INDUSTRIAL RELATIONS RESEARCH ASSOCIATION

PROCEEDINGS
OF SECOND
ANNUAL
MEETING

NEW YORK CITY
DECEMBER 29-30, 1949

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EDITED BY MILTON DERBER

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INDUSTRIAL RELATIONS RESEARCH ASSOCIATION

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PREFACE

ONE OF THE PRIMARY factors underlying the formation of the Industrial Relations Research Association was the belief that all of the social sciences could make important contributions to the understanding of problems in the field of industrial relations. This volume of papers presented at the second annual meeting of the Association testifies to the validity of this belief. The papers represent the thinking and study of people trained in economics, law, political science, psychology, and sociology. They are suggestive of the many ways in which the interchange of concepts and tools between the different disciplines can add to the knowledge of industrial relations.

As indicated in the program, reprinted in the section on Business Reports, several of the sessions at which these papers were presented were co-sponsored by the Association and one or more of its sister organizations, the American Economic Association, the American Political Science Association, and the American Sociological Society. Publication of these papers was made possible through the kind cooperation of the officers of these organizations.

Special note should be taken of the fact that four of the papers in the volume were selected for presentation at the meeting from a number received by the Association president in response to a general invitation to the Association's membership. The interest in these papers speaks well for the procedure and should encourage increasing participation in it.

Attention is also called to the details of future meetings and other I.R.R.A. activities for 1950 to be found in the final section of the volume.

As stated in its constitution, the Association "will take no partisan attitude on questions of policy in the field of labor, nor will it commit its members to any position on such questions." These papers are, therefore, the exclusive responsibility of the authors and do not, in any way, represent the official view of the Association.

MILTON DERBER, *Editor.*

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PRESIDENTIAL ADDRESS

THE SOCIAL CONTROL OF INDUSTRIAL RELATIONS

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Lamont University Professor, Harvard University

AN OUTSTANDING characteristic of Western society during the last several generations has been the socialization of conduct—that is, the development of new conceptions of right and wrong and of new rules to guide conduct. Probably no period in the history of the world has seen such widespread and vigorous efforts to develop new controls over man's behavior.

The efforts to socialize conduct have been the result of great and rapid changes in conditions of life and in ways of making a living. These changes, in turn, have been the result of rapid technological change. Cheap transportation, the growth of machine industry, the rise of the corporation and of the credit system have all created a multitude of situations in which traditional rules of conduct did not apply or for which no rules of conduct existed. Consequently, the community has been confronted with the necessity of developing new rules of conduct.

During most periods in the history of the world the community has been able to control the behavior of its members in considerable measure by the development of informal rules. The body of ethical rules and custom has been large and the line between custom and law has often been shadowy. So rapid has been the rate of change during the last several generations that the community has been unable to wait for the development of informal controls and customs as a way of controlling man's behavior. Consequently, there has been an enormous development of law, both case law and statutory law. The creation of statutory law has been stimulated by the development of popularly-elected legislatures—which may be regarded as a new instrument at the disposal of the community for socializing conduct. At any rate, the first half of the twentieth century has been one of the great law-making periods in the world's history. During this time the traditional relationship between custom and law has been in substantial measure reversed. Instead of laws developing out of custom and more or less generally accepted notions of right and wrong, many laws have been passed before the community had had time to reach a real consensus, and laws have become the source of custom and ideas of right and wrong.

The rise of trade unions and collective bargaining, no less than the rise of machine industry, corporations, credit, and other modern economic institutions, creates the need for new rules of conduct and new social controls. My remarks will deal with three principal topics. In the first place, I wish to discuss the general need for the social control of industrial relations. In the second place, I wish to discuss the way in which social control can be accomplished. In the third place, I wish to discuss the role of research in developing the control of industrial relations.

Need for Social Control

Much of the early thinking about collective bargaining was based upon the idea that it was more or less self-regulating and needed little control. In fact, collective bargaining has been regarded as an arrangement which might be expected to relieve the community of much of the necessity of developing social controls. It was reasoned that employers and trade unions would be more or less effective checks upon each other. In these days when the need for developing new rules of conduct in many branches of human activity makes enormous demands upon the time and attention of the community, any arrangement which diminishes the need for social controls is greatly to be desired.

To a substantial extent collective bargaining *is* self-regulating and does help to narrow the need for controls. But it does not eliminate the need. To begin with, collective bargaining requires some controls itself. It can scarcely command respect if it is merely an attempt to settle differences on the basis of bargaining power. But it cannot be an attempt to discover what is fair unless the bargainers have some criteria of fairness to guide them. The development of such criteria is a form of control. It may be done entirely by the parties themselves, but this is not likely. If the criteria of fairness come partly from the community, they represent a form of social control. There are some important matters with which collective bargaining does not deal because either unions or employers are not much interested in them. The admission policies of unions and the administration of discipline by unions are examples. Employers are little interested in these matters. Indeed, employers who sign closed shop or union shop contracts rarely insist that the union keep an open door. Sometimes collective bargaining does not work as intended because there is a community of interests rather than a clash of inter-

ests between the employer and the union, and the two collaborate rather than check one another. Their collaboration may be either good or bad for the community. In still other cases collective bargaining may not be a satisfactory self-regulating device because there is too much disparity in the bargaining power of the parties. Sometimes the employer is too strong for the bargain to be satisfactory from the standpoint of the community; sometimes the union is too strong for the bargain to be satisfactory. Finally, collective bargaining is not universal, and probably never will be. Some matters, such as safety rules, are too important to be left dependent on whether collective bargaining exists in a plant or on whether the parties cover them in an agreement.

Aspects Requiring Social Control

What are the principal aspects of industrial relations which require some form of social control? Nine matters seem of particular importance:

1. The right to organize. Experience has shown that, unless the right to organize is protected, great economic pressure will be used to restrict this right. Hence true freedom to organize is not protected unless individuals are protected from economic coercion designed to prevent their organizing.

2. The right to belong to a union. If the government encourages men to organize, the right to belong to a union becomes affected with a public interest. This is particularly true if the government permits unions to enforce a closed shop or a union shop. Indeed the government can hardly justify giving a union exclusive bargaining rights unless the union is open to all persons in the bargaining unit.

3. The administration of discipline by unions. In industries where closed shops or union shops are prevalent, the right to remain in a union may determine the opportunity of a man to make a livelihood in the industry. Union members need protection against arbitrary discipline imposed by the union.

4. The process of negotiating agreements. Most people will agree that collective bargaining should appeal to evidence and to reason, that it should be a process by which each side endeavors to convince the other that it is right, a process that changes men's minds. Everyone knows that collective bargaining often falls short of this ideal. Too often it turns out to be a war of nerves, a competition in toughness, a process of mutual threatening, or a contest of stubbornness in which people

with closed minds test which side is willing to spend more weeks in negotiation. In order that bargaining shall more often be what it is intended to be, the community needs to develop clear ideas as to what is acceptable practice and what is not.

5. The terms of trade agreements. Most of the terms of trade agreements can be left to the parties because one party is a check upon the other. Nevertheless, the community obviously has an interest in the terms of trade agreements. For example, trade agreements determine the structure of wages and the movement of wages through time. It would be foolish to assert that the community has no interest in these matters—though the community may be slow in becoming aware of its interests and in asserting them. Sometimes the makers of trade agreements are quite ready to agree on rules that conflict with the public interest. Make-work rules, that compel the waste of labor, a scarce resource, are an example. Furthermore, quite apart from the community's interest in the terms of trade agreements, criteria of fairness are needed, as I have explained, to guide the parties in their efforts to work out a fair settlement. Otherwise collective bargaining will be nothing but a process of settling wages and conditions of employment on the basis of economic power.

6. The scope of allowable industrial conflict. There are different views concerning the allowable use of strikes, lockouts, boycotts, and picketing, but there is pretty general agreement that some limits are needed. Certainly employers are entitled to protection against strikes to compel them to violate the law; neutrals have strong claims for protection against the efforts of either employers or unions to force them to become parties to a dispute; and employees should be protected against attempts to influence their votes in elections or reprisals because of their votes.

7. The use of the strike, the lockout, and boycotts. The ways in which strikes or lockouts are called and conducted are affected with a public interest. For example, the community has an interest that strikes and lockouts shall not be called before adequate efforts have been made to adjust the dispute, and it has an interest in the way that picketing is conducted.

8. Interruptions to production which imperil the public health or public safety. The prevention of stoppages to essential production obviously calls for social control.

9. The conduct of arbitrations and the relations between arbitrators and the parties to the dispute.

Methods of Accomplishing Social Control

How is the social control of industrial relations likely to be accomplished? To what extent will it be accomplished by informal methods, to what extent by law? Is social control of industrial relations by law possible in a society composed in the main of free employees? Is it not bound to be one-sided—restrictive of employers but not of trade unions?

The process of controlling industrial relations must obviously be based partly upon ethical codes and customs and partly upon laws. The methods of negotiating trade agreements, the terms of trade agreements, and the conduct of arbitrations are areas where, for the time being at least, social control will be accomplished in the main by informal methods rather than by legislation. By informal methods I mean development of ideas about good practice and bad practice, fair terms of settlement and unfair terms. Such a body of thought is developed by experience, by review and criticism of current practice and current settlements. It is facilitated by the existence of a body of students of industrial relations who make the review of experience their principal concern.

In considerable measure, however, the control of industrial relations will take the form of law—partly case law but especially legislation. Laws regulating industrial relations will be developed for the same reason that laws have been developed in other fields of economic activity—because events are moving too fast to permit the community to develop ethical codes and customs fast enough to meet its problems. I repeat an earlier sentence in my remarks, namely that the usual sequence found in history has been in substantial measure reversed. Instead of customs producing laws, laws are producing customs.

Reliance upon law as a method of social control in industrial relations will be enhanced by the individualistic traditions of the country. Both employers and trade unions retain this tradition. The individualism of America reduces the capacity of employers and trade unions to develop accepted informal rules of conduct. Furthermore, the individualistic tradition often makes members of the community unwilling to observe restrictions which are not backed by stronger sanctions than mere public disapproval. It is a paradox that the very aversion of Americans to controls forces the development of stronger controls, at least as far as sanctions are concerned, than are developed in less individualistic countries. Comparisons between Britain and the United States readily furnish illustrations of this statement.

Let me be definite in specifying some principal issues which I think will be dealt with to some extent by legislation. Every control, of course, will be a compromise, and I do not undertake to suggest the probable terms of the compromise. I am concerned only with the issues themselves on which some legislation, I believe, will exist. I omit many well-established controls which apply principally against employers and which seem to command pretty general support.

In the first place, there will be legislation, I think, on the right to belong to a trade union. Already two industrial states, New York and Massachusetts, forbid unions from denying membership on the ground of race, color, or creed. Such legislation is consistent with the philosophy of most unions and is restricted only on a small minority. It is likely to be extended. Added to this legislation, I believe, will be limits on admission fees. This also will be of practical importance in only a minority of cases. In a society in which trade unions are quite pervasive and are encouraged to become more pervasive, the right to be admitted to a trade union on reasonable terms is too basic to escape legal protection.

In the second place, there will be regulation of the imposition of discipline by trade unions. Again the legislation will actually be restrictive in the case of only a minority of unions. Nevertheless, the right to retain one's union membership on reasonable terms is so important to employees in the modern community that union members will expect this right to be protected.

In the third place, the allowable area of industrial conflict will be limited. This is a highly controversial issue. It seems probable, however, that the use of strikes or lockouts to enforce jurisdictional claims will be restricted. Such legislation will command considerable support within the trade union movement. The use of strikes and boycotts to enforce claims to bargaining rights is also bound to be restricted. There is a strong probability that neutrals in industrial disputes will be given some protection against the efforts of either side to force them to throw their economic strength one way or another.

In the fourth place, some control will be exercised over stoppages which imperil the public health or the public safety. Such controls have existed for a long time in the case of railroads. Considerable state legislation is now on the books. Some of it is half-baked and will be either revised or abandoned. Important informal controls in this area are developing because trade unions and employers are learning how to have partial stoppages in vital industries without creating a

peril to public health and safety. The growth of informal controls will discourage the growth of legislation, but will not prevent it. The community is sure to impose special obligations upon the parties in industries where stoppages are likely to be disastrous to public health or safety. But informal restraints in this area will grow in importance. The effect of stoppages in vital industries on public opinion seems to be quite temporary but it is cumulative. The competition for the time and attention of the American people is keen, and people quickly forget the effects of railroad strikes, tug boat strikes, elevator strikes, electric power strikes, truck strikes, and even coal strikes. Each experience, however, leaves the community a little more impatient with the whole business and a little more ready to insist that its interests be safeguarded. Hence, reluctance of the parties to arouse the anger of the public will gradually become a more and more effective restraint.

One frequently encounters skepticism concerning the desirability of attempting to control industrial relations by law. A typical statement is: "Good labor-management relations cannot be brought about by law." If these words simply mean that something more than good law is required to make good relations between labor and management, one may agree with them. If they are meant to deprecate the importance of the contribution that law can make to good labor-management relations, they are grievously misleading. The purpose of law is not to produce good industrial relations, but to protect rights which the public regards as worth protecting—rights of neutrals, rights of other employers, rights of other unions, rights of union members. The protection of important rights is not a bar to good industrial relations, and it may be of some assistance. Certainly there are many frameworks of law within which good industrial relations may flourish. Of course, to the extent that law limits extreme actions by either side, it reduces some causes for bad relations. Incidentally, it should be remembered that neither employers nor unions are primarily concerned with achieving good industrial relations. They are usually primarily concerned with achieving demands which they regard as fair. If they can do this and still keep on friendly terms with the other party, so much the better. As a rule, however, good industrial relations are a matter of secondary concern to each side.

Criteria for Wage Negotiations

A few words should be said about the development of criteria to guide the negotiation of wages. These criteria fall into two principal

groups—those relating to the structure of wages and those relating to the movement of wages through time. I am inclined to believe that the community will be indifferent to the criteria used in settling issues over the structure of wages—that parties will probably have to fight this out for themselves. The country, it is true, has an interest in the incentives offered by the wage structure for workers or capital to move. But few persons look at this matter as citizens of the United States—their viewpoint is that of residents of New England, the South, the West Coast, or some other place. Hence neither unions nor employers are likely to feel much impact from a nation-wide public opinion on the structure of wages. The national interest in the mobility of resources will probably be of concern only to a few arbitrators, trying to make sense out of conflicting arguments about geographical differentials.

Quite different, however, is the interest of the community in the movement of wages through time. Here the community may be expected slowly to attempt to influence wage settlements. The community will find that most employers prefer to pass on wage increases in the form of higher prices rather than to endure the cost of stoppages. The community will not like this. Hence, the community will have to face the question of what is the proper rate for money wages to rise. This will be a tough question for the man-in-the-street and he will not like to be bothered by it. Perhaps his objections to price increases will be sufficiently strenuous so that employers will be afraid to pass on wage increases in the form of higher prices and will bargain accordingly. Such an exercise of public opinion would, of course, be a major control of collective bargaining.

Contribution of Research

What contribution to the control of industrial relations can be expected of research? That question is of particular concern to the members of this Association. For the purpose of this discussion I define research in very broad terms—to include not only the collection of data to verify propositions but speculative and reflective thinking as well. It is plain, I think, that the contribution of research can be enormous. It can do three principal things:

In the first place, it can define and analyze the various interests involved in the control of industrial relations. The interests of employers and trade unions are usually fairly well-defined, because they are

the immediate concern of particular employers or employees. Less obvious are the interests of the community as a whole. Unless these interests are made clear by students of the indirect and long-run consequences of the pursuit of particular interests by small groups, many of the community's interests will never be perceived. Hence, the community is largely dependent upon students of industrial relations for an informed view of its interests in the control of industrial relations. This point is well illustrated by the community's interest in such matters as the mobility of labor, the structure and movement of money wages, the cost of pensions.

In the second place, research (or reflective thinking) can analyze the probable consequences to the community of accepting each of several value judgments. Such a body of thought is the basis for a choice between several competing value judgments. It is needed regardless of whether the control takes the form of unwritten ethical codes, court decisions, or legislation. Neither employers nor trade unionists can be expected to push this kind of thinking very far. Each can be expected to find fault with the thinking of the other, but neither can be relied upon to create value judgments which reflect the broad concerns of the community. Hence the community is dependent in large measure for its ability to reach informed value judgments upon the work of students of industrial relations who have no obligations to either employers or unions.

In the third place, research can help the community develop social controls in the field of industrial relations by providing a critique of its informal rules, its case law, its statutory law. This, of course, is not a new activity, but it is an important one. Witte's work of nearly twenty years ago on "The Government in Labor Disputes" and Gregory's more recent work are examples. So also are the many critiques of the Taft-Hartley Act. Badly needed is a review of recent decisions of the National Labor Relations Board and of the courts on the obligation to bargain. One of these decisions, in the *Allied Mills* case, led the recent panel in the steel industry to conclude that the present law gives either party to a collective agreement the right to practice bad faith by the simple device of agreeing, though not in writing, that a given item shall be excluded from a re-opening clause and later insisting on bargaining about it. The decision of the National Labor Relations Board makes meaningless the wording of most present reopening clauses. Likewise, it deprives the arbitration machinery set up under contracts of part of the authority given to it by the contract—

namely the authority to decide disputes over the meaning of the reopening clause. Since the policy of Congress has been to encourage employers and unions to make their own arrangements for handling industrial relations, it is hard to make sense of an interpretation which so plainly repudiates the basic policy of the statute.

Prospects for Voluntarism

What are the prospects that the responsibility for developing controls for industrial relations will be largely assumed by employers and trade unions through the institution of arrangements for more or less regular joint consultation? Through such arrangements compromises on controversial issues might be worked out. If jointly supported, the proposals would stand a better-than-even chance of acceptance by Congress if they involved legislation, by most employers or most trade unions if they involved changes in current practice. Mr. Witte, in his Presidential address before this organization last year, called attention to the desirability of this procedure and pointed out that it is employed in some states. It is also employed in Britain. Certainly it would lead to much better informed and more carefully considered policies—public policies and also employer and union policies. Eventually regular joint consultation at a national level may become a reality, but I see no *early* prospect that it will. Partly the reason is that organization on the part of employers is not sufficiently developed, partly that the two sides are too far apart and in each case have high hopes of persuading the public to agree with them.

Conclusion

Is not the development of social controls in such a large and turbulent field as industrial relations a hopeless task? Certainly in most other areas of social control, such as the area of credit policy, the regulation of municipal utilities, the field of investment banking, the area of farm policy, the directly interested groups are either only a small part of the community or not organized. Quite the contrary is the state of affairs in the field of industrial relations where the directly interested parties include a large proportion of the gainfully employed and a large number of others and where both the buyers and sellers of labor are more or less organized. And yet I believe that the development of controls will be accomplished. The controls are not directed against the usual behavior of employers or unions but against the abnormal behavior of a small proportion of employers or unions.

There are exceptions to that statement, but it is essentially true. Consequently, although controls may not arouse the enthusiasm of the controlled, they do not provoke great opposition and they often are recognized as protecting the best long-run interests of the groups that they restrict. And the controls which are in process of development protect only the most fundamental rights of the public and of individuals, and restrict no basic rights.

Let me close these remarks by reminding you again that the development of the social control of industrial relations is simply a facet of the broad process of developing new social controls which has been going on for over a generation in all parts of the economy. The success of this country in adapting its economic and political institutions and policies to rapid changes in technology marks the present age as one of the great periods of moral accomplishment in the world's history. Difficult and stormy though the process has been and still is, it has been accomplished here with nothing worse than pretty hard name calling. It has not split the community into hostile camps. Most Americans think of themselves more as Americans than as members of special economic groups. That fact probably explains much of the success of the community in developing a wide variety of new controls while still remaining cooperative in spirit. The substantial success of the community in developing social controls over many new kinds of economic behavior is the best reason for believing that in the field of industrial relations, no less than in other fields, the country will succeed in developing a body of control which is fair, which is workable, and which gives to the fundamental rights of individuals and the community the protection they deserve.

Part II

LABOR AND THE PUBLIC INTEREST

THE HANDLING OF EMERGENCY DISPUTES

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IN ONE OF HIS FAMOUS dissenting opinions Justice Brandeis stated:

> It is one of the happy incidents of the federal system that a single courageous State may, if its citizens choose, serve as a laboratory; and try novel social and economic experiments without risk to the rest of the country.[1]

With respect to the handling of emergency disputes, New Jersey has been serving as just such a laboratory since 1946.[2] On March 26 of that year the New Jersey legislature approved a public utility anti-strike law which required the presentation of labor disputes to public hearing panels and the state seizure of the property if a stoppage or threat of stoppage should endanger public health or safety.[3] In April, 1947, the Act was amended to include compulsory arbitration after seizure and penalties for violations.[4]

In the four years during which the Act has been in existence the New Jersey State Board of Mediation has been active in approximately 100 public utility labor disputes. In 19 of these, public hearing panels have been appointed and in 20, statutory arbitration boards have been established.[5] Nine state seizures have been ordered. Thus New Jersey probably has had more experience in the postwar period with the operation of a statute specifically designed to deal with emergency disputes than any other state or the federal government.

The raw material for this paper was drawn largely from this New

[1] New State Ice Co. v. Liebman, 285 U. S. 311 (1932).

[2] A number of other states have since adopted legislation providing for compulsory arbitration, state seizure, or both in public utility labor disputes. See Florida Laws (1947) c. 23911, Indiana Acts (1947) c. 341, Massachusetts Ann. Laws (Michie Supp. 1947) c. 150B, Michigan Stat. Ann. (1947) Par. 17.454, Missouri Laws (1947) H. B. 180, Nebraska Laws (1947) c. 178, Pennsylvania Laws (1947) No. 485, Virginia Acts (1947) c. 9, Wisconsin Laws (1947) c. 414. Kansas and North Dakota have similar statutes but they have not been actively employed in recent years. See Kansas Laws (1920) c. 29, North Dakota Rev. Code (1943) Par. 37-0106.

[3] New Jersey P. L. (1946) c. 38.

[4] New Jersey P. L. (1947) c. 47 and c. 75. The Act was further amended in 1949 to include standards to guide the arbitration boards. New Jersey P. L. (1949) c. 308.

[5] In some cases the parties have agreed to waive the public hearing panels and seizure provisions and have proceeded directly to compulsory arbitration. In other cases settlement has been reached during or after the public hearing panel procedure thus eliminating the need for seizure or compulsory arbitration.

Jersey experience. The author is indebted to the capable staff of the New Jersey Board of Mediation for acquainting him with their experiences under the Act and also making available to him the well-kept files of the organization. Thanks is also due to numerous public utility labor and management representatives throughout the state who gave freely of their time to describe the problems which they have encountered in their efforts to bargain collectively under the statute.[6]

Research has revealed the following, as the six major problems which have arisen as a result of the attempt to deal with emergency disputes by means of state seizure and compulsory arbitration:

1. the definition of an emergency
2. the effect on collective bargaining
3. the influence of politics
4. the inadequacy of sanctions
5. the lack of acceptable wage criteria
6. the relationship between compulsory arbitration boards and the Public Utility Commission

Space will not permit adequate examination of all of these problems at this time. It has been decided, therefore, to limit intensive analysis to the first two and to comment only briefly on the others.[7]

What Constitutes a Public Emergency?

Under the New Jersey Act a 60-day cooling off period and mediation efforts, including hearings and recommendations by a public hearing panel, apply to all "labor disputes in public utilities," a phrase which is broadly defined.[8] Seizure and compulsory arbitration, however, may be invoked only if,

> any strike, work stoppage or lockout—in the opinion of the Governor, will result in the failure to continue the operation of the public utility, and threatens the public interest, health, and welfare. . . .[9]

[6] The author is greatly indebted also to Lois MacDonald, who permitted him to read the manuscript of her excellent study *Compulsory Arbitration in New Jersey,* New York University Press, 1949.

[7] The author is in the process of preparing a study for the Labor Relations Council of The University of Pennsylvania which will examine all of these problems in more detail.

[8] Par. 16 of the Act defines the term "public utility" to include, "auto-busses; bridge companies; canal companies; electric light, heat and power companies; ferries and steamboats; gas companies, pipeline companies; railroads; sewer companies; steam and water power companies; street railways; telegraph and telephone companies; tunnel companies; water companies," and a "labor dispute" as "any controversy between employer and employees as to hours, wages, and working conditions." P. L. 1946, c. 38.

[9] Par. 13, P. L. 1946, c. 38.

Thus before seizure and compulsory arbitration may be ordered under the Act the Governor must determine that a public emergency exists. This has not been an easy assignment. Failure to declare an emergency in a situation which might result later in death or severe hardship to a number of citizens would subject the Governor to strong criticism. On the other hand, seizure and compulsory arbitration in situations where real public emergencies do not exist would result in the denial without adequate cause to management and labor of their rights to strike and lockout thus severely handicapping free collective bargaining. What can be learned from the New Jersey experiences with this problem?

