started to run for cover in conditions which had the clippers setting royals and skys'ls, and smoking downwind at 20 knots and more.

What the pundits did not foresee was the development of the screw propeller and, in 1869, the opening of the Suez Canal, making the Orient accessible to steamers. At one stroke, these developments left the American merchant marine in an untenable position, and the situation was worsened by the disruptions caused by the American Civil War. There had been laws against transferring ships from foreign to U.S. registry ever since 1789. During the Civil War, many U.S. shipowners had their ships

transferred to foreign registry to escape blockades and privateers, and because their insurance rates were less under a neutral flag. After the war, in 1866, a vengeful Congress shortsightedly ruled that these vessels could not be returned to U.S. registry, depriving the U.S. of one third of its merchant tonnage.²

Protectionism

By 1880, the U.S. was in the position - now all too familiar - of having an obsolete fleet which was too small to serve its national trade needs. Domestic traffic was still reserved for the U.S. flag, but merchants began to form the habit of shipping their overseas goods on foreign bottoms. Laws passed by Congress requiring that U.S. flag vessels must be built in the U.S. began to drive a wedge between the interests of shipowners and shipbuilders. The shipbuilders were either entrenched in wooden shipbuilding or floundering in the developmental stages of iron and steel shipbuilding, producing inferior ships at higher prices than their British counterparts, who had half a century of R & D behind them. The shipowners on the other hand, needed new, modern ships and could not afford to pay higher prices for their ships and still remain competitive.

Free trade versus protectionism was a central controversy in the politics of the Gay Nineties. Democrats and shipowners were for free trade and the abolition of any legal restrictions on the shipping industries. They felt they could go it alone, without debilitating subsidies, if they were allowed to buy the cheaper and better British ships. Republicans and shipbuilders, on the other hand, with heavy capital investments and tradition-dominated industries at stake, stood out for protectionism, tariff barriers, and maintenance of the subsidies and government controls. By the

²Zeiss, Paul M. , American Shipping Policy

(Princeton, N.J.; Princeton University Press, 1938) p. 15

turn of the century, mounting troubles in Europe fueled U.S. isolationism and the protectionists carried the day.

This marked the shipping industry's entry into pressure-group politics on a large scale. The warring camps battled their way through several administrations until the Republicans were split and routed by President Wilson in 1912.

During this period the shipowners themselves had split into two groups. Those who could not swallow the pill of subsidy and consequent government interference in their operations confined themselves to the domestic trade, which eventually became the most important part of the U.S. merchant marine. The rest swallowed the pill as a temporary measure and gradually became addicted to it.

The Seamen's Unions

With the appearance of President Wilson on the scene, new actors came onstage: the International Seaman's Union (ISU) and the Sailor's Union of the Pacific (SUP). Prior to Wilson, maritime labor organizations had had a sticky time of it. They had found a champion in the person of Senator LaFollette of the 62d Congress, but his bill to improve working conditions and laws for seamen was smothered by a hostile Republican administration. Wilson, a Senator in the next Congress, reintroduced the bill and it passed the US Senate in 1913, only to be vetoed by President Taft. When Wilson became President, the Nelson Act - even more sweeping in its reforms - found quick acceptance and was signed into law in 1915.

This act embodied most of the objectives the seamen's unions had been fighting for for years, including payment of advances on wages, improved scales of provisions, better living quarters, and a two-watch system. It also provided that at least 65% of the deck crew must be Able Seamen.

This last provision outraged shipowners. An Able Seaman, by law, was a man who had at least three years sea experience and had passed a Dept. of Commerce examination. Most of these men were old salts who belonged to the unions. Shipowners could not now indulge in the common practice of firing a man whose union connections became known, and replacing him with a green hand. In the words of a Pacific Mail Company representative this was tantamount to ". . . handing over control of the company to the Seaman's Union of the Pacific."³ and the company forthwith sold its steamers and ceased to operate in the Pacific. Similar pronouncements of doom and imminent collapse came from all sectors of the shipping world, but before their validity could be tested the world was plunged into WWI and the picture changed dramatically.

The Great War

During the first phase of the war, both the German and British vessels which had been carrying the bulk of U.S. goods abroad suffered heavy losses. Ultimately the British navy was able to prevent German ships from sailing from U.S. ports at all. The U.S. was still neutral at this time, and was ready and willing to sell its industrial output to the combatants, but it lacked the ships to transport these goods. Under the Ship Registry Act of 1914,⁴ President Wilson was allowed to acquire foreign vessels, some manned by foreign crews, and sail them under the U.S. flag in order to move the huge stockpiles which were building up in American warehouses. As sentiment gradually hardened in favor of the Allies and the entry of the U.S. into the war became likely, it was seen that these measures were not enough, and that the weak U.S. merchant marine was not going to be able to meet the challenge of full scale war. The shipping Board Act of 1916 (passed on June 15, 1917) provided \$750 million

³Zeiss, American Shipping Policy , p. 73

⁴Ibid., p. 83

for shipbuilding and gave President Wilson sweeping powers to provide a viable merchant marine as soon as possible. As the scale of events increased, funding was stepped up to a phenomenal (for 1917) \$2.9 billion - twice the value of the total merchant fleet of the entire pre-war world.

The shipbuilding program was undertaken in haste and repented at leisure. Rejecting the notion of building the ships in government shipyards, the government dealt instead with private concerns; many of them formed expressly to take advantage of the lucrative government contracts. Building costs, which had been around \$60 a ton in 1914, had risen to \$200 and more a ton by 1917. Lump-sum and cost-plus contracts were offered to companies which had never built a ship before, and which took advantage of every chance to pad payrolls, buy excess material, and use shoddy workmanship while charging premium prices.

In addition to being extremely costly, the building program was slow. Of 18 million tons projected to be built, less than one sixth had been delivered by Armistice. The U.S. government was reduced to borrowing ships from its hard-pressed allies and using impounded German vessels to get its own troops to Europe. By the end of the war, a third of the total shipping ordered had not even been started, but the contracts had been signed and hundreds of ships were launched in the years following the war, for which the government had no use.

With the war over, the government's biggest job was finding a way to get rid of this expensive surplus, and massive ship sales were held, with American shipowners acquiring new vessels at a fraction of their construction cost. There were serious proposals advanced, mainly by the Democrats, that the Government retain a substantial portion of the ships and go into the shipping business itself. The strategic importance of merchant shipping had been hammered home by the events of the war, and no one wanted to be caught out again. But this experiment in socialism never came to pass - even its supporters acknowledged that the government was ill fitted to run a shipping business at a profit, and the Republicans produced numerous studies to show that subsidy would be cheaper than the

costs of a federal operation.

Postwar Prosperity

The period immediately after WWI was one of great prosperity for shipping companies. The shattered nations of Europe needed vast amounts of goods from the U.S. and most of their merchant tonnage had been sunk. Shipowners, able to acquire large numbers of ready-built ships at bargain basement prices, exploited the situation to the fullest. As the world economy moved in an inevitable swing from postwar boom to depression bust, however, U.S. shipping interests again found themselves in hot water. By 1927, European competition had grown strong and the flow of world trade was slowing. U.S. shipowners found their large fleets an embarrassment, and many ships sailed half-empty. Forgetting the lesson of 1900, the government moved to preserve the merchant marine by reviving and expanding the mail subsidies, and introducing new ones, in the Merchant Marine Act of 1920.

Unsurprisingly, this second excursion into subsidy had the same result as the first. Far from strengthening the shipping industry, it made it dependent on tax-funded handouts. As the depression deepened after 1929, shipowners saw little incentive to replace obsolete ships because there was little cargo to carry. Once again, America's competitive position worsened while the cost of subsidy climbed steadily. The mail subsidy system was extremely complicated, depending on variables such as ship speed, routes covered, age of ships etc. The U.S. Shipping Board was not well equipped to administer this system equitably, and many said it did not understand the system itself. As a result there were many abuses, much graft, and accusations of bribery and undue influence were made frequently. Finally President Roosevelt undertook to clean out the Augean Stables and proposed a New Deal for shipping. The result was the Merchant Marine Act of 1936.

The Merchant Marine Act of 1936

This act was hailed as a "scientific" shipping subsidy program, with built-in checks and balances. It encouraged shipbuilding through a Construction Differential Subsidy, whereby the government paid the difference between domestic and foreign shipbuilding costs, thus making it possible for shipowners in foreign trade to remain competitive. Provisions were also made for inexpensive financing guarantees, a tax-free ship replacement fund, and war risk insurance. Since this paper deals with the role of maritime labor in forming national shipping policy, it will deal only with the subsidy which directly affects seamen: the Operating Differential Subsidy. Before going on to examine the effects of this subsidy, some background on maritime unions will be helpful to the reader.

Maritime Unions

During the laissez-faire capitalism following WWI, organized labor in the maritime trades had fared poorly. Americans were suspicious of "syndicalism" and viewed union members as radicals or worse. Seamen's wages fell sharply during the mail subsidy years, even as shipowners' profits mounted. In 1921 the only real seamen's union of any size - the ISU - struck the West Coast in a desperate attempt to improve wages and working conditions. It was locked out by the shipowners, who found an easy source of non-union labor in the masses of demobilized veterans, and who found a sympathetic government ready to wink at the AB requirements and lend troops and assistance in dealing with strikers. Maritime labor was virtually destroyed by this blow, and never really recovered until the mid-30s, when labor gained more respectability during the Depression.

By 1936, however, unions had become a political force to reckon with, and their potential for delivering votes was being recognized by

the new breed of politicians, including Roosevelt himself. During the mid-30s, maritime labor split into two warring camps, mirroring the split between the Communist-dominated Congress of Industrial Organizations (CIO) and the Socialist-oriented American Federation of Labor (AFL). The ISU was gradually infiltrated by communists and aligned itself with the CIO. Ideological differences between these communists and the old-time "wobblies" finally led to the communists splitting off again to form the National Maritime Union (NMU) under the leadership of Joseph Curran. This union had its traditional stronghold on the East and Gulf coasts. Since most of the subsidized companies were headquartered there, it eventually acquired most of them as its "territory".

On the West Coast, the old SUP, under the wobbly-influenced leadership of Harry Lundeberg, saw the growing power of the NMU as a threat. Aligning themselves with the AFL they became, in 1938, the Seaman's International Union, and came to dominate the cabotage (domestic) trade. Thus the split between the shipowners; subsidized foreign-going and unsubsidized domestic, was duplicated by a split in the unions. Each union claimed "its" segment of the industry and began to eye the territory of the other.

When the NMU split off from the old ISU, the remnants of that organization were absorbed into the SIU, enabling the latter to gain a toehold on the Gulf Coast. Since then, each union has repeatedly tried to take over "territory" belonging to the other - battles which have often resulted in paralyzing strikes, leaving shipowners helpless, since they could make no concession which would resolve the issue. On political issues, however, the rivals seldom come in conflict since they both have contracts with subsidized and unsubsidized companies nowadays, and have a common interest in maintaining subsidies and benefits.

The Rationale of ODS

In 1935 most of this was yet to come, and union demands were straightforward: better pay and working conditions, safer ships, better food and shorter working hours. Roosevelt's Congress was inclined to accede to these bread and butter issues and, although unions had not yet achieved the sophistication of having paid lobbyists in Washington, their wishes were listened to with attention. Prior to 1936, the Mail Subsidy had been given directly to shipowners. There was no onus on the owner to pass this windfall along to his employees in the form of higher wages, and few did so. Now Congress proposed to give this subsidy directly to theseamen, through Operating Differential Subsidy (ODS).

ODS was similar to CDS in concept. It attempted to allow for higher wages for U.S. workers while keeping the shipowner competitive with foreigners. The owner's actual wage expense was compared with an international standard (adjusted for the trade he was engaged in) established by the Secretary of Commerce, and owners were paid the difference. Thus, short of falsifying his records, there was no way for the shipowner to keep any of this money; it all went to the seamen and officers who worked on his ships. Unlike CDS, however, where the government had discretionary powers to examine and reject the contract bids of shipyards, ODS did not incorporate safeguards allowing the government to scrutinize or approve labor-management wage negotiations.

ODS thus accomplished two things. It gave maritime unions a permanent political stake in formulating shipping policy, and it created an open-ended wage/price spiral. Shipowners now had little incentive to resist union demands for higher wages; the taxpayer would be paying the increase, not the shipowner. Since ODS was given only to ships in the foreign trade which plied routes deemed "essential" to the interests of the U.S., this situation would soon have led to a big gap between the wages on foreign-going and domestic-trade ships.

Domestic operators, therefore, came under the gun to match the higher subsidized wages. Having no subsidy to fall back on, they raised their rates, passing the extra cost along to shippers and, ultimately, the American public. In subsequent chapters we will be dealing mainly with the direct costs of ODS subsidy for foreign-trade ships, but the reader should be aware that the true cost of ODS is many times greater than the amount of ODS appropriation each year, because of its effect on wages in the cabotage trade.

