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The Cultural Opposition to Capitalism: Mythbusting Through Our Past

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Capitalism is sometimes perceived negatively by the general population in West Virginia. This anti-capitalist mentality has no doubt been responsible for some of West Virginia's current policies. Because popular attitudes play a significant role in shaping the economic policies that legislators pursue, attitudes toward capitalism grounded in reality rather than folklore are crucial to achieving the much-needed reforms this book considers.

After discussions with many individual West Virginians, it became clear that this anti-capitalist mentality is mostly rooted in stories from our state's historical experiences with industry, specifically in coal mining. What role did capitalism play in our past? This chapter examines the evidence. To do this, I draw on the work of noted economic historian, Price V. Fishback from his book, *Soft Coal, Hard Choices: The Economic Welfare of Bituminous Coal Miners, 1890-1930*. By looking at the historical data uncovered in Fishback's research it becomes possible to separate the rhetoric from the reality of capitalism's role in West Virginia's coal mining history.

The Origins of West Virginia's Anti-Capitalist Mentality

Visitors to West Virginia do not have to visit very long before they hear firsthand accounts of the state's unique history. However, this history has become muddled with urban legends and deciphering fact from fiction has become quite a challenge. Growing up in West Virginia, I was often told of the horrific and unbearable conditions that coal miners faced over the state's history. The stories usually involved numerous accounts of how the conditions of the mines were unsafe, the miners were not fairly compensated, and miners were continually exploited by the owners of the mines. The most popular stories of exploitation surround examples of

miners and their families living in over-priced, yet run-down company housing and having to shop at the company store where prices were heavily inflated.

Understanding the reality of these claims will allow West Virginians to identify with their heritage, but also be free from a history and cultural inheritance that has stifled future economic progress. Fishback's *Soft Coal* provides a historical analysis of the life of a typical coal miner during 1890 to 1930. He incorporates economic theory and techniques in conjunction with actual data from company records to debunk many of the myths surrounding this industry. The topics he covers include the distinctive labor market for coal miners, the effects of safety regulation, a comparison of wages within and across different industries, and the supposed exploitation of miners by the mining owners. I present a detailed overview and summary of Fishback's academic research into these issues.

MYTH #1: COAL MINERS HAD NO VOICE[1]

Fishback explains that miners had two options for bettering their working conditions: voice or exit. Voice refers to the ability of miners to bargain (either individually or collectively as a union) with their employers. Exit refers to the ability of miners to leave one job for another. Previous studies of the causes of improved working conditions and pay for miners focus only on the voice option and generally ignore the exit option. Because of this omission, many have assumed that unions were responsible, and necessary, for improved working conditions.

In reality, the ability of miners to switch between employers was the major driving force behind improved benefits and working conditions. The coal mining industry was a competitive labor market where miners would travel to work in the coal fields due to their isolated locations. If a miner was unsatisfied with his job, there was always the option to migrate to another coal field or even switch to another industry. This option was a powerful force compelling companies to offer competitive wages and attractive employment packages.

Although miners could seek employment elsewhere if conditions were not satisfactory, some readers may be skeptical about how well this potential check on mine owners' behavior operated in practice. One sign that miners were capable of exercising their right to exit was the existence of a high turnover rate in mining. Figure 4.1 shows the turnover and stable force rates for West Virginia in 1921.

The U.S Coal Commission's turnover rate is calculated as total employment separations as a percent of the average yearly number of workers on payroll. For example, a company with 10 regular employees who had 30 different people hold those 10 jobs during the year, would have a turnover rate of 200 percent because there would be 20 separations relative to the average workforce of 10. The final column in the figure shows the stable force rate, calculated as the percentage of workers who remained with the same employer for the entire year. These data allow us to gain insight into the true degree of mobility of miners.

With turnover rates over 100 percent, the average mine had twice as many workers cycle through employment as there were jobs in a given year. For comparison, the turnover rate for 160 firms in other industries during 1913-1914 averaged 115 percent, lower than the turnover rates in coal mining. A high turnover rate suggests that miners could move at a relatively low cost in order to seize an opportunity for a higher valued employment package

[1] Material covered in this section is largely based on Chapter 1, 2, and 3 of Fishback (1992).

elsewhere. The stable work force rate shows that less than half of the average mining company's workers remained on payroll for an entire year or more. The turnover and labor force stability rates presented here suggest a high degree of mobility among miners, and reflect a high degree of competition among employers for the services of miners.