In April, 1947, the New Jersey telephone employees joined their fellow workers in other states in a strike against the Bell Systems. The Governor seized the telephone company properties and ordered the employees to return to work. But did the telephone strike really constitute a public emergency?

The Attorney General stated that "It is, of course, axiomatic that telephone service is essential in the life of present-day civilization." [10] The Supreme Court of New Jersey agreed that "In the economic and social life of today—communication by telephone is a vital and indispensable essential to the health, safety, and welfare of the public." [11]

On the other hand, just prior to the strike the Governor of Massachusetts issued a study by his well-qualified Labor-Management Committee which concluded that "an interruption of . . . telephone service . . . would not jeopardize the public health and public safety." [12] It should be noted that all three of these statements apparently refer to complete interruption of telephone service. The Massachusetts Committee would not consider such a condition a public emergency.

Telephone service in New Jersey, however, was not completely interrupted by the strike. The company's supervisors remained on duty and were able to complete all emergency calls. Both the company and the union have agreed that the following statement is correct.

[10] See Brief of Complainant in re: *The State of New Jersey v. Traffic Telephone Workers' Federation of New Jersey, et al.*, in Chancery of New Jersey 158/37, p. 7.

[11] See Decision of Supreme Court of New Jersey in re: *The State of New Jersey v. Traffic Telephone Workers' Federation of New Jersey, et al.*, No. A127, September Term, 1948, p. 9.

[12] Sumner H. Slichter, et al., *Report of the Governor's Labor-Management Committee*, (House No. 1875), The Commonwealth of Massachusetts, Boston, 1947, pp. 20-21.

The strike had the following effect on telephone service: dial service was relatively unaffected; emergency calls were completed; in communities where dial service was not furnished the service was approximately 20 percent of normal; interstate service was curtailed to about 40 percent of normal.[13]

It appears clear from the above statement that a real public emergency did not exist. In fact, Judge Guy Fake of the Federal District Court granted the union a temporary restraining order against the application of the law because he recognized no immediate threat to public health and safety. He commented:

In weighing the equities and the inconveniences involved, I take notice of the fact that the pending strike has not impeded official calls, or private emergency calls, so that the problem narrows to a consideration of private individual conveniences on the one side and the heretofore recognized right of the strikers on the other.[14]

Experience with this strike indicates that, even if it is assumed that certain telephone services are essential to public health and safety, barring unusual weather conditions and sabotage, a strike may be permitted to perform its function at least for some time without creating a public emergency. The supervisory force is able to take over the work to an extent necessary to prevent immediate jeopardy to public health and safety. As mechanization of the industry continues, the effect of a strike on important services is likely to be further diminished. It is submitted that the telephone industry is one in which management and labor well might be permitted to settle their own difficulties, albeit with some inconvenience at times to the public.

Can the same statement be made with respect to the electric light and power industry? It is agreed, of course, that complete interruption of this service would constitute a grave public emergency. But do strikes of electric power workers result in complete interruption of the service? There have been no strikes in recent years in the electric power industry in New Jersey so it is necessary to look farther afield. The author hopes eventually to make an extended study of the electric power strikes which have occurred in this country. Unfortunately time would not permit the completion of the study for this paper. Preliminary results indicate, however, that there has been a tendency to greatly overestimate the emergency nature of such strikes.

[13] See Brief on Behalf of Defendant, New Jersey Bell Telephone Co., in re: *The State of New Jersey, v. Traffic Telephone Workers' Federation of New Jersey, et al.*, in Chancery of New Jersey 158/37, p. 6.

[14] See Brief of Defendants in re: *The State of New Jersey v. Traffic Telephone Workers' Federation of New Jersey, et al.*, in Chancery of New Jersey 158/37, p. 65.

Electric power workers struck in Cleveland in January, 1945;[15] in Jackson, Michigan, in October, 1945;[16] and in Pittsburgh on two occasions in 1946. By putting supervisory employees to work in each of these instances, essential services to residential, hospital, and government users were maintained. The second Pittsburgh strike was the longest disruption of central station service in the industry's history; nevertheless, a group of investigators have reported that,

> Perhaps the most imposing fact about the Pittsburgh strike . . . is that it just did not begin to lay the city low as it had been widely feared such a strike would. Two significant reasons for this are: (1) a core of supervisory personnel kept one unit running in each of three generating stations and the systems operator's board functioning; (2) an amount of power equal to that generated could be called on from ties to neighboring utilities and industrial plants in the area. Thus the ability to maintain essential vital service was not actually impaired.[17]

There were, of course, serious economic losses during these strikes because power had to be rationed among industrial users but there was no immediate jeopardy of public health and safety as had been anticipated. An examination of the effects of these and other electric utility strikes leads to the conclusion that, barring extreme weather conditions and sabotage, a strike in this industry need not create an immediate public emergency.

Strikes and threats of strikes have occurred in the gas industry in New Jersey. In fact, most of the state seizures have been in this industry. Here, as in the electric power industry, it is agreed that complete elimination of the service would create a grave public emergency. An examination of a number of the New Jersey strikes, however, indicates that complete and immediate elimination of the service has not occurred. As in the electric and telephone industries, supervisors have been able to maintain essential services. In the Harrison gas strike in December, 1946, for example, 60 supervisors were able to supply all home users.[18] Likewise in the Camden gas strike in January, 1949, although the workers left the plant without warning at 12 midnight, supervisors were able to maintain residential, hospital, and other essential services for the duration of the strike. It is significant that in Camden an agreement was reached between the parties during the

[15] *Electrical World,* "Strikes Against Electric Utilities," Vol. 125, May 25, 1946, pp. 73-74.
[16] *Ibid.*
[17] Doynig, Larkin, and Tucker, "The Pittsburgh Story," *Electrical World,* Vol. 126, December 6, 1946, p. 101.
[18] *Newark Star Ledger,* December 29, 1946, p. 1.

strike to permit coke to go through the picket lines so long as it was not used to make gas for commercial customers.[19] As in the electric power strikes, serious economic losses resulted from these gas strikes because industrial users could not secure their usual supplies. The immediate public emergencies which had been anticipated, however, did not occur. It should be added that the gas and electric companies have learned much from these experiences and should be in a better position now to provide essential services in case of future strikes.

The Governor of New Jersey also has considered that a strike in the major bus line of the state would endanger the public health and safety. The experience with the ten-day strike of Philadelphia Transportation Company workers in February, 1949, indicates, however, that, although such strikes cause inconvenience, they do not create a condition which jeopardizes public health and safety. The Massachusetts Labor-Management Committee reached this same conclusion.[20]

In a number of small bus company strikes, however, the Governor has been of the opinion that no public emergency has existed and has refused, therefore, to seize the property and order compulsory arbitration. In these cases the unions which have lacked economic strength have protested vigorously and considerable public pressure has been brought to bear upon the Governor to take action under the statute. The existence of the Act which names the bus industry and which provides the specific steps which the Governor is supposed to take in case of an emergency has caused the public to expect him to act whenever they have been inconvenienced by such a strike. This experience indicates that it is more difficult for the state to avoid interference with free collective bargaining when a compulsory arbitration statute is in effect. The Act has affected free collective bargaining in a number of other respects. Attention will now be given to that general problem.

The Effect on Free Collective Bargaining

Prior to the adoption of compulsory arbitration for public utility labor disputes in New Jersey, Governor Driscoll recognized that such legislation might have undesirable effects on free collective bargaining. Early in 1947 he stated: "We should seek to avoid compulsory arbitration of wage matters, since it would mean the end of collective

[19] The Camden strike was against the state. It occurred after state seizure and compulsory arbitration had been ordered.

[20] Sumner H. Slichter, et al., *op. cit.*, pp. 20-21.

bargaining, without which neither free enterprise nor free labor can long endure." [21] In April of the same year, however, compulsory arbitration was made a part of the utility anti-strike law. To what extent has Governor Driscoll's prediction been supported by the events which have followed the enactment?

The collective bargaining relationship between The Public Service Transportation Company, the largest operator of the city buses in the United States, and the Amalgamated Association of Street, Electric Railway and Motor Coach Employees, AFL, is worthy of examination in this respect. These two organizations have been bargaining with each other for more than 30 years. During this entire period there have been no strikes or slowdowns since 1923. The only voluntary arbitration of new contract terms occurred in 1919. It is true they did not avoid several cases before the War Labor Board but with these exceptions the parties prior to compulsory arbitration always reached agreement on their new contract terms without resort to economic force or arbitration. Likewise, although the grievance procedure in their contracts has always terminated in voluntary arbitration, the latter was never employed. One might have expected that such collective bargaining would have continued without much change under compulsory arbitration legislation. This has not been the case.

It may be, of course, that prior to 1947 the problems of collective bargaining in this field were less difficult. It may be also that the union was less independent and virile than it is now. To what extent such changed conditions may have altered the collective bargaining relationship without the advent of compulsory arbitration is, of course, impossible to say. The record since the adoption of compulsory arbitration, nevertheless, is worth noting.

In 1947, the first year that compulsory arbitration was effective, the parties were unable to reach an agreement. This was the first peacetime negotiation which failed since 1923. It was only the beginning. In 1948 and again this year the parties have had the major terms of their contracts determined by compulsory arbitration rather than by free negotiation. Thus, free collective bargaining has been ineffective in this relationship and the parties doubt, for reasons which will be presented, that it can ever be revitalized as long as the law is in effect. A number of other New Jersey utility companies, and their unions, have had the same experience. It is highly significant that without

[21] Minutes of The 1947 New Jersey Assembly, pp. 70-71.

exception every company which had new contract terms settled by compulsory arbitration under the Act in 1947 repeated this performance in 1948.

The undesirable effect on collective bargaining has not been limited to those companies and unions which have made use of the compulsory arbitration machinery. Others which have continued to negotiate their agreements complain nevertheless that the bargaining process has been hampered by the existence of compulsory arbitration. The recent experience of The Atlantic City Electric Company and the International Brotherhood of Electrical Workers is a good example. They have been bargaining successfully for approximately 34 years. During that entire period there have been no strikes and no lockouts. The parties have always reached agreement by negotiation. Last year, however, they experienced the greatest difficulties in their 34 years of bargaining. It was thought for a while that they would have to resort to arbitration. Both management and labor officials agree that it was the compulsory arbitration features of the Act which created the obstacles in their bargaining process. What is there in the nature of compulsory arbitration which makes it difficult for free collective bargaining to function effectively when such a law is in effect?

Management and labor representatives, as well as state mediators, claim that the most important factor is the fear of each negotiating party to suggest what appears to him to be a reasonable basis for settlement, especially of a wage issue, lest the other side use the offer merely as a springboard for securing for itself a better settlement through compulsory arbitration. A company and a union may both believe that a ten-cent increase is a reasonable settlement, yet the union will not budge from a demand of 20 cents and the company will not offer more than four cents. The company is afraid to move up to eight cents lest the union refuse to decrease its demands, and the arbitrators consider eight cents to 20 cents instead of four cents to 20 cents as the area within which to compromise. For the same reason the union is afraid to move down to 15 cents. Negotiations are thus stymied and compulsory arbitration is both the cause and the result of the failure of free collective bargaining.

A second factor is the fear of negotiators to assume responsibility for a settlement when better terms might possibly be secured through compulsory arbitration. Management representatives point out that in some bargaining relationships any settlement reached by negotia-

tion is subject to approval by the membership of the union. They complain that under these conditions union leaders avoid negotiating a settlement lest the membership turn down the settlement and insist on going to arbitration. The union leaders are said to fear that an arbitration board might recognize as equitable more than they had been willing to settle for in negotiations. If this happened the union leadership would be thoroughly discredited. On the other hand, management negotiators admit that they think it unwise to go to what they consider to be the limit in order to negotiate a settlement so long as rejection by the union membership may be followed by compulsory arbitration.

Another factor has been the difficulty of "washing out" the unessential demands of the parties. The number of demands with which the parties enter negotiations has probably not increased but compulsory arbitration has made it much more difficult to eliminate the chaff and reduce the dispute to the two or three major issues. Each party now holds on to demands which would quickly be eliminated if free collective bargaining prevailed. After all, the arbitration board, composed of men who are unfamiliar with the industry's and the union's problems, may grant these extra demands. Moreover, if the arbitration board rules against one of the parties on a number of minor issues, it may be more inclined to favor it on the major issues in order to appear to be fair. Thus, if there is a possibility that the negotiations will not be successful, each party wants to have many demands to present to the arbitration board regardless of their merits. An examination of all the issues presented in the arbitration cases under the Act indicates that this policy has been pursued to a considerable extent. As one of the public members of an arbitration board remarked, "They come with everything including the kitchen sink, properly dressed up." [22]

There is a tendency now to prepare for annual arbitration rather than for annual negotiations. Because of the necessity of laying a well-prepared background for the anticipated arbitration case it has been felt necessary to give the local company and union leadership less leeway. Especially in the unions, the local leadership has lost caste to the more dynamic international representatives and attorneys. Frequently these national leaders, especially the lawyers, show great abilities in developing arguments before the arbitration boards. There was comment by some management and public representatives that a

[22] Lois MacDonald, *op. cit.*, p. 68.

group of professional advocates with definite vested interests in arbitrations, as compared with settlements, is developing. In some cases, it is claimed, local settlements might have been achieved had it not been for the interference of these professional advocates who advised that they could probably obtain a better deal through arbitration. The so-called professional advocates deny this, however, claiming that they have been among those who have advocated the repeal of the Act.

Finally, a company may prefer to use compulsory arbitration when it is available if it is of the opinion that the granting of what it considers a reasonable and necessary wage raise will necessitate an increase in the rates to be paid by the public for its service. The company is also able to make a much stronger case before the Public Utility Commission for a rate increase if it can show that its costs are higher not because it freely negotiated a certain wage increase but rather because it was forced to give the increase by a compulsory board of arbitration. In presenting its case for a fare increase before the Public Utility Commission in 1948, the Public Service Transport Company argued that one state body should not deny a fare increase which was necessitated by a wage increase granted by another body appointed by the state.

The importance of each of these several factors varies from industry to industry and from company to company. The last factor is undoubtedly more important in the bus industry, where labor costs may run more than 50 per cent of total costs, than it is in the electric power industry where labor costs are much lower. Labor, management, and representatives of the public, however, generally agree, and the record supports their belief, that compulsory arbitration has had a very damaging effect on free collective bargaining in New Jersey public utilities.

Brief Comments on Other Major Problems

Space will permit only limited analysis of the other four major problems. Politics, according to some of the people interviewed, has played an important role in the development and administration of the Act. It should be added, however, that there is a general feeling that Governor Driscoll has been sincere in his dealings with both labor and management and that the men he has chosen to administer the Act, Mr. Margetts and Mr. Weisenfeld, have been extremely capable and very fair. It is claimed, nevertheless, that the 1947 amendments to the Act were written by a director of the Bell Telephone Company of

New Jersey in order to prevent the telephone workers' strike.[23] Whether this is true or not there can be no doubt that the Act has become a major political issue. In the recent gubernatorial campaign the Democrats referred to it as New Jersey's "miniature Taft-Hartley law." [24] It is not meant to imply that the mixing of collective bargaining and politics has been worse in New Jersey than elsewhere where compulsory arbitration has been attempted. It appears, rather, to be in the nature of compulsory arbitration that it is impossible to divorce it from politics.[25]

Sanctions have not proved effective under the Act. The original penalties, included in the 1947 Amendments, provided for 30 days in jail for each day of violation of the Act in addition to heavy monetary fines.[26] These severe penalties, however, were found to be impractical. When the telephone workers violated the Act the Legislature quickly modified the penalties. As one national magazine remarked, "Having adopted a law with teeth, the State found it had no stomach for what

[23] From an interview with Henry Mayer, counsel for the telephone workers' union, December 15, 1949. Mr. Jacob Friedland, Democratic labor spokesman in the New Jersey assembly, in a news release dated November 4, 1949, made this same claim.

[24] See the Camden Labor Day address of Mr. Wene, the Democratic candidate for Governor; also his press release of October 11, 1949.

[25] Judge Higgins, a member of the Kansas Industrial Court, wrote in 1924, "I contend that, because of the constant political influence brought to bear upon the Court of Industrial Relations beginning early in the first year, it has never had a fair chance . . . such a law cannot be successfully administered by a political committee or by any tribunal dependent upon a politician in the governor's office." Quoted in Domenic Gagliardo, *The Kansas Industrial Court, An Experiment in Compulsory Arbitration,* University of Kansas Publications, Lawrence, Kansas, 1941, pp. 227-28.

[26] New Jersey P. L. (1947) Ch. 47, Secs. 8 and 9 provided: "8. Any lockout, authorized or engaged in, by any public utility, or any strike or work stoppage, authorized or engaged in, or continued to be engaged in by any labor union or representative of any craft, class or group of employees of a public utility, or any concerted or simultaneous action on the part of a substantial number of the members of any labor union resulting in an interruption of the operation of any public utility, in violation of any provision of this act or in violation of the terms of any decision or order made by any Board of Arbitration constituted in accordance with the provisions of this act, shall subject such public utility and any officer or agent thereof participating or aiding therein or such labor union or representative of any craft, class or group of employees of a public utility to a penalty in the sum of Ten thousand dollars ($10,000) per day for each day during the period of such lockout, strike or work stoppage, such penalty to be recovered in the name of the State in an action at law in any court of competent jurisdiction. 9. Any person who shall wilfully violate, or aid and abet the violation of any of the provisions of this act, or attempt to do so, shall, for each such offense be guilty of a misdemeanor and, upon conviction thereof, shall be fined not less than two hundred and fifty dollars ($250.00) nor more than five hundred dollars ($500.00) or be imprisoned for a period not exceeding thirty days, or both. Each day's continuance of the violation shall constitute a separate offense."

enforcement would mean." [27] The present sanctions include only monetary penalties.[28] They have never been enforced, however, despite a number of violations of the Act.

A formula of wage criteria acceptable to labor, management, and the public has not been developed by the public hearing panels and the arbitration boards. As a result, the decisions have been subjected to severe criticism and have been difficult to defend effectively. In some cases the panels and boards have openly admitted a policy of compromise.[29] In the long run, of course, such a policy is bound to have an extremely detrimental effect on negotiations. The recent addition to the Act of general standards to guide the public hearing panels and arbitration boards [30] will not remedy this deficiency.

The relationship between the Public Utility Commission and the statutory arbitration boards requires some careful thought and attention. The problem is especially important in those utilities, such as the bus industry, where labor costs are a high percentage of total costs. Should the Commission, when considering fare or rate adjustments, accept as a reasonable expense, any wage increase granted by a statutory arbitration board? If such procedure is followed, the arbitration boards rather than the Commission will be exerting major control

[27] *Business Week,* April 19, 1947, p. 103.

[28] New Jersey P. L. (1947) Ch. 75, Secs. 8 and 9 provide: "8. Any lockout, authorized or engaged in, by any public utility in violation of any provision of this act, or any failure or refusal by a public utility to abide by the terms of any decision or order made by any Board of Arbitration constituted in accordance with the provisions of this act, or any strike or concerted work stoppage, authorized or engaged in, or continued to be engaged in by any labor union or representative of any craft, class or group of employees of a public utility, or any concerted action on the part of a substantial number of the members of any labor union resulting in an interruption of the operation of any public utility, in violation of any provision of this act or in connection with any refusal to abide by the terms of any decision or order made by any Board of Arbitration constituted in accordance with the provisions of this act, shall subject such public utility and any officer or agent thereof participating or aiding therein or such labor union or representative of any craft, class or group of employees of a public utility to a penalty in the sum of ten thousand dollars ($10,000.00) per day for each day during the period of such lockout, strike or concerted work stoppage, such penalty to be recovered in the name of the State in an action at law in any court of competent jurisdiction. (P. L. 1947, c. 47, as amended by P. L. 1947, c. 75.) "9. Any officer or agent of any public utility or labor union, or any person performing the duties of such officer or agent, who shall willfully violate, or aid and abet the violation of any of the provisions of this act, or attempt to do so, shall, for each such offense, be guilty of a misdemeanor and, upon conviction thereof, shall be fined not less than twenty-five dollars ($25.00) nor more than two hundred fifty dollars ($250.00). Each day's continuance of the violation shall constitute a separate offense."

[29] See Cases F-145 and H-1.

[30] Senate, No. 4. First Special Session, State of New Jersey, June 6, 1949.

over the rates in the utilities with high labor costs. On the other hand, the refusal of the Commission to accept such wage increases as sound bases for rate adjustments would be most unfair to the companies which must abide by the decisions of the arbitration boards. This problem is not unique to New Jersey. It has plagued authorities whenever compulsory settlement of public utility labor disputes has been attempted. [81]

Conclusions

The research for this paper has revealed that the costs of outlawing public utility strikes, and substituting seizure and compulsory arbitration are substantial. Perhaps the greatest of these is the crippling effect on collective bargaining. Such costs might be justified, however, if the need were sufficiently great and if the legislation effectively satisfied the need.

Examination of the effect of strikes in public utilities leads to the conclusion that the need is not so great as had been anticipated. It is not meant to infer that emergencies may not arise as a result of public utility strikes, but experience indicates that so long as supervisors are willing and able to work (barring sabotage and extreme weather conditions) such disputes need not result in immediate jeopardy to public health and safety. Thus, there is some leeway in which to permit the strike and the threat of the strike to perform their functions which are so essential to free collective bargaining. It is submitted, therefore, that no-strike legislation which lists the specific steps which must be taken in case of an emergency is questionable because it makes it more difficult for government to allow a dispute to run its natural course even when an emergency is remote. Moreover, if a real threat to public health and safety should occur, the general emergency powers of the state or federal government can always be employed.[82]

Finally, an examination of the results of the New Jersey Act in terms of the prevention of stoppages raises doubts as to its desirability even if public utility strikes in the future should prove to be of an im-

[81] See Roscoe Ames, "Should State Commissions Regulate Utility Labor Relations?," *Public Utility Fortnightly*, Vol. 39, March 13, 1947, pp. 352-56; Arnold Haines, "Rate Regulation vs. Wage Regulation," *Public Utility Fortnightly*, Vol. 40, July 17, 1947, pp. 84-92; Domenico Gagliardo, *op. cit.*, p. 100.

[82] It may be argued that the broad general emergency powers should not be relied upon in such cases because they may be abused. Such argument would seem to lead to legislation limiting the executives' powers in such disputes but not necessarily to legislation outlining the specific steps which he must follow.

mediate emergency nature. Strikes have continued to occur under the Act. Whether there have been more or fewer than would have occurred without the legislation is debatable. In view of the fact that no extensive damage to public health and safety because of utility strikes has been reported recently from those states which have not adopted similar legislation, however, the question may be raised as to whether the cost of such legislation is not too great in terms of both the need for it and the effectiveness of it in fulfilling that need. It is too soon both in terms of the experience under the New Jersey Act and also the amount of research accomplished to date to give a final answer to the question. It is recommended, however, that sufficient states now have this type of legislation on their statutes to serve as laboratories and that adoption by other states should not be undertaken at this time.

PROTECTING CIVIL LIBERTIES OF MEMBERS WITHIN TRADE UNIONS

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IN THE 1944 ELECTIONS within Local 10 of the International Ladies' Garment Workers' Union, political lines were tightly drawn and feelings ran high. A minority group, whose leaders were admittedly members of the Communist party, organized a slate in opposition to the incumbent administration candidates. Over a period of months the opposition published a series of sensational charges against the officers of Local 10 and against David Dubinsky, the International President. Among the milder accusations were those charging the officers of Local 10 with maintaining a "machine rule such as would make the old Tammany Tiger look like a lamb in comparison," and with having the "unmitigated gall to attack and slander the Trade Unions of our heroic ally, the Soviet Union." Dubinsky was scored for supporting the "reactionary A. F. of L. top leaders, in their refusal to sit together with the heroes of Stalingrad."