The ODS Partnership

Another effect of ODS has been that, on most issues, labor and management speak together with one voice and, as we shall see, join hands and finances when lobbying, to an extent unprecedented in American industry. Most tensions between labor and management revolve around the question of wages. In the maritime industry, these tensions are mitigated by the buffering effect of subsidy. It is significant that since 1936, unlike most other industries, the majority of maritime strikes have resulted from jurisdictional battles between unions, and not from wage issues.

Since both management and labor have a strong interest in maintaining or raising the level of subsidy, their lobbying efforts are not split as is the case in most other industries, and they exert a correspondingly greater influence. Congressmen hear no one who is against subsidy, except the taxpayer, and his voice has only recently been heard.

Shipowners are also more subservient to their unions than are their counterparts ashore, because the unions can control their workers to a greater extent than in most industries. Seamen are hired through a hiring hall, on a complex seniority system. Shipping companies submit their needs for seamen, engineers and officers to the union, and the union decides who will get the job. The union is thus perceived by the worker

as the source of employment. Because of the hiring hall rotation, seamen usually do not return to the same ship or even the same company after coming back from vacation; in fact unions discourage the practice. Thus workers never build up a loyalty to a particular ship or employer. The loyalty is all devoted to the source of employment: the union.

World War II

The Merchant Marine Act of 1936 hardly got a chance to test its "scientific" subsidies before the world was once again at war. Shipping followed the by now familiar pattern: initial undercapacity as neutral America tried to ship its gigantic output to Europe with little help from the beleaguered ships of the Allies; then a massive shipbuilding program to catch up.

This time, however, American industry was more prepared for the onslaught and ships began sliding off the ways even before America's entry into the war. Assembly-line techniques which had made the U.S. a leading industrial nation by the 40s were combined with the new science of continuous arc welding to turn out a seemingly inexhaustible stream of ships. The mood of the times allowed women to work in industrial jobs, as personified by "Rosie the Riveter" of poster and cartoon fame and, in spite of the manpower drains created by the draft, the ships kept coming. America's ship production astonished a world already used to prodigies from the giant in the West. In 1937, American shipyards had been launching only about 7% of the world's tonnage. In the period 1943-44, she launched over 80% of the world's new tonnage, or about 12 million tons a year!⁵ The U.S. may rightly be said to have won the war in its shipyards alone.

At the end of WW II, the U.S. possessed the largest merchant fleet

⁵Gorter, Wytze United States Shipping Policy
(New York, Harper & Bros, 1956) pp. 32 & 38

the world had ever known, totalling some 35.4 million gross tons; nearly half of the entire world's fleet, and was again faced with the problem of what to do with it. The usual postwar shipping boom enabled shipping companies to buy up much of it, and by 1955 the U.S. privately owned fleet totalled some 25.4 million tons. Under the Merchant Ship Sales Act of 1946, about 1,100 of these wartime vessels were sold foreign, and the rest were laid up by the government as a "reserve" fleet in case another national emergency came along.⁶

The Long Decline

This time the letdown from the postwar boom was less dramatic, as first the Korean conflict, then the Cold War, then the Vietnam crisis introduced mini-peaks into the gradual decline. These aberrations aside, however, the decline was steady and the U.S. share of America's oceanborne foreign trade fell from 57.6% in 1947 to only about 5% in 1970, at which figure it has hovered ever since.⁷ These figures are remarkable when it is considered that the volume of America's foreign trade did not decline during this period, as had been the case after WW I. In fact, it increased substantially. Just during the period 1956-1970, total US foreign trade increased from 260 million long tons to 473 million long tons. During the same period, the amount carried by U.S. flag carriers declined from 54 million to 25 million long tons.⁸ Much of this decline can be attributed to the fact that, with a large amount of cheap shipping on hand during the early fifties, U.S. shippers felt little incentive to modernize or replace their fleets before the statutory twenty year period had elapsed and the ships became ineligible for further ODS. Since most of the ships were built at about the same time, they became superannuated at about the

⁶Figures from: Gorter, United States Shipping Policy, p. 6

⁷Jantscher, Gerald, Bread Upon the Waters
(Wash. D.C., The Brookings Institution, 1975) p. 28

⁸Ibid., p. 26

same time as well, so the industry was faced with block obsolescence. Shipowners once again became dependent on subsidy and operated obsolete ships which could not hold their own against growing foreign competition.

Foreign shipping companies were more aggressive, and they developed designs which were not only cheaper to build, but cheaper to run because they cut down on manning requirements. In the U.S. the maritime unions fought a bitter holding action against any attempt to cut down on manning levels and, with the taxpayer picking up the difference anyway, U.S. shipowners did not have much incentive to insist. Thus the cost of operating foreign ships held level or even declined in some cases, while U.S. operating costs rose. Since the "basement" (the amount shipowners pay in wages out of their own pockets) was linked to the operating costs of foreign ships, the percentage of wages paid by ODS grew larger each year to keep up with rising U.S. wages. Even though the actual number of seamen was declining as the fleet shrank, the annual cost to the taxpayer grew steadily.

TABLE 1

Operating Differential Subsidy, 1960-70

Year	Subsidized Ships	Total ODS Expenditure	ODS per Ship
1960	313	\$152,756,000	\$ 488,000
1961	300	150,143,000	500,000
1962	314	181,919,000	579,000
1963	316	220,677,000	698,000
1964	318	203,037,000	638,000
1965	311	213,334,000	686,000
1966	309	186,628,000	604,000
1967	311	175,632,000	565,000
1968	307	200,130,000	651,000
1969	293	194,703,000	665,000
1970	247	205,732,000	833,000

Source: U.S. Dept. of Commerce, Annual Report of the Secretary of Commerce (Washington, D.C. , U.S. Govt. Printing Office, 1964-1971) pagination varies.

By 1971 the ODS cost per ship had risen to \$1,301,000; more than doubling in the space of ten years. The reader should keep in mind, however, that these figures are somewhat offset by the fact that, during this period, U.S. ships increased in size and carrying capacity per unit, so that the increase of ODS as related to carrying capacity is not quite so dramatic. It is still significant, however - the increase in deadweight tonnage of the U.S. fleet from 1960 to 1970 was only 900,000 tons DWT⁹.

These cost increases were, in large part, related to wage increases but , until 1970, kept pace with the general rise in wage levels in the nation. In fact, from 1936 until 1970 seamen's wages were generally below the national average for workers in production manufacturing, and the high ODS costs simply represented the differences between the economies of the U.S. and her foreign competitors.

TABLE 2

Relative Earnings of U.S. Able Bodied Seamen and
Production Workers in Manufacturing, 1940-68

Monthly Base Wages

Year	Able Bodied Seamen	Production Workers in Manufacturing	% Differential
1940	\$ 73	\$ 114	56.1
1945	145	164	13.1
1950	226	240	6.2
1955	314	310	-1.3
1960	369	381	3.3
1965	393	434	10.4
1968	444	498	12.2

Source: U.S. Dept. of Commerce, The Handbook of Merchant Shipping Statistics Through 1958 and Seafaring Wage Rates for 1964, 1967 & 1968. Both published for the U.S. Maritime Administration, (Wash. D.C. , Govt. Printing Office) Pagination varies. Information on production workers from Statistical Abstracts of the United States 1949 Table 238, p. 215 and Business Statistics 1969 , p. 81, both published by the G.P.O. for the U.S. Office of Business Economics.

⁹Kilgour, John G. , The U.S. Merchant Marine (New York, Praeger Publishers, 1975) Table 1.1, p. 8

CHAPTER II

SHIPPING SUBSIDIES SINCE 1970

The Merchant Marine Act of 1970

The decade of the 1970s began with a comprehensive overhaul of U.S. merchant marine policy, to correct some of the problems inherent in the Merchant Marine Act of 1936. The U.S. fleet had, by 1970, dwindled to the 6th or 7th largest in the world, and much of it was obsolete, uneconomical, and destined soon for the scrapyard. The impetus for change was provided by President Nixon's need to make good his campaign promise for "... remedial measures far more constructive and far more comprehensive than those of (my) predecessor."

Maritime interests combined to exert pressure on the administration to make this promise more than empty words and, on 23 Oct. 1969, the President's maritime program was outlined to Congress by Secretary of Commerce Maurice Stans. Representative Ed Garmatz (D-Md) introduced the bill to the House Merchant Marine Committee as HR 15424 in December and hearings were held in February 1970.

The program was carefully tailored to find the widest possible acceptance among the pressure groups representing maritime labor and management and did not, therefore, deal effectively with the root causes of the problems besetting the U.S. merchant marine. Among the major goals of the act were:

1. A commitment to build 300 ships over the next ten years.
2. ODS and CDS were to be extended to tankers and other bulk carriers , instead of just to liners as had been the case in the 1936 act.

3. The amount of CDS was supposed to drop, by incremental stages, from 50% in 1970 to 35% by 1976 as foreign costs rose and the productivity and efficiency of U.S. shipyards increased.
4. ODS for subsistence was discontinued.
5. The basis of wage subsidy was changed so that subsidizable pay raises were linked to an index of wage/price guidelines in other industries. Any raises granted by shipowners which went beyond these guidelines would come out of their own pockets.

The extension of ODS to bulk carriers was a major victory for the unions, and represented a marked departure from the 1936 act, which had imposed a number of restrictions on ODS, linking it to trade routes, the number of sailings, the age of the vessel etc. These restrictions were absent in the 1970 act. In the words of Gerald Jantscher; "This omission reflects the atmosphere of good feeling in which the maritime legislation of 1970 was passed. In 1936, Congress determined that there should be no repetition of the scandals which had marred the mail subsidy program, and so it carefully specified in the 1936 act how large the subsidies should be. The situation was different in 1970. Congressional opinion favored a large expansion of aid to the maritime industries."¹

Another bit of legislative carelessness was the fact that the wage-raise guidelines which were supposed to control the costs of U.S. maritime labor applied only to the base wage and not to fringe benefits such as pension and training funds, vacation pay, overtime, and so forth. As we shall see shortly, this omission was to have grave effects on the cost to taxpayers of subsidizing ODS

¹Jantscher, Bread Upon the Waters, p. 25

The Growth of ODS

Since 1970, the amount of ODS paid has increased steadily, while the number of ships subsidized, and the overall carrying capacity, have decreased. Since an ever-larger percentage of ODS is directly attributable to wages and benefits, most of this additional tax money goes right into the pockets of union members working on subsidized ships.

TABLE 3

ODS SUBSIDY PAYMENTS THROUGH 1977

Year	ODS Paid	Average 75% ² For Wages	Total Ships	Total Billets	Cost per Billet
1970	\$205,731,711	\$154,298,783	244	13,017	\$11,854
1971	268,021,097	201,015,823	209	10,028	20,045
1972	235,666,821	176,750,115	201	9,528	18,550
1973	226,710,926	170,033,194	186	10,343	16,439
1974	257,919,080	193,439,310	177	8,617	22,488
1975	243,152,315	182,364,236	190	8,055	22,639
1976	386,036,020	289,527,015	188	9,193	31,494
1977	342,755,328	257,081,496	189	8,568	30,004

Source: U.S. Maritime Administration, MARAD '76 (Washington, D.C. Government Printing Office, April 1977) and information supplied directly by the MARAD Office of Maritime Manpower.

Thus the average ODS cost per ship rose from \$843,162 in 1970 to \$1,813,626 in 1977; an increase of over 100% in only seven years. During the same period, the ODS cost per billet nearly tripled. The best esti-

²The figure of 75% of ODS for wages is an average supplied by the Office of Maritime Manpower. The figure stood at 60% at the beginning of the decade but has been climbing steadily and is now over 90%.

mate of today's subsidy is offered by the 1979 Maritime Authorization Hearings. The following is a question submitted in writing by Rep. Paul McCloskey (R-Calif) and MARAD's answer:

McCloskey. How many seamen are supported by operating differential subsidy funds in FY 1979? What percentage of the total ODS package is represented by seamen's wages? What is the average federal cost per seaman on a subsidized vessel? What is the average federal cost per billet? Please provide a full explanation of the costs derived.

MARAD. We estimate that in FY 1979 there will be 7,797 billets aboard 194 subsidized cargo liners, providing employment to a total of 16,374 seafarers. This is based on the most recent available information of the ratio of actively sailing seafarers to actual billets (2.1 to 1). Total ODS payments in FY 1979 are budgeted at \$300,540,000 of which 91.7% or \$275,542,000 represents the portion allocated to seafarer employment costs, including base wages, fringe benefits, overtime and so forth. This represents \$16,828 per seafarer, and \$35,339 per billet. ODS budget estimates are based on carefully made projections of U.S. and foreign costs, and in the case of seafarer employment costs, on projections of the wage index system on subsidizable wage costs.³

In the course of the same hearing, MARAD estimated that its own expenses for administering the ODS program would be \$3,632,000 for 141 employees.⁴ If we accept that these expenses can be apportioned in the same ratio as the ODS itself, with 91.7% attributable to wages, then the wage administration will cost the taxpayer an additional \$3,268,800 in 1979.