Figure 4.1: Turnover Rates and Stable Work Force Rates in 1921

Area	**Turnover Rate**	**Stable Force**
Nonunion West Virginia, Virginia, and Kentucky[a]	211.3	31.0
Mixed West Virginia[b]	148.0	46.0
Union West Virginia[c]	133.0	44.5

Notes: [a]Southern Appalachian, Northeastern Kentucky, Virginia, Logan, Kenova-Thacker, Pocahontas, and Tug River districts; [b]Winding Gulf and New River districts; and [c]Panhandle, Fairmont, Kanawha and Coal River districts. Source: U.S. Coal Commission (1925b).

Similar evidence is presented by Corbin (1981). He examined records from the Stevens Coal Company Acme fields located in Kanawha County, West Virginia and found that only twelve out of fifty-eight men that worked at the mine in 1904 were still employed there sixteen months later, even though total employment had increased. This suggests that miners in this region had a high degree of mobility. Another study conducted by the U.S. Children's Bureau in Raleigh County, West Virginia found that almost sixty percent of families interviewed had lived in their community three years or less.

The implication of this high degree of worker mobility is that potential employers were in competition with each other for the services of West Virginia miners. This competition could take many forms. To attract workers away from other companies, employers could offer higher wages, improved safety, better working conditions, or more fringe benefits, for example. Other differences across jobs included opportunities for overtime work, the likelihood of layoffs, and future advancement opportunities within the company. Working conditions included the spaciousness, temperature, wetness, workplace independence, and the level of safety. The attributes offered within the 'company town' itself (housing, shopping, etc.) were also important to workers. Since many employers owned the town, they could exercise direct control over housing, education, sanitation, and shopping.

A well-established result in economics is that in competitive labor markets like this one, the value of *total* employment packages tends to equalize across employers. That is, some employers might offer higher money wages than others, but they will tend to have other job benefits that are lower. On the other hand, employers offering more benefits pay for these through lower money wages. Some workers prefer having higher wages and worse working conditions, while others are willing to earn less money to receive higher non-monetary benefits. The composition of employment packages was different, reflecting the different tastes and preferences of the miners, but the value of each tended to equalize across mines.

If an employer, for example, were to charge a higher price to workers for rental housing, this cost must be offset with an increase in some other attribute of the employment

package (like increased wages or safety) to remain competitive with other potential employers. If not, a miner would find it in his best economic interest to migrate to the coal mine with a higher valued employment package. Because of this exit option, miners were much more powerful negotiators with their employers than is generally believed.

Although miners did have the choice of exit, migration was not without some cost. Miners would sometimes become attached to a certain coal community or find it difficult to move their families to another town. The other option to voice their dissatisfactions was to band together as a union. With unionization, miners faced a tradeoff. They could demand higher wages through the threat of strikes, but these wage increases came at a substantial cost to some subsets of miners. First, the higher labor costs might result in a mine becoming less competitive and going out of business, eliminating all of the jobs. Second, if the mine remained in business, the resulting higher prices necessary to cover the higher wages would result in the mine not being able to sell as much coal in the marketplace, in turn reducing the number of workers needed. Lastly, at the higher wages, companies simply did not hire as many workers. They conserved on their use of labor as the price of labor went up.

Thus, unions typically traded higher wages, or increases in the value of the overall employment package, for fewer miners being employed. Unions could increase the compensation of some miners, but not all of them. The benefits they created for certain miners were paid for by unemployment of others. This increased the unemployment rate of miners in unionized areas and they were forced to seek employment elsewhere, likely a lower-paying job. There is no general consensus on the overall impact of unionization of the coal industry on economic welfare. While certain union members may have gained, the overall effect on the industry may have been a decrease in welfare.