The Ames Case

On May 23, 1944, Arnold Ames, the leader of the insurgents, and six others were formally charged by the officers of Local 10 with engaging in conduct detrimental to the ILGWU, libeling and slandering its officers, and bringing the International Union, Local 10, and its officers into disrepute, contempt, and ridicule, all in violation of the International and Local constitutions and by-laws. A series of trials and appeals then took place, culminating in a ruling by the appeals committee of the International, affirming the decision of the original trial board, which had suspended the defendants from membership for periods ranging from two to five years but had permitted them to continue working in the industry. One year later the suspended members brought an action against the union and its officers for injunctive relief and for damages. The action was dismissed, on the ground that the plaintiffs had been properly found guilty of violating the union's constitution after a fair trial.[1]

There are at least three aspects of the case of *Ames v. Dubinsky* which have particular significance. The first is the rather even balance

[1] *Ames v. Dubinsky*, 70 N. Y. S. (2d) 706 (1947).

which appears from the facts to have existed between the dissident members' rights of freedom of thought and of speech, on the one hand, and the union's right to maintain some degree of control and discipline of its members, on the other. The truth or falsity of the accusations made in cases of this type cannot always be deemed the controlling consideration. Charges and counter-charges, some of a highly sensational character, are customarily hurled by opposing factions in political campaigns; very often the truth of the allegations cannot be sustained. The facts of the *Ames* case suggest that the real issue there involved was not the truth or falsity of the attacks against the union officers by the minority group but, rather, the much more fundamental question of the extent to which the union was justified in suppressing opposition which it considered a threat to its very existence.

The second significant aspect of the *Ames* case is the time sequence. Charges were filed against Ames and his colleagues in May, 1944. Hearings were held before the trial board in June and July (the delays being granted at the request of the defendants). The board's decision was announced and sustained by the membership of the Local in August. At the request of the defendants, a judiciary committee to reconsider the trial board's decision was appointed in September; it held hearings in October and rendered its decision, which was again approved by the Local's membership, in November. In December the defendants appealed their case to the appeals committee of the International, which then granted what amounted to a trial *de novo*. The decision of that committee, sustaining the actions of the lower tribunals, was handed down in October, 1945; and Ames commenced his legal action about one year later. The court's decision was announced in April, 1947. Had Ames elected to exhaust his remedies within the union by appealing to the International convention, he would have had to wait until May, 1947. A somewhat unusual feature of this case was that Ames was permitted to continue working in the industry, despite the fact that the union could legally have procured his discharge from employment. Suppose, however, that he had in fact been discharged at the union's insistence. In that event the length of time required to secure a final ruling on the merits of the controversy would have been a supremely important factor.

The third significant aspect of the *Ames* case is the court's opinion. Despite the fact that the decision was based upon well-established legal principles relating to the character of the relationship between a union

and its members, the elements of a fair trial in union disciplinary proceedings, and the limitations upon judicial review of decisions rendered by duly constituted union tribunals, the trial judge felt compelled to devote a substantial portion of his opinion to a philosophical discussion of the relationship between God and man, the incompatibility between the tenets of communism and the search for truth, and the superiority of American democracy over Soviet communism. The decision in the *Ames* case may be sound, but the court had a perilous passage through the "dismal swamp" of ideological conflict before reaching its conclusion. Professor Chafee has noted that "the judicial review of the highest tribunal of the church is really an appeal from a learned body to an unlearned body";[2] and the same observation may properly be made concerning some doctrinal conflicts in labor unions.

Conflicts Between Unions and their Members

The *Ames* case calls attention to only some of the many conflicts between the rights and interests of unions and those of their individual members. The political, economic, and social objectives of unions are now so broad that the duties of a member to his organization become increasingly similar to the duties of a citizen to the state. No longer is adherence to the relatively narrow aims of business unionism enough; union members and their local and national bodies are expected to toe the line of policy on just about every major issue in international and domestic affairs. An indication of this trend can be observed in the current political crisis within the CIO, which has already resulted in the expulsion of two unions, and the imminent trial of nine others, on charges of advocating and pursuing totalitarian policies rather than the policies of the CIO. The bill of particulars against the ousted United Electrical Workers includes opposing the Marshall Plan and the Atlantic Pact, supporting the Independent Progressive Party in the 1948 elections, characterizing the CIO's fight for repeal of the Taft-Hartley Act as a "sellout," and attacking Philip Murray and the Steelworkers for their conduct of the negotiations with and strike against the steel companies.[3] Recent reports from the organization convention of the International Union of Electrical Workers, the right-wing successor to the UE within the CIO, indicate that the new organization "endorses the Marshall Plan, hails the decision [of the

[2] "The Internal Affairs of Associations Not For Profit," *Harvard Law Review*, May, 1930, p. 1024.
[3] *BNA Daily Labor Report*, No. 215: AA-3, Nov. 4, 1919.

CIO] to leave the World Federation of Trade Unions, urges help for Israel, denounces the Displaced Persons Bill passed by the 80th Congress, endorses the Atlantic Pact and the President's Point Four statement, and urges the end of the 'undemocratic and unjust partition of the Republic of Ireland being enforced by a government which is under the Labor Party of Great Britain.'" [4] One wonders whether an impassioned proponent of Irish partition might so far subvert IUE policy on this vital question as to render himself liable to expulsion from the union.

The approving chorus which has greeted the action taken by the CIO against left-wing elements within its ranks has all but drowned out the protests of the dissident minority that its democratic rights have been violated. The public is generally inclined to agree with United Auto Workers' president, Walter Reuther, who dismissed these objections as "pious slogans." [5] Would the popular response be the same, however, if the left-wing faction were in power and were expelling all right-wing affiliates for such heresies as supporting President Truman and endorsing the American atomic energy program? My guess is that this action would be met with howls of protest and a general clamor for statutory curbs upon such "arbitrary procedures." If, therefore, we are to formulate standards for the protection of civil liberties of members within unions, we must make sure that such protection extends to those whose views we hate and whose activities we fear; otherwise, our democratic freedom is an illusion, and the bell tolls for us as well as for our enemies.

Within the last few decades the constitutions and administrative practices of labor unions have been subjected to fairly intense scrutiny. It is generally agreed among most writers on the subject that the majority of unions adhere, at least formally, to democratic procedures; that a significant minority, however, do not; and that the most desirable method of eliminating undemocratic practices is by the voluntary action of the offending unions.[6] In this area, as in so many others, however, a compromise must be made between what is most desirable and what is practically obtainable. As one writer has observed, while

[4] *Ibid.*, No. 231: AA-1, Nov. 30, 1949.
[5] *N. Y. Times*, Nov. 2, 1949, p. 3, col. 5.
[6] Chamberlain, "The Judicial Process in Labor Unions," *Brooklyn Law Review*, December, 1940; Kovner, "The Legal Protection of Civil Liberties Within Trade Unions," *Wisconsin Law Review*, January, 1948; Stafford, "Disputes Within Trade Unions," *Yale Law Journal*, May, 1936; Taft, "Judicial Procedure in Labor Unions," *Quarterly Journal of Economics*, May, 1945.

the various institutional reforms suggested "must be made within the trade-union movement itself, . . . it is futile to talk of any reform of trade-union regimes without some effective guarantee of the elementary civil rights of members. . . ." [7] Such a guarantee can be provided only by appropriate legislation.

Federal and State Legislation

Existing federal and state legislation relating to internal union affairs not only fails adequately to protect the civil liberties of union members, but in many instances restricts unduly the activities of labor unions which are necessary to their continued existence.[8] Prior to the passage of the Taft-Hartley Act, there was no federal statute which specifically regulated, in even a slight degree, the internal affairs of labor unions. While both the Railway Labor Act and the Wagner Act have been construed by the agencies responsible for their administration or by the courts as imposing certain limited and indirect controls upon internal policies and practices of unions, these restrictions have been loosely and somewhat tentatively invoked, and the precise area of their application has never been determined. What has become perfectly clear, however, is that these laws have failed to eliminate or materially to reduce undemocratic discriminatory admission policies of unions,[9] a matter which, while not within the purview of this paper, is so intimately related to the protection of civil liberties of union members that it cannot be ignored.

The enactment of the Taft-Hartley amendments to the National Labor Relations Act marked the first Congressional attempt to regulate the internal affairs of labor unions. Actually, the legislative controls embodied in the amendments which relate to union administration are, without exception, indirect; it is theoretically possible for a union to function more or less effectively without complying with a single one of them.

The major interest of Congress in this area was the preservation of the individual's right to work as a non-union man. This is evidenced by Section 7, which guarantees employees the right "to refrain from any or all" union activities; by the proviso to Section 8(a)(3), which

[7] Herberg, "Bureaucracy and Democracy in Labor Unions," *Antioch Review*, Fall, 1943, pp. 414-15.

[8] For a recent analysis of existing laws on this subject see Aaron and Komaroff, "Statutory Regulation of Internal Union Affairs—I," *Illinois Law Review*, September-October, 1949.

[9] *Ibid.*, pp. 428-46.

forbids discharge of an expelled union member under a union shop clause, unless the expulsion is for failure "to tender the periodic dues and the initiation fees uniformly required"; and by Section 8 (b) (2), which makes it an unfair labor practice for a union to induce the employer to discriminate against an employee expelled by the union for any other reason.

Other Taft-Hartley amendments forbid unions to demand from employees covered by a valid union security agreement an initiation fee which the NLRB finds "excessive or discriminatory under all the circumstances" (Section 8[b][5]); and deny them access to the NLRB unless they submit financial reports and other pertinent data to the Secretary of Labor (Section 9[f] and [g]), and unless their officers file non-Communist affidavits with the NLRB (Section 9[h]) A detailed discussion of the actual results of these regulatory provisions may be found elsewhere;[10] it must suffice here to report that their effect has been negligible.

Statutory regulation of union internal affairs by the states is equally inadequate. Twenty-six jurisdictions, including the important industrial states of California, Illinois, Michigan, and Ohio, have no legislation relating to the problem. Only eight states[11] have taken the necessary initial step toward protecting the civil rights of members within unions by enacting enforceable statutes prohibiting discrimination in employment because of race, creed, color, or national origin by unions, employers, and employment agencies. But these laws, while essential, are not sufficient; other regulations are needed to help establish and maintain democracy within unions. Yet of the eight states which have enacted fair employment practices legislation, only three[12] have imposed other statutory controls on union affairs.

Those states which have attempted to regulate the internal administration of labor unions have, with few exceptions, enacted laws which offer insufficient protection to individual employees and unduly restrict union activities. The statutes of several states[13] are examples of the extreme limits to which uninformed, anti-union legislatures have gone, and reveal the ultimate purpose to destroy unions rather than to strengthen them. The more moderate laws of states such as

[10] *Ibid.*, pp. 446-51.
[11] Connecticut, Massachusetts, New Jersey, New Mexico, New York, Oregon, Rhode Island, and Washington.
[12] Massachusetts, New York, and Oregon.
[13] Notably the recently repealed Delaware statute, and the laws of Colorado, Texas, and Florida.

Massachusetts, Pennsylvania, and Wisconsin are deficient in a number of respects, but primarily because they are designed to protect employment status rather than union membership rights. Expulsion from a union may involve serious disadvantages to the employee, even though he is not discharged from his job as a consequence.

By and large, current statutory regulation of internal union affairs is directed against practices least in need of control and overlooks entirely the more fundamental policies and procedures which are subject to serious abuse. In addition to the Taft-Hartley Act, six states impose some kind of statutory regulation upon union initiation fees, dues, and assessments;[14] 11 states and the Territory of Hawaii have enacted laws requiring some type of union report on financial or other internal affairs;[15] and four states have sought to regulate elections of union officers and representatives.[16] All the available evidence indicates that genuine abuses in the areas covered by these regulations are rare and that the laws have seldom been invoked. On the other hand, there is an increasing amount of litigation involving important issues in union internal affairs which are not covered by any statute.

Role of the Courts

The gradual development of more realistic judicial attitudes toward problems involving the relationship between the union and its members, together with the unimpressive results of federal and state legislation purporting to regulate internal union affairs, has led many observers to believe that any legislation in this field is undesirable, and that the courts can be relied upon to protect the civil liberties of union members. There are, however, several compelling arguments to the contrary. In the first place, we know that the high costs of legal proceedings have had an extremely inhibiting influence upon actions against unions by their aggrieved members. Some means must be provided,

[14] Alabama, Colorado, Florida, Kansas, Massachusetts, and Texas. The Texas law was partially invalidated in *American Fed. of Labor v. Mann,* 188 S. W. (2d) 276 (Tex. Civ. App. 1945).

[15] Alabama, Colorado, Florida, Idaho, Kansas, Massachusetts, Minnesota, North Dakota, South Dakota, Texas, and Wisconsin. The laws of four of these states have been held unconstitutional: Colorado, in *American Fed. of Labor v. Reilly,* 113 Colo. 90, 155 P. (2d) 145 (1944); Florida, in *Hill v. Florida,* 325 U. S. 538 (1945); Idaho, in *American Fed. of Labor v. Langley,* 66 Idaho 763, 168 P. (2d) 831 (1946); and Texas, in *American Fed. of Labor v. Mann,* 188 S. W. (2d) 276 (Tex. Civ. App. 1945).

[16] Colorado, Florida, Minnesota, and Texas. The Colorado and Texas statutory provisions were declared unconstitutional in *American Fed. of Labor v. Reilly,* 113 Colo. 90, 155 P. (2d) 145 (1944) and *American Fed. of Labor v. Mann,* 8 CCH Labor Cases ¶ 62,009 (Tex. Dist. Ct. 1944), respectively.

therefore, to insure that a successful plaintiff will not be compelled to assume his court costs. In the second place, while the cultural lag between judicial precedents and the facts of industrial life has been greatly shortened in recent years, it has by no means been universally eliminated. We still occasionally run across such social anachronisms as the decision of a Wisconsin court in the case of *State ex rel. Dame v. Le Fevre*,[17] in which the president of a local of the Telephone Guild who had criticized the action of the general executive board in a particular situation was expelled by that board for divulging union business in violation of the constitution, without benefit of notice or the opportunity to defend himself. The court denied reinstatement on the ground that the Guild's constitution failed to provide for notice and hearing to disciplined members in such cases. These fundamental procedural requirements did not have to be observed, said the court, because the "due process clauses of the state and federal constitutions are not applicable to contract relationships between individuals." [18]

This decision is contrary to the weight of authority and seems wrong in principle. The Bill of Rights is not solely a state concern, irrelevant to a determination of the legality or illegality of the conduct of individuals and associations.[19] Yet the *Dame* case is a disturbing example of injustices which may be permitted to occur. It suggests the value of setting forth in a statute the basic requirements of due process to which unions must adhere in disciplining their members. Recent events emphasize the importance of specifically reaffirming the principles of the Bill of Rights and embodying them in legislative standards which shall be binding on private associations and the courts alike. The expulsion of the United Electrical Workers from the CIO and the immediate chartering of a rival organization claiming the jurisdiction and the membership of the expelled union has led to a good deal of litigation between the competing groups. Some decisions have gone in favor of the expelled UE. These developments were recently denounced by James B. Carey, Secretary-Treasurer of the CIO and provisional head of the IUE, in a statement reading, in part, as follows:

> This international union [IUE] and its affiliated locals are being harassed by federal and state courts throughout the country in its present campaign to

[17] 251 Wis. 146, 28 N. W. (2d) 349 (1947).
[18] *Ibid.*, 153, 28 N. W. (2d) at 353.
[19] Witmer, "Civil Liberties and the Trade Unions," *Yale Law Journal*, February, 1941, p. 627. Also see *Betts v. Easley*, 161 Kan. 459, 469, 169 P. (2d) 831, 839 (1946).

increase its membership. Seemingly the courts, instead of taking cognizance of matters of general knowledge in this community, are preferring to deal with these problems in terms of dry and dead court precedent and intricate questions of law.

* * * *

We believe it high time that the various judges and courts stop blinding themselves to the plain facts of life. They should not permit emissaries of a potential enemy of the United States, who have openly derided and sought to destroy our courts and our laws and our institutions, to avail themselves of the protection of a government and legal system which they openly despise.[20]

When a responsible union official publicly demands that the courts deny due process of law to rival unionists not yet adjudged guilty of any crime, it is time to write into the law some fundamental standards of due process which will protect the rights of all unpopular minorities within unions.

Proposed Statutory Controls

The proposed statutory controls should obviously be restricted to those policies and procedures of unions which directly and vitally affect the public welfare, that is, practices relating to admissions and to internal discipline. Since union democracy cannot be achieved by government fiat, however, legislation designed to achieve this result will be successful primarily to the extent that it has the effect of inducing unions themselves to establish fair admission policies and to provide reasonable protection of the civil liberties of individual members.

Care must be taken also to insure an adequate remedy to those union members suffering from unfair treatment. The designated forum should be readily available, and the tribunal having jurisdiction should be empowered to grant appropriate relief, whether it be in the form of money damages or an injunction. As previously mentioned, meritorious suits should not be discouraged by prohibitive court costs, and relief should be granted as speedily as the requirements of due process will permit.

Specific legislative proposals on this subject have been discussed in detail elsewhere;[21] time permits only a brief outline of necessary statutory provisions. As previously indicated, it is pointless to con-

[20] *BNA Daily Labor Report,* No. 231: AA-3, Nov. 30, 1949. Mr. Carey also stated that the IUE was prepared to defy those courts which rejected this basis for deciding the cases in which it was involved with the UE.

[21] Aaron and Komaroff, "Statutory Regulation of Internal Union Affairs—II," *Illinois Law Review,* November-December, 1949.

cern ourselves with undemocratic policies and procedures within unions unless we also mean to seek the removal of unjustifiable barriers to membership in unions and to employment in general. It would seem that nothing short of a federal fair employment practices law prohibiting employers, employment agencies, and unions from discriminating against employees because of their race, creed, color, national origin, citizenship, sex, or opinion can produce the desired result.

Union members are entitled to protection against rules which abridge their basic freedoms of speech, press, and assembly; but the statutory restriction should be flexible enough to permit unions to exercise a reasonable discipline over their members. This is a difficult balance to maintain, but it is not impossible. Indeed, court decisions in a number of close cases have delimited the permissible areas of governmental control. Thus, in the area of outside political activities, the expulsion of a union member who campaigned for a Republican candidate in defiance of the organization's decision to endorse a Democrat was held improper.[22] On the other hand, the American Federation of Radio Artists was held to have been within its rights in expelling director Cecil B. De Mille for his refusal to pay a compulsory assessment, levied in conformity with the union's constitution and by-laws, for the purpose of fighting a proposed "open-shop" amendment to the California constitution.[23]

Both of these decisions are sound. A union should not be permitted to compel its members to vote in a specific manner; but it has the undoubted right to tax its members in accordance with its duly established rules and procedures in order to secure a lawful objective.[24] More difficult questions arise, however, when the union adopts, as the CIO did recently, a resolution authorizing its officers to take "appropriate action" to protect the union and to prevent the use of its good name by "those who have insistently directed their policies and activities toward the achievement of the program or the purposes of the Communist party, any Fascist organization, or other totalitarian

[22] *Morgan v. Local 1150,* 16 Lab. Rel. Ref. Man. 476 (Ill. Super. Ct. of Cook Co., 1945), *rev'd for failure to exhaust internal remedies,* 331 Ill. App. 21, 72 N. E. (2d) 59 (1946).

[23] *De Mille v. American Fed. of Radio Artists,* 31 Cal. (2d) 139, 187 P. (2d) 769 (1947), *cert. denied,* 333 U. S. 876 (1948).

[24] In the *De Mille* case the union assessment was one dollar per member. Considerably less public attention has been focused on the substantially larger assessments imposed by national and state medical associations on all their members, for the avowed purpose of lobbying against "socialized medicine."

movement." [25] Few would dispute a union's right to adopt such a rule, but it could easily be abused in application. Individuals and groups within a union should have the right to criticize its program and to advocate departures from its policies; moreover, it should not matter how radical and unpopular these rival programs are, so long as they look toward the achievement of legal objectives. On the other hand, the freedom of the minority to disagree does not include the right actively to subvert and frustrate the policies of the majority by means which go beyond the uninhibited expression of its views. The proper test of a union member's culpability in these cases, therefore, would seem to be, not the mere advocacy of views distasteful to the majority, but the commission of overt acts designed to prevent the majority from carrying out its chosen lawful objectives.

The same problem of balance arises in the application of the "vague and general" clauses in union constitutions and by-laws, which have attracted so much criticism from outsiders. Many observers have written indignantly and at length about the evils of union rules punishing "disloyalty," or conduct "unbecoming a union member," or activity which "causes dissension" or "destroys harmony" within the union. These rules are so broad and unspecific, it is argued, that they can be applied to almost any conduct disapproved of by union officials and others in power. This is undoubtedly true, but the remedy lies, not in abolishing such rules, but in establishing standards governing their application. Properly construed and administered, these "vague and general" clauses provide the union with the means of punishing members guilty of various kinds of misconduct which cannot be foreseen or spelled out in the constitution or by-laws. For example, a union member who aided an employer during a strike was expelled for "gross disloyalty"; [26] while another who stole company property was expelled for "unbecoming conduct." [27] In these cases the discipline was justified and the expulsions were upheld. Where the courts have found, however, that "disloyalty" clauses have been used as an excuse to suppress legitimate activities, they have granted relief to those disciplined by the union. Thus, members expelled for bringing suit against their unions have frequently been reinstated.[28]

Turning now from the substantive rules to the procedures under

[25] *BNA Daily Labor Report*, No. 213: AA-2, Nov. 2, 1949.
[26] *Becker v. Calnan*, 313 Mass. 625, 48 N. E. (2d) 668 (1943).
[27] *Austin v. Dutcher*, 67 N. Y. S. 819 (1900).
[28] *Thomas Angrisani v. Stern*, 3 N. Y. S. (2d) 698 (1938). Compare, *Stroebel v. Irving*, 14 N. Y. S .(2d) 864 (1939).

which they are administered, it is at once apparent that minimum standards of fairness must be incorporated in the proposed statute. Most union constitutions lack adequate provisions outlining a disciplinary procedure, and in most instances the group in power controls the procedure.[29] These circumstances provide the opportunity for serious deprivation of due process in many instances, of which the *Dame* case, mentioned previously, is but one example. Any member facing disciplinary action by his union is entitled to written charges of the alleged offense, adequate notice of trial, and a fair hearing before an unbiased tribunal, with opportunity to face his accusers, present evidence in his own behalf, and cross-examine hostile witnesses. These standards, as compared with those governing substantive union rules, should be relatively inflexible, but care should be taken not to confuse technicalities with basic principles. For example, the courts have properly held that the requirements of a fair trial within a union do not include the right of the accused to be represented by legal counsel.[30]

A trial before a truly unbiased union tribunal is, of course, an ideal which is seldom fully achieved. Regardless of the manner in which they are selected, members of union trial boards are frequently prejudiced, to a greater or lesser degree, against those whose guilt or innocence they are to judge. It seems fair to conclude, for example, on the basis of numerous public statements they have made, that at least some of the members of the trial boards established by the CIO to hear charges against officers of nine left-wing unions are strongly prejudiced against the accused.[31] This type of situation is unavoidable. The political crisis within the CIO has been provoked by a fundamental conflict in ideologies; few people, least of all those directly involved, can feel anything but strongly about the issues. Indeed, this extreme emotionalism is characteristic of most intra-union disputes. A frank recognition of this human fallibility does not require, however, that we write off union disciplinary procedures as worthless; rather, it merely emphasizes the need of scrutinizing the fairness of the rule invoked against the accused, as well as of the trial procedure.

[29] Summers, "Disciplinary Practices of Unions" (to be published in a forthcoming issue of the *Industrial and Labor Relations Review*).

[30] *Local No. 2 v. Reinlab,* 133 N. J. Eq. 572, 33 A. (2d) 710 (1943); *Ames v. Dubinsky,* 70 N. Y. S. (2d) 706 (1947), cited *supra* note 1.

[31] This claim was made the basis of a request by several of the accused for a trial before a disinterested group of outsiders. The request was denied by President Murray of the CIO on the ground that the organization's constitutional procedures must be followed. *BNA Daily Labor Report,* No. 233: A-5, December 2, 1949.

It is obvious, however, that some effective procedure of appeal outside the union must be established. The first problem encountered in this undertaking is whether jurisdiction over such appeals should be given to an administrative agency, such as the NLRB, or should remain with the courts.[32] The chief advantages said to inhere in the former procedure are the accessibility of the forum, the expert knowledge of the tribunal, and the speed of case processing. But neither of the last two of these advantages can be claimed on behalf of the NLRB, whose members have little or no expert knowledge of or experience with cases involving internal union affairs, and whose slowness in processing cases is a source of acute annoyance to employers and unions alike. Moreover, the factor of accessibility is of limited importance in cases of the type under discussion; indeed, too ready access to the forum is undesirable. The chief purpose of the proposed statute is to encourage and assist improvement of internal union procedures, not to provide a substitute for them. As Professor Witmer has remarked, freedom of litigation is not so essential a part of the democratic process that we should strike down all hindrances to its pursuit.[33]

Of course it may be contended that, by establishing a separate administrative agency to handle cases involving alleged infringements of the rights of union members by their own organizations, the disadvantages resulting from appealing such cases to the NLRB could be avoided. This might be so, but the idea is impracticable, to say the least. In the first place, the establishment of another administrative agency to handle labor problems is not likely to be popular with many people in or out of government. A further and much more fundamental objection is that the agency would have to be given so many purely judicial functions, in order to render its work effective, that it would be something of an anomaly in government. Thus, it would need the same powers to issue injunctions, award damages, and grant other appropriate relief as are possessed by a court of equity.