The Problems of Maritime Labor

One of the reasons for high labor costs on U.S. ships can be seen in the figures shown above. Each job is expected to support 2.1 people. During WW II and shortly afterwards, large numbers of merchant mariners were recruited to keep the shipping boom supplied with labor. As the

³U.S. Congress, House, Hearings Before the Subcommittee on Merchant Marine, Serial No. 95-37, 95th Congress, Second Session. H.R. 10729, p. 330

⁴ Ibid. p. 40

number of ships gradually declined, union leaders were faced with a problem. Either they had to decrease their membership, by accepting layoffs and limiting membership rolls, or they had to make the shrinking number of jobs somehow support their members. A union's strength is in numbers, and the maritime unions were already far smaller than their shoreside counterparts in manufacturing industries. Union leaders decided to try the "Loaves and Fishes" miracle of making the jobs go farther. In large part they have succeeded, by raising base wages and fringe benefits to the point that union members can make a respectable wage while working only about half a year, thus leaving the other half open for someone else.

Most maritime union members were in their twenties when they entered the booming job market in the early 1950s. Now most of these men are between forty-five and fifty years old. The number of jobs available has shrunk faster than the natural attrition through death, retirement, etc. The result is that most unions have not been eager to welcome younger men into their ranks to compete with old-timers for jobs. Where younger men have been recruited, stringent seniority rules have discouraged many of them from staying. This is now beginning to backfire, as union leaders realize that the bulk of their membership is going to reach retirement at about the same time. Not only will this put a staggering strain on union pension funds, but it is likely to create a serious shortage of trained seamen.

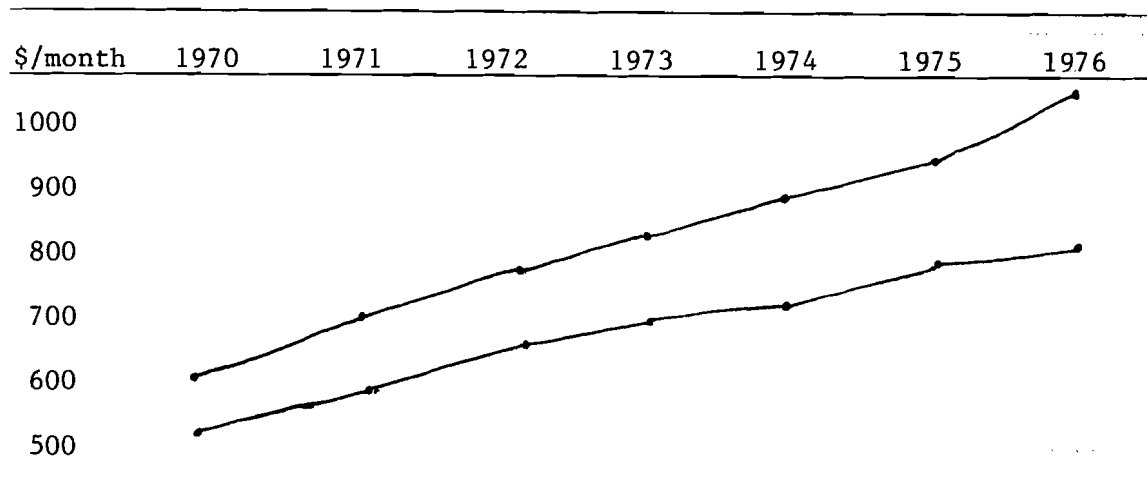
Seamen's Wages & Fringe Benefits

Since the beginning of the 1970s, seamen's wages (see Figure 1) have been above the national average for U.S. white males over twenty five years of age, but these wage increases have, in fact kept pace with the wage/price guidelines established by Congress. Since U.S. seamen are only earning about one half of the time (2.1 seamen per billet) one might wonder how they make ends meet. The answer, of course, lies in the fringe benefits, which are not subject to the restrictions of the wage guidelines. Before

looking at the fringe benefit picture, let us see how base wages have developed during the 1970s.

FIGURE 1

BASE WAGE MONTHLY EARNINGS OF U.S. ABLE BODIED SEAMEN
COMPARED WITH U.S. WHITE MALES OVER TWENTY-
FIVE YEARS OF AGE



Source: U.S. Bureau of Census, Statistical Abstract of 1977
(Washington D.C. Govt. Printing Office, 1977)

However, base wages represent only about 35% of the total ODS benefits paid to seamen. The rest is in fringe benefits, such as vacation and pension funds which, by themselves, total more than base wages. Since the Merchant Marine Act of 1970, these benefits have risen sharply since getting more benefits was one way a union boss could bring back something to "show the boys" without infringing the wage index and getting the shipowner in trouble with the government. As a result, the percentage of fringe benefits to the total wage packet has risen from less than 15% in 1960 to over 60% by the middle 1970s.

TABLE 4⁵

BREAKDOWN OF WAGES ON A CLASS A-1
BREAKBULK VESSEL

Category	Amt. per month
Base Wages	\$ 45,630
Non-Watch	3,656
Vacation	24,637
Pension	21,793
Medical/Welfare	4,431
Feinburg	3,939
Training/Lundeberg	2,012
Overtime	24,549
Add'l training	266
Special Acct	225
Employee Commission	905
Total	\$132,042

If we take just one union as an example, we can see how the fringe benefits (exclusive of base wage) have increased in the period 1965-75: During this period the Marine Engineer's Beneficial Association (MEBA), Pacific District increased the pension plan contribution per man per day from \$8.67 to \$39.31. The pension contribution has increased 214% just since 1970. The welfare contribution for this union increased from \$1.40 per man per day in 1965 to \$3.56 per man per day in 1970, and to \$11.56 in 1976! In 1970 the sum total of all fringe benefit contributions for MEBA (Pacific) was \$9.13 plus 34.5% of the base wage, per man per day. By 1976 it had risen to \$21.94 plus 55.3% of the base wage.⁶

⁵U.S. Congress, House, Merchant Marine Oversight Hearings, 94th Congress, 2d Session, Serial No. 94-32, p. 79

⁶Figures supplied by MARAD Office of Maritime Manpower

One should not imagine from these figures that individual seamen are getting rich. In 1976 (The base year for Table 4) the average seaman earned only about \$8,000 in base wages, and worked only 180 days. He received an additional 60 days paid vacation, and went unpaid for 125 days. The problem is not that individual seamen are overpaid, but rather that the wage rates have to be inflated to support an excessive number of them on a few jobs.

There is more interesting information to be drawn from the preceding table. The vacation, pension, medical and training funds are paid monthly to the union, not to the seaman. The seaman collects his vacation money from the union when he signs off, sometimes after many months at sea. During this period, the money has been in the union's account drawing interest. The seaman gets the vacation money, eventually, but the union gets the interest. In the example shown, a total of \$57,078 gets paid directly to the union from that ship in that month, of which \$24,637 is vacation money. If this can be taken as a representative figure, and since there were 190 ships operating under subsidy in 1976, then the unions received vacation payments totalling some \$4.7 million each month. If we further assume that the money stays in the union account for an average of three months before being claimed and earns a modest 6%, it would generate a standing balance of about \$14 million, which would put \$842,585 in interest into the union's coffers each year.

Tax Supported Union Schools

Virtually all maritime union contracts have a sum to be contributed by the employer, per man per day, for "training". This money goes to the union to operate the union's training school and, of course, the taxpayer pays for most of it. Referring again to Table 4, the reference to "Training/Lundeberg" indicates the amount that ship contributed to the Harry Lundeberg School at Piny Point, Maryland. The school is operated by the Seaman's International Union for upgrading and training new members.

The MEBA also operates a large training school in Baltimore, and there are several smaller union-operated training programs. All of these schools are supported by contributions from shipping companies. Students attending them do not pay tuition; in fact, at the MEBA school they receive a salary of \$200 per month. Graduates of the schools are obligated to remain as members of the union for a stated period after graduation. Both subsidized and non-subsidized companies contribute, but, of course, only the contributions of the subsidized companies are a direct cost to the taxpayer.

Union members speculate privately that the schools provide high paying sinecures to union officials and that not all of the money given by the companies goes into training. The House Merchant Marine Committee is currently looking into allegations that some training money is diverted to political purposes. It is not easy, however, to get information on the extent of support received by these schools from the government and private industry, and requests by the author to school administrators were ignored. During the course of hearings on the 1979 Maritime Appropriations, the following exchange took place between Rep. McCloskey and Jesse M. Calhoon, President of the MEBA, which captures some of the flavor of such inquiries:

McCloskey. Mr. Calhoon, can you describe the benefit package that you have negotiated for your members with the subsidized liners? What does it include in addition to payroll benefits? Besides the paycheck, what additional benefits do you negotiate for your union?

Calhoon. I don't think we have the time.

McCloskey. Well are you able to furnish this committee with a copy of your last negotiated contract with any one of the subsidized liner companies?

Calhoon. I will be glad to. (This information was not received by the committee).

McCloskey. Will you furnish the committee with a list of the value of those benefits on an annual basis, that you have negotiated?

Calhoon. No.

McCloskey. I am trying to get the precise figure out of the \$400 million subsidy that goes for salaries and other benefits for members of your union. The figure that we have from the Maritime Administration dated 13 April 1976, was that the payments to the MEBA Training Fund made by subsidized companies for 1976 totaled \$2.89 million. Would you have any objection to an amendment to the Maritime Authorization Bill that would limit the subsidy to the wages that were paid to your members, as opposed to the training benefits and the political contributions?

Calhoon. I don't know what we would support and what we would oppose. We would have to submit it to our membership. (paraphrased by the author for brevity)⁷

Because of the difficulty of obtaining copies of union contracts with shipping companies, it was not possible to prepare a complete summary of training fund contributions, however the Office of Maritime Manpower (MARAD) was able to supply some representative figures; Companies contracting with the Masters, Mates and Pilots union (MMP) pay \$6.00 per man per day plus \$1000 per ship per year for "training". Shipowners contracting with MEBA (Pacific District) pay \$6.73 per man per day, plus \$1000 per ship per year. Associated Marine Officers (AMO) \$3.00 plus \$1000 per ship per year. National Maritime Union, \$1.15 per man per day. Seaman's International Union, \$3.62 per man per day.

The Public Health Service

The role of the Public Health Service in supplying medical care to seamen at the taxpayer's expense was not discussed in the previous section, although American Merchant Seamen have enjoyed free medical care since 1844. In 1798, President Adams signed into law a bill creating a system of "Marine Hospitals" to provide for the medical care of merchant seamen. Until 1844, the cost of this was deducted from seamen's wages.

⁷U.S. Congress, House, Hearings Before the Subcommittee on Merchant Marine, Serial No. 95-37, 95th Congress, Second Session.
H.R. 10729

In 1844 the Congress passed a law levying tonnage on all ships entering U.S. harbors, and this tax was used to fund the hospitals. In 1906, the funding was taken over by direct appropriation, and six years later the marine hospitals became the Public Health Service. Since that time, free PHS medical care has also been extended to PHS employees, lepers, Coast Guardsmen and their families, civilian seamen on U.S. government ships, and personnel of the National Marine Fisheries Service and the National Oceanographic and Atmospheric Administration. While it is not unusual for the government to provide free medical care for its own employees, the provision of this care to private citizens working in private industry is without parallel anywhere else in the nation.

The system of free medical care for seamen was begun as a form of federal subsidy to shipowners, to relieve them of the medical costs incurred in a dangerous industry. It was intended to encourage shipbuilding and trade, and to correct the notorious fact that shipowners cared little about sick or injured seamen, were not inclined to pay their medical expenses, and didn't pay the seamen enough to enable them to pay their own expenses.

Mr. Justice Story, U.S. Circuit Court for the District of Maine, enunciated the feeling of the time in *Harden v. Fordon*, 1823, by ruling that shipowners should be responsible for a seaman's "maintenance and cure" if he was injured on the job. In a famous bit of dicta, he said:

"It appears to me so consonant with humanity, with sound policy, and with national interests, that it commends itself to my mind quite as much by its intrinsic equity as by the sanction of its general authority. Seamen are, by the peculiarity of their lives, liable to sudden sickness from change of climate, exposure to perils, and exhausting labor.

They are generally poor and friendless, and acquire habits of gross indulgence, carelessness and improvidence. If some provision be not made for them at the expense of the ship, they must often, in foreign ports, suffer the accumulated evils of disease and poverty, and sometimes perish from want of suitable nourishment . . . "

. . . "Beyond this is the great public policy of preserving this important class of citizens for the commercial service and maritime defense of the nation."⁸

With that unique blend of humanitarianism and commercial instinct which characterised the Victorians, Society found that, in principle, shipowners should pay, but, in practice, did not require them to do so. Shipowners did what shipowners still do when faced with costs from which the government has not shielded them: they swore they would go out of business if forced to pay for medical care. So the taxpayer, who is not allowed to go out of business, picked up the tab.