This section has compared the roles of voice (unionization) and exit (mobility/capitalism) in improving the welfare of coal miners. It is clear that capitalism, the system under which firms must compete with one another for the services of miners, was a force for progress in our history, not a force of oppression. Capitalism relies on the idea that each of us owns our own labor, and can change jobs when and where we see fit without permission from government agencies or threats of coercion from our employers. Under capitalism, workers and firms must bargain voluntarily.

The role of government in supporting capitalism is to strongly enforce property rights and laws against coercion and fraud. This allows the competition created by capitalism to produce better working conditions and higher wages. The reforms suggested in this book result in more potential employment opportunities for current workers in West Virginia. With more employment opportunities, and more exit options for workers, this same force can help to promote prosperity today.

MYTH #2: MORE SAFETY REGULATION, PLEASE[2]

Coal miners performed a dangerous job. They faced higher safety risks than workers in most other industries. Before 1930, three to four men were killed per 1,000 workers each year. Accident rates varied across states, but were higher in West Virginia than any other state east of the Mississippi River. Why would anyone choose to be a coal miner given these

[2] Material covered in this section is largely based on Chapter 7 of Fishback (1992).

conditions? It's quite simple; the job paid well. Coal miners received higher hourly earnings than workers in other industries precisely because of the danger involved. If a specific job or company was considered more dangerous, miners would be less likely to accept these jobs. Therefore, miners required higher wages to work under these conditions.

The fatal accident count stayed relatively constant in the U.S. before 1930. However, this is somewhat deceiving. In 1910, the U.S. Bureau of Mines was created with a focus on mainly large-scale accidents, defined as gas and dust explosions and other accidents killing more than five men. State mining legislation was also mainly concerned with these types of accidents. This resulted in a decline in large-scale accidents, but an increase in small-scale accidents, which received less publicity but accounted for more deaths overall.

Figure 4.2 below shows data on fatal accident rates in coal mining. The fatal accident rates shown in the figure are the number of accidents per 10 million man hours worked. The data show that small-scale accidents (such as roof falls, hauling accidents, small explosions, and electrocutions) accounted for the vast majority, or 84 percent (17.6 ÷ 20.9), of fatal accidents. Large-scale accidents accounted for only the remaining 16 percent.

Figure 4.2: Average Fatal Accident Rates for Major Coal Mining States: 1903-1930

State	Total	Small Scale
Alabama	26.1	19.4
Arkansas	26.8	25.5
Colorodo	38.4	29.5
Illinois	16.8	14.4
Indiana	17.9	16.4
Iowa	13.1	13.1
Kansas	16.8	16.1
Kentucky	16.0	14.1
Maryland	11.9	11.4
Michigan	11.0	11.0
Missouri	10.6	10.4
Montana	23.5	22.1
New Mexico	47.1	26.6
Ohio	21.0	19.8
Oklahoma	43.9	24.2
Pennsylvania	16.1	14.0
Tennessee	17.0	14.2
Texas	5.1	5.1
Utah	49.4	34.3
Virginia	22.2	21.4
Washington	32.9	25.0
West Virginia	**28.6**	**23.5**
Wyoming	37.4	27.9
United States	20.9	17.6

Note: Rates calculated by dividing the number of accidents by the number of ten million man-hours worked. Source: Fishback (1992), Chapter 7.

Most small-scale accidents occurred in a miner's room due to a roof fall or a misfired explosive and were the result of the choices made by the miners themselves about the individual safety precautions they took on their jobs. Miners were paid by the amount of coal they could dig out and were given a significant amount of independence to decide the best way to achieve this. Thus, miners faced a direct tradeoff between income and safety and were left free to decide how much safety prevention to undertake.[3]

Though incorrect, it is common to see 'greedy' mine operators as the reason that mines could be quite dangerous. Often times, both miners and operators chose to ignore safety decisions in order to increase productivity, because it meant more income for both the mine owner *and* the miners themselves. Nevertheless, due to the dangerous work conditions in coal mining, government decided to regulate the industry with safety legislation. However, the effects of this legislation were mostly disappointing (Graebner 1976).