Quite apart from the dubious constitutionality of such an arrangement, it seems an unnecessarily complicated way of dealing with the problem. On the whole, the courts have demonstrated an ability to deal adequately with cases arising from conflicts in internal union affairs. Guided by standards of the type previously mentioned, they are obviously the most appropriate tribunals to hear these disputes.

[32] This problem is discussed in greater detail in Aaron and Komaroff, *supra* note 21, pp. 665-72.
[33] Witmer, *supra* note 19, p. 630.

Common law concepts and precedents do not provide the basis for proper relief in many meritorious cases, however, and this problem must also be covered by the proposed statute. One expert has suggested that a union which is found unlawfully to have expelled one of its members be compelled to pay the injured party twice the amount of lost wages and earnings, as well as the costs of litigation and a reasonable attorney's fee.[84] This proposal has the double advantage of enabling an impecunious plaintiff with a meritorious case to file suit and also of causing a union to think twice before violating the rights of its members.

Conclusion

It is a popular indoor sport of columnists and editorial writers to dwell at length upon a few well-known and horrendous examples of autocracy within unions, and to proclaim that all labor organizations are doomed to suffer the same fate unless professional union leaders, known to the trade as "unioneers," are driven from power. These Cassandra-like forebodings are balanced by the equally silly pronouncements of Pollyannas from the opposite camp, who insist that unions can ever be relied upon to guard the sacred flame of democracy with the zeal of vestal virgins.

The truth of the matter can, of course, be found in its usual position, somewhere between these two extremes. It is an undeniable fact that the emergence and spread of bureaucracy within unions has been accompanied by a decay of democracy. As Herberg has pointed out, however, this development results from the nature of all organization. "The very process of institutionalization, of organizational expansion and stabilization, generates a powerful bureaucratic potential." [85]

Some observers are inclined toward the view that the inevitability of this process makes it impossible, in the long run at least, to bring it under control without at the same time destroying the independence of unions. In essence, the task parallels the broader one of assuring the survival of democracy in a period characterized by a great expansion in the functions and power of government. No one can predict with certainty how this dilemma will be resolved; but optimists can continue to hope and work for a happy reconciliation of the rival interests of power and group control, on the one hand, and individual freedom, on the other.

[84] This is part of a proposal made by Joseph Kovner, former assistant general counsel of the CIO. It is discussed in detail in Aaron and Komaroff, *supra* note 21.

[85] Herberg, *supra* note 7, p. 413.

THE ALLOWABLE AREA OF INDUSTRIAL CONFLICT

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IT SEEMS TO ME that the topic assigned to me today means the extent to which government shall intervene in labor-management relations; and this in turn means not only the extent to which government shall intervene with the freedom of unions and employer to strike, lockout, or otherwise exert economic pressure but also the extent to which government shall allow certain matters to be subject to private collective bargaining. In other words, I suggest that the topic covers (1) the possibility of government removal of certain matters like pensions from negotiations between unions and employers (this is a possible limitation on the area of *potential* labor disputes); and (2) the possibility of government intervention in threatened or actual overt labor conflict (this is a possible limitation of the right to strike and lockout on clearly bargainable matters).

Discussion of these two aspects will probably be facilitated by use of a broad (I hope not too broad to be useful) frame of reference. In the first place, the fact that this has been a foremost matter of concern during the past few years seems to reflect a number of important things. (1) There have been a large number of important strikes in basic industries since 1945. These conflicts have taken place during a period of economic instability and inflation. (2) The development of technology has made our economy enormously interdependent, has led to the development of great private power aggregates, and has made the economy uncommonly dependent on the decisions of those who wield the power. (3) This country is engaged in a contest with another great power to demonstrate that economic and political democracy is capable of delivering a larger amount of sustained want-satisfaction than is the other country, which believes in economic and political authoritarianism. In this contest we can not afford to endure the loss in welfare that accompanies general economic depressions or the loss from work stoppage in basic industries. Almost all the peoples of the world, including perhaps our own, are watching this contest So the big question today is whether we can devise a program that can largely eliminate the mass unemployment accompanying depressions and labor stoppages, without seriously endangering

the individual liberties that we exhibit with pride before the world. (4) There is a very general answer to this question obtainable from the fundamental principles of political economy. In its broadest terms political economy may be defined as the theory of rational choice (allocation of resources) among divisible alternatives whose costs and utilities are known. I should like to emphasize certain positions of this definition. (a) The alternatives must be divisible. Otherwise the choice means all of one alternative and none of the other, or vice versa. Too many people today consider, for example, freedom and security to be indivisible, whereas, of course it is possible to have some of each, and the problem is to find the best combination. (b) The costs and utilities (disadvantages and advantages) must be known and weighed. (c) Rational choice among divisible alternatives results in maximum welfare. (5) The principle of opportunity or real cost is fully applicable to both the above-mentioned aspects of our topic. Resources are always scarce relative to wants. Whatever of one good you get is at the cost of other goods foregone. The only way you can have more of everything is to increase the quantity and quality of resources.

Now let us consider the two aspects of our topic in terms of our frame of reference. In general, the alternatives of no government intervention and complete intervention are not the only ones. Government intervention is extremely divisible. Complete freedom means anarchy. Complete security means death.

In respect to the relationships of government to unsettled labor disputes in basic industries, I shall only say briefly (because this matter is being discussed by others in the program) that to me the costs of no intervention and the cost of complete intervention far outweigh the utilities of these approaches. A hands-off policy does have the advantage of placing squarely on the shoulders of the parties the responsibility for practicing the important democratic principle of compromise. But in the really basic industries a failure to practice this principle successfully results either in an immediate threat to the community's health and welfare or in a creeping economic paralysis. This seems too high a cost to pay for complete freedom of action. Compulsory arbitration, on the other hand, has the advantage (if we waive the very real problem of enforcing the awards) of insuring a steady flow of goods and services to consumers. But, as I learned in New Zealand, the costs of this approach are very high. There is almost complete absence of real collective bargaining; differences between labor and management are settled almost wholly in the political field. I do not

agree that this policy necessarily leads to socialism or any other "ism," but it greatly impedes the practice of true labor democracy. There is also a very strong tendency, under this policy, for government to invade another area of private decision-making: government is likely to be drawn into fixing product prices as well as the price of labor.

Fortunately there are middle-ground policies which keep most of the advantages of the two extreme measures and seem to minimize their costs. I refer, of course, to government mediation work, and I refer also to (a) government encouragement of voluntary arbitration of unsettled disputes under the terms of new collective bargaining agreements; and (b) government appointed *ad hoc* fact-finding boards, with power to make recommendations. Of these, mediation and voluntary arbitration appear to be the best, in terms of preserving democratic freedom of decision. But fact-finding boards are not anti-democratic, for their recommendations are not binding; and they have the great advantage of informing and mobilizing the powerful forces of public opinion.

In respect to the second aspect of our topic, the following may be said: First, this aspect is, of course, related to the other. But the relation is not clear. That is, it is impossible to say whether limitation of the bargainable area means fewer or more, milder or more bitter labor disputes; but the chances are, it means the latter. The greater the number of bargainable items, it would seem, the greater the opportunities for "trading" and settlement.

Second, my own "allocation of social resources" would be along these lines: (1) I believe that government should provide a base of social insurance and minimum wage laws that will provide minimum security and minimum interference with incentives to private economic adventure. With existing resources, greater security can be obtained only at the expense of economic freedom. (2) I would have no other major government limitation of free decision-making. For example, I see little advantage in "government wage policy"; the effects of general wage rate changes are unpredictable. I would have no government restrictions on industry-wide bargaining or on "union infringements on management prerogatives." Let management meet unions head-on on these issues. (3) Labor stoppages seem usually to have been at a minimum during periods of economic stability. Therefore I believe the government should use its control of total spending in the economy to provide such stability. This means government budget deficits when depression threatens and government budget surpluses

when inflation threatens. Government budget control involves very little interference with private economic decisions. Such government action should not disturb informed, unprejudiced persons. (4) In order to reduce economic illiteracy, government should use every non-coercive means to encourage the spread of economic education. Such education would tend also to make union demands and employers' resistance to them more moderate. (5) The time will soon be ripe for government to bend its non-coercive energies to promote a voluntary merger and union among the rival elements in the American labor movement. A united American labor movement would not mean one big monopoly but would provide the opportunity for the development of broad-gauge, long-view statesmanship in the movement. (6) After such a union had been achieved, government might well call another labor-management conference at which, I venture to predict, the matters left unsettled at the 1945 conference could be successfully resolved. At such a conference also, agreement might be reached on such matters as wage-price policy, tax policy, and government budget policy.

DISCUSSION

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I WILL LIMIT my remarks to the subject of Professor Kennedy's paper, "The Handling of Emergency Disputes," and with his permission I will project this subject upward and outward from New Jersey to the whole United States. The points I should like to make do not mesh together in a coherent, unified pattern. Rather they are quite literally "remarks," a string of disconnected observations on the handling of emergency disputes delivered from the judgment seat of a political scientist whose first interests are government and politics rather than labor and economics. My observations are six in number:

1. I should like to emphasize more strongly than did Professor Kennedy the highly *political* nature of emergency labor disputes in our modern society, particularly in the matter of executive handling of these disputes. I do not mean to say that "politics," as I understand Professor Kennedy to use this term, must inevitably enter into every dispute. I do wish to emphasize, however, that in the final analysis most governmental intervention in emergency labor disputes will proceed from elected, and therefore politically responsible, executive officials. This makes the study of emergency labor disputes every bit as much the province of the political scientist as of the labor economist, and I hardly see how fruitful research can be undertaken or adequate solutions reached in this field without the warm and humble cooperation of our two professions. Let me add immediately that we have as much to gain from other professions as from one another.

2. Since the handling of emergency labor disputes at any level is highly political in nature, it must also be highly personal, whether intervention is to proceed through formal or informal, recognized or irregular, methods and machinery. I am sure that I deliver myself of a manifest platitude in calling your attention to this truth, but I think it worth remembering that no type of governmental machinery for handling emergency disputes, however thoughtfully evolved, can be made to operate outside or above the personalities and prejudices of our elected executives. The manner in which President Truman dealt, or rather refused to deal, with the 1949 strikes in the soft coal and steel industries should be evidence enough of the point I am trying to nail down. It is plain to see that his handling of these strikes was extremely political in nature. We can all imagine how differently this thing would have been done had a Republican President been in office.

What I am trying to say is that labor economists and industrial relations experts must in the end leave a great deal to chance, personality, and politics. Whatever statute they write, whether at the national, state, or municipal level, they must be prepared to see employed by both Republican and Democratic elected officials. This truth becomes particularly sharp when we consider how the Democratic party is becoming more and more the party of organized labor and the Republican party more and more the party of organized management. The increasingly *horizontal* split in the political pattern of our American society makes increasingly difficult the erection of sound, workable, and non-political machinery for the handling of emergency labor disputes.

3. As to the particular problem of the Presidency and labor disputes, Mr. Truman's actions pointed also to the plain truth that federal machinery for handling emergency labor disputes must always and inevitably be little better than a form of "window dressing" for the unvarnished realities of presidential power. It is difficult, if not impossible, to keep a determined President on the straight and narrow path of impartial handling of emergency disputes. This is particularly evident when we consider the cavalier manner in which Mr. Roosevelt, no doubt for lofty purposes, made a pretty hash of the emergency features of the Railroad Labor Act of 1926. The Taft-Hartley Act is another case in point. Mr. Truman does not even choose to make use of it. (Indeed, he cannot even remember having used it seven times last year.) In any case, the various techniques of that Act are indeed little more than "window dressing." Once a President has made up his mind that a strike or a threatened strike is a national emergency, no fact-finding board is going to tell him that it isn't. Nor is the Attorney General's request for an injunction likely to be refused by any district court to which he cares to go.

I have been a bit harsh and absolute in my judgments here. Perhaps I do this for the sake of emphasis. Yet when I refer once again to the steel and coal crisis of 1949 as an example, I think you will agree that the paramount factor in the handling of emergency disputes at the national level is the mind and heart of the President of the United States. Professor Kennedy has discoursed wisely and well on the question: "What is an 'emergency'?" For all national purposes, I can give him the answer in one brief phrase: What the President thinks! All impartial scholars and observers may agree that a certain dispute is a national emergency by any definition, but if the President says it

isn't, it isn't. The same scholars and observers may agree that a certain dispute is *not* a national emergency, but if the President says it is, it is. I realize that in the case of mayors and governors the courts are still supposed to have the last word. Yet I think we would be deluding ourselves if we did not admit that nine times out of ten, indeed 49 times out of 50, the last important word on the presence or absence of an industrial emergency is spoken by the responsible elected executive.

4. As to the future of presidential power in this field, I would like only to remark that the President, as "Protector of the Peace" of the United States, must be the focus and final authority of any type of machinery you gentlemen may care to recommend. I do not see how his constitutional and logical position as the great emergency arm of the national government can admit of any solution that fails to place him first and leave his great powers essentially untrammeled. Indeed, I would go so far as to say that any solution that ignores this fact is doomed to failure. You may set up what machinery you will, you may place whatever qualifications you wish upon his executive discretion, but in the end—as Jackson, Lincoln, and F. D. Roosevelt made dramatically clear—a determined President can cut through the bonds of all statutory and customary restrictions with the sharp, mighty edge of the opening words of Article II.

Descending for a moment from the Olympian heights, I should like to recommend seriously that from this time forward one of the President's administrative assistants be appointed to deal with industrial relations alone. When we consider how this problem has ballooned, I think we can agree that one of the "anonymous six" should be a loyal follower trained in labor relations and known to both labor and management as intelligent and fair-minded. It would perhaps be advisable for the President to revive the moribund Office for Emergency Management and put this assistant at its head as his general emergency trouble-shooter.

5. This leads me to my penultimate point, which is to remind you that the powers of the President in the field of labor disputes are *emergency* powers only. With the normal processes of governmental participation in industrial relations the President has and should have precious little to do. It is only when these relations reach a point where the industrial or economic or civil peace of the United States is threatened seriously that the President can be expected to turn his attention away from his many other duties and focus it on this partic-

ular area. Incidentally, I wonder if all of you have heard Mr. Truman's illuminating exposition of the powers of the Presidency?

> And people talk about the powers of a President, all the powers that a Chief Executive has, and what he can do. Let me tell you something—from experience!
>
> The President may have a great many powers given to him in the Constitution, and may have powers under certain laws which are given to him by the Congress of the United States; but the principal power that the President has is to bring people in and try to persuade them to do what they ought to do without persuasion. That's what I spend most of my time doing. That's what the powers of the President amount to.

This seems to me to be a very shrewd presidential interpretation of presidential power. The context of these remarks was, as you will remember, the threatened nation-wide railway strike of May, 1948. At the time Mr. Truman spoke, W. T. Faricy of the Association of American Railroads and Alvanley Johnston of the Brotherhood of Locomotive Engineers were in the White House being prevailed upon to do what they ought to have done without the President's intervention. Students of the Presidency regard the now-expected injection of the President into major labor disputes as perhaps the most notable development in the powers of that office in recent years.

6. May I conclude with a few final words about the President and labor disputes that I have already had occasion to say in another context?

The President's position in labor disputes is as delicate as his powers are vast. As the final guardian of the public interest he must stand clear of partisanship and wield his weapons with discretion and economy. He must avoid using them in such a manner that one of the parties to a dispute will go out of its way to invite intervention. He must recognize that his powers in this field are *emergency* powers only, and that the regular processes of collective bargaining and of government mediation and conciliation are not to be disturbed. He must resist the temptation to interpose his prestige in disputes that are being threshed out, however slowly, by regular statutory and administrative machinery or he will pull down the whole structure of governmental intervention about his ears. "Equality for both and vigilance for the public welfare" must be the President's high resolve.

And vast though his powers are, we are better off with them than without them. It is reassuring to know that in an economic system that invites and rewards the struggle for self-interest, there is in this direction a boundary beyond which the contestants will push at their peril—and a sheriff to patrol it.

Part III

CAN CAPITALISM DISPENSE WITH FREE LABOR MARKETS?

COLLECTIVE BARGAINING AND FISCAL POLICY

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THE STUDY OF industrial relations has now spread so far beyond the limits of economics that the economist in these days has considerable difficulty in persuading students of labor that his discipline has anything to contribute to their studies. It is not enough for him to confess—as in all honesty he should—that economics comprises no more than about 20 per cent of the subject, and that the rest is sociology, social psychology, individual psychology, psychiatry, anthropology, law, engineering, political science, etc., with perhaps an occasional dash of philosophy, ethics, and even physics to improve the flavor. There is a strong (and to my mind a deplorable) tendency among the bright young labor specialists, not merely to let economics go by default out of ignorance, as was customary among the older generation of writers on this subject, but to cast it out of the window bodily, with shrill cries of jubilation. One can hardly pick up a new book on labor nowadays without finding the author jumping gleefully on what he thinks is the corpse of demand and supply, or proclaiming with trumpets "The labor market is dead, long live human relations." In the interests of continuing certain valued friendships I refrain from mentioning names, even at the cost of some bibliographical respectability, but the phenomenon is too obvious and widespread to have to be annotated.

Animosity Toward Economics Explained

This animosity displayed toward economists may perhaps be explained by the Oedipus complex (economics being in some sense the father of the new discipline of industrial relations), and while it may on that account be forgiven, it is nonetheless to be deplored, if only because any animus is an obstacle to learning. I have wrestled in committee for a whole year with a psychiatrist who thought that industrial relations not only began, but ended, with the love life of foremen, and I have had similar difficulties with psychologists who think that industrial relations is no more than the science of "How to push people around and make them like it." I hasten to add, lest I be accused of

the very animus that I deplore (and I confess to as much animus as a worm turned) that by far the most important contributions to industrial relations in the past few years have come from outside economics. Even the most hardened economist must now realize that purely economic models of trade unions in terms of maximizing behavior are not very realistic, and that the interpretation of union behavior in terms of power structures, considerations of prestige, relative advantages, and so on is extremely illuminating. Similarly the Mayo studies and others like them have revealed the immense importance of the factor of status and human significance in the industrial relationship, and have rightly centered interest on the "human relations" aspect of the wage bargain.

Up to a point, therefore, the shift of interest in the labor field away from economics is entirely justified. The focus of interest of economics as a separate discipline is not men but commodities. The focus of interest of students of labor is, quite properly, men. It does not follow, however, that because economics is not the whole story, or is even a small part of the story, in the study of labor that it has nothing to say. I will concede 80 per cent to the other disciplines; but they try to take over the remaining 20 per cent at their great peril. Economics enters this field because labor is bought and sold, and has a price (its wage): it is, that is to say, in spite of the Clayton Act, the I.L.O. and the Federal Council of Churches, a "commodity." It is, of course, a human commodity, and therefore around the circumstances of its purchase and sale there gathers a large and significant penumbra of Human Relations. It must not be thought that labor is unique among commodities in this regard: all exchanges, even in the stock market or the wheat market, have a certain social-psychological environment. This, in a sense, is what we mean when we say that all competition is in some degree imperfect. Nevertheless, it is certainly true that the social-psychological penumbra is much more important in the case of labor than in the case of any other commodity, and it is this fact that makes labor a peculiar commodity, deserving of highly special treatment. But to say that it is peculiar does not mean to deny that it is a commodity, or to deny that the wage bargain is, among other things, an act of exchange.

Importance of Market Forces

I would argue, furthermore, that the commodity, or exchange, aspect of the industrial relationship is much more central to the under-

standing of the problem than most labor specialists are prepared to admit. The general character or "tone" of industrial relations in any period is determined to a large extent by what is happening in the world of commodities—whether, for instance, there is an inflation or a deflation in the general price-wage level, whether the level of employment and of income is rising or falling, is "high" or "low," and so on. Sociology and psychology may have a good deal to say about the *effects* of unemployment, for instance, on groups or on personalities: they have practically nothing to say as to its causes. That is the field of economics, and a field in which it can claim a great deal of success. I would hesitate to argue that happiness is a function of the national income, but I am pretty sure that misery is! And the national income in real terms is simply the total output of commodities; in money terms it is the value of these commodities. Given a severe deflation, or even a severe inflation, no amount of industrial psychology or sociology will save us from severe dislocations in the industrial relationship. Nor can the best industrial psychology or sociology save us from inflations or deflations, if the world of commodities is producing them.

I am not arguing, of course, that the world of commodities operates independently of the world of men. The economist, in his better moments, is aware that it is not commodities that behave, but men; that commodities move not of themselves, like the planets, but are moved by men; and that every exchange involves two people or groups of people as well as two commodities. He rightly bears this information at the back of his mind, however, rather than at the front, because his very skill as an economist depends on his ability to abstract from the complexity of human behavior those aspects which concern commodities, and to summarize these aspects in fairly simple functional relationships among commodity variables. Thus he is somewhat in the position of the astronomer who can neglect the problem of whether angels move the planets, because whether they do or not their behavior toward the planets is perfectly regular, and therefore predictable, and hence any other quirks of motive or character which they possess can be neglected. I say "somewhat" because the men who move commodities are much less regular in their behavior toward them than are the angels, if any, toward the planets, and hence the economist cannot regard the universe of commodities quite without regard to the men who move them and are moved by them. Nevertheless, the behavior of men toward commodities is regular enough and simple enough to

justify *as a first approximation* the concept of a universe of commodities following its own laws. This is what the economist means when he speaks of "impersonal market forces"—and it must not be thought that this impersonality applies to the extreme case of perfect competition.

An example will perhaps clarify my meaning. During the past few years the level of money wages, as well as of prices, in the United States has approximately doubled. The fundamental reason for this is not the development of superior skills on the part of trade unions or of management, nor changes in "bargaining power," nor power or prestige struggles, nor backyard-wall comparisons, nor price or wage leadership, nor any of the thousand and one non-economic complexities which motivate the actual behavior of individuals. The rise can, without much exaggeration, be put down to a single cause: the growth in private liquid assets as a result of the public methods of war finance. Compared with this great single cause, all the non-economic factors shrink into insignificance. When the tide rises, the exact movement of waters, and even the exact levels, in the innumerable creeks and estuaries depend on their particular local configurations. But the water in them rises because the tide rises, not because there is a channel here or a sandbank there. This is what the economist means when he affirms that there is such a thing as a labor market. A rise in the quantity of money, or in its velocity of circulation, creates an economic tide which will eventually filter into every creek and cranny in the economic system. It will create "shortages" at existing prices and wages which create a pressure for higher prices, whether that pressure is exercised through price and wage leadership, through the increased bargaining power of sellers, or the increased competition of buyers, and whether it is exercised in competitive or in non-competitive markets. As a result of local power configurations (the channel here and the sandbank there) the tide may run a little higher in some places than in others, but the empirical evidence suggests that the differences so created are secondary in magnitude, especially when the tide is running in. At ebb tide it seems to be true that the dams of monopoly power can hold back a certain amount of the retreating income, but even these advantages seem to be only temporary.

I have used the metaphor of the tide advisedly, because it is precisely the "tide in the affairs of men" known as the business cycle which is the main problem of fiscal policy. The word "cycle," with its implications of pendulum-like regularity, is perhaps a misnomer,

but whether we are dealing with true cycles or not there is no doubt about the phenomenon of fluctuations in many important economic variables, especially output and employment, and to a less significant extent in prices and values. The fluctuation which concerns us most, of course, is the fluctuation in output and employment, if only because any operation of the system below its proper "capacity" (i.e. ideal output) is almost pure loss. Price fluctuations are less serious—indeed, in moderation, there is even something to be said for them as making for social mobility and for the dislodgment of vested interests —but beyond a certain point even price fluctuations are a serious inconvenience and create a good deal of haphazard injustice.

Role of Government

The principal task of government in this connection is to act as a "governor," that is, to introduce a mechanism into the system, analogous to a thermostat in a heating system or a governor on an engine. There are many reasons in theory, as well as in experience, for supposing that an unregulated free market system would be subject to marked fluctuations in payments, prices, incomes, and outputs. Dr. Wiener has coined the word "cybernetics" (from the Greek for "steersman") to denote the study of these stabilizing mechanisms,[1] of which there are innumerable examples in physiology (the homeostasis of the body), engineering, and ecology. The alternate chills and fever to which an ungoverned market economy seems to be subject is a familiar symptom of an inadequate cybernetic mechanism. The provision of such a mechanism is clearly a task of government. No other agency of society has the power, even if it had the will, to throw sufficient forces into the system to check movements away from the optimum position. It has been the inability of governments to govern, in this sense of the word, which has led to many quite improper extensions of government activity in the protection of special interests injured by general fluctuations, e.g. in agriculture and commercial policy.