The PHS Hospital System

Whether seamen, with relatively high wages and powerful unions, may still be said to be "poor and friendless" may be open to question, but there is no question that they get good medical care. PHS hospitals reached a maximum of 30 in 1943, due to the war. Since reaching that peak, the number has steadily declined for lack of business until, in 1965, only 12 general hospitals, 3 special hospitals (including the leperosarium) and a number of outpatient clinics remained.

In that year, James F. Kelley, Deputy Assistant Secretary for Administration, HEW, addressed the House Merchant Marine Committee on a proposed plan to close seven of the general hospitals, and expand the five remaining ones, located at Baltimore, New Orleans, San Francisco, Seattle and Staten Island, N.Y. Seamen needing treatment at locations too remote to visit one of these would be eligible for treatment at VA hospitals or, failing that, at private hospitals at government expense. The reduction was prompted, according to HEW, by underutilization of the system and by rising costs. The average occupancy was running at about 75%, which is very low by hospital standards, and the closures would save millions.

⁸Healy & Sharpe, Admiralty Cases and Materials , (St. Paul, Minn. West Publishing Co. , 1974) p. 311

The reduction was vigorously opposed by maritime interests, especially the unions, and roundly condemned by the House Merchant Committee but a reduction to eight hospitals was eventually carried out.

In December of 1970, rumors about hospital closures were again circulating. This time HEW was thinking about closing down all the Marine Hospitals and shifting the medical care of merchant seamen to VA hospitals. The House Merchant Marine Subcommittee, chaired by Rep. Ed Garmatz, met in emergency session to take testimony from labor and shipping interests and gather information to sink the proposal. The PHS was at this time operating eight general hospitals and thirty outpatient clinics, and the hospitals were running at about 75% capacity.

Elliot Richardson, HEW Secretary, testified to the committee that HEW's closure recommendation was based on the small size and inefficiency of the PHS hospitals, the large sums required to renovate them, the low occupancy, and the availability of facilities at VA hospitals at lower cost to the taxpayer (in 1970, \$48 per day for inpatients, vs \$58 at PHS hospitals).

The reduction was opposed strongly by Committee members and lobbyists for the maritime interests. To date the closures have not come about, although the subject was reviewed in 1974 and again in 1976. Each time, the House, backed by unions and industry groups, put up a strong battle to keep separate facilities for seamen. The cost of this medical care to the taxpayer is shown in Table 5, for the years 1972-76.

Ironically, many seamen do not bother to take advantage of this service since they are provided with health insurance by their employers. Since this health insurance is part of the benefit package, it is also paid for, in large part, by the taxpayer. Tax revenues are thus funding two separate and redundant health systems for seamen, but any attempt to cut back on either brings angry reactions from maritime union spokesmen.

TABLE 5
PHS HOSPITAL COSTS

Inpatients	1972	1973	1974	1975	1976
Per Diem Cost	\$ 71.56	\$ 83.36	\$ 92.12	\$ 103.57	\$ 119.17
meals	<u>3.68</u>	<u>4.44</u>	<u>5.43</u>	<u>5.94</u>	<u>6.69</u>
Total per patient	\$ 75.24	\$ 87.80	\$ 97.55	\$ 109.51	\$ 125.86
Average daily nr. of seamen treated	<u>738</u>	<u>705</u>	<u>631</u>	<u>641</u>	<u>613</u>
Total cost per day for seamen I/P	\$ 55,527	\$ 61,899	\$ 61,554	\$ 70,195	\$ 77,152
Total cost/year	\$ 20,267,355	\$ 22,593,135	\$ 22,467,210	\$ 25,621,175	\$ 28,160,480

<u>Outpatients</u>					
Average cost per visit	\$ 13.12	\$ 14.58	\$ 16.20	\$ 18.00	\$ 20.00
Nr. seamen	<u>261,023</u>	<u>251,134</u>	<u>244,787</u>	<u>250,695</u>	<u>258,722</u>
Total cost, O/P	\$ 3,424,521	\$ 3,661,534	\$ 3,965,549	\$ 4,512,510	\$ 5,174,440

Total cost	\$ 23,691,876	\$ 26,254,669	\$ 26,432,759	\$ 30,133,685	\$ 33,334,920

Source: U.S. Dept. of Health, Education & Welfare, Bureau of Medical Service Annual Statistical Survey, FY 1976 (Washington, D.C. U.S. Govt. Printing Office, 1976)

Note: If costs follow the average trends indicated above, overall costs for 1979 will reach about \$44,500,00.

CHAPTER III

UNION LOBBYING

The Sources of Political Clout

The subsidies and other benefits we have been examining are not an inevitable outgrowth of economic forces. They are the result of policies deliberately chosen by elected representatives, supposedly for the ultimate benefit of the American people. Increasingly, it is being acknowledged that these policies are not working; are not reaching the goal of a viable merchant marine which serves the trade needs of the nation. Yet there has been little real change in U.S. shipping policy since 1936, except in the increasing amounts of subsidy money spent each year.

There is no single reason for this failure on the part of the government to come to grips with the situation. It is often pointed out that the U.S. really does not have a shipping policy, and that intergovernmental conflicts prevent the formation of a unified policy. But to say this is to describe a symptom rather than to diagnose the illness. Unquestionably there are major controversial issues of national security, international relations, balance of payments and foreign trade all of which must be brought into balance, but it can be said with assurance that a principal reason for the lack of an effective shipping policy is the extent to which legislators are influenced by special interest groups in the maritime industries. We will examine here only one aspect of this: lobbying by maritime unions; but it is well to remember that shipping companies, oil companies, shipyards, shippers' groups and shipyard unions all play their roles.

The present structure and condition of the major maritime unions is, in a sense, a product of the subsidy structure which supports the whole industry. Without this structure, it is doubtful that maritime

unions could exist in their present form. It is only natural, therefore, that union leaders will do everything in their power to foster and protect the system which is essential to their survival. To do otherwise would be to betray their membership. Union politics are essentially pragmatic; there is no place for lofty considerations of "what is best for the nation". The union leader who does not deal with bread and butter issues in a manner satisfactory to his members is not a leader for long. One should keep in mind, therefore, in considering the material in this and following chapters, that the onus lies not with the unions to limit their activities to what is "right" for the country. It lies with the legislators for permitting themselves to be unduly influenced.

Union lobbying is not new, but its impact is increasing. During the past 100 years, the social and economic character of the blue-collar worker has changed more than that of any other segment of the population. In the late 1800s, sweatshops were common; now studies are made of how workingmen can fill the leisure time provided by paid vacations. Labor leaders used to be workers themselves, proud of the callouses on their hands. Now they tend to the portly, live in wealthy suburbs and rub shoulders with business executives and politicians. Maritime labor has changed its attitudes as well; reflecting these changes in its character. Originally, the maritime worker viewed the government as little different from the employer, and not to be trusted. Here are some partial excerpts from Maritime , a union publication of the 1940s:

" . . . it is now the government itself, instead of individual shipowners, which stands facing maritime labor, ¹ therefore any economic action automatically becomes a political action."

. . . "Today all demands are political. Even a small job action for washrooms on Liberty ships is filled with political significance because it is directed at a government board . . . "

¹This was written during WW II, when seamen worked directly for the wartime Shipping Board.

"The present Capitalist management and its stooges naturally will fight against such measures as workers' control. Even if it were won, the struggle could still be lost if political measures were not taken in time to consolidate the victory."

" The United States Congress is made up of Republicans and Democrats. Both of these political parties are organizations of the employing class, representing conflicting tendencies within that class. The eleven million organized American workers have not one single representative in Congress. The unions have their "Washington representatives". They cool their heels in the ante-chambers of Congress trying to find some Republican or Democrat who will introduce a bill for them."

"Only a political party of the working class can seriously address the demands of American labor to the Capitalist government. The government's maritime program will sooner or later (try to) eliminate the independent existence of the seamen's unions."²

The unions' long-hoped-for Socialist Labor Party never became a serious political contender, but the problems anticipated in the article were solved in ways the writer could never have foreseen. Contrast his view of scornful capitalist Congressmen trampling on hapless workers with the obsequious reception accorded Paul Hall, President of the AFL-CIO Maritime Trades Dept. by Senator Russell Long (D-La), Chairman of the Senate Merchant Marine Subcommittee, during the hearings leading up to the Merchant Marine Act of 1970 :

Long: " May I say in New Orleans you have one of the best locals I know of and one of the best local leaders, Lindsey Williams, and I think the fine work you have done rubbed off on him and vice versa."

Hall: "Thank you very much. "

Long: "Thank your people for doing a fine job down there."

One does not get the impression that Mr. Hall spends too much time cooling his heels in the Senate antechamber. By "job", Senator Long is

²Lang, Frederick J., Maritime , (New York, Pioneer Publishers, 1943) p. 167-168

not referring to splicing rope and painting bulkheads, as he makes clear to Earl W. Clark, Co-Director of the Labor-Management Maritime Committee during the same hearing:³

Long: " Generally speaking, it has been my good fortune to have the support of labor every time I ran for office. In some cases I had the unanimous support of all labor groups. That doesn't mean I get the votes of all their membership, but usually I received a very large majority. I hope I merited that by the record I made."

At the time he said this, Senator Long was chairman of the Senate Subcommittee which was framing the subsidy provisions of the 1970 Merchant Marine Act. An examination of Senator Long's voting record reveals that the boys down in Louisiana should have been very pleased. The way the system works was enunciated even more clearly back around the turn of the century by Republican Senator Boies Penrose, who remarked candidly to an audience of businessmen:

"I believe in a fair division of labor. You send us to Congress. We pass laws under which you make money. Out of your profits, you further contribute to our campaign funds to send us back again to pass more laws to enable you to make more money."⁴

One suspects the good Senator may have had more wine at lunch than was good for him, but make him a Democrat and the audience a group of maritime labor leaders, and you have precisely the atmosphere under which much of this nation's shipping subsidy legislation has been passed.

Lobbying

Lobbying is defined in the American Heritage Dictionary as "seeking

³U.S. Congress, Senate, Hearings Before the Senate Merchant Marine Subcommittee , S-3287, 91st Congress, 2d Session. Serial No. 91-67. p. 568

⁴U.S. Congress, Senate, Energy Transportation Security Act of 1977 95th Congress, 2d Session, S-61, Ser. No. 95-43, p. 109

to influence legislators in favor of some special interest". There is nothing illegal or sinister about the practice. The right to address one's government is guaranteed by the First Amendment. Nor is there anything illegal or sinister about campaigning on behalf of a favored politician, attempting to influence others to vote for him, or contributing one's money to his campaign. All of these practices are as old as Democracy, and their unrestricted practice is one of our surest guarantees against tyranny. The very diversity of public opinion ensures that from the process will emerge something close to the collective will of the people.

However, certain institutions, because of the unusual power they exercise over large numbers of people, have constraints upon them which limit these constitutional rights. Among such institutions are banks, corporations, and tax-exempt institutions such as labor unions. These constraints, insofar as they apply to unions, are given below, from Title 18, Section 610, of the U.S. Code.

"It is unlawful for . . . any labor organization to make a contribution or expenditure in connection with any election at which Presidential or Vice Presidential Electors or a Senator or Representative in or a Delegate or Resident Commissioner to Congress are to be voted for, or in connection with any primary election or political convention or caucus held to select candidates for any of the foregoing offices, or for any candidate, political committee, or other person to accept or receive any contribution prohibited by this section."

"As used in this section, the phrase 'contribution or expenditure' shall include any direct or indirect payment, distribution, loan, advance, deposit, or gift of money, or any service, or anything of value."

The law goes on to authorize, however; " . . . the establishment, administration, and solicitation of contributions to a separate segregated fund to be utilized for political purposes by a corporation or labor organization, Provided : that it shall be unlawful for such a fund to make a contribution or expenditure by utilizing money or anything of value secured by physical force, job discrimination, financial reprisals, or threat of (these); or by dues, fees or other monies required as a condition of membership in a labor organization or as a condition of employment, or by monies obtained in any commercial transaction."

To summarize; unions may ask their members for strictly voluntary contributions, which can be used for political purposes. But they must not use union dues or contribute services which are paid for by such dues. In this chapter we will examine the scope of maritime union financial contributions and lobbying, and identify the major maritime labor lobbying organizations and the issues they have dealt with in the last ten years. In the following chapter, we will look at how closely maritime unions have abided by Title 18. Before proceeding, a rundown of the major actors on the maritime stage in Washington will help the reader keep things straight.

Maritime Lobbying Organizations

AFL-CIO ; George Meany, President. The AFL-CIO lobbys on matters relating to congressional labor policy generally, and, through the Committee On Political Education (COPE), it organizes get-out-the-vote drives, campaigns on behalf of favored candidates, and contributes money to their campaigns.