The creation of the U.S. Bureau of Mines, the federal agency of safety regulation, was intended to reduce mine accidents. However, this was not achieved because after only three years the Bureau had shifted its focus from mine safety to promotion of the western metal mines (Graebner 1976). The Bureau, a noncompulsory agency, mainly served as an informational agency, testing better mine safety techniques and providing safety standards to the mines. The enforcement of any legislation was a responsibility of each state. Nearly all states had adopted their own form of safety regulation, with West Virginia ranking among the most lenient. Enforcement of safety legislation was often difficult and imposed significant costs on the mines. States were often pressured by the mine operators to avoid regulations that would put local mines at a disadvantage compared to other states.

The myth that in order for miners to have more safety government intervention was necessary is simply not supported by actual data. In fact, in some instances regulation may have actually increased accident rates. To pinpoint the effects of safety legislation, Fishback measures the results of mine safety legislation on accident rates. His analysis uses data from twenty three coal mining states from 1903 to 1930. Most of the laws concerning coal mining safety could be considered failures. Laws concerning licensing of foremen, state miners, and requirements for training were the most disappointing. The only laws that actually reduced coal mining accidents were those that restricted riding in coal cars and required permission to use explosives. Most of the others laws either formalized existing practices or were not enforced. With the passage of workers' compensations laws, accidents actually increased. Under this new system, employers had an incentive to pay workers compensation instead of paying the extra costs of accident prevention.

Mandated safety regulations often create unintended consequences that work against the original intent of the legislation. Even when these regulations are effective, the improved safety conditions result in lower money wages for workers. Are workers really better off being safer but making less income? Under capitalism, workers and employers are allowed to individually negotiate these tradeoffs, rather than having government adopt 'one size fits all' regulations. Government regulations limit the ability of employers and employees to use their local knowledge to arrive at the arrangements that best apply to their specific cases.

[3] Operators of the mine were only partly responsible for undertaking safety measures in public areas of the mine. In these areas, it was both the miner's and the operator's responsibilities to see that correct safety measures were followed.

MYTH #3: COAL MINERS OWED THEIR SOULS TO THE COMPANY STORE[4]

The final myth to be busted is one that is the most commonly exaggerated and misunderstood. The company store is painted as an evil villain in common folklore. It is said that coal operators often used the company store as another way to exploit workers. They allegedly did this by charging higher prices, issuing pay only in store scrip, and keeping miners in debt. Fishback debunks this myth by explaining the limits on the store monopoly, why the company issued scrip, and how company stores priced their goods.

Many argue that company stores acted as monopolies because of a lack of competition due to the isolated locations of mines. Even if some stores began to face competition from other stores, it is said that many miners were forced to use the company store by threats of dismissal and issuance of scrip for pay. However, the company store was part of the employment package that coal operators offered in a competitive labor market. Miners considered the overall value of this package when deciding about employment. Thus, even if mine owners could maintain a local store monopoly, they still faced limits due to competition from other mining towns. If owners chose to charge higher prices at the company store, miners had to be compensated with an increase in wages or lower housing rents in order to competitively price the value of the employment package they offered miners. If they did not, miners would seek employment in mining towns that offered higher valued packages. This limited the company store's ability to exploit miners, especially in non-union towns.

The issuance of scrip is the most frequently misunderstood practice of the company store. It is argued that companies undertook this practice as another means of exploiting the miner by forcing him to shop at the store. David Corbin recalls the common view of the company store in southern West Virginia:

> If a coal miner survived a month of work in the mines, he was paid not in U.S. currency but in metals and paper (called coal scrip), which was printed by the coal company. Because only the company that printed the coal scrip honored it, or would redeem it, the coal miner had to purchase all his goods-his food, clothing, and tools- from the company store. Hence, the miner paid monopolistic prices for his goods. (1981, 10)

This suggests that miners were paid almost entirely in scrip. In reality, however, scrip was used as an advance on wages for the following pay period. The majority of the time miners were paid in cash, either monthly or biweekly. The Immigration Commission (1911) often cited scrip as an opportunity for miners to receive credit. They also stated that extending credit was actually an unusual practice for company stores because of the high worker turnover rates. By extending credit the company took on the risk that the miner would leave town to take another job before repaying their debt. The Commission also found that after deductions for rent, fuel, doctors, and store purchases, miners received between 30 to 80 percent of their income in cash on payday. In West Virginia, store deductions accounted for 30 to 50 percent of mines' payroll. These wide ranges in percentages suggest that miners were

[4] Material in this section is largely based on Chapter 8 of Fishback (1992).

not being forced to purchase goods at the company store by the issuance of scrip or any other coercive means.