The principal instrument of governmental cybernetics is the fiscal system, by which we mean the whole system of governmental purchases, sales, receipts, and expenditures. Hence most economists regard "fiscal policy" as the principal weapon in the control of economic fluctuations. This point of view is a relatively new one in economics, but its acceptance is so wide that it can safely be described as "ortho-

[1] Norbert Wiener, *Cybernetics*, John Wiley & Sons, 1948.

dox." There are two ways in which government can have an impact on the magnitude of the economic system. It can have an indirect influence through affecting the behavior of private individuals; and it can also have a direct influence through its own transactions and transfers. Indirect influences consist mainly of prohibitions which limit the legal behavior of individuals (e.g. the minimum wage law), though they may also include propaganda devices for encouraging certain desired forms of behavior. The cybernetic aspects of these indirect influences are not altogether to be neglected, and occasionally (e.g. in the case of price-wage control) may be of very great importance. Nevertheless, for the most part they are not suitable for use as cybernetic mechanisms: they pertain rather to the long-range regulation of society rather than to its year-by-year stabilization.

For the main instruments of a stabilization policy, therefore, we must turn to the direct influences (i.e. the transactions and transfers) of government. Of these the tax system is probably the most powerful in principle, especially if "negative taxes" (subsidies) are included, even though there are serious political obstacles to flexibility in taxes. Government purchases also are a powerful potential instrument of stabilization, though there are important physical as well as political obstacles to rapid changes in the volume of public works. Of less importance, but again not to be neglected, is the government financial system, including that of the Central Bank. By the management of the public debt and of central bank portfolios, the composition of private assets can materially be affected. This is what is usually understood by "monetary" as opposed to "fiscal" policy, though the name is somewhat inappropriate, as the stocks of liquid assets in private hands are determined much more by the fiscal system than by the financial or banking system.

If now we are concerned merely with the stabilization of a *single* variable, the cybernetic problem would be relatively simple. It would consist merely in finding means of increasing the unruly variable whenever it was decreasing, and of decreasing it when it was increasing. Thus in the control of temperature by a thermostat, a mechanism is set up which turns on the heat when the temperature falls below the desired level, and turns it off when the temperature rises above the desired level. An analogous mechanism in economic life would be the stabilization of the total volume of payments by means of an adjustable tax plan, such as I have proposed in my *Economics of Peace*.[2] Any

[2] K. E. Boulding, *The Economics of Peace*, Prentice-Hall, 1945.

reduction in the total tax bill will have a direct effect in increasing the total volume of private payments. It is also practically certain to have a strong indirect effect in the same direction because, by increasing the government cash deficit, it increases the amount of money in private accounts. Similarly, an increase in the total tax bill will almost certainly diminish the total volume of payments. Government expenditure is here assumed constant, so that an increase in the tax bill automatically diminishes the deficit (or increases the surplus). This being so, if tax *rates* are linked automatically with a statistically determined total volume of payments, so that any rise in payments above the "standard" level brought a fall in taxes, and any fall in payments below the standard level brought a rise in taxes, the fluctuations of the actual value of payments about the "standard" level could be reduced to any desired amount, depending on the sensitivity of the automatic reaction.

Need to Stabilize Output

The total volume of payments is not, however, what we really want to stabilize. The critical instability in an unregulated economy is the instability in *output*—particularly as reflected in the periodic decline of output below its "ideal" level. Payments can fluctuate independently of output for two reasons: because of fluctuations in prices, and because of fluctuations in the turnover of commodities. Fluctuations in the rate of turnover of commodities—i.e. in the ratio of total purchases (or sales) to total output— do not present a serious cybernetic problem except perhaps in local cases of extreme speculative hysteria, such as the Florida Land Boom and occasional bull (or even bear) markets in stocks or commodities. Fluctuations in price, however, present a very serious cybernetic problem. Thus, suppose that by means of cybernetic controls in the tax system we succeeded in stabilizing not merely total payments, but the national income, in money terms. This could probably be done, as the national money income is reasonably sensitive to changes in the budget deficit or surplus. It would still be possible to have wide fluctuations in "real income" (i.e. output), and therefore to have wide fluctuations in employment, with corresponding fluctuations in price levels in the opposite direction. Thus if Y is the national money income, R is the national real income and P is the price level of that real income (R and P being measured by indices which are consistent), we have

$$Y = RP$$

Clearly within a stable Y it is possible to have indefinite fluctuations of R and P in opposite directions. Conversely it is possible to have a fluctuating Y with a stable R, provided that P fluctuates proportionately with Y. It follows that if the problem of stabilizing Y cannot be solved, then we have a certain choice between fluctuating prices and fluctuating outputs. Clearly of these the former is much to be preferred, remembering always that it is R (real income, or output) which is the principal object of any stabilization policy.

In dynamic terms, any attempt to increase R by increasing Y will be frustrated if the increase in Y runs off into price-wage increases. As long as output is very much below capacity, there is every reason to suppose that there will be little pressure for price or wage increases, and that therefore an increase in Y—brought about, say, by fiscal policy—will almost certainly increase output and employment. As output rises towards capacity, that is, as the level of employment rises toward full employment, conditions for a rise in the price-wage level become more favorable. At low levels of output all supplies are likely to be highly elastic, for increased output can come simply from the employment of unused resources. Under these circumstances a rise in money demand-curves produced by a rise in payments, or in private money stocks, will not raise prices, but will simply raise outputs. As we approach capacity, however, supplies in one field after another became less elastic. Instead of merely absorbing unemployed resources in some fields, the limit of easily available specialized resources may be reached, and further expansion of output must then overcome the resistance of actual transfer of resources from one gainful occupation to another. When this point is reached in any industry a further increase in demand is bound to be reflected in price increases: we have reached the "inflation threshold."

The nightmare of the fiscal policy enthusiasts is a situation in which the "inflation threshold" is reached over large sections of the economy long before the rise in output has brought the system to "capacity." If this is generally the case, then full employment cannot be attained without perpetual, and perhaps even accelerating, price-inflation. The only available remedy would seem to be price-wage control. This is the wartime recipe for full employment, and experience shows that it works—highly inflationary public finance coupled with tight price-wage control to prevent the inflation going off into prices. Whether this recipe can be applied in peace time, as a normal

part of the system, is highly doubtful in the present state of administrative techniques.

Up to now we have not been able to develop an administrative technique of price-wage control on anything more than a strictly temporary basis. The recipe here is to freeze an existing situation, and then to set up elaborate mechanisms of procrastination such as the O.P.A. and the War Labor Board. Procrastination, however, while admirable as a short-run policy, will simply not do for the long run. Eventually the pressures become too great, the absurdities of the politically determined price structure become too patent, enforcement becomes too difficult, and the controls break down under the weight of their own absurdity. Unless we can improve the administrative regulation of the *relative* structure of prices, therefore, to the point where it can do even half as good a job as the free market, price-wage control in a democratic society would seem to be out of the question as a permanent part of the economic apparatus. This being the case, the question of the "inflation threshold"—at what level of output does it appear, and what determines this level—is of prime importance for the success of any full employment policy.

Fiscal Policy and the State of the Market

It is at this point in the argument that the "state of the market"—competitive, monopolistic, oligopolistic—and therefore the development of collective bargaining becomes relevant to the problem of fiscal policy. Are we more likely to reach the inflation threshold at undesirably low levels of employment with perfectly competitive markets, with monopolistic markets, or with any of the varieties of monopolistic competition? Here, perhaps, is a point where the indirect aspects of governmental policy—its encouragement or discouragement of competitive markets, for instance—may be of great importance. Unfortunately, however, the question of the exact impact of market forms on the inflation threshold is by no means easy to answer. We certainly cannot assume, for instance, that if all markets were highly competitive there would be no problem of the inflation threshold. Highly competitive markets are notoriously subject to speculative price movements which may be set off by very slight occasions, and which up to a point have the power of self-perpetuation. It is not the elasticity of supply of the *output* of the commodity which is significant here, but the existing stocks of assets (including money) and the

asset preferences.[3] Hence a budget deficit, leading to increased holdings of liquid assets in private hands, might easily set off speculative price movements in the organized commodity and security markets long before full employment was reached. There is some evidence that this took place, for instance, in 1936-37. Such speculative price movements are less likely to be felt in labor markets, of course, because of the non-storable nature of the commodity involved, but there is a great deal of evidence to show that unorganized labor markets respond rapidly to increases in the money holdings of the public, especially of employers.

Monopolistic markets, on the other hand, react much more slowly to inflationary or deflationary forces. The reasons for this may be more sociological than economic. Monopolistically determined prices tend to be determined more "visibly" than prices in competitive markets. The "social visibility" of price determination in monopolistic markets is seen very clearly in the labor market. Wages of unorganized labor—e.g. agricultural workers or domestic servants—rise imperceptibly, but surely, in an inflationary situation. Each bargain is like the wavelets of the tide, so small that is raises no fuss, gets into no papers, calls for no editorials. But if there is an acute labor shortage at existing wages, each bargain represents a slight advance, imposed on the employer by the necessity of dragging labor away from his neighbor. When the tide rises against the sluice-gates of a union contract, however, there is pressure, discussion, violent spraying, and a final dramatic surge as the gates yield. All this is news, and is vividly before the public eye. When there are only four "rounds," the "fourth round of wage increases" becomes a topic of national importance. When there are a million "rounds," nobody notices any one of them, and is not even particularly conscious of the whole movement. Similarly a rise in the price of steel or of automobiles makes the papers; much greater changes in the price of wheat can pass almost unnoticed.

Unions and Inflation: Short Run

All this means, however, that monopolistic organization of the market is no hindrance, but a positive help to a full employment policy *in the short run.* Unions, paradoxically enough, in an inflationary period become devices to prevent money wages rising as fast as otherwise they might have done—a paradox to which the war experience is

[3] K. E. Boulding, "A Liquidity Preference Theory of Market Prices," *Economica,* May, 1944, p. 55.

a clear testimony. It is also true, of course, that in deflation monopolistic prices fall more slowly than competitive prices. All that we are saying, in fact, is that monopolistic organization makes for greater stability of prices than a competitive organization. When the monopolistic organization takes the form of collective bargaining this proposition is reinforced. It may well be that the most significant thing about collective bargaining is not that it is collective, but that it is *bargaining.*

Bargaining, as a method of price determination, has been largely superseded in commodity markets—especially in retail markets—by the custom of the quoted price, by organized brokerage, or by the auction sale. There are good reasons for this: bargaining, for most people, is a disagreeable, time-consuming affair, of necessity involving an unsatisfactory, even unethical, type of personal relationship between the bargainers. Hence once a bargain has been struck there is a certain unwillingness to reopen the negotiations. This is a fact of great importance in collective bargaining, whether of unions with employers, or of milk producers with distributors. A peculiarity of the collective bargaining is that it sets the terms upon which the individuals represented may trade, and sets these terms usually for an appreciable period in the future—months, a year, or even two years. Once the terms have been set, there are strong institutional and psychological obstacles to changing them before the prescribed period: having gone through the disagreeable experience of bargaining, we have no great urge to repeat it.

There are no such obstacles to changes in quoted prices, because the quoting of the price, or accepting the quoted price in a transaction, is not an act disagreeable in itself, nor surrounded with any publicity or affective penumbra. If a retailer finds that a certain standardized product is not selling, there is very little to prevent him cutting the price. Only in cases where there is strong differentiation of the product, and hence the price comes to have an emotional significance created by advertising, etc., do we find any of these obstacles to changes in the case of quoted prices. Bargaining, therefore, and especially collective bargaining because it results in a contract extending into the future, acts as a strong price-stabilizer. The growth of unions has led to a great increase in palaver, and palaver is a great friend of procrastination. We can see the significance of this for price-wage flexibility if we imagine that we had to spend a week of impressive argument bargaining with the milkman about the price at which he

was to deliver milk during the ensuing year. Such an arrangement would introduce a marked inflexibility into the price of milk, even under strong inflationary or deflationary conditions! Even the fact that union officials are specialized in bargaining is not sufficient to offset the ponderousness of the bargaining procedure.

In the short run, therefore, we must unquestionably reckon collective bargaining as a friend of fiscal policy. The economist, however, usually has a bad conscience about the long run. Even though we—the present company—will be dead in the long run, the society of which we are a part will continue, and in spite of the fact that posterity has done precious little for us, we cannot wholly divest ourselves of the desire to see our society perpetuate itself. And it may well be that policies and institutions which make things easier in the short run turn out to have cumulative effects which make things harder in the long run.

Unions and Inflation: Long Run

The long-run worry about collective bargaining is, of course, whether it involves us in long-run inflation—i.e. in a persistent upward trend of the price level. The inflexibility in the price system which collective bargaining engenders may have excellent results on the upswing, when money income is rising. It does mean, however, that we simply cannot afford ever to let money income decline, for a decline in money income can only come about through decreased output and employment, not through decreased prices and money wages. With a highly flexible price-wage system, fluctuations in payments or money incomes are not so important, simply because they result in changes in price levels rather than in output levels. With an inflexible price-wage system, downward movements in payments or money incomes cannot be permitted, and hence *upward movements cannot be corrected.* This clearly leads to an inflational bias in the system. How serious this is, of course, depends on its magnitude. It is conceivable that money wages might rise just about as fast as the rise in productivity, so that the price level of commodities would be approximately stable. As far as the trend is concerned, this was the case in the United States between, say 1800 and 1940. This long-run stability in the trend, however, has only been achieved at the cost of several severe deflations and depressions. In periods of full employment the price level has always risen. Even if the secular trend of the price level amounted to only five per cent per annum, a substantial revolution

would have taken place in the economic structure. This would amount to a 30-fold rise in the price level during the lifetime of a single individual. It would make most of our present pension and insurance schemes practically worthless, would create an acute social security problem, and would necessitate a sharp rise in money rates of interest. We might, of course, adjust ourselves to such a condition, but the problems of such an adjustment have been given very little thought.

Whether the development of collective bargaining necessitates secular inflation or not, there can be no doubt that an inflationary situation makes collective bargaining easier. The collective organization of the labor market invests the determination of wages with an atmosphere of sport, and substitutes for the cold calculation of the market place the hot enthusiasms of the football field. The parties that face each other across the bargaining table are not negotiating a commercial agreement so much as fighting a battle. Each side goes in to "win"; each side has its invisible "rooters"—the vociferous ranks of union members on the one side, the more decorous but still powerful ranks of the capitalists on the other. It is, however, much more important for the union leaders to "win" than it is for the management, if only because union leaders are much more liable to lose their jobs if they lose. There is a world of difference between the regretful shrug of a capitalist and the raucous displeasure of a worker. Thus the union leader is under tremendous pressure to "bring home the bacon," even if what he brings home is something which the workers would have got even without his assistance.

It may well be that the "football psychology" engendered by the stress on competitive athletics in our educational system may be a serious handicap to a society geared to negotiation rather than to warfare. The battle of Capitalism is more subtle than the battle of Waterloo and may well be lost on the playing fields. Whatever the causes of this phenomenon, there can be no doubt about its consequences: even a mild deflation will produce sharp internal strains in labor organizations and is almost certain to result in a marked intensification of industrial strife. A fall in money wages is something for which the union gets blamed, as a rise is something for which it gets praised. A fall in real wages due to price increases cannot be laid directly at the union's door; neither can a rise in real wages due to price declines. Hence in an inflation the union gets credit for the rise in wages, but does not take the blame for the rise in prices. In a deflation it gets the blame for the fall in wages, but gets no credit for the

fall in prices. The interest of unions in at least a gentle inflation is all too clear.

Proposals for Controlling Secular Inflation

It is important to inquire, therefore, whether anything can be done to mitigate the danger of secular inflation under a "liberal" regime, without going over to the other extreme of Republican stinginess. Several lines of policy are worth consideration. There is first the possibility of recurrent, but temporary, price and wage control to effect a rapid scaling down of the whole price-wage level. We have already rejected any permanent price-wage control as administratively impossible in the present state of knowledge. It might be possible, however, to replace the long, slow, painful deflations of the pre-Roosevelt era by short, sharp, and consequently relatively painless, deflations. If, when deflation and unemployment threaten the economy, the regulative powers of the state are used to effect a sudden—indeed, an overnight—reduction in *all* quoted or contractual wages and prices, the effect from the point of view of the consumption function would be virtually the same as an increase in the quantity of money in private accounts. By this means we might be able to avoid the great dilemma of deflation—that while *low* money wages and prices, with a given money stock, are conducive to a high consumption function and hence high employment, *falling* money wages and prices are extremely destructive of profits and of investment, and lead to low levels of employment. Consequently, it is the long, slow deflations, such as took place in the 1870's or the 1930's, that are associated with severe depressions and slow recoveries, while the short, sharp deflations, as of 1857 or 1920, produce only mild depressions and rapid recoveries. Almost the only alternative to the "instantaneous" deflation proposed above, if a full employment policy is rigorously followed, is continual budget deficits and increase in privately held money stocks whenever employment slackens. Such would inevitably give us a secular inflation.

The possibility of controlling price levels in the staple commodity markets through the composite commodity standard proposed by Benjamin Graham [4] should also be considered seriously in any scheme for controlling secular inflation while preserving a full employment policy. We have already noticed that it is not the monopolistic, but the competitive markets which are likely to give most trouble to

[4] B. Graham, *Storage & Stability*, McGraw-Hill, 1937.

the economic stabilizer in the short run. A speculative inflation in commodity markets, by its impact on the worker's cost of living, is also likely to increase the pressure for wage increases, so that the control of the wholesale price level is by no means irrelevant to the problems of the labor market. The advantage of the Graham standard—under which, it will be recalled, the government stands ready to buy or to sell a fixed "bundle" of commodities at a standard price, somewhat like Marshall's old "symmetallism" proposal applied to many commodities—is that the "cybernetic mechanism" involved plays directly on the markets concerned. An inflationary move in the markets is met immediately both by an increase in stocks of commodity and by a decline in stocks of money held *by the speculators*. There is every reason to believe, therefore, that such a plan—properly coordinated with other elements of economic policy—would be successful in stabilizing the price *level* of the standard commodities, while permitting any amount of change in the *relative* price structure. Under severe pressures—e.g. resulting from inflationary war finance—the standard would have to be abandoned; but this, of course, is true of any "standard," as the history of the gold standard abundantly demonstrates.

Another scheme may be mentioned—not because it is in any sense practicable at the moment, but because if all else fails it suggests a possible remedy to be held in reserve. This is the "wage money" plan, by which wages would be paid in a special kind of "wage money," which would have to be exchanged into ordinary money for making purchases, the rate of exchange between wage money and ordinary money being set by the government. The struggle for relative advantage in the labor market could then be conducted in terms of wage money, but if this threatened a general inflation of prices in ordinary money, the value of wage money could be lowered. Thus it might be possible to have a perpetual inflation in wage money, with all the consequent advantages, without producing any inflation in ordinary money—every rise in the wage level in wage money being counterbalanced by a fall in the value of wage money. I am not, of course, suggesting this seriously as a practical proposal, but any proposal, however impractical, which will set people thinking about the problem is worth making.

Finally, there are certain lines of regulative policy which may be followed to reduce the demand for inflation created by collective bargaining. Legislation like the Taft-Hartley Act, which is aimed at weakening "union security" and making the labor leader more de-

pendent on the rank and file is likely to increase the demand for inflation, and to favor the vigorous pursuit of wage increases on the part of union leaders; the weaker the position of the labor leader, the more bacon he has to bring home! Conversely any strengthening of the internal security of the labor leader is likely to diminish his aggressiveness. The extreme of such divorce of leaders from the led is to be seen in the Russian trade unions, which have become almost entirely a device to prevent the workers from exercising any force in the direction of higher wages! I do not suggest, of course, that this extreme is desirable, but those who wish to move to the other extreme must be prepared to offer alternative solutions to the problem which will inevitably arise.

Something may be done also, not merely to lessen the response of union leaders to pressure from below, but also to diminish that pressure. Much of the pressure which may be translated into a demand for wage increases arises, as we well know, from the more strictly "human relations" aspect of the problem, and any steps toward the solution of these problems of status, respect, personal relationships, and the like are likely to ease the demand for money wage increases. Often, as every labor student knows, it is the condition of the toilets rather than of the pocketbook that creates dissatisfaction with the worker's lot. Something can be done also by means of a definite "wage policy" on the part of government, such as the Little Steel formula, which sets up a standard of public policy by which particular bargains can be judged. To be effective such a formula must be well enough accepted and understood so that it can at least provide union leaders with a satisfactory excuse when the members put pressure on them. It is difficult to see, however, how such a wage policy could be effective in the absence of an elaborate mechanism for the regulation of wages, but the possibility of "wage ceilings" based on employment or price movements is not to be despised.

A different, and much neglected problem, is that of the distribution of incomes, especially of wage incomes, according to the age of the worker. It is quite possible for the wage of every *individual* to be constantly rising as he gets older, even while the average wage remains unchanged, simply because oldsters are constantly dying off and youngsters taking their place. The contentment of the individual, and hence of the group, may be quite noticeably a function of the extent to which his income rises with age. If the age distribution of incomes is fairly even, so that a man reaches his maximum wage while

he is relatively young and has no prospect of advancement thereafter, and *a fortiori* if wages decline with advancing age, the worker is likely to feel personally frustrated, to feel that he is not "getting anywhere," and this individual frustration may be reflected in group pressures. On the other hand, if wages rise with the age of the worker, the individual can advance even though the group does not, or in any case advances more rapidly than the group. Hence he is less likely to be frustrated, and the group is less likely to be dissatisfied. It is evident, then, that the morale of the worker group may be a significant function of the distribution of labor income according to age, and will be higher the more steeply income rises with age. Unfortunately one consequence of the increasing length of life and the increasing numbers of older people is that age loses its scarcity value, and the age-distribution of income is likely to tip away from the older toward the younger groups, with consequent decline in the morale of the population. Something might be done to correct this through the tax system, if taxes were adjusted according to the age of the taxpayer, but this would not particularly contribute to union morale. Unions themselves have a certain tendency to build up privileges for older members, e.g. through seniority, but if the demand for people of various age groups tends to be inelastic it is very difficult to prevent a change in the age distribution of the population from shifting the distribution of income according to age.

Conclusion

In conclusion, what of the general title of this discussion—"Can Capitalism dispense with free labor markets?" If by "free" is meant perfectly competitive, the answer is that it always has done so. If by "free" is meant "free from union or employer organization" the answer is that it has done so pretty well up to now. Nevertheless there are grounds for some slight tempering of optimism in this regard. The labor movement is unquestionably a sociological necessity, and a free (from government domination) labor movement is a strong political support to a liberal capitalism. Economically, however, the labor movement is a slight embarrassment, not because of its impact on the distribution of income, which over the long pull is almost negligible, but because of its impact on the flexibility of the whole price structure. With a strong labor movement we cannot afford to have deflations; and this may mean that we cannot escape a secular inflation. It has been indicated that this problem is not intrinsically insoluble. We shall be deluding ourselves if we think we have solved it.

LABOR MARKETS: THEIR CHARACTER AND CONSEQUENCES [1]

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A DOUBLE LIFE has developed for the term "labor market" and this has been the source of much confusion. Some economists employ the term in one sense; some in the other; and some in both at the same time without realizing or acknowledging the actual or potentially different meanings.

The Wage Market and the Job Market

Two processes, among others, are going on all the time in our economy: wage rates are changing; and individuals are moving among jobs. The two processes may or may not be closely connected. It is out of their changing degree of association that the confusion develops.

Conventionally, in wage analysis, the labor market is the totality of jobs for which, given the achievement of equilibrium and an allowance for "other advantages," [2] the same wage is paid. It is the area within which the single price pertains. Local labor markets are separated by costs of movement, which result in price variations. Granting that some imperfections exist, the labor market is the area within which the single price would exist if the imperfections did not interfere. The labor market sets the price. This is the economists' traditional view.

There is another sense in which the term is used, more particularly by employer, union, and government administrators but also by economists. The labor market is the area, defined occupationally, industrially, and geographically, within which workers are willing to move and do move comparatively freely from one job to another. Movement within the area is fairly easy and customary; and migration into it or out of it is less frequent and more difficult. The market is defined by resistance points on the scale of mobility. There are a multitude of markets and more than a single price may be paid in each; and a single price may cover more than one market, although each of such markets may be otherwise quite different. The market is the mechanism which distributes jobs.

[1] Carl Campbell and Lloyd H. Fisher were particularly helpful in the development of this paper.

[2] J. R. Hicks, *The Theory of Wages*, Macmillan, 1935, p. 7.

In this discussion, whenever a distinction is made, the first will be designated as the "wage market" and the second as the "job market"; and the two need not encompass in each instance the identical composite of jobs. In fact, it is out of their potential and frequently actual separateness that some of the more interesting and important problems evolve.