AFL-CIO MARITIME COMMITTEE, Talmadge Simpkins, Exec. Dir. This lobbying organization represents about half of all maritime unions. It looks out for the interests of the NMU and its affiliated organizations: MEBA Plan 1 (for engineers), and MMP (for officers). It represents one of the two major "warring camps" which divide maritime labor, but which unite when it comes to subsidy issues. The NMU has traditionally had more to do with the subsidized liner companies and can be expected to speak out on issues affecting them.

AFL-CIO MARITIME TRADES DEPT. Paul Hall, President. The counterpart to the Maritime Committee, the Maritime Trades Dept. represents the other major faction in maritime labor; the SIU with its numerous subsidiaries including MEBA Plan 2. The SIU traditionally had a bigger stake in the domestic shipping scene, and therefore greater interest in legislation affecting the Jones Act and the other cabo-

tage laws. These differences between the SIU and the NMU have blurred in recent years as each has successfully "raided" segments of the other's territory, and it is safe to say that both have a strong interest in maintaining high levels of subsidy of all types.

TRANSPORTATION INSTITUTE, Herbert Brand, President The Transportation Institute is, purportedly, a "Non-profit educational research organization". In fact it is a labor-oriented lobbying organization which frequently testifies before House hearings, and takes strong partisan positions. As we shall see in Chapter IV, it is funded by shipping companies as part of the SIU contract agreement, and therefore receives a substantial part of its support from tax-funded subsidies.

THE LABOR-MANAGEMENT MARITIME COMMITTEE, Earl Clark & Talmadge Simpkins, Co-Directors The LMMC is a counterpart to the Transportation Institute, and represents the NMU and the companies it contracts with.

NATIONAL MARITIME COUNCIL, Lewis Paine Jr., Exec Sect. This is the "Chamber of Commerce" of the maritime industries. It represents the collective interests of all shipowners, and is supported by all segments of the industry. It works together with the maritime unions in coordinating strategy for major lobbying efforts. A good part of its support comes from subsidized companies, and therefore from the taxpayer. The NMC specializes in grass-roots lobbying to gain public support for increased subsidies and a stronger Merchant Marine.

In 1978, a House Investigating Committee disclosed that the NMC was receiving financial and logistic support from MARAD. A full-time MARAD official, Lewis Paine, had been acting as Executive Secretary for the NMC, and approving its ad campaigns. MARAD had also supplied some forty employees to the NMC at a cost to taxpayers of about \$200,000 a

year, even though the agency had been previously advised by its own legal counsel that this could lead to a "troublesome conflict of interest". The House Investigating Committee, headed by Rep. Benjamin S. Rosenthal, accused MARAD of "plundering the U.S. Treasury" and criticized MARAD officials for extensive use of travel funds for themselves and their wives to attend numerous NMC "dinner dances" staged to help build support for U.S. shipping. As a result of the investigation, the agency was ordered by Secretary of Commerce Juanita Kreps to sever its ties with the NMC.⁵

In addition to the various lobbying organizations mentioned above, there is an approximately equal number of lobbying organizations which represent different groups of shipowners. With one or two exceptions, such as the Federation of American Controlled Shipping (FACS) which represents U.S. owners of foreign flag vessels and the American Petroleum Institute (API), all of the shipowner's lobbys have as much interest in maintaining subsidy levels as the unions do. Usually they speak together with the union lobbyists on most issues; a unique situation in American labor/management relations. Thus, members of the House Merchant Marine Committee hear an overwhelming majority speak out in favor of a liberal subsidy policy, and practically noone who opposes it.

The Maritime Administration

The Maritime Administration is not itself a lobbying or policy-making organization; its job is to carry out the policies made by Congress. However it sometimes takes partisan positions. As an agency of the executive branch, MARAD is often in the difficult position of having to explain the failures of policies which it does not make. Its incentive to suggest improvements on its own is checked by the political ties various presidents have formed with maritime labor. Since 1970, many presidential candidates have found it necessary to promise the unions more ships, jobs and money. MARAD can scarcely be expected to stand up

⁵Washington Post, 2 Oct '78, p. C-23; 21 July '78, p. 2; 26 July '78, p. 7. New York Times, 22 July '78, p. 28

in hearings and make recommendations which run counter to such proposals. MARAD is, moreover, officially mandated to "promote" the merchant marine. Finally, like most regulatory agencies, it has formed close relationships with the industry it regulates, and has come to see things their way. Thus it is not surprising that MARAD is a partisan, rather than a neutral witness at the policy-making sessions of Congress.

The Goals of Maritime Lobbying

Maritime lobbying organizations have confronted many issues during the past ten years, but their major efforts have been devoted to the following:

- Making it inconvenient or impossible for U.S. companies to own or operate foreign flag vessels, or else trying to force them to put their foreign flag vessels under U.S. union contracts.
- Increasing ship construction in the U.S.
- Maintaining or increasing ODS levels, and extending subsidy to an ever-wider spectrum of U.S. shipping.
- Maintaining the PHS hospital system.
- Promoting various kinds of cargo preference legislation.

Cargo Preference

It is in the field of cargo preference that the major efforts (and funds) have been expended in recent years. Cargo preference acts require that some percentage of a certain class of cargo must be carried by ships of the flag state. An example is the law that a high percentage of foreign assistance (AID) shipments must travel on U.S. ships. Such cargo preference legislation is a common way for countries to help their merchant marine, and most major maritime nations have some form of it. In the United States, there have been numerous attempts by maritime lobbyists to extend cargo preference to new areas, and to expand the percentages required by existing cargo preference legislation. For instance,

the unions and shipping companies capitalized on the Argo Merchant disaster and subsequent spills by foreign ships to suggest that U.S. vessels were safer and better run, and that therefore more oil should be brought to the U.S. on U.S. flag tankers. Lengthy hearings were held, but it was not easy to prove that the U.S. tanker fleet, with an average age of 17 years, was better than, for instance, the Liberian fleet, with an average age of 5 years, and the safety record of the U.S. privately owned fleet was no better than the international average. In any case, the expense and lead time to build new ships ruled this out as an immediate solution to the oil spill problem, and the problem was handed to the Coast Guard to solve through regulatory means.

All cargo preference schemes have three things in common: (1) They involve carrying more cargo on higher-cost U.S. vessels, so the costs of shipping that item (and its consequent retail price) would go up. (2) Since the U.S. fleet is small and, at present, inadequate to carry a much larger share of our foreign trade, such schemes would trigger large shipbuilding programs. Because U.S. construction costs are so much higher, the government would end up paying out huge amounts of CDS. (3) These new ships would require ODS in order to be competitive, since they would probably not be exclusively engaged in carrying preference cargo but would also compete in foreign trade generally. If this were the case, they would impose a further heavy burden on the treasury. The result of these three factors would be increased taxes, higher prices and inflation.

The Energy Transportation Security Act (ETSA)

Probably the most sustained and intensive lobbying effort by maritime interests in recent years has been the series of Energy Transportation Security Acts, culminating in the act of 1977. The legislative history of these acts offers a perfect example of the influence maritime labor organizations exert on legislators, and for the balance of this chapter we will look at it in some detail.

The original proposal was put forward by the labor-management coalition in 1974. It was a bill to mandate the carriage of 20% (increasing eventually to 30%) of all U.S. oil imports on American flag vessels. At this time, U.S. ships were carrying about 4% of such cargos. Since the U.S. fleet did not have anything like the capacity to carry this amount of oil, enactment of the bill would have required extensive shipbuilding, something the AFL-CIO favored strongly. Proponents of the bill argued that it would provide a large amount of employment, both in the building of the ships and in manning them; that it would help the balance of payments problem, and that it would enhance the security of the nation since the U.S. would not be so dependent on foreign flag vessels for its vital oil supplies. Those in support of the bill were mainly shipbuilders and shipyard unions, maritime unions and U.S. flag shipping companies.

Opponents of the bill included most of the oil companies (who owned extensive foreign flag fleets) foreign shipping organizations which were presently carrying much of the oil, and U.S. "public interest" groups who felt the bill was inflationary or were concerned about the rumors of high-pressure lobbying and payola which surrounded the progress of the bill, as we shall see in a moment. The bill's opponents claimed it would cost the taxpayer up to \$60 billion by 1980, through rises in oil prices due to more expensive transportation, and because of increased subsidies. MARAD and the Comptroller General of the United States both prepared estimates which showed a more modest, but nevertheless substantial cost to the public.

In response to this, the unions and shipping companies produced figures showing that the measure would cost the taxpayer little or nothing, in real terms. Although some rises in the price of oil might be expected, (they said), the corresponding benefits in increased employment and better balance of payments would more than offset them. On the whole, the various factions with their sets of figures more or less cancelled each other out,

leaving the impartial observer with the impression that no one was telling the truth.

The pro-cargo-preference groups also stressed the national security aspects of the bill, claiming that passage was "vital" if the entire energy security of the nation was not to rest in the uncertain hands of Greek and Norwegian shipowners. This faction was somewhat disheartened by the rather lukewarm support they got from the Department of Defense on this point. DOD did not, apparently, feel that a fleet of U.S. supertankers would be of much use in a national emergency, and feared the program might cut into military shipbuilding appropriations. DOD also pointed out that the security of the sources of imported oil was much more questionable than the security of the means of transportation.

The 93d Congress held 15 days of hearings on HR 8193, the Energy Transportation Security Act of 1974, over a six month period. Most testimony was concerned with attacking the figures presented by opposing factions, and stressing the patriotic motives which underlay the view being presented. The House Merchant Marine Committee was chaired by Rep. Ed. Garmatz (D-Md) until his retirement in 1973⁶ when he was succeeded by Rep. Frank Clark (D-Pa).

⁶In 1977, Garmatz was indicted by a Federal Grand Jury for receiving illegal bribes from shipping companies, and soliciting further sums in exchange for sponsoring legislation worth \$24 million to the firms in question. The charges were eventually dropped by tacit consent of the Justice Dept. in Jan. '78 because, according to a House Merchant Marine Committee source who does not wish to be identified, "he was a poor old man, at the end of his career." In the course of the investigation, Garmatz commented impatiently; "Who in hell did they expect me to get it from, the post office people? The bankers? You get it from the people you work with, who you helped some way or another. It's only natural." The "it" he was referring to were alleged illegal campaign contributions, not the bribes, which he denied taking but which shipping company officials admitted to giving. See: Washington Post, 2 Aug. '77, p. 1; 3 Aug. '77, p. 7; Wall Street Journal, 10 Jan. '78, p. 6

The Merchant Marine Committee was predominately Democratic, and was sympathetic to the bill, but it faced a hostile administration, since President Ford inclined to the oil companies' point of view and felt the bill was inflationary. Over the objections of his administration, the bill passed the House on 8 May, 1974 by a vote of 266 to 136, but was pocket-vetoed by Ford on 30 Dec. The merits of this bill and its successors are not relevant to this paper, so we will pass on to the efforts by maritime lobbyists, especially union lobbyists, to get it passed.

Laying the Groundwork for ETSA '74

The maritime unions had planned their strategy well in advance. In December of 1973, The Nation reported that President Nixon addressed 200 delegates of the SIU in Washington and, ". . . did everything short of donning oilskins and crying 'thar she blows' to suggest his affinity with the vasty deep. In a rambling, gesture-filled speech, he made use of nautical metaphores and gestures, grasping at an imaginary ship's wheel and pantomiming a seasick sailor. 'It is,' he said, 'the Captain's job to bring the ship into port, and I assure you that you don't need to worry about my getting seasick or jumping ship!' ."⁷

The article went on to identify SIU President Paul Hall as one of Nixon's few friends in the labor movement, and points out that the SIU alone contributed \$100,000 to Nixon's 1972 campaign. This money was supposed to be from the union's fund of "voluntary" contributions, in accordance with Title 18, but curiously (the article states) the SIU borrowed exactly \$100,000 that same day from the Chemical Bank of New York, later repaying the debt with union funds. The Nixon election committee delayed reporting the contribution for three months, though legally required to do so within 48 hours. Nixon was to prove that he had a very strong stomach indeed, and probably would not have gotten "seasick". If he had not been forced to resign, the Energy Transportation Security Act would be law.