Did company stores charge monopoly prices as David Corbin's quote claims? We have discussed the competitive pressures facing mining companies, but to what extent did these pressures prevent monopoly pricing in company stores in reality? In December 1922, the U.S. Coal Commission collected data on company store prices and nearby independent stores. Figure 4.3 shows price comparisons between coal company stores and independent stores in nearby cities. The final column shows the percentage by which prices at coal company stores were higher (+), or lower (-), than stores in nearby cities.

Figure 4.3: Price Comparisons of Stores in Coal Areas with Stores in Manufacturing Areas in Nearby Cities, December 1922

Coal District	Nearby City	Price Differential %
New River District, WV	Charleston, WV	11.8
Kanawha District, WV	Charleston, WV	4.9
Alabama District	Birmingham, AL	0.0
Connellsville Region, PA	Uniontown and Connellsville, PA	-0.5
Westmoreland District, PA	Greensburg, PA	5.4
Barnesboro Region, PA	Pittsburgh, PA	-5.0
Belmont County, OH	Zanesville, OH and Wheeling, WV	-2.2
Central & Southern Illinois	Springfield, IL	-2.0
Southern Ohio	Zanesville, OH and Wheeling, WV	-1.0
Windbar District, PA	Pittsburgh, PA	-1.8

Source: U.S. Coal Commission (1925a).

In six out of the ten cases, company stores in mining towns actually charged lower prices than independent stores in nearby cities. This clearly rejects the claim that miners were exploited by the company store where their employer held monopoly power. A study conducted by the Immigration Commission in 1908 found identical results, with company stores generally having equal or lower prices than independent stores. The study also found that stores located in more isolated mining towns charged higher prices. This, however, does not automatically imply exploitation by the company store. Due to these mines' remote locations, transportation costs to and from them were higher. It is therefore reasonable to expect that the prices of goods transported to remote mines would be higher. This explains why the New River District has the highest price differential percentage. Furthermore, there is some evidence that concludes that in the more isolated mining towns, wages were higher to offset the higher prices.

The evidence suggests that miners did not "owe their souls to the company store". Company stores had limited power due to the competitive labor market. Miners considered the overall value of the employment package, so higher store prices had to be offset by increases in some other aspects of the package. Scrip was not used as a means of forcing miners to shop at the company store. Scrip was often an opportunity for miners to receive an

advancement of their paycheck, not a practice to keep miners in debt to the company. When the miners did shop at the company store, they purchased goods that were similarly priced, if not cheaper, than in independently-owned stores in nearby cities.

In an era when workers in rural areas had limited access to banks, local housing, and stores, mining companies provided these for their workers. Mining companies did not have to offer these amenities; rather they did so as a means to compete for workers against other employers. The more employment options available to workers, the more competition there is for their services. The expanded employment opportunities the reforms in this book would create for West Virginians today would help to increase this beneficial competition.

CONCLUDING REMARKS

This chapter addressed the cultural opposition to capitalism in West Virginia that seems to be founded in popular myths about our state's coal mining history. This mentality has made citizens reluctant to adopt market-oriented reforms in our state, and in doing so, has made it more difficult to make West Virginians better off. Other myths exist from our history blaming capitalism for the state's ills, such as folklore from the timber industry. Rather than blindly accepting these stories, we encourage readers to examine the evidence in these historical cases.

Hopefully, by understanding the reality of West Virginia's experiences with capitalism, it is possible to undo a part of this wealth-retarding culture. Throughout our history capitalism has served as a force for improving wages and living standards. Armed with better knowledge about the economic relationship between coal mine owners and miners, and the potentially significant impact that cultural attitudes can have on economic policy, we can move toward creating a culture in West Virginia that is conducive to ***UNLEASHING CAPITALISM*** for the benefit of the citizens of the state.

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