Models of the Market

The markets with which we are concerned may and do vary almost infinitely in structure and dynamics. Five general models or ideal types represent, but do not fully describe, the differences which are in kind as well as in degree.

1. *The perfect market.* This model is the accepted measuring device of economists. A "market place," in the historical sense, exists as a result of free entry and exit, complete knowledge, a sufficiency of relatively small and undifferentiated buyers and sellers, and the absence of collusion. Perfection is achieved if the product market also displays these characteristics; and the consumer reigns supreme in the allocation of resources and the determination of the rewards to individuals.

Under these circumstances, the dichotomy of the wage market and the job market does not exist. Physical movement of workers and the wage setting process are inextricably inter-woven. The single price prevails and the market is cleared.[3]

> Wages . . . tend to that level where demand and supply are equal. If supply exceeds demand, some men will be unemployed, and in their efforts to regain employment they will reduce the wages they ask to that level which makes it just worth while for employers to take them on. If demand exceeds supply, employers will be unable to obtain all the labour they require, and will therefore offer higher wages in order to attract labour from elsewhere.

2. *The neo-classical market.* Hicks considered the above "a good simplified model of the labor market. . . . Wages do turn out on the whole very much as if they were determined in this manner."[4] It is, however, a "simplified model" and some minor amendments to it have often been deemed necessary in order to approach reality more closely. The "neo-classical market" emerges. It departs from perfection but still performs its economic tasks adequately.

This was the market as seen by Alfred Marshall.[5] The supply of

[3] *Ibid.*, p. 4-5.
[4] *Ibid.*, p. 5.
[5] Alfred Marshall, *Principles of Economics* (8th Edition), Macmillan, 1938. See particularly pages 525-579.

skilled workers is inelastic because of the extended period of time involved in acquiring skill. Unskilled workers are at a disadvantage because of the perishability of the service they have to sell. Unions exist but they are only sufficiently strong to offset market imperfections introduced by combinations, formal or informal, of employers. Workers do differ from one another.

Yet, all in all, the market is the main determinant of wages. Workers have sufficient knowledge of alternative opportunities and do, despite some inertia, move quite readily in the direction of net economic advantage. Wages may for a time be above or below the "competitive level" but over time they tend toward equality for workers of equal qualifications. Resource allocation approaches the optimum in the long run. While neither the product nor the labor market are perfect, the consumer retains his sovereignty. Adjustments, while not delicately made, are amply pleasing: all is for the best in the best of all *possible* worlds.

This model has frequently been held to be a fairly accurate description of reality: [6]

3. *The natural market.* Abundant evidence now testifies that it would, in the absence of collusion, be almost more correct to say that wages tend to be unequal rather than the other way around. The avalanche of wage data by occupations and by localities during World War II at first bewildered and later convinced War Labor Board economists. Occupational wage rates, locality by locality, in the absence of collective bargaining, displayed no single "going rate" but a wide dispersion.[7] Absence of a single price was found to be the general rule.[8] A sure sign of collusion, not of the working of market forces, came to be the existence of a uniform rate. The market, it seemed, set rather wide limits and within these limits employers could develop policies as high, medium or low-paid firms, and workers could

[6] Hicks, *op. cit.*, p. 3.
. . . for the general tendency for the wages of labourers of equal efficiency to become equalized in different occupations (allowance being made for the advantages and disadvantages of employment) has been a commonplace of economics since the days of Adam Smith. . . . The movement of labour from one occupation to another, which brings it about, is certainly a slow one; but there is no need to question its reality.

[7] See, for example, Richard A. Lester, "Wage Diversity and Its Theoretical Implications," *Review of Economics and Statistics*, August 1946.

[8] Allowance, of course, had to be made for the lack of identity of job specifications and worker performance, but rate discrepancies were too great to be explained away by these considerations.

accept high, medium or low rates. Non-wage conditions of unemployment, such as welfare provisions, sick leave with pay and so forth, were found to reinforce rather than offset the rate inequalities.

The explanation of the prevalence of this type of market behavior is, in part, the two contrasting views of the market of the economist and the worker. To the economist, the job market is an objective fact. It consists of those jobs among which the workers could pick and choose and move without substantial cost for retraining or physical transference. To the worker, the market is much more ill-defined and subjectively described. It may consist only of other jobs within his own plant, or, more likely, those jobs about which he has information, largely from friends, and which fit his own conception of himself as to trade and income level. The worker operates within the market as he sees it, and his view is limited by lack of knowledge and a restricted conception of himself (particularly as to occupation).

Although the majority of the workers are vaguely conscious of the job market, they cannot be said to be actively in it.[9] They are sufficiently satisfied with their current jobs or fearful of the uncertainties to be encountered in movement so that they are not weighing the advantages of other jobs as against their own. Unless ejected from their current jobs they are only passive participants in the market. Not only by choice but also by necessity is this the case, for many employers, as demonstrated by a current study of employer hiring practices in the San Francisco Bay Area, prefer not to hire persons employed elsewhere. From the point of view of the smooth functioning of the job market, they are the hard core of the employed. Some persons, however, are aggressively in the market—largely the unemployed and the otherwise unsettled workers (mostly the young). Their numbers are not normally sufficiently great or their conception of the market adequate enough to provide such volume of movement as would equalize net economic advantage.[10]

[9] In a study by the Institute of Industrial Relations, University of California (Berkeley) of 935 heads of families in the Oakland labor market area, it has been found that among the employed only 13.5 percent were actively interested in finding another job.

[10] The business cycle affects both the number of people actively in the market and the workers' views of themselves. In a depression, more people are industriously seeking jobs and they define the range of acceptable jobs less strictly, but the market, objectively viewed, has greatly contracted. During a period of full employment, while workers contract their notions of suitable jobs, more jobs are open and uncertainty of re-employment is much less of a barrier to movement, so that, on balance, the market works more adequately; and it is during such periods, and particularly during periods of overly full employment, as one would expect, that rate spreads are narrowed.

The natural market may thus be defined as one in which the average worker has a narrowly confined view of the market, and, in addition, is not an alert participant in it. Unions do not exist. Employers, while not formally organized, either because of smallness of number or informal cooperation (the "tacit, but constant and uniform combination, not to raise the wages of labour above their actual rate" of which Adam Smith spoke [11]), can exercise some monopsonistic influence in the labor market. Sovereignty is jointly held by the consumer and the employer. Wages are not set uniformly at the competitive level, and resources are not utilized to the best advantage. The operation of the job market does not determine wages, but, rather, sets the limits within which they are fixed and influences the specific levels within these limits.

4. *The institutional market.* The institutional market is distinguished by the substitution of institutional rules for frictions as the principal delineator of job market limits; of institutional and leadership comparisons for physical movement as the main basis for the inter-relatedness of wage markets; and of policies of unions, employers, and government for the traditional action of market forces as the more significant source of wage movements. Strong unions interested in policy and capable of having policies range along side of large employers and employers' associations likewise interested in policy and capable of having policies. The purpose of these policies is, in fact, to curtail the free operation of supply and demand. The pertinent policies relate to the definition of job markets, the determination of rules affecting entry into, movement within, and exit from these markets, and the setting of wage rates. Formal rules, consciously selected, supplant informal practices determined by market conditions. Nor are policies solely developed by the private governments of industry and organized labor, but also by public government which may intervene to assure that monopoly encroachments do not entirely eliminate competition from the market, that wages do not fall below a given level, and that employment be maintained at acceptable levels.

This is, in its full-blown development, a relatively new kind of market in the United States and has assumed large-scale importance only within the past two decades. The wage market and the job market are substantially disjointed and can and sometimes do go their quite separate ways. For many kinds of labor there are no spatial boundaries

[11] Adam Smith, *An Inquiry Into the Nature and Causes of the Wealth of Nations* (Modern Library Edition), Random House, 1937, p. 66.

within which it can be said that supply and demand considerations determine wages. Men find and lose employment within a restricted job market but the wage market is an orbit—"an orbit of coercive comparison." [12] This orbit frequently is spatially quite unlimited. It is the sphere of influence of organizations, policies and concepts of equity. The job market area and the orbit of wage influencing considerations become quite distinct entities.

The job market no longer alone sets the upper and lower bargaining limits for wage determination. Its operation generally widens these limits, for institutional policies often make it harder for labor, and sometimes capital, to migrate and thus lower the minimum workers will accept and raise the maximum employers will offer since withdrawal is less possible. Customarily the more significant limits are set by the danger points at which the survival of leaders and associations and coalitions is threatened. Bargaining limits are fixed as much by political as by economical inducements.

Within these limits, it is not economic bargaining power by itself which concludes the settlement but also such largely non-economic considerations as "patterns" and commonly accepted principles of equity. It is not so much what can be done economically which is important, but what must be done politically—on both sides. Employers' associations and large corporations, as well as trade unions, have a political life which claims attention just as do the economic goals.

The wage rate under conditions of bilateral monopoly and bilateral oligopoly is economically indeterminate. "The theory of the determination of wages" is no longer, as Hicks said, "simply a special case of the general theory of value" for the "free market" no longer exists.[13] If wages should be set at the competitive level, it would be by chance and not by virtue of any economic law.

The single price does usually exist but as a consequence of policy and not the operation of market forces. Its existence proves that market forces have been supplanted by institutional controls. This single rate may not clear the market, and, if it does, this may result from control over entry rather than the achievement of a competitive equilibrium position. Supply and demand do adjust and can be adjusted to the wage rate; rather than wages adjusting to supply and demand. This is not to say that supply and demand have no effect on price, but only that their influence is often both indirect and muted.

[12] Arthur M. Ross, *Trade Union Wage Policy*, University of California Press, 1948, p. 53.
[13] Hicks, *op. cit.*, p. 1.

If the market is cleared, it is more likely to be the result of other factors, such as the policies of government and of private investors, than of wage adjustments.

Consumer sovereignty has now been supplanted by producer-consumer sovereignty. The policies of unions and employer groups, as well as the choices of consumers, affect the distribution of resources and the assignment of rewards.

5. *The managed market.* Economists, in the past, most commonly viewed the labor market as sufficiently perfect; but a number of them, more recently, have deemed it unsupportably imperfect. A major shift has taken place from defense to attack. Some form of managed market is offered as the solution for the shortcomings. One group favors a return to competition—to "compulsory individualism"; another group favors a step farther toward positive participation by the state. In either event state control should replace, in part or in whole, private control.

a. *Compulsory individualism.* Henry Simons favored the abolition of trade unions since they seek to destroy free labor markets: "I simply cannot conceive of any tolerable or enduring order in which there exists widespread organization of workers along occupational, industrial, functional lines . . ." [14] since "Unionism . . . enables an aristocracy of labor to build fences around its occupations, restricting entry, raising arbitrarily the costs and prices of its products, and lowering the wages and incomes of those outside, and of the poor particularly." [15] Along with limitations on trade unions, he favored anti-trust prosecutions to increase competition in the product market. Hayek, apparently, favors the same approach.[16]

b. *Collective determination.* Meade sees the same problem—"trade unions are monopolistic bodies with power and the incentive to rig the market" [17]—but basically a different solution. In addition to enforced competition in the product market, or lacking that socialization, he proposes consideration of two solutions: limitation of single bargains to employees of a single employer; and government fixation of individual wage rates so as to equalize supply and demand.[18] Bev-

[14] Henry C. Simons, *Economic Policy for a Free Society,* University of Chicago Press, 1948, pp. 121-122.
[15] *Ibid.,* p. 138.
[16] Frederick A. Hayek, *The Road to Serfdom,* University of Chicago Press, 1944. (See particularly p. 36.)
[17] James Edward Meade, *Planning and the Price Mechanism,* Allen and Unwin, 1948, p. 68.
[18] *Ibid.,* p. 76.

eridge seems a somewhat different problem and supports a more specific program which includes government control of prices; limitation of wage increases through employer resistance, the action of arbitration tribunals, and the self-discipline of the trade unions; the planned location of factories; and "organized mobility" through the greater willingness of workers to change place and occupation, the dropping by the unions of restrictive rules, and the greater, and perhaps compulsory use of the government service to guide movement.[19]

Lindblom, who seems unsettled as between compulsory individualism and collective determination, believes that "unionism and the private enterprise economy are incompatible." [20] Despite doubts as to feasibility, he considers certain measures necessary: (1) the breaking of the monopoly power of unions by prohibiting strikes over wage issues, (2) the reviewing of wage changes or the direct fixation of wages by public authority, and (3) the prohibition of all joint collusive activities of unions and employers.[21]

The managed market, particularly as suggested by Simons, Meade and Lindblom, would, through government intervention, seek to tie wage setting and worker movement more closely together. Wages, so far as possible, would, through enforcement of competition or government fixation, be set at the competitive rate and labor resources would be properly utilized. Producer control would be limited and consumer supremacy restored.[22]

Realistic Alternatives

Among these five models, the first, the perfect market, is truly a "labor market," since worker movement and wage movement interact precisely. The second (the neo-classical market) and the last (the managed market) are, by customary standards, sufficiently satisfactory wage setting and labor distributing mechanisms. In the former case this is due to natural forces, and in the latter to government intervention. The two remaining models (the natural market and the institutional market) are usually counted the least satisfactory, since they operate so imprecisely in allocating resources to their most effi-

[19] William H. Beveridge, *Full Employment in a Free Society,* W. W. Norton, 1945, pp. 166-175 and 198-203.

[20] Charles E. Lindblom, *Unions and Capitalism,* Yale University Press, 1949, p. v.

[21] *Ibid.,* pp. 243-245.

[22] The "socialist market'—an advanced form of collective determination—if of the type suggested by Oskar Lange (*On the Economic Theory of Socialism,* University of Minnesota Press, 1938) would also emphasize consumer's sovereignty.

cient uses and in setting wages—yet they are and have been by all odds the most common types.

Regardless of the alternatives with which one might choose to be faced, the perfect market and the neo-classical market are not currently obtainable in the United States. The natural market, while still the most ordinary occurrence, is on the wane. The growth of unions, of large enterprises and of employers' associations is reducing its prevalence. The trend is against it. The managed market, though adumbrated by federal and state bans on the closed shop, cannot conceivably be fully introduced at the present time—(1) unions will not be destroyed or strikes over wages prohibited, as suggested by Simons and Lindblom; nor (2) will wages be fixed or reviewed by the government, plants be located by government decree, or hiring of any or all workers be forced through the employment service, as suggested by Meade and Beveridge. The economist's usual version of a satisfactory market, if it ever existed, is not going to be put together soon again in the United States, either by enforced atomistic competition or government wage fixing. The first is impossible of achievement and the second, while possible, would not, because of private pressures, lack of knowledge, lags in obtaining information and making adjustments, and difficulties of enforcement, be reasonably effective in obtaining the desired result. The institutional market will, instead, gain in importance. In the United States, the near future, at least, is on the side of stronger private governments. The consequences of institutional markets, consequently, warrant particular attention.

Tests of Performance

No single test of the ability of wage and job markets to execute appropriate functions is sufficient. Wage and job markets serve more than one purpose and their effective working capacity needs to be evaluated against more than a single criterion. Nor should a perfect record on any test be expected. Human relations seldom lend themselves to the divine attribute of complete excellence. The degree of satisfaction of the minimum requirements of society is a more realistic, if less consummate test, than of the maximum desires of economists. The operational impacts of institutional wage and job markets will be matched against certain of these societal requisites.

1. *The wage structure.* Ideally the occupational and industrial wage structure should reflect alike the disutility flowing from the work and the utility of the service rendered. For closely similar work and workers, closely similar rates should be paid; and rates should be

dissimilar in proportion to the dissimilarity of work and workers. There is no evidence that such a Utopian wage structure has ever fully existed. It is a useful norm for theoretical speculations but an unusable departure point for empirical studies. Such studies must compare, unsatisfactory as this comparison may be, developments where institutional controls (more specifically collective bargaining) are applied with developments in areas not responding directly to such controls, although these areas need not display "the competitive level" of wages.

One consequence of contemporary institutional controls in the labor market is evident. They conduce to the single rate within the craft or industrial field which they cover. The best, although not thoroughly convincing, evidence now indicates they have surprisingly little effect, however, on inter-industry differentials, confirming the conclusions of Paul Douglas of a quarter of a century ago.[23] Whether this is because other forces such as productivity, comparative changes in employment, governmental policy, and product market configurations far outweigh unionism, or because collective bargaining while strengthening the power of the workers also leads to an offsetting augmentation of the strength of employers, or because union rates pull non-union rates after them, or for some other reason, it seems to be a fact that collective bargaining has much less of an ensuing result on inter-industry differentials than commonly supposed.[24]

[23] Paul H. Douglas, *Real Wages in the United States, 1890-1926,* Houghton Mifflin, 1930, p. 562.

[24] See particularly John T. Dunlop, "Productivity and the Wage Structure," in *Income Employment and Public Policy,* W. W. Norton, 1948, pp. 341-362; and two articles shortly to be published by Arthur M. Ross and William Goldner on "Influences on the Inter-Industry Wage Structure," and by Joseph W. Garbarino on "A Theory of Inter-Industry Wage Structure Variation." Dunlop explains inter-industry variations in wages primarily by four factors, not including unionism: "changes in productivity and output, the proportion of labor costs, the competitive conditions in the product market for the output of the industry, and the changing skill and occupational content of the work force of an industry." (p. 362) Ross and Goldner find that "Among the industries which were substantially unorganized in 1933, subsequent increases in earnings were associated with changes in the degree of organization. However, those which were already substantially organized in 1933 have lagged behind all other groups." They add: "From an analytical standpoint, the difficulty is that these three influences (unionization, employment change and oligopolistic market structure) have been operative in substantially the same groups of industries. Statistical means are not at hand to disentangle their separate effect or to establish which, if any, is the primary cause." (This article is the sequel to an earlier one by Ross, "Influence of Unionism Upon Earnings," *Quarterly Journal of Economics,* February 1948.) Garbarino concludes: "The foregoing discussion has attempted to illustrate the relationship between each of the variables in the wage model singly and changes in earnings. Such a relationship seems to exist for both productivity and concentration while for unionization the results are inconclusive."

Sir Henry Clay has noted that in England before World War I, "Wages, it may fairly be said, constituted a system, since there were well-understood rates for most occupations; the relations between these were stable and generally accepted, and a change in any one rate would prompt demands for a change in other rates." [25] This "system" resulted, in part, from commonly accepted rules of equity and from institutional controls. Both militate against economic forces which tend to pull the "system" apart. As institutional controls spread and deepen, the "system" may become increasingly formalized with "historical relations" and "patterns" taking the place more and more of supply and demand. Widely pervasive political inter-relationships instead of physical movement of workers will tie the wage structure together. It may eventually appear that the "system of wages" will have to be regarded by economists as an independent variable, rather than a dependent variable at the mercy of a myriad of economic causes.

By and large, the wage structure has not been distorted from its pre-existing mold as one would expect if unions were exploiting to the full their economic monopoly power. But then unions are not primarily economic monopolies but political organizations. The political test of meeting workers' notions of equity has more of an impact on wage policy than the economic test of income maximization.

If collective bargaining has had no revolutionary effect on the wage structure, except to bring the single rate within the industry and within the craft, then, by means of wage influences, it seems likely its impact on the allocation of resources has often been exaggerated.[26] This does not mean that the wage structure under collective bargaining is ideally designed to allocate resources, but only that it has not

[25] Henry Clay, *The Problem of Industrial Relations,* Macmillan, 1929, p. 74.

[26] Collective bargaining can have three principal impacts on wage rates: (1) on intra-industry and intra-craft relationships, (2) on inter-industry and inter-craft differentials and (3) on the general level of money wages as distinct from the structure (to which the next section of this paper refers); and in these three principal ways, through wage influences, can change the allocation of resources. Most attention is normally paid to the second (impact on inter-industry differentials); but the first (impact on intra-industry and intra-craft relationships) and the third (impact on the general level of wages) may be the more significant. Equalizing rates within the industry and craft and raising the general level of wages can substantially affect resource allocation, even if inter-industry differentials are not much changed. Equalizing rates can affect, for example, which firms survive and the relative profitability of those which do; and raising the general level, for example, can affect the relative proportions of labor and capital utilized and relative amounts of final products and services demanded since the demand for some is affected more than for others when prices rise in response to higher costs. In general, however, it seems that resource allocation may be less affected and in somewhat different ways than is often stated.

been changed so greatly from its "natural" state, bad as that may have been.

There is some real question how effective a wage structure can be in distributing labor in any event. Wages are only one of several important considerations which repel workers from some jobs and attract them to others.[27] The push of unemployment, for example, is often more effective than the pull of higher wages.

If institutional controls change the wage structure surprisingly little from its former conformations, it remains to be asked whether governmental wage fixing would bring it any closer to the competitive norm. No definitive answer is, of course, possible. It may be suggested, however, that much the same equitable considerations, albeit more uniformly applied, and equivalent pressures, though emanating even more from political incentives and less from the market, would leave their mark and we should be as far as ever from the flexible, equilibrating wage structure.

The institutional market does bring the single rate within the industry and craft, although by a different process. In adjusting inter-industry and inter-craft rates it may represent an economy of means. The market can be tested and the wage structure adjusted more quickly and with less physical movement than would be the case in the natural market.

2. *The general level of wages.* The institutional market undoubtedly causes the general level of money wages to behave differently than it otherwise would, and a large literature has developed around this point. Here again, however, there may be a tendency to view with too much alarm. Wages always rise under conditions of full employment. The upward movement appears more spectacular under conditions of collective bargaining, but possibly may not be as great as in its absence. At least the case for the opposite view is by no means clear. During World War II, non-union wages on the average must have risen as fast or faster than union wages, although many other factors were at work aside from unionization. Wage levels in unorganized areas generally went up more than in such highly organized areas as Seattle and San Francisco, although here again other

[27] See, for example, Lloyd G. Reynolds and Joseph Shister, *Job Horizons,* Harper and Brothers, 1949, Ch. 2; and W. Rupert Maclaurin and Charles A. Myers, "Wages and the Movement of Factory Labor," *Quarterly Journal of Economics,* February, 1943. For a contrary view, based on apparently less valid evidence, see J. L. Nicholson, "Earnings, Hours, and Mobility of Labour," *Bulletin of the Oxford University Institute of Statistics,* May, 1946.

forces serve as explanations too. Experience in other democratic capitalistic nations also indicates that a high level of institutional controls has not been associated with abnormal wage advances, but rather the opposite.

Unionism is not normally introduced into a society under conditions of *ceteris paribus*. Employers coalesce also, and formally or informally, have policies too; and the government, through settlement of labor disputes if in no other fashion, becomes involved. The new force of unionism is met by increased countervailing force. The problem of undue wage increases under full employment is more the result of full employment than of unionism.

Institutional controls, while conceivably dampening the upward surge of wages during full employment, certainly retard their downward tendency during depression; and, thus, the over-all effect may well be to raise the general level of wages. Given reasonable resort to other methods than wage control of achieving price stability; a continued growth of employers' associations; a further bureaucratization of trade unions; a continued rise in man-hour output; and a volume of employment not overly full, the impact of unionism on the over-all level of labor costs and purchasing power may be quite tolerable.

3. *The distribution of job opportunities.* Under our system we depend on the choice of individuals to allocate human resources. But it is not alone resources which are being allocated but also job opportunities. The economic goal of efficient utilization of manpower is at least matched in importance by the political goal of equality of opportunity.

Institutional rules, in a sense, create markets—markets with specific occupational, industrial and geographical boundaries and with rules affecting entry, movement within, and exit. Both unions and employers have policies affecting these dimensions and processes, but those of the former at their fullest development tend to be the more precise and restrictive. Selig Perlman's term, "job territory," [28] well conveys the emphasis on citizenship and non-citizenship, immigration restrictions and quotas, and passports.

Instead of ill-defined markets existing most significantly as subjective impressions of workers and employment managers, markets become a finite entity. This is especially true of the hiring hall which is a market place, a bourse. Balkanization of job markets results, and these Balkanized markets operate differently internally and in their

[28] Selig Perlman, *A Theory of the Labor Movement,* Macmillan, 1928, p. 273.

external relations than "natural markets." Internally wages and conditions are more uniform, knowledge more complete and movement is accorded to more formalized guides for conduct, such as seniority. Among markets, movement is both reduced in totality and re-directed.

Union policies variously control, guide and influence market processes. Control is illustrated by closed shop arrangements where access to the market is solely through union channels; guidance by the practices in the garment trades, for example, where the unions actively distribute work and workers but lack full control; and influence by the mass-production industries where union rights, such as seniority, and union membership by itself, identify the individual worker more closely with the company and the industry.[29] Both the recently completed New Haven labor market study [30] and the current Oakland study [31] demonstrate that, for whatever reason, union members are less mobile. Formal policies of employers and employers' associations also effectively influence hiring and movement from job to job within the company.[32]

These institutional policies affect less importantly the number of jobs available and the adequacy of supply to match them, than they do the selection of those workers to whom individual opportunities are open. In addition to qualifications related to job performance, other attributes precedent to employment are frequently required. Perhaps the most socially questionable impact of institutional controls is on the availability of free access to jobs. This prompts the suggestion that the admission policies of unions and employers are of key importance in the operation of institutional markets.