⁷The Nation, 10 Dec. 1973, p. 612

The legislative branch also received its share of attention from the unions. According to the Washington Post, members of the House who voted for the bill in 1974 had already received a total of \$84,876 in campaign contributions from maritime unions in 1972, while those voting against the bill had been given only \$12,000.⁸

Now, with 1974 at hand, the pace of lobbying and contributing picked up. By 8 August, the MEBA Political Action Fund alone had reported expenditures of \$371,153 including a \$25,000 loan to Sen. Mike Gravel (D-Alaska) which he later admitted to soliciting. Sen. Gravel, a key member of the Senate committee which would be considering the Energy Transportation Security Act, stated reassuringly that there was "not a word about the legislation; no quid-pro-quo at all." He also assured the Washington Post that "I fully intend to pay this loan back."⁹ A few weeks after his re-election in November, however, the MEBA reported that it had "forgiven" and "canceled" the loan. Sen. Gravel received additional amounts of \$6,000 from the MEBA and \$15,500 from the SIU, bringing his total maritime contributions to \$46,500 in 1974.¹⁰

Altogether, maritime unions contributed \$333,000 to Senators and Representatives in 1974. Of this money, 126 Representatives out of the 266 voting "for" the bill received money, while only 3 out of the 136 voting "against" got contributions. Sen. Javits (R-NY) received \$3,500 but returned it to the unions two days before he voted against the bill. He declined to comment on whether the refund was to avoid any conflict of interest.

The Big Winners

Among the high-scorers in the contributions game, apart from Sen. Gravel, was Sen. Russell Long (D-La), Chairman of the Senate Merchant

⁸Washington Post, 20 June 1974, p. 1

⁹Ibid, 2 Nov. 1974, p. 2; 10 Aug. 1976, p. 3

¹⁰Ibid, 2 Sept. 1974, p. 3

Marine Subcommittee, who got \$22,000 even though he had only token opposition in the primary and was unopposed in the main election. Another big winner was Rep. Frank Clark (D-Pa), Chairman of the House Merchant Marine Committee after Garmatz left, who got \$17,600. Sen. Daniel Inouye (D-Hawaii) who succeeded Long as Chairman, received \$10,000 as a campaign contribution even though he was unopposed in the election. Other major Senate recipients were Alan Cranston (D-Calif) \$14,500; Howard Metzenbaum (D-Ohio) \$13,000; and Warren Magnuson (D-Wash), Chairman of the Senate Commerce Committee which is the parent of the Merchant Marine Subcommittee, \$12,900. Earnest Hollings (D-SC) who was to chair the hearings in 1977 got \$7,200. Rep. John Murphy, present Chairman of the House Merchant Marine Committee, received \$7,000. ¹¹

This financial largesse did not go unnoticed by Capitol Hill watchers, and it provoked widespread accusations that the Congress was sabotaging the President's efforts to control inflation in order to help special interest groups. A New York Times editorial complained that:

"The bill oiled its way noiselessly through the House in May and through the Senate last month. Large political campaign contributions from the Marine Engineers Benevolent (sic) Association and other maritime unions to influential members of Congress undoubtedly helped smooth the way for this measure."

. . . "This kind of intimate relationship between campaign contributions and special interest legislation demonstrates the compelling need for public financing of most political expenses. Obdurate resistance in the House blocked that reform this year except for presidential elections."¹²

In all, the SIU's Seafarer's Political Action Donation (SPAD) and the MEBA's Political Action Fund reported combined expenditures of nearly \$800,000 between 1 Jan. and 24 Oct. of 1974. The reader should keep in mind that most of this money was funded at about 75% by federal subsidy. Apart from the contributions mentioned previously, some of the \$800,000 consisted of transfers to COPE and contributions to various

¹¹Washington Post, 16 Sept. 1974 , p. 1

¹²New York Times , 12 Oct. 1974 , p. 30

Democratic Campaign Committees. In addition to these expenditures, maritime unions were able to offer other incentives to legislators. The SIU owned a printing plant in Brooklyn which was available to print campaign literature for favored candidates. Fat speaker's fees were paid for guest appearances, such as \$2,500 for one speech by Sen. Hollings. Courtesies were extended, such as the payment of a \$339 liquor tab at a dinner honoring House Merchant Marine Committee Chairman Leonor Sullivan (D-Mo).¹⁴

The Unions Flex Their Muscles

A good example of the "clout" wielded by maritime unions is offered by the New England natural gas proposal, which cropped up during the period we have been discussing. Early in 1974, the Boston Gas Co. had a chance to secure a supply of liquified natural gas on behalf of six New England utilities, from a plant in Alaska. In view of the critical shortage that winter, they asked the Federal Energy Administrator, William Simon, for a waiver to the Jones Act so they could use a Norwegian tanker to transport it, since there were - at that time - no U.S. flag LNG carriers in commission. The Jones Act requires that any cargo carried from one port of the U.S. to another be carried on a U.S. flag vessel.

John Knubel, Deputy Assistant Energy Administrator, reported that he met with union representatives and that they were "dead set against it. They felt it would be a foot in the door jeopardizing their position on cargo preference."¹⁵ Humiliated, the government didn't even give Boston Gas the courtesy of a formal rejection, and New England didn't get its gas; (it was sold foreign).

Clearly, the unions felt they had the clout to win in 1974 and, but for Nixon's Watergate problems, they would have. With Ford in the White House, however, it was a different ball game, and when he vetoed the

¹⁴Wall Street Journal, 17 Dec. 1974 , p. 26

¹⁵Ibid , 17 Dec. 1974, p. 26

bill its supporters and their friends on Capitol Hill decided not to re-introduce it until a new and more simpatico president was at the helm. The task now was to find that president and ensure that, when the bill was re-introduced, it would meet with the same favorable reception in both House and Senate that it had in 1974.

The Drive for ETSA-77

Supporters of the bill found their man in Jimmy Carter. In May 1976 he announced that "if elected, I will seek a national cargo policy which will assure our U.S. flag merchant marine a fair share of all types of cargo."¹⁶ On the strength of this promise, Jesse Calhoun (MEBA President) and other maritime interests quickly put together a \$200,000 war-chest for his primary.

Common Cause, the "Citizen's Lobby" in Washington which keeps an eye on such things, said in an editorial dated September 1977 that union political funds added another \$23,781 to this figure. These contributions were for the primary only, since the general elections were 100% tax funded. All the maritime unions, and the AFL-CIO's COPE, staged massive get-out-the-vote drives to propel Carter to victory.

Once elected, however, Mr. Carter began to receive warnings from his leading economic advisors, State and Defense Department officials, and others, that a cargo preference bill of this scope was ill-advised, protectionist, and tailor-made for special interests. Political cronies warned him that his sponsorship of the bill would invite criticism. Only the Maritime Administration and the Labor Department joined the President in supporting the bill, and both of those organizations were acknowledged to be heavily influenced by labor and industry interests.

¹⁶Washington Post , 29 July 1977, p. 2

When Rep. John Murphy, the new Chairman of the House Merchant Marine Committee, re-introduced the bill during the first session, it was with the same proviso that U.S. ships would end up carrying 30% of all oil cargos. Carter, acting on advice that this figure was unrealistically high and impossible to implement, cast about for ways to keep the unions happy without bankrupting the nation. He asked Robert Strauss, a savvy politician and former Democratic National Chairman, to look for alternatives.

Strauss canvassed union leaders and legislators and reported to Mr. Carter in a memo that he (Carter) was viewed as "committed to a cargo preference policy" and that such a policy would "politically . . . be very hard to resist."¹⁷ In particular, Strauss reported Sen. Long as saying that the concept of cargo preference was more important than the percentage (since once the principle was established, the percentage could always be increased) . Long reportedly assured Strauss that "anything you fellows can satisfy Jesse Calhoon with, I will take and support."¹⁷

In the meantime, Stuart Eizenstadt, Carter's top domestic policy advisor, had sounded the President's Economic Policy Group and, noting their objections, termed the cargo preference bill a "flawed concept", but agreed that it was probably a political necessity to which there were few alternatives. Eizenstadt shared the view that maritime interests could accept cutbacks in the percentage carried for the time being.

President Carter, caught between a rock and a hard place, and realizing that any rejection of the bill by him would be seen as a broken promise, penned at the bottom of Eizenstadt's memo, "OK - Strauss get minimum." In announcing the President's support of the bill several days later, MARAD ignored the political considerations and cited reasons of "national security".¹⁸

¹⁷Washington Post, 29 July 1977 , p. 2

¹⁸New York Times, 29 July 1977, Sect. IV, pp 1 & 3

With Presidential approval assured, but with the percentage cut from 30% to 4½%, increasing to 9½% in five years, maritime interests were ready to go full speed ahead. The National Maritime Council, partly formed and funded by MARAD, launched a massive grass-roots advertising campaign entitled "Don't Give Up the Ship". The campaign, reportedly costing over \$1 million, featured full page ads in prestigious newspapers and was intended to generate large and influential volumes of mail to Congressmen. 19

Another group, calling themselves the "U.S. Committee to Turn the Tide" (supported by both shipping companies and maritime unions) hired Carter's campaign advertising director, Gerald Rafshoon, to conduct a nationwide campaign for support for the bill. Former Carter pollster Pat Caddell was also hired to perform market testing on the campaign's impact. White House Press Secretary Jody Powell, responding to Republican charges, insisted that this use of Carter-connected people was coincidence and that, although Rafshoon had regular and frequent access to the President, there was no connection between his work in behalf of the bill and the President's support for it.²⁰

By September, the Committee to Turn the Tide, now calling itself the U.S. Maritime Committee, had spent about \$750,000 and Rafshoon was putting together a blitz of newspaper ads and TV commercials for Washington stations and papers which would cost another \$250,000. This campaign was aimed primarily at the Congressmen themselves, according to Rafshoon's Vice President, Stephen Leshar. 21

More Campaign Contributions

Naturally, lobbying efforts had not been confined to advertising

¹⁹Washington Post, 21 July 1978, p. 2

²⁰Ibid., 2 August 1977, p. 1

²¹Ibid., 14 Sept. 1977, p. 6

and letter writing. Maritime unions had paved the road to cargo preference with a thick layer of greenbacks. The bill's sponsor in the House, Rep. John Murphy, Chairman of the House Merchant Marine Committee, had ample reason to support the union's point of view. In 1972 he had received \$5,000 from maritime interests. In 1974 he received \$12,500. In 1976 he received \$16,500 plus the votes necessary to return him to Congress. Now, in June 1977, union officials and industry representatives attended a cocktail party "fundraiser" at the Mayflower Hotel in Washington D.C., raising an additional \$30,000 - over one-third of it from maritime interests. This took place in a non-election year and was not needed to pay off debts from the previous campaign; it was pure "gravy". On 2 Aug. 1977, Chairman Murphy's Committee reported the bill by a vote of 31-5. Murphy had received a total of \$43,650 from maritime interests since 1972, the vast majority of it union money.

Of the 31 Representatives voting for the bill in Committee, 24 had received contributions totalling \$83,263 from maritime unions during the 1976 campaign. Of the five Representatives voting against it, three received no contribution, and the remaining two got \$500 each. Maritime unions had also given more than \$55,000 to the 1974 campaigns of the Representatives who voted for the bill in 1977. 22

Of course, the Senate had not been forgotten. Twelve of the 18 Senators in the Senate Commerce Committee had received a total of \$129,059 in their most recent campaigns, not to mention four who had formerly been on the committee but were not re-elected, and got an additional \$85,550. Apart from these committee members, contributions were spread lavishly through the general membership of the House and Senate. Over the last three elections, maritime unions had contributed almost \$2 million, culminating in \$969,000 during the 1976 campaign alone. The unions stood ready for, and confident of, victory.²³

²²Common Cause, How Money Talks in Congress , (Wash. D.C. 1978)

²³Washington Post , 18 Aug. 1977, p. 2 ; 2 Aug 1977, p. 18
New York Times , 18 Aug. 1977, p. 15

Doubts About ETSA

But another campaign was being conducted: one to defeat the bill; being led inside the House by Rep. Pete McCloskey (R-Calif), who served as minority leader of the House Merchant Marine Committee and, in the Senate, by Sen. Robert Griffin (R-Mich.) of the Senate Merchant Marine Subcommittee. This countermove was essentially based on questions raised by members of the administration itself, as to the inflationary effect of the bill and its effectiveness in solving the nation's problems. Further impetus for resistance to the bill was provided by the increasing publicity being given to the maritime unions' rather heavy-handed attempts to organize Congress to their liking.

When President Carter had begun having second thoughts about the bill, he asked Treasury Secretary Michael Blumenthal, head of the Economic Policy Group, to prepare a summary of the group's reactions to the proposed legislation. Among other things the memo, made public by Rep. Pete McCloskey, points out that neither the State or Defense departments supported the contention that the bill would enhance national security.

"Defense believes," the memo states, "that the essential national security problem is access to, not carriage of, oil; and does not support HR 1037 on national security grounds. State believes that, on balance, oil cargo preference would not be beneficial to national security." ²⁴

These doubts by senior administration officials struck at the heart of the argument. The bill's supporters had been saying all along that the extra costs (up to \$180 million per year according to some estimates) were justified by the increased national security the bill would provide, and now here were State and Defense pooh-poohing the idea.