4. *Freedom of competition and freedom of association.* All forms of freedom are not fully compatible. Freedom of competition, a most laudable objective, and freedom of association often run counter to each other. Economic groups most frequently associate for the purpose of reducing or eliminating competition. Yet freedom of association is as basic a political right as freedom of competition is an economic blessing. Freedom of competition can only be assured in

[29] A study of union policies and the labor market, drawing on evidence from the San Francisco Bay Area, will treat in detail with the influence of unions. This study is being made by the Institute of Industrial Relations, University of California (Berkeley).

[30] See Reynolds and Shister, *op. cit.*, p. 48.

[31] Conducted by the Institute of Industrial Relations, University of California (Berkeley).

[32] The Institute of Industrial Relations, University of California (Berkeley) has a study nearing completion on employer policies and labor markets.

job markets by destruction of freedom of association, since freedom of association leads directly to institutional controls. The first can only be completely obtained by the complete elimination of the latter; and complete fulfillment of the latter can lead to the destruction of the former. Since it is not likely, nor proper, that either freedom should thoroughly supplant the other, a compromise of their claims is in order. Since associations are the aggressor, it is proper public policy to see that none becomes too strong as against any other, against the state, or against the individual, and that they be required to act responsibly. There will be some cost to freedom of competition, but then the policy of Simons is not without its different and greater costs. Both the causes of political freedom and economic efficiency must be served. The achievement of J. M. Clark's goal of "responsible individuals in responsible groups," [33] is, however, no simple task.

5. *Consumer and producer sovereignty.* Economists historically have favored consumer sovereignty and there is no adequate substitute for it in a free society. Institutional controls cause this sovereignty to be shared with producer groups. While this most frequently reduces economic well-being, decisions of producer groups can display some wisdom as well; and producers can have some minimum demands for security and recompense which they can properly assert against the wishes of consumers.

6. *Preservation of law and order.* Some job markets make more of a contribution to industrial stability than others. Institutional controls are generally accepted or tolerated. With all their faults, they lend a certain order and discipline to industrial life. Destruction of unions and presumably of employers' associations, as suggested by Simons, or prohibition of strikes over wages as suggested by Lindblom, or government wage fixing as suggested by Lindblom and Meade, would be lacking in that minimum voluntary approval which is indispensable to enforcement in a democracy.

Conclusion

Among the five models of the labor market which we have set forth, the trend is unmistakably toward the institutional market. It will always miss high excellence but it can be an adequate economic mechanism. It probably has rather less of an impact on the wage structure and the general level of wages than is frequently assumed; while reflecting freedom of association, allowing expression of a

[33] John Maurice Clark, *Alternative to Serfdom,* Knopf, 1948, Ch. 5.

measure of producer concern, and contributing to over-all public tranquility. Such a market requires, however, particularly careful scrutiny of the efficiency and equality with which it distributes jobs. It is more likely to lack as a job distributing market than as a wage setting market, although it is the latter aspect which more often generates the greater concern.

Compulsory atomization and compulsory wage fixation should both be rejected; and institutional markets accepted as the best alternative (although far from the best theoretical market form) and such modifications in them should be attempted as are deemed necessary to the protection of the legitimate welfare of individuals, groups, and the economy at large.

Most economists in the past have been too little critical of labor markets; some now are too much so. In an effort to achieve what is perfect, they would lose what is acceptable.

TRADE UNION POLICIES AND NON-MARKET VALUES

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ONE OF THE MOST important social functions of trade unions, which has been sorely neglected by economists, is the ability of unions (however limited) to enable management to frame labor policies with an eye to non-market values as well as market variables. Why this should be termed an economic function will become clearer as we go along. For the moment it is enough to indicate that in the absence of trade-unionism the "entrepreneur's" activities—of which labor policy is only one—are designed, directly or indirectly, to cater to effective consumer choice as it manifests itself in the market place. That is insured, in varying degrees, either by intra- or inter-industry competition or both. The entrance and entrenchment of unionism thus serves as a counterbalancing force to check the pull of the product market place.

At first blush this thesis gives the impression of asserting that trade-unionism stifles *all* competition in the product market. But such an implication is more apparent than real. We have talked about a *check* on competition and not about its elimination. And it is submitted that, under certain circumstances, union policies check those aspects of market competition which compel management to neglect the non-marketable facets of production. What, then, are these circumstances? Which non-market values are involved? And what is the impact on marketable values of the enforcement of these non-market considerations?

For convenience of exposition, we can analyze some of the union policies in question under two basic headings: industrial morale and lifetime productivity. Needless to add, these two categories are in some ways interrelated; that will become clearer at a later juncture.

Union Policies and Industrial Morale

The *social* importance of industrial morale can hardly be exaggerated. And yet it is often neglected in business practice precisely because its marketable value is low. Society in a private enterprise system would hardly need to concern itself with the problem of industrial morale, were there a very high correlation between variations in

business costs and changes in worker morale, and if, furthermore, management were firmly convinced of this relationship. But precisely because management is far from convinced of any significant relationship between these variables, we can hardly sit comfortably by and expect management to allocate voluntarily a sufficiently large portion of its annual budget to the improvement of morale. (This, as we shall see, is *necessarily* true in a "highly competitive" industry, and *probably* true in industries characterized by a "considerable" degree of monopoly.)

Nor is management being irrational in its policy of cutting certain personnel services—like counseling, training of foremen, testing, etc. —before any other items in its expenditures with the onslaught of a recession or depression. The business assumption that in many lines of industrial activity morale has little or no impact on costs is far from being as ridiculous as many "human relations" experts would assert. For the oft-repeated "human relations" dictum that morale influences costs in an over-all fashion in the business unit hardly indicates (a) by *how much* changes in morale influence costs, and (b) in what operations the influence is greatest. It is not too unreasonable to assume, *a priori,* that the relationship between morale and costs (say via the productivity impact) varies from operation to operation in the business unit. For example, the relationship is probably less significant in assembly-line work than in highly-skilled machinist tasks.

Granted, therefore, that society should not realistically expect management to concentrate enough resources on the development of high industrial morale, and granted further that high industrial morale is a very important social value since it is a necessary condition for the *orderly* evolution of the socio-economic climate (not to mention other considerations), it follows that a logical case could be made even for government subsidies to management for the purpose of improving morale to the necessary limits. If this is so—and the conclusion is inescapable if one accepts the basic premises proposed here—it certainly follows that certain costs imposed by unions on management for the purpose of attaining better industrial morale is "desirable" from a social viewpoint. In fact, more desirable than a government subsidy, for a variety of reasons, one of which will suffice at this juncture: The union costs would be imposed on the relevant business rather than on the citizen in general via a tax, which would probably have to be the case if the state subsidized private business expenditures.

The obvious criticism of the thesis presented here is that many (if not all) the union policies which improve industrial morale do not impose significant costs on the employer and that, therefore, the employer himself would in the long run establish them. Union policies, therefore, according to this line of reasoning, do not fulfill any important social function insofar as morale is concerned. There are several weaknesses in this view. First, many union policies which contribute toward an improvement of morale do impose costs on management. Secondly, it would take—in fact it has taken—the threat of unionism to induce many an employer to enforce even those policies which are not very costly. Finally, in order for the union to hold the allegiance of its members and maintain its strength it must do more than succeed in enforcing so-called morale policies. It must succeed in obtaining concessions which, while not perhaps contributing very significantly to better morale, do impose extra costs on the employer. In the absence of such concessions the union would lose its strength and would not, therefore, be in a position to enforce morale policies.

This analysis of the social implications of industrial morale has implicitly assumed that union policies improve industrial morale. Such an assumption is probably not far from the truth, although it cannot be asserted as irrefutable until some such time as quasi-scientific experimentation becomes feasible in this area. But this much can be asserted even in our present state of quasi-ignorance: The common pronouncement of certain business executives that unionism necessarily destroys morale because it stirs up (so-called) class consciousness, is a little too cavalier a dictum to warrant any serious attention.

There are too many obvious indications of better morale resulting from unionism to accept seriously the charge that unionism necessarily deteriorates morale. The reference here is to the ability of unionism to prevent arbitrary treatment of the worker by management, to afford the worker with a sense of belonging, and similar practices which have been stressed again and again in the so-called human relations literature. But in addition to these obvious manifestations of union influence on morale, there are others which are not always recognized. I would like to develop one of these here, which I shall call—for want of a better term—the choice of alternative gains.

The basis for the theory of the free (unorganized) labor market is, of course, that each worker in the market will offer his labor services under those conditions which bring him the greatest net economic advantage in the long run. Aside from the fact that the worker does

not behave in this fashion in reality,[1] there is something even more fundamental involved for our purposes here. *In the unorganized labor market the individual worker chooses his net economic advantage on the basis of alternatives over which, for the most part, he has no control.* In such a market the individual worker must take as *given* many of the variables of the job. This does not in any way imply that the bargaining power of the unorganized worker is zero. Quite the contrary. Even when the bargaining power of the individual worker is at its peak, as in a period of full employment with labor shortages, he still has no say over many of the alternative job elements between which he must choose. Because of his bargaining power he may well succeed, say, in obtaining a substantial wage increase, but he is not in a position to alter certain other data. Let us illustrate this point.

In the unorganized labor market the individual worker can successfully bargain with the employer over his wage scale, under certain circumstances. And a separate scale can be worked out with each worker, despite the inequities which are thus entailed. But suppose now that in the plant in question the prevailing hours of work schedule is not satisfactory to the worker. It is obviously not feasible for the employer to work out a separate work-hour schedule for each individual employee. An individual worker, whether he be a newly-hired hand or not, must therefore take the hours of work as given; as an individual, he cannot alter the schedule.

Certain obvious criticisms of this thesis must be met at this point. First, can the worker not turn to some other plant in the same industry where the hours are more in keeping with his needs? Secondly, can he not turn to some firm in an entirely different industry for this purpose? And finally, if the answer to the preceding queries is in the affirmative, does it not follow that the mobility of the workers will entail a rearrangement of hours of work which is in keeping with the needs of the unorganized employees?

It must be recognized at once that to assume such a degree of mobility (actual or potential) implies a full employment economy. But is it accurate to assume such a high degree of labor mobility even in a full employment economy? Recent studies would seem to cast a doubtful light on such an assumption, to say the least.[2] For example, a worker who has acquired a useful skill may not be able to move to

[1] Cf. L. G. Reynolds, and J. Shister, *Job Horizons,* Harper, 1949.
[2] Cf. Reynolds and Shister, *op. cit.*

another industry, simply because there may be no industry around which can use his skill; and as for shifting to another firm in the same industry, chances are that the work schedule is the same in all the firms, or nearly enough similar to discourage movement. Further—and this is the most significant point—even assuming a high rate of potential mobility, and assuming significant divergences in work-hour schedules (two very heroic assumptions), the worker may not shift simply because the net economic advantage of the job he is holding may be a maximum. And yet this maximum net economic advantage stems from a combination of hours and wages which is not necessarily in keeping with the worker's needs, merely because it is a combination which is established without his participation. To put it more simply: If the worker were given a say in the hours-wages combination he wanted, he would choose, say, somewhat shorter hours with a different wage scale. But that is something he cannot accomplish so long as he is an individual worker bargaining in an unorganized context.[8] The mere mobility of labor does not insure the worker a say over certain job variables—such as hours of work—simply because the initiation of change in this area lies with management and not the worker. We would have to assume a *bourse* type of organization to attribute initiation to the worker. Now, one hardly needs to be a labor economist to testify that the labor market does not even remotely resemble a *bourse*.

The preceding illustration—and others that could be adduced—points up to the fact that many of the elements of a job must be taken as given by unorganized workers. Thus the worker's choice of alternatives—*even when his bargaining power is "high"*—is a limited choice, since a number of the alternatives cannot be changed by him so long as he is unorganized. In an unorganized market these alternatives are determined mainly by such forces as technical change, the state of business activity, governmental influence, etc., rather than by workers' preferences.

Now, if the unorganized worker has only a limited opportunity to control the alternative job elements between which he chooses, it follows that he is not in a position to choose exactly that combination of pecuniary and non-pecuniary returns which will best balance his interests, and therefore best contribute to his high morale. That is clear enough from our preceding illustration of hours of work. It also

[8] Absenteeism is no solution for the worker because, aside from being fired for it, it still does not solve his problem of work hours *while he is on the job*.

emerges very clearly if we think of the problem of the complement of men on capital equipment (so-called size of work crews).

Now if instead of an individual worker in an unorganized labor market, we assume a strong union bargaining with the relevant management units, the job elements which are unalterable data for the individual become bargainable points for the union. This is not to imply, of course, that all data become variables; for instance, it is probably not feasible for any union—however strong—to eliminate night runs on the railroads, say. But there are many data which a union can transform into variables under circumstances which we shall analyze at a later juncture.

But what of the standardization policies of unions? It is well known that a union, because it is a body politic, must of necessity pursue standardized policies over the relevant bargaining unit, within limits. Does it not follow from this policy, therefore, that the union is in no position to establish practices which best suit the *differing* needs of the various members of the organization? One thing is clear: the union-established practice will please some members and displease others. But if the workers have voluntarily accepted the given policy, if they go on accepting year after year policies negotiated by the organization, it is not unreasonable to assume that a significant majority of the members are pleased with them. To make such an assumption about unorganized workers, on the other hand, is not equally valid. For, as we have seen, the individual worker does not have the opportunity to establish many of the alternatives between which he chooses; he must accept many—if not most—of these alternatives as given. He may be quite dissatisfied with these alternatives, but he is in no position to do very much about it, for he lacks group organization. And it is precisely because he has had no say in their formulation that he sometimes becomes dissatisfied with them to such a significant extent that he turns to organization. And herein lies the paradox of the piece: Most workers can exercise their free choice over the alternative job elements as individuals only if they first become part of a union. And this in turn leads to the following corrolary: Most workers can freely decide between their interests as producers and as consumers, *within limits,* only if they are members of a strongly organized group, such as a union.

To summarize: Management, notably in highly competitive industries, is in no position to devote enough resources to improving industrial morale to the necessary limits. And yet high industrial morale

is a very important social value, primarily—though not exclusively—because it is a necessary condition for the orderly change of the socio-economic climate. To the extent, therefore, that union policies improve industrial morale they are performing the function of bringing into closer relationship business and social costs, other things being equal.

Union Policies and Worker Lifetime Productivity

Another influence of union policies on so-called non-market values becomes clear when the concept of the *lifetime productivity* of the worker is brought into play.[4] We start with the assumption that many a labor practice which will maximize the productivity of the worker over a relatively short period—say several years—will not necessarily maximize his productivity during his lifetime. Now, the individual firm in a highly competitive industry, where labor costs are a significant proportion of total costs, must and will be concerned with the short-run, rather than the lifetime, productivity of the worker. That follows from several considerations: (1) The turnover in the labor force. Any individual management must rationally assume that it will lose a certain number of workers each year, with the result that all short-run concessions made to such workers for the purpose of greater lifetime productivity become a net loss to the firm.[5] (2) Any individual firm that pursues labor policies designed to maximize the lifetime productivity of the worker, may find itself at a serious competitive disadvantage in the short run if the other firms do not do likewise. And if management acts rationally, it has to assume that the other firms will not. It hardly need be added that this disadvantage may become serious enough to drive the firm out of business. (3) The preceding conditions obtain whether we assume a full employment economy or otherwise, although perhaps with lesser force in the

[4] By "lifetime productivity" we mean total production during the active working lifetime of the individual. That immediately raises two fundamental questions: (a) What is the optimum retirement age, not only from the viewpoint of maximizing national output but from all other viewpoints as well? (b) How is the problem of involuntary unemployment tied in with this definition?

As for the first question, we take the "optimum" as given, since this is presumably determined—in a free society—by the socio-economic climate. The second question is discussed in the text at a later juncture.

[5] Looking at this problem "objectively" (from the viewpoint of the industry as a whole), one can well argue that since turnover applies to all firms the losses will cancel the gains in each case. There are two weaknesses in such a line of reasoning. (a) Such a probability distribution cannot be automatically assumed, without an examination of the underlying conditions. (b) Even if such a distribution does obtain, the action with respect to labor policies is taken by *each firm acting on its own independently of the others,* and within such context no firm will rationally consider the total reaction in the industry.

former case. But if we consider an economy which is chronically characterized by a "significant" volume of unemployment, it is obvious that workers whose productivity begins to fall off for any reason can be rather easily replaced by drawing on the unemployed.

The analysis up to this point has shown why, in the absence of unions, business firms will not gear their labor policies with an eye to the lifetime productivity of the worker, however much society may be concerned with this aspect of productivity rather than the short-run facet. Suppose now, therefore, that in a highly competitive industry a union becomes firmly entrenched, and assume further that the scope of the bargaining unit is coterminous with the competitive area of the product market. Under these circumstances, the various competitive firms are in a much better position to take account of lifetime productivity *simply because the short-run disadvantages are imposed uniformly on all the relevant firms;* although obviously there is always the danger of inter-industry competition (a point to which we shall return later). Once this is recognized, industry-wide bargaining—or any type of bargaining unit which encompasses all the firms that compete against each other in the product market—assumes a complexion considerably different from that which emerges in the analysis of the late Professor Simons and others of his school. Instead of being solely a device to exploit the poor unprotected consumer—which it never has been, incidentally[6]—it becomes an instrument which enables the employer to accept labor policies that are geared to the lifetime, rather than the short-run, productivity of the worker. That can hardly be termed a social liability.

The preceding analysis indicates that where a union becomes entrenched and enforces a bargaining unit coterminous with the competitive area of the product market—industry-wide contracts being one type of such bargaining—an institutional framework is established which *permits* management to focus attention on the lifetime productivity of the worker. But then a further question arises: *Will* management want to introduce the relevant policies even if the framework *enables* them to do so? On their own, perhaps not.[7] But the signifi-

[6] Cf. Lester & Robie, *Wages Under National and Regional Collective Bargaining,* Princeton University Press. 1946.

[7] Notably if we assume a chronic and significant reserve of unemployed on which management can draw whenever the productivity of workers on the payroll falls below a given point, and assuming of course that the union contract permits management to do this. If one is willing to make this assumption about unemployment, the maximum productivity of each worker *while he is on the payroll* is (more or less) assured by the process of replacement, even in the total absence of collective bargaining.

cant point for this analysis is that not only do the unions introduce the required framework, but they also introduce *substantive* policies within this framework, and some of these policies may have the result of maximizing the lifetime productivity of the worker. What, then, are some of these substantive policies? Before answering this question, two points need to be stressed. (1) I am not asserting that these policies *necessarily* maximize lifetime productivity. I am simply saying that they *may* accomplish this. (2) I am not asserting that the motive of unions in enforcing these policies is the concern with lifetime productivity. The motive may have been—and probably was—something completely different. But the motivation is not a relevant issue for the question in hand. The results are.

Let us now glance briefly at some well-established substantive union policies which, under certain circumstances, may contribute to greater lifetime productivity of labor. Seniority in layoffs and recall is a case in point. We start with the premise that there is a high positive correlation between age and length of service. We assume, furthermore, that "older" men have greater difficulty in adapting themselves to new jobs than do "younger" people, with the result that the productivity of the "older" men will fall off relatively more than that of the "younger" workers if they are compelled to take a new job, notably in a different industry. These assumptions do not imply universality in their applicability, but such universality is hardly necessary for the thesis in question, as we shall see. On the basis of these assumptions, it follows that while individual firms may suffer in efficiency in the short-run by laying off and rehiring according to seniority, and while the economy as a whole may suffer in the short run, social output in the long run is nonetheless enhanced, unless one assumes a *chronic and significant* volume of unemployment.

But, it might be argued, does not seniority in layoffs and rehiring have any offsetting effects in terms of social output, even if the preceding thesis is accurate? There is, first, the obvious objection that seniority cuts down voluntary mobility, thus preventing a better allocation of labor resources and reducing the size of the social product. This qualification is probably not of too much significance simply because voluntary turnover seems to be concentrated primarily among younger workers, even in the absence of seniority.[8] A second qualification, which seems more valid, is the undesirable impact on efficiency

[8] Cf. S. H. Slichter. *The Turnover of Factory Labor,* Appleton, 1919; Reynolds and Shister, *op. cit.*

within the firm entailed by the bumping process which seniority not infrequently generates. But to argue that this factor reduces the *net increase* in long-run social productivity is a far cry from the cavalier assertion that seniority in layoffs and recall must necessarily cut down the *absolute* size of the product because of bumping and other considerations.

Another union policy which may, under certain circumstances, have very beneficial effects on lifetime productivity is what, for want of a better term, I have called "output control." This encompasses such practices as the complement of men on capital equipment, speed of work, etc. It is simple enough to assert that the immediate effect of these policies is to cut down productivity per man-hour. But that hardly exhausts the impact of these practices, for we are far from certain what the effects will be on lifetime productivity. For instance, reducing the speed of work may, up to a certain point, enhance the lifetime productivity of the worker.

The preceding comments do not in any way imply that all union practices of output control have this beneficial effect. If we call optimum output per man-hour that output which maximizes the productivity of the worker over his lifetime, it is undeniable that certain policies of certain unions are a good distance away from this optimum. Even without knowing precisely where this optimum lies in each case, it is obvious that any contract which requires that a truck driver crossing a state line have another one accompany him to avoid loneliness and boredom is not striving for optimum output. But not all cases are as simple to diagnose as this one. And precisely because a lagging social science has failed to provide us with enough information about the optimum productivity, we should beware of the facile assertion that all union policies designed to control output in the short run have a similar effect over the long pull.

Another criticism of union control of output is that in a full employment economy this may have inflationary effects. Two qualifications about this criticism will suffice here. (1) If, over the long pull, the union policy in question leads to a higher total output, the inflationary pressures over the long pull will be less rather than greater, other things being equal, whatever the short run may hold in store. (2) It can be argued with considerable logic and factual support that any given union obtaining concessions in the form of output control from management will gain that much less in the form of other conces-

sions—say, wages.[9] If this be so, then output control does not lead to higher unit costs than would otherwise be the case, other things being equal.

The influence of unionism in reducing the hours of work per week is far from definite not only because the historical record is blurred, but even more significantly because what a relatively weak pre-war labor movement could do is no indication of what a powerful present-day labor movement can accomplish. But it is hardly unreasonable to assume that unions press for shorter and shorter hours of work over the long pull. Now, left to its own resources and objectives, private business will gradually reduce the hours of work with an eye to the competitive market place, but this hardly offers the assurance that the reductions will be in line with the maximum lifetime productivity of labor. Needless to add, in their pressure for shorter hours unions may go beyond the optimum, but they certainly have the power to enforce the optimum which, without them, might not obtain, except by the sheer force of coincidence.

A final policy which merits our attention is the union pressure for health and welfare funds which allow for unemployment payments due to sickness and for adequate medical care. Lack of financial reserves forces more than one worker to continue on the job even when sick, and not infrequently this leads to a long run deterioration of health and productivity. The absence of medical care leads to similar results. The establishment of union welfare funds *may* check both these tendencies. And the significant point for our purposes here is that such provisions for the sick would probably be lacking in the absence of union pressure, not so much because employers are ill-willed or stone-hearted, but rather because employers in a competitive industry acting independently are not in a position to do otherwise.

The Bargaining Unit and Non-Market Values

We have seen briefly how unions can influence management to take account of values which would otherwise probably be neglected, notably in highly competitive product market structures. But we have not indicated *to what extent* such influence can be exerted. Nor is it a satisfactory answer to aver that this extent varies from union to union, and for the same union over a period of time. For we still have to account for these variations.

[9] Cf. J. Shister, *Economics of the Labor Market*, Lippincott, 1949, pp. 193ff.

It has already been shown that a firm in a highly competitive industry cannot afford to pay adequate attention to non-market values even if it wanted to. The inexorable pressure of the product market prevents this. It follows that a necessary condition which must be fulfilled before any individual firm can devote adequate expenditures on non-market factors is the establishment of institutional arrangements whereby such expenditures have to be made (more or less) simultaneously by *all* the firms competing against each other in the product market. This in itself is, of course, not sufficient, for the firms must still be desirous of making such expenditures, or be compelled to do so by some outside force. Hence, in any collective bargaining unit which encompasses all the firms that compete against each other in the product market, these necessary *and sufficient* conditions are fulfilled. We can call such a unit a market bargaining unit. Industry-wide bargaining thus becomes only one type of market unit, for there are many industries in which the product market is only local or regional.