²⁴New York Times , 29 July 1977 , Sect. IV , pp. 1 & 3

Rep. McCloskey in the House, and Sen. Griffin in the Senate, made heroic efforts to get representatives from these two departments to testify before their respective committees, only to be stonewalled in each case by the committee chairmen, who did not wish any such thing. In both cases, the only administration witness to testify was Robert Blackwell, Assistant Secretary of Commerce for Maritime Affairs (and head of MARAD) who stoutly maintained that the bill was essential to "the national defense and security of the United States." The following exchanges give the reader some idea of the atmosphere in which the hearings were conducted. Some parts have been abridged or summarized, for brevity.

In the Senate

Sen. Griffin: (asking for other administration witnesses to be called) I hope, Mr. Chairman, that there will be time set aside for these people, in addition to others who are opposed to this legislation, to have an opportunity to appear and testify. I'm sure you had that in mind.

Sen. Hollings: No, I don't have that in mind.

Senator Griffin: (after a pause) I'm shocked, Mr. Chairman.

Sen. Hollings: You stay shocked . . . I know it's quite a good act for you to put on. (ommission) We should get the government to move and rebuild our merchant marine. And my answer is no, I won't invite any of them to testify. I wouldn't refuse them if they asked, but I think it's unnecessary at this time because their position is known by the Commander in Chief of the Defense, namely the President. He asked you to testify for him, isn't that right, Mr. Secretary?

Mr. Blackwell: That's right.

Senator Hollings: Thank you Sir.

Sen. Griffin: Mr. Chairman, are you saying that you not only are not going to invite other people from the administration who ought to be given an opportunity to testify, but also that you are not even going to allow others outside the administration who may have views on this legislation to testify?

Sen. Hollings (Indicates that, unless Blackwell has any further remarks, that is correct.)

Sen. Griffin: Mr. Chairman, I wasn't going to comment about the fact that Mr. Carter got elected on this issue, but there is some truth to that. In fact I understand that over \$100,000 from the unions involved with this particular legislation was contributed to President Carter's campaign.

I also think we ought to take note of the fact that these same unions contributed over \$990,000 to candidates running for the Senate and House in the last election.

I find it rather amazing - and I hope that you would speak only for yourself and not for the Chairman of the Committee as a whole - that you would not allow anybody to come in and testify against this bill.

Senator Hollings: (to Blackwell) Well, Mr. Secretary, I'm sorry you have to put up with this nonsense.

Mr. Blackwell: I'm used to it, Mr. Chairman.

Senator Hollings: You know, we invite witnesses to testify. He can talk about his \$100,000 from London to Mexico. What the heck? Are we going to get on to any important issues? He's amazed and he's shocked that I'm not doing a service, and I'm doing it in a slipshod fashion.

What's made this area slipshod is his attempt to get further hearings. I can tell you very frankly, that, right straight to the point, that everyone's testified that ever wanted to testify on this bill. We've got an abundance of testimony.²⁵

In the House

Rep. McCloskey: (asking for permission to call Administration witnesses) I am imploring the chairman. All we ask is a free and open debate, and cross-examination. One more day of hearings with these administration witnesses cannot hurt the chances of this bill being passed. It can help to cure the concern, felt in many areas of this country, that this committee is so closely identified with the maritime industry that we have lost our capacity for independent judgement on the merits and benefits to the nation rather than just to this industry. (he goes on to propose a motion to call Blumenthal, Strauss, Asst. Sect. of State Julius Katz, and Asst Sect. of Defense Paul Riley).

²⁵U.S. Congress, Senate, Energy Transportation Security Act , S-61, 95th Congress, 1st Session, Serial No. 95-43, pp. 24-27

Rep. Murphy: (replies, in effect, that as majority leader, it is up to him to subpoena witnesses and he will not do so in this case because he respects the "executive privilege" of the President. He suggests instead that they let Blackwell take the stand. He goes on to say that - in any case - no such motion could have been passed because there was not a quorum present. Summarized for brevity.)

Rep. McCloskey: Mr. Chairman, there is a quorum of Republicans present. It is somewhat unusual for me, after seeing a quorum of Democrats present for every piece of legislation we have reported out recently, to find that you are the only Democrat here today.

Rep. Murphy: It is not in the least unusual. (he goes on to say, at some length, that all the others had things to do).

Rep. McCloskey: (after some further exchanges) I understand that, but I want the record to show that there are four Republicans present, and one of sixteen Democrats. The absence of these members denies us the right to even call for subpoenas.

Rep. Murphy: If the gentleman is inferring that the Democrats are not here for that purpose, I think he is doing none of us a service, including himself.

Rep. McCloskey: Well, the gentlemen of this committee received a letter advising them of the time and date of this hearing, and a letter from me stating that we would make the motion at this time for the issuance of the subpoenas.²⁶

While Rep. McCloskey was battling inside the House, another battle was being waged in the press, led by John Wertheimer, President of Common Cause. Common Cause had been working for some years to build the case that maritime contributions were improperly influencing Congressional decisions. Now, new financial disclosure laws were making available to them figures which they immediately published in the daily newspapers, together with analyses of the cause and effect relationships between voting and financial contributions.

By the time the ETSA reached the floor of the House for final action

²⁶U.S. Congress, House, Energy Transportation Security Act
HR 1037, 95th Congress, 1st Session, Serial No. 95-11, pp. 462-465

on October 19, 1977, the glare of national publicity was producing some results. For one thing the sobering financial estimates produced by the Comptroller General were translated by many legislators into higher prices at the gas pumps of their home states; not a proposition likely to endear them to their constituents. For another thing, too close a relationship with maritime unions was beginning to look like the political kiss of death. As headlines blossomed daily with fresh disclosures of political gift-giving by maritime interests, legislators began to have second thoughts. Labor lobbyists are very energetic, but they are not terribly subtle. The following comment was made by Rep. Railsback during hearings on lobbying, in 1975:

Railsback: You have labor lobbyists. We walk over on the floor and sometimes we have the labor people giving thumbs up or thumbs down as we walk right into our chamber to vote. And most of them are not even registered lobbyists, without a doubt.²⁷

ETSA Defeated

The result of all this was that the House handed maritime interests a stinging setback, defeating the bill 257 to 165, even though it had passed a much more liberal bill by a wide margin only a few years earlier. Of the 215 Representatives who received union contributions in 1976, 85 voted against the bill, including three members of the House Merchant Marine Committee who had supported the bill in committee, but now turned against it. According to the Wall Street Journal the unexpected reversal was due to:

"political heavyhandedness of the maritime industry and unions. These unions gave huge political contributions to many lawmakers in last year's elections and this time tried to call in those chits, even privately threatening some members with political retaliation. The intensity of this effort offended many lawmakers, producing yesterday's decisive defeat of the maritime interests, these members said."²⁸

²⁷U.S. Congress, House, Lobbying - Efforts to Influence Government Actions , HR 15 & related bills, 94th Congress, 2d Session, p. 170

²⁸Wall Street Journal , 20 Oct. 1977, p. 5

Rep. Murphy, way out on a political limb, had a different theory. The defeat was caused, he said, by a conspiracy fostered by the Soviets (who wanted more cargos for their merchant marine) and the big oil companies. This unlikely coalition between socialist realism and silk-hatted capitalism was supposed to have "torpedoed" the bill's chances!²⁹

Rep. Pete McCloskey, who led the successful floor fight, said in a letter to Common Cause:

"Your publishing of the precise extent and nature of maritime industry contributions over the years created a desire on the part of many of my colleagues, particularly the new Members, to finally declare their independence from the maritime lobby. I believe this was the crucial factor in changing a 31-5 vote for the bill in committee to a smashing 257-165 rejection on the Floor."³⁰

This political setback, and the huge expenditure of funds which went in vain, has caused considerable headscratching among the political strategists of maritime labor. Maritime unions certainly will not abandon lobbying and political and financial muscle as survival tactics. Politics is the only means by which the present system can be maintained. But the tactics of maritime union political chiefs can be expected to change as a result of their setback. Union political activity will, in all probability, become more subtle, more sophisticated, less partisan, and - probably - less indiscriminately lavish. The power of the vote will be stressed more than the power of the dollar in future, and, since individual maritime unions are unimpressive numerically, we may see them burying their longstanding rivalries and differences in the interest of political solidarity. The longstanding independent attitude of the maritime unions vis-a-vis the AFL-CIO may also lessen, as maritime unions feel an increasing need for the enormous power that organization can bring to bear.

²⁹Wall Street Journal , 20 Oct 1977, p. 5

³⁰Common Cause, How Money Talks in Congress , p. 10

CHAPTER IV

HOW UNIONS GENERATE LOBBYING POWER

Maritime Union Funding Sources

As we saw in previous chapters, maritime unions operate in an increasingly fragile and artificial environment. If the structure of protective legislation and subsidy were removed, the whole house of cards would come down. Thus, unions have had to become political animals to survive in the political jungle, where the most clout brings the biggest rewards. Since maritime unions are relatively small, one would not expect that they could swing much weight compared, say, with giants like the UAW. Yet maritime unions have become among the most formidable labor lobbyists and, apart from the debacle of 1977, have been able to achieve nearly all of their legislative goals. Since they are not numerically significant, we must look for other reasons for this success than a simple ability to amass votes.

There are, in fact, several reasons for their success. They try very hard, and they have a lot of expertise in an area where most of America is uninvolved, uninterested, and uninformed. Also, they are very good at raising money. Just how good they are at money-raising has caused some eyebrow-raising in Congress and in the press. Until recently, the liberal attitudes of pro-labor legislators kept anyone from looking too closely at some of the methods maritime unions used to raise their political money, and violations of Title 18 were winked at. Now things are different, and people are beginning to ask questions. During the 1979 Maritime Authorization Hearings, Rep. McCloskey raised the issue with Jesse Calhoun, President of the MEBA.

McCloskey: I want to read to you comparable figures for political contributions in 1976 that came from other unions. I want you to compare these with the amounts that came from the wages of your union.

- The AFL-CIO paid an average of 11¢ per member for political contributions.
- The American Federation of Teachers paid \$1.37 per person.

- The International Ladies Garment Workers Unions paid \$1.28
- Amalgamated Clothing and Textile Workers, 48¢ per person
- Brotherhood of Railway, Airline & Steamship Clerks, 79¢
- Amalgamated Meat Cutters and Butcher Workmen, 32¢
- United Transportation Union, \$2.52
- American Federation of State, County & Municipal Employees, 20¢
- The Seafarer's International Union of North America, \$29.06 per person.
- The National Marine Engineer's Beneficial Association, \$56.81 per person.

The total contribution, in that respect, by a relatively small union, MEBA, amounted to \$539,771. That came out of the wages of your members, did it not?

Calhoon: I would think so.

McCloskey then went on to ask him if he would object to a bill which limited subsidy to what actually went to the seamen themselves, and barred its use for political contributions, union-operated schools, etc. Mr. Calhoon replied gravely that he would "have to think about that."

The unions' ability to raise large sums of money is not really too difficult to figure out. Of all labor organizations, maritime unions have perhaps the greatest degree of power over their members and, what is more to the point, they receive large amounts of their members' money directly from the employers, in the form of vacation and various other funds. It is not always easy for union members to get back all of that money intact.

Union Fundraising

In 1969, Congress-watchers noticed that some of the most ardent supporters of the Democratic party were Japanese and Filipino seamen who were working on Vietnam-bound U.S. merchant vessels under a temporary war-time dispensation. Most of these foreign seamen were not even union members, but they were contributing up to \$500 at a crack, to the SIU political fund. This amounted to about a third of their wages each trip.

¹U.S. Congress, House, Maritime Authorization 1979, HR 10729, 95th Congress, 2d Session, Serial No. 95-37, pp. 359-360

The foreign seamen were signed on as replacements abroad, for American seamen who got sick or simply had to leave for some reason. At wartime wages of as much as \$1000 per month for even menial positions, the foreigners were jumping at the chance and gladly paid so-called "service fees" to union agents who controlled hiring. Although American crewmembers typically contributed \$5 - \$25 per trip to the SIU's SPAD, Japanese, Filipino and Scandenavian seamen were regularly kicking in up to a third of their wages.

This attracted the interest of the Justice Department, which, in 1969, asked a Federal Grand Jury to indict the SIU and its President, Paul Hall, for illegally extracting money under duress from foreign seamen, many of whom had never set foot on American soil, but whose money was helping to influence American elections.

Federal investigators found substance to the charges. For instance, aboard the tanker St. Lawrence in 1968, three American seamen contributed \$2, \$10 and \$17 respectively, while each of nine foreign seamen "donated" \$500 each. They found that a single payday aboard one ship yielded as much as \$7250 for the union's political fund, most of it from foreign seamen. In addition to collection from foreigners, the SIU was accused of threatening American seamen who lacked job seniority, causing these seamen "to fear that failure or refusal to make contributions to SPAD would result in the loss of their employment." ²

The investigation resulted in a seventeen count conspiracy indictment, alleging that the union had contributed as much as \$750,000 to campaigns for federal office in violation of the Corrupt Practices Act. SPAD's heavy political spending continued right on through 1969 (a non-election year) however, when it gave an additional \$32,951 to federal candidates, \$112,578 to state and local candidates, and \$211,529

²Wall Street Journal , 3 Jan. 1969, p. 1; 30 June 1970, p. 8

for unidentified "other expenses", which included honoraria of up to \$3000 each for speeches by Congressmen. "It was part of the conspiracy," alleged the indictment, "that SPAD would exist only on paper and be nothing more than a device to conceal unlawful political contributions by the Seafarers International Union." ³

The case was open and shut, and in 1970 Attorney General John Mitchell had witnesses ready to testify that the union had forced them to contribute to political funds against their wishes. A similar case was being prepared against United Mine Workers boss Tony Boyle. Suddenly, however, the heat was off the Seafarers, although the case against Boyle proceeded to conviction. In the SIU case, federal prosecutors abruptly lost interest and it was dismissed by a Federal District Court Judge on the grounds that the Government had not prosecuted in prompt fashion. The Justice Department did not appeal this decision, in effect dropping the case with no reason given. It was shortly after that that President Nixon received the \$100,000 SPAD donation for his re-election fund (see page 43). Later, Paul Hall, with \$100,000 invested in Nixon, would be the only holdout in the anti-Nixon "resign-or-be-impeached" resolution passed in 1973 by the AFL-CIO.⁴

The MEBA also has its source of captive contributors. According to a 1971 article in the Wall Street Journal the MEBA "leans on pensioners who can't easily elude political collectors; and, at times, leans on deceased members' widows too."

The article quotes 73 year old James Green, a retired MEBA member, who gets a pension of \$315 a month. "Things are getting kind of tough," he said. Yet, along with 2000 other pensioners, he was giving a minimum of \$10 a month. "I didn't know it was for politics!" he exclaimed. "I thought it was just to help them out."

³Wall Street Journal , 1 July 1970, p. 5

⁴Time Magazine, 3 Dec. 1973, pp. 23-24

According to the Journal's article, union officials and collectors rarely seem to tap themselves. John Brady, secretary of MEBA's Brooklyn district, listed no donations over \$100 per year for union officials, not even from district President Raymond McKay (salary \$43,112 plus \$20,671 for expenses) but he reported several donations well over \$100 from widows whose dead husbands had failed to pay their political "voluntaries". For example, he collected \$705 from Lorraine Clark, issuing a receipt for "voluntary contributions". The same year he required Jeanne Crehan of Kenmore, New York, to sign over a \$325 check to the union before she could receive survivor's benefits. The official reason: "Mr. Crehan had not paid any voluntaries, and this check was to catch up."

Lawrence Henkel of Baltimore believed his annual \$120 was for "our doctors". Lionel Brown of Brooklyn thought he was giving to some welfare fund. George Wansor of New York donated because "the union came to me with a song and dance about hiring a lawyer to take care of our pensions." John Palmer, of the Bronx, believed it helped to buy eyeglasses and clinic care for other men. "It has nothing to do with politics, I'm sure." he said indignantly.

Retired MEBA members came up with over \$250,000 in 1971; more than half of the political money MEBA spent that year. Few of the union's active members gave as much individually as did the pensioners, including MEBA President Jesse Calhoon who, with a \$75,000 salary the previous year, gave not one dime more than Jimmy Green (retirement salary \$3,780). Calhoon seemed confident that the government had no leverage to break up the collection scheme. Asked what the members thought of it, a Calhoon spokesman said; "I'm not going to talk about that stuff."⁵

The National Maritime Union also has its collection methods. When members report to the union hall to pick up their vacation pay, instead of some of the money they receive little stickers, which look vaguely like

⁵Wall Street Journal , 15 Nov. 1971 , p. 1

Gold Bond stamps, labeled "NMU Fighting Fund - \$5.00". Anyone who objects is quickly given to understand that his approval is irrelevant, only his cooperation is required. In the SIU also, plenty of pressure is put on American union members, not just on foreign seamen:

"The union really muscled you," asserts James Condon of Northville Michigan, a 27 year old Seafarer. "Last summer I went down to the union hall near Detroit and asked the dispatcher how much dues I owed. He totalled up the bill and it got into hundreds and hundreds of dollars - something like over a thousand. I couldn't pay so he takes me into the back room."

"We can make a little deal,'he says. 'Don't tell anybody, but the only way I can ship you out is for you to contribute to our political fund.' So I paid \$160 for the job, but it turned out to be temporary."

Albert Dykes, 32, of Chesapeake, Va. worked at a non-union place for a time, also letting his dues to the Seafarers fall in arrears. "They said I owed them \$502," he relates. "I just gave them the money and they put it where they wanted to themselves." Mr. Dykes says he got a dues receipt for \$322 and union records reflect a \$180 donation by him to SPAD.

From Robert Wright, three union collectors in San Francisco once demanded \$1,400 in dues and assessments. \$400 wound up in the Seafarer's political kitty. From Angelo Pedrosa, the union wanted \$650, including \$125 for politics. Unless he paid, "you ain't got no chance in this union no more," one collector reportedly said. To Fred Boone, the union presented a dues receipt for \$600. Mr. Boone objected, whereupon an irritated agent allegedly raised the figure to \$1,039.18, including \$120 for SPAD.⁶

The same year as the above article was written Paul Hall, SIU President, earned \$53,836 plus expense money totalling \$20,422, but his name does not appear among the donors to the union's political fund.

Union leaders are not unaware of the backlash this sort of thing creates among their membership, and they are getting more careful about violations of Title 18 as well. On the back page of every issue of The Master, Mate & Pilot, official organ of the MMP, there is a fund appeal.

⁶Wall Street Journal, 17 Dec. 1974, p. 1

The text of the December 1978 appeal is entitled: "THERE GOES YOUR JOB" and reads, in part; "If we don't convince the people in Washington to speak up for the American seaman . . . there goes your job! Invest in your own future. Protect your job. Make your voluntary PCF contribution today."

The PCF is the MMP's Political Contribution Fund, and a handy contribution coupon appears on the same page. After spaces for name, address and amount of contribution, the coupon bears this message:

Voluntarily contributed for political purposes to MM&P Political Contribution Fund. No physical force, job discrimination, financial reprisals, or threat thereof has been used in any way to secure this contribution. The contributor has been advised of his right to refuse to so contribute without any reprisal, and this contribution is entirely voluntary.⁷

The MM&P is obviously not taking any chances!

Not all union lobbying is done through the union political funds. Various organizations have been set up as separate lobbying organizations, many of them representing the joint interests of both unions and shipping companies. A partial list of such organizations is given at the beginning of Chapter III. Among them is the Transportation Institute, formerly the Andrew Furusuth Maritime Research Foundation (Furusuth was a noted maritime labor leader in the early days of the union movement). Although ostensibly a "research organization" which maintains a large library, the Transportation Institute testifies frequently before the House Merchant Marine Committee and lobbys on most of the same issues as the official union and management lobbyists. It also makes substantial contributions to politicians who favor the maritime industry's point of view. The Joint Maritime Congress is a similar organization, which serves a different group of unions and companies.

⁷The Master Mate & Pilot , December 1978, back cover.

The role of these organizations in lobbying has been called into question because their support, and the funds they contribute, derive in large part from subsidized companies, and therefore from the taxpayer. This subject was explored during the 1979 Maritime Authorization Hearings:

Rep. McCloskey: Mr. Blackwell, I am disturbed about the provision of Title 18 of our Criminal Code that prevents lobbying with appropriated moneys. In the recent cargo preference fight, I note that in the contributions to the campaign to promote cargo preference we have \$50,000 from the Transportation Institute and \$100,000 from the Joint Maritime Congress. These moneys come, essentially, 83% , out of the Treasury, which subsidizes these costs as an additional operating subsidy for U.S. carriers, does it not?

Mr. Blackwell: No, it doesn't. Let's not give a negative or pregnant figure here. I don't think the figure is 83%.

Rep McCloskey : I thought that was your percent.

Mr. Blackwell: You have to remember there are contributions to those funds from non-subsidized operators . . . (some paragraphs eliminated for brevity here).

Rep. McCloskey: But if the unions then negotiate as part of the wage package that the company support something like the Transportation Institute, and the Transportation Institute's funds are then used to promote lobbying activity, in effect, that Federal money is going directly into that lobbying activity, is it not?

Mr. Blackwell: If those funds can be traced that way. I'm not sure, Congressman McCloskey, what other resources the T.I. and this other group you mentioned (the JMC) have. I'm not sure their exclusive source of funds is this vehicle. . .⁸

Mr. Blackwell may not have been sure, but figures from the Department of Maritime Manpower of his own organization show that union contracts stipulate a certain amount per man per day to be contributed to the Transportation Institute or the Joint Maritime Congress, depending on the union involved. These amounts have increased substantially over the past several years.

⁸U.S. Congress, House, Maritime Authorization Hearings - 1979 , HR 10729, 95th Congress, 2d Session, Serial No. 95-37, p. 19

Some examples, drawn from recent union contracts:

<u>Union</u>	<u>\$ per man per day</u>	<u>Given to</u>
Associated Marine Officers (AMO)	\$1	T.I.
MEBA, Pacific District	94¢	J.M.C.
SIU, Pacific District	\$1	T.I.
MEBA, Atlantic & Gulf (#1)	94¢	J.M.C.
MEBA, Atlantic & Gulf (#2)	\$1	T.I.
SIU, Atlantic & Gulf	\$1	T.I.

Un-subsidized companies pay these amounts as well, of course, but we are mainly concerned here with the contribution of subsidized funds. If we assume an average figure of \$1 for each subsidized billet and multiply that times the number of these billets in 1978 (7,241) we get a potential daily contribution of \$7,241, which comes to \$2,642,965 per year of federal subsidy which is going directly into lobbying to create yet more subsidy - a sort of subsidized perpetual motion machine.

Added to this, is the possibility, currently being investigated by the House Merchant Marine Committee according to Majority General Counsel Gerald Seifert, that portions of company contributions to "training" are actually ending up in political slush-funds as well.

Clearly, Title 18 of the U.S. Code has been honored more in the breach than the observance in union political fundraising. It seems likely that these practices may continue for some time yet.

CHAPTER V

SUMMARY AND CONCLUSIONS

We have seen that maritime unions do, indeed, wield a good deal of influence over the formation of U.S. shipping policy; an influence out of proportion with their size. We have seen, also, that this political influence results from intensive lobbying, backed up by generous cash contributions to Congressmen, and that the per-capita level of these contributions is the highest in the nation (compared with other major unions). And, finally, we have seen that maritime unions have come to see political influence as their only means of survival, and that they use harsh and sometimes illegal means to obtain the money necessary to sustain that political influence.

To acknowledge the foregoing, however, is not so much to indict the maritime unions and their shipowning partners, as to indict the system of government which has created this situation. It is often said that the U.S. has "no" maritime policy, and most people agree that what policy we do have is inconsistent, haphazard, and the product of ad-hoc decisions made in response to inter-agency conflicts and special-interest legislation. So far, this problem has been widely acknowledged, but not corrected. President Carter is the latest in a line of Presidents to announce that he intends to create a unified maritime policy which addresses itself to the needs of the nation. Whether he will succeed in doing so remains to be seen. Progress so far is unimpressive; yet there has been progress.

Until we have a maritime policy, we cannot expect the present situation to change much. When union leaders lobby for protective legislation and hand out lavish contributions, they are only doing what they, and their members, think is the logical response to a practical problem. And union officials are nothing if not practical.

The solution lies in changing the way in which policy is made so that this type of activity is unrewarding and, hopefully, unnecessary. Union leaders should not have to bribe people to get legislation passed

which will protect our merchant marine. A strong merchant marine is in the public interest. And if union proposals go beyond the public interest, or against it, then it should not be profitable to legislators to advance them by unethical means.

Obviously, the foregoing is a truism. But the fact that the existing situation is not inevitable, and can be corrected, is just beginning to be realized. The precedent for public financing of elections has been set, and, eventually, it will be extended to Congressional elections, which should eliminate much of the incentive for under-the-counter handouts. At the same time, ever-increasing disclosure and "sunlight" laws, and the proliferation of "citizens' lobbys" are making it harder to take payola and get away with it. Finally, there are active proposals for a centralized merchant marine planning authority, where policy can be made in a rational manner, with input from all branches of government, but with centralized decision-making powers which are insulated from pressure-group politics.

This is not to suggest that pressure-group politics will soon be a thing of the past. In the maritime industries, it can only be eliminated by a merchant marine policy which makes the goals of special interest groups identical with national goals. That is a utopian view, but probably not a complete impossibility. All major maritime powers have trouble balancing the conflicting needs of their maritime interests with the aims of public policy, yet many have achieved a better balance than the U.S.

It remains for us to define a comprehensive merchant marine policy which finds accord and acceptance from the major elements of the public and private sectors. It is a difficult task, but not an impossible one. And the indications are that it has already begun.

THE END

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