We thus reach the conclusion that only under market bargaining is the highly competitive business unit in a position to take account of non-market values, government control aside. Which is another way of saying that only in such a unit can a "proper" balance be struck between the interests of the workers as producers and the consumers with effective purchasing power. Such a balance is assured, with varying degrees of success, by the union representation of the workers.

But the question immediately arises: Does not even a market bargaining unit confront the danger of *inter-industry* competition? The answer is obviously in the affirmative, although the intensity of this competition is rarely comparable to that obtaining within the industry, unless the intra-industry structure is characterized by a substantial degree of monopoly. But whether intense or not, the inter-industry competitive factor points up a very significant conclusion: In order for the business unit in an enterprise economy to take full account of non-market values—short of complete governmental control of this phase of business activity—we need collective bargaining on a "super-market" basis, i.e., the uniform imposition of non-market costs on all firms in the economy. Obviously this is the *logical* conclusion of the thesis presented here, although as a *practical* matter we need not go this far in order to insure "adequate" attention to non-market values. Market bargaining would be enough in this context.

The cry can immediately be heard: But any such policy of market

bargaining would automatically eliminate all competition in product markets and the consumer would be totally exploited. That, of course, is as much emotionalism on one side of the fence as "the union can do no wrong" emotionalism on the other side. The truth of the matter is that product competition could continue, except that no firm could hold an advantage over another by virtue of a differential in labor costs attributable to factors other than managerial "efficiency" (in the broadest sense of this term). That is what "taking labor out of competition" really means. It does not mean the elimination of product competition; it does not mean the elimination of labor mobility; and so on. It means instead that institutional arrangements are structured which enable employers to consider non-market as well as market values in their dealings with labor. Put another way: *It enables management to shift some of the emphasis from the individual as a consumer with effective purchasing power to the individual as a producer.* That is the important social connotation of "taking labor out of competition."

There are obviously *numerous* "strictly economic" facets to market bargaining—such as its impact on collusion between unions and management, on the rate of technological change, on the level of prices, and so on. I shall not go into an analysis of these points since they have been adequately debated elsewhere.[10] But one element of the problem neglected in this controversy is relevant at this juncture. Even if one assumes that the market bargaining—and industry-wide bargaining is simply one type of this *genre*—has certain undesirable market impacts, say leading to higher prices, the fact remains that this market liability has to be weighed against some gain elsewhere. And certainly part of this gain, if not all of it, takes the form of greater protection of the worker's interests as a producer, in contrast to his role as a consumer. When the problem is viewed in this light, the so-called market losses are only a gross loss, since on net balance, these losses may be transformed into social gains when one stops to consider non-market values as well. And these non-market values are of no small moment, for, as J. M. Clark has so admirably phrased it:

> In looking back over the catalogue of things we want and need, one thing that stands out is that the most crucial of them are not commodities one buys in a market, or that markets can be expected automatically to supply. Yet they are

[10] Lester and Robie, *op. cit.; Proceedings of the Conference on Industry-Wide Collective Bargaining,* University of Pennsylvania Press, 1948; C. E. Lindblom, *Unions and Capitalism,* Yale University Press, 1949; L. Wolman, *Industry-Wide Bargaining,* Foundation for Economic Education, N. Y., 1948.

things the market affects, for better or for worse, and the ways in which it affects them are among the most important things about it. Left to itself, the market will neglect many of them disastrously.[11]

To argue against industry-wide and super industry-wide bargaining units because this concentrates too much power in the hands of the unions with inevitable abuses, is not only to diagnose the situation inaccurately—witness the Scandinavian experience [12]—but, even more fundamentally, to take a biased approach in scientific investigation. For any analysis of the impact of unionism solely in terms of market values is a biased analysis. Why should market values alone be the governing factor in deciding on the *social* adequacy of any policy? I submit that many of us who do this hardly recognize any bias in our approach simply because "traditional economics" has always taken for granted this criterion as the guiding light in policy. Nor is it sound to argue, as some economists do, that one can analyze the marketable and non-marketable values separately, and then draw up a combined social balance sheet, for such a viewpoint ignores the fact that these two sets of values are not of an additive nature.

Non-Market Values Cannot Be Ignored

Even if many reputable economists should ignore the non-market values, the union leaders will not. *In a free society such as ours* the constant pressure for greater emphasis on non-market values is not something that can be easily stifled, barring of course world catastrophe. If unions are unsuccessful in obtaining such non-market concessions via the collective bargaining route, the only alternative left will be government action. Thus, any attempt to restrict the scope of the collective bargaining unit by legislation, which the Taft-Hartley Act does to some extent, but far less than would have been the case if the opponents of industry-wide bargaining had had their way, will only necessitate further government intervention to enable the workers to attain those goals which such restrictions prevent them from reaching. This will mean more rather than less government control. It is submitted that if a given end can be equally well attained either by government or private action, it is preferable to rely on the private course. Hence, it follows that it is preferable to allow the unions to enforce policies designed to cater to the worker as a producer—so-

[11] *Alternative to Serfdom,* Knopf, 1948, p. 21.

[12] Cf. P. Norgren, *The Swedish Collective Bargaining System,* Harvard University Press, 1941; W. Galenson, *Labor in Norway,* Harvard University Press, 1949. While the Scandinavian experience is not conclusive confirmation of the thesis in question, it is not something to be ignored in the analysis.

called non-market values—than to rely on the government to do it. And obviously the case against government intervention becomes all the stronger if one is prepared to argue that much of what unions can accomplish in the way of non-market values a large bureaucratic government organization can not.

Assuming the continuation of a free society, therefore, we cannot escape the conclusion that the emphasis on the worker as a producer will continue to grow. Hence we have two basic alternatives before us: Let the trade-unions acquire the power necessary to enable them better to emphasize non-market values, or turn to the government for such enforcement. It is obviously no solution to argue, as some economists have argued, that the unions should be encouraged to pursue those policies which protect the individual's non-market interests and at the same time to cut the unions down to size so as to prevent them from becoming giant monopolistic monsters that exploit the consumer and unstabilize the economy. This "grass-roots unionism" thesis implies that the non-market interests of the workers can be adequately protected, or even better protected, when we have small independent plant-wide unions doing the bargaining for the workers. This makes the union "close to the worker," as the argument goes, and really enables the leadership to coincide with the interests of the workers. But such a thesis of "having your cake and eating it too," misses the most fundamental point of the whole problem: that the non-market interests of workers can be adequately protected only if the scope of the collective bargaining unit is more or less coterminous with the scope of the relevant product market. *Unions cannot be successful in protecting the interests of the worker without having the power to protect the interests of the entrepreneur as well, within limits.* The more logical social course, therefore, is to encourage broad bargaining units and then, through appropriate public policy (*if necessary*), to prevent these large units from trampling on the so-called public interest.

DISCUSSION

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The three discussions presented today give a well rounded appraisal of major trends in industrial relations. In fact they dovetail so neatly, one wonders whether centralized production planning has not begun at long last to influence the preparation of scholarly papers.

Of the three, Professor Shister's paper gives the most favorable view of trade unionism since it deals with the area of non-market values where the benefits of unionism are most clearly apparent. At some points in his discussion, it seems to me, Shister becomes a little starry-eyed about the matter. Probably he does not mean to leave the impression that management, quite aside from union pressure, has not been responsible for a number of important undertakings in this field; his discussion of the non-pecuniary motives of business management which appears in his recent labor textbook belies any such conclusion. His paper, however, errs in this direction.

The principal contribution of Shister's discussion is his chapter and verse citations in support of the thesis that unions are peculiarly fitted to safeguard and promote non-market values. Too often writers on this subject have been content with broad generalities or mere descriptive detail. Shister has not only shown some of the major results of this type of union activity but also why unions have been prompted to take the steps they have. The major criticism I would level against his analysis is that he gives scant attention to the seamier side of this phase of union policies. If his point of reference is a comparison between unionism and non-unionism, he wins the argument hands down. But, except among the most extreme groups, this is now pretty much of a straw-man issue. The question before the house, as I see it, is what standards of performance can properly be applied to this aspect of unionism. Seniority programs, hiring rules, and similar restrictions may pertain to non-marketable values, but they entail costs, money or otherwise, as well. We lack an adequate basis for assessing costs versus benefits in this area, and until we overcome it, discussion is likely to be aimless. It would have been too much to expect Professor Shister, in such a brief paper, to formulate anything like a

complete answer to this problem, but any light he could have thrown on the matter would have been most welcome.

Professor Kerr's paper begins where Professor Shister's ends. In grappling with the question of what criteria should be applied to the general relationships between unions, employers, and government, Professor Kerr can be excused for a certain lack of precision and clarity. He asks the right questions and for this we are very much in his debt. Moreover, in the latter part of his paper, he develops certain tests for appraising practices in this field which reflect an unusual breadth of understanding.

In contrasting the job allocation and wage-setting functions of labor markets, Kerr has illuminated some of the dark corners of our subject. He speaks of the double life that the term labor market has developed in connection with these two concepts, but I am not altogether clear what sort of a future he envisages for this hitherto happily mated pair. At points, as where he observes that job-hunting tends to be a localized phenomenon while wage-setting is becoming much broader in scope, he seems to be proposing divorce. At other points, as where he discusses the growing importance of institutional controls in both spheres, he seems to be suggesting reconciliation, or at the least a liaison between the two. There can be no doubt, however, he has rudely disturbed this long-established union, a development that was long overdue.

In discussing different approaches to the study of labor markets, Kerr does not make certain distinctions which I feel would have strengthened his analysis considerably. One cluster of questions concerns the general principles which determine or should determine how labor market mechanisms operate. Another cluster of questions concerns the results which follow from the operation of different types of market mechanisms under different conditions. Still a third cluster of questions concerns the circumstances or forces which surround labor markets and which in large measure control their operation. Included in Kerr's review of different market models are references to all three of these clusters of problems, but at any given point it is not always clear just which one is under consideration.

This comment applies particularly to his treatment of institutional markets. It seems to me Kerr gives too much weight to this aspect of labor market behavior. The institutional characteristics and drives of union and employer organizations are only one of many influences bearing on present-day labor markets. There is no doubt, for ex-

ample, that changes in the level of national output and employment play a vital role in this regard. Kerr would, of course, not deny this proposition, but by giving so much weight to institutional influences he unintentionally leaves a distorted view. If, on the other hand, he had addressed himself squarely to a consideration of the major forces shaping labor markets, he would have avoided any such impression. But, as in the case of Professor Shister, the limits imposed by a brief paper have to be recognized even in the case of such a resourceful person as Professor Kerr.

Professor Boulding's paper, apparently according to plan, fills a goodly portion of the gap left by the two other speakers. One or two of his points, such as the proposition that stabilization of the total volume of payments is a relatively easy problem in cybernetics, strike me as grossly oversimplified. With the main body of his argument, however, I concur.

I found greatest interest in his discussion of the short-run and long-run effects of collective bargaining on the general price level and national output. Both Boulding and Kerr, speaking of the short-run, conclude that the oft-heralded inflationary dangers of collective bargaining are more imaginary than real. This is a position that will cause considerable raising of eyebrows among certain highly respectable circles, but one with which I am inclined to agree.

It is when Boulding descends from the olympian heights of theory to the more mundane plane of labor policy recommendations that his discussion loses much of its force. Some of his proposals, such as the imposition of temporary wage ceilings, are too sweeping; others, such as his suggestion that inflationary pressure would abate if union leaders could only be given greater security of tenure, seem to me rather quixotic. I hope I shall not be misunderstood. It is not my intention to suggest that theorists are ill-equipped to make policy recommendations in this field. Rather, I conclude that collective bargaining processes do not lend themselves to the manipulative techniques of certain other fields. To revert to Boulding's aquatic simile, union-employer dealings are like the pressure on a dam that comes with a rising water level. Short of changing the nature of collective bargaining altogether, it is quite impossible to put labor relations on a stop-go basis, any more than we can synchronize rainfall with the water needs of an urban community. Counteracting measures that will be both effective enough and quick enough to do the job will probably have to come from other areas than that of collective bargaining.

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So-called "labor economists" have long been divided into two main groups, which may be labeled Theorists and Realists. The Theorists have generally believed that virtually the sole concern of the labor economist should be the field of wages, and like J. R. Hicks they have thought that: "The theory of the determination of wages is simply a special case of the general theory of value." Consequently, they have usually assumed that all of the important problems of labor economics could be solved by deductive methods, based on the traditional *a priori* assumptions of value theory. Recently some of these Theorists have begun to introduce some observed or imagined phenomena of collective bargaining into their models, with rather alarming results. That is probably why we are now discussing this ominously worded topic, "Can Capitalism Dispense with Free Labor Markets."

Those whom I call the Realists have generally regarded the problem of wage determination as merely one aspect of a complex institutional pattern. Too often these Realists have contented themselves with mere description of the phenomena they have observed. Also, many of these economists have worked on a wide range of problems only distantly related to the allocation and utilization of resources, which most conventional economists think should be the primary concern of the profession. Some of the Realists have studied such allegedly peripheral matters as social security and labor relations legislation and its administration, the internal government of unions, techniques of settling labor disputes, labor history, and a multitude of similar subjects, almost always by empirical means.

Each of these two groups of labor economists has generally proceeded with little or no regard for the work of the other. Some versatile practitioners have done both theoretical and realistic work. In fact, some of the best empirical studies of wages have been made by labor economists who were originally Theorists. Most of these, however, have abandoned the theoretical approach after examining the reality revealed by their empirical research.

In recent years a third group of labor economists has begun to develop, which may be called Bridgers of the Gap. This "third force" in labor economics has been aware of the unreality of most work of the Theorists and the apparent irrelevance of much work of the Realists to the problems of resource allocation. Members of this third

group, therefore, have generally tried to demonstrate the usefulness of the analytical tools of traditional theory in solving the problems of real labor markets; others have experimented with minor adaptations of conventional theoretical models. In some instances the result has been little more than an exercise in semantics, with, for example, the union becoming a monopolist intent on maximizing the wage bill of the employer.

I shall not say very much about Kenneth Boulding's brilliant and witty paper, partly because of the limited time available and partly because I did not have an opportunity to examine his paper before its presentation here this afternoon. I will include Boulding in the Theorists, but only by courtesy. While he proclaims his purity as an economist who is interested only in the 20 per cent of labor economics that is really economics, he immediately flings away his purity by discussing such things as the swivel-chair psychology sometimes induced in union leaders by a union security clause. If Boulding is a Theorist in the sense in which I have defined the term, he exemplifies the theoretical approach at its best. I hereby absolve him of most of the crimes that I attribute to the Theorists.

Clark Kerr appears before us this afternoon as a Realistic labor economist. His answer to the question of the afternoon seems to be, "Capitalism can dispense with free labor markets, because what Theorists call the free labor market is largely a myth." Kerr points out that we should evaluate the economic effects of collective bargaining by comparing the institutional labor market with the natural labor market, not the perfect or neo-classical market of the Theorists. The natural market is not one in which the forces of competition operate freely to achieve the most efficient allocation of resources. Therefore Theorists are in error when they argue that collective bargaining wrecks the delicate equilibrating mechanisms of the free labor market —those mechanisms just don't exist in reality. While Kerr is by no means the first to point this out, too often this basic fact is ignored.

Kerr's main contribution is his description of what he calls the institutional labor market. His analysis is theoretical in that it is generalized and abstract, but realistic in that it is based on empirical observation rather than *a priori* assumptions. It is clear from his analysis that most, if not all, of the conventional techniques of economic theory will be worse than useless in developing a realistic theory of the institutional labor market. For example, to assume "rational" economic behavior in such a market, with monetary gain

the ultimate and almost exclusive goal, will only mislead us, not inform us. Of course, Kerr does not give us a full-blown "theory" of the institutional labor market, but he points the direction in which we must move for an understanding of reality.

In his tentative evaluation of the institutional labor market, Kerr cites some realistic observations which should quiet the fears of those who may have been impressed or depressed by recent theoretical demonstrations of the consequences of collective bargaining. Collective bargaining does not of itself bring runaway wage rates, nor has it thus far created large-scale employer-union conspiracies against the consumer, even though the sovereignty traditionally attributed to the consumer is considerably reduced. Kerr also reminds some of our would-be prescribers of social policy that the maximum production of physical goods and services may not be the most important goal of society nor the only one that should be considered. It is not a foregone conclusion that freedom of association should be sacrificed to freedom of competition.

Joseph Shister appears before us this afternoon primarily as a representative of the third group of labor economists—the Bridgers of the Gap. He applies some of the techniques and conceptions of the Theorists to the analysis of observed (rather than assumed) phenomena of the labor market. His answer to the question of the day seems to be that we should not be unduly alarmed about the disappearance of free labor markets, which he seems to take for granted, because collective bargaining yields some compensating advantages. While I am in substantial agreement with most of what Shister says about these advantages, I have the feeling that at times some of his theoretical apparatus—for example, his emphasis on monetary costs, and his apparent assumption of "rational" behavior—is more of a hindrance to him than a help. Take his discussion of industrial morale. This discussion would have been easier to follow if he had defined what he means by industrial morale and morale-building policies. However, if my guess as to his meaning is correct, I think that his apparent assumption that industrial morale is primarily dependent on monetary expenditures by employers is questionable. Outside the wage field, most of those policies which make workers happy do not necessarily cost the employer more money than alternative policies. In fact, there is some evidence that effective morale-building policies may actually cut costs. The morale-building problem is perhaps more readily understood in terms of employer resistance to

inroads on managerial prerogatives than in terms of resistance to higher cost.

Again, I fear that Shister's theory of "choice of alternative gains" rather leads him astray when he argues, in effect, that the individual worker has a greater control over alternative gains under collective bargaining than under individual bargaining. Actually, for the individual, the wages-working conditions package in the collective bargaining agreement is often even more inflexible than that offered by the employer in the absence of a union. The real contribution of the union in this respect appears to be a sense of participation on the part of the individual. It is often not so much the *content* of the decision concerning wages, hours, and working conditions as it is the *process* by which the decision is reached that determines its acceptability to the worker. One finding of the New Haven labor market study was that many workers who felt that their wages and working conditions were the best possible under the circumstances believed that the only proof needed to establish that proposition was the mere fact that their union had had a say-so in establishing those wages and conditions.

Shister is probably correct in thinking that union seniority policies and possibly union-negotiated health and welfare plans increase the lifetime productivity of the individual worker. However, the unduly narrow preoccupation of the economic theorist seems to be revealed by his argument, with which many would disagree, that such devices may also increase the long-run productivity of society as a whole. Surely these contributions of collective bargaining can be more soundly justified by reference to such a value as the dignity and worth of the individual than by reference to the less important interest of society in the maximum production of goods and services.

I am unable to agree with Shister that "output control" is another union contribution to maximum lifetime productivity. In the first place, it is extremely doubtful that many, if any, such controls really have the effect that Shister ascribes to them. In the second place, such controls are at least as prevalent in the absence of unions as in their presence and are only rarely a matter of official union policy. In fact, such controls are sometimes maintained by rank and file workers over the objections of union leaders.

While I have indicated my impression that Shister is rather hampered by his implicit adherence to the criteria and methods of the theoretical group of labor economists, it is interesting that he seems to desert many members of this group in his conclusion. He asks the

rhetorical question: "Why should market values alone be the governing factor in deciding on the social adequacy of any policy?" Thus he comes to the same point stressed by Clark Kerr. I should like to add this observation: So long as the economic theorist places his primary emphasis on an extremely limited materialistic goal, so long as the fundamental assumptions on which his speculations rest are fatally inconsistent with observed reality, he cannot formulate sound public policy, especially in the field of labor economics.

We still know very little about the effects of collective bargaining on the allocation of resources. We have had a good deal of speculation by people who really know nothing about labor markets as they actually exist today. But our knowledge is still so limited that we can hardly venture a judgment yet as to the desirability of collective bargaining on this score. But this is only part of the picture. We *can* be sure of the indispensability of what Shister calls the "non-market values of collective bargaining." Capitalism could not long survive in a democratic society without some powerful institution to protect the dignity of the individual as a worker, and without some mechanism by which the worker can vocalize his aspirations and get a hearing for his grievances. It is likely that without such a mechanism the worker would ultimately revolt against a system which imposed conditions on him that he found intolerable and could not remedy. Our further experience with collective bargaining and our further investigations would have to reveal unexpectedly disastrous effects on resource allocation in order to outweigh these great social contributions of the institution.

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Whether "Capitalism can dispense with free labor markets" depends to a great deal what is meant by the terms used in this question. The two papers with which I am primarily concerned, since they complement each other, those by Professors Kerr and Shister, use the term capitalism in the meaning of the American economic system. Both agree, further, that we do not have a free labor market in the Hick's sense. Consequently, they have somewhat modified the problem which now reads: Does a labor market in which politically and economically determined employer-, union-, and governmental poli-

cies interact, (Kerr's "institutional market") substantially hinder the operation of our economic system? Of the triad, employer, union, and government, it is primarily the union which is singled out for special consideration by these two papers. To focus attention upon only one out of three is likely to distort the picture, but is readily explainable as a phenomenon of our time.

Economists, and social scientists in general, have always been prone to concentrate their attention on the most pressing problems of the day at the expense of other facets of their discipline. Probably because Anti-Combination Acts and conspiracy doctrine effectively curbed the development of unions, Adam Smith, as we are reminded, directed his suspicions upon the collusive actions of the employers; while our generation wrestles with the problems created by the relatively recently acquired power of unions. I believe with Kerr that unions and employers will continue to determine the wage-employment bargain in the immediate future, but although I would like to think so, I am not so sure, whether, in the long run "history will really be on the side of strong private governments," whether collective bargaining can remain unrestricted. In the future, economists may well have to center their attention on the role which public government, for better or for worse, will have to assume in the labor market. The first of Professor Boulding's policy recommendations for the correction of the union created inflationary bias of our economy would certainly hasten this day. His temporary wage-price controls may easily become permanent fixtures.

A discussion of the union's effect on the labor market could have profitably been directed to the question of the resilience of the American economic system. To what *extent,* one could have asked, is the American economy able to absorb union actions, or for that matter, the actions of employers and the government, without impairing its ability to function and to survive? One of the reasons why to-day's discussion did not assume more of a quantitative turn, and why it did not explore the nature of a possible balance between these three factors, is probably that recently not only the extent of union-activities, but their very existence has been assailed as being inimical to the American economic system and the existing social order.

Kerr and Shister have very effectively taken up the challenge of the Simons, Wolmans and Lindbloms. The following remarks are occasioned by their stimulating papers. They are not designed to criticize, but to complement their findings.

As a matter of fact, all three papers hold rather strong briefs for the unions. Boulding justifies them on sociological and political grounds and believes that their undesirable effect upon the flexibility of the price structure is remediable. Kerr proves that unions do not distort wage and employment relationships too badly and Shister approves of them because they render possible the realization of non-market values.

By the ingenious device of separating labor- and job-markets, Kerr demonstrates that unions do not interfere in an intolerable way in the wage-setting labor market, and that any possible ill effect in the job market could be relatively easily remedied, for instance by liberalizing the admission policies of unions and employers. The re-defining of our labor market concept represents a significant contribution. It is only doubtful whether it needed this refinement for the purpose of evaluating the effects of labor unions. His new wage market resembles so closely the wage-cost effect, his job market so nearly the employment effect of the old wage-employment bargain, that it almost seems as if his conclusions could have—perhaps less elegantly—been obtained with the more familiar tools.

Reynolds (IRRA *Proceedings,* 1948, p. 37) has also questioned the usefulness of the "local labor market" concept on the ground that union action had deprived it largely of its price determining function. His distinction between two separate processes—one of wage determination, the other of labor mobility—avoids one difficulty which Kerr's independent and more elaborated discovery of wage-and job-*markets* will have to face. It will be difficult to distinguish between demand, supply, and price phenomena, the indispensable characteristics of the neoclassical market, which pertain to one but not to the other of the Kerr twins. Without such clearly identifiable and independent functions, the use of the term market may not be appropriate, as long as we adhere to the Marshallian definition of that concept.

If I may vulgarize Shister's argument, I would like to restate it in the following form: Strong unions, which were able to organize the workers in an area coterminous with the area of product-market competition, create a framework for collective bargaining which not only permits employers, but also forces them, to make certain concessions to the workers. These concessions help to realize such socially desirable non-market values as a "high degree of industrial morale" or "lifetime productivity." In the absence of strong unions, competition in the product market would never permit any one employer, and even

without such competitive pressure no employer would be compelled, to grant any cost-increasing concessions to his organized or unorganized workers. Shister appears to place these non-market values outside a market economy, governed exclusively by consumer choices but squarely within the framework of a free society.

There is a danger that the opposition may misstate Shister's thesis to read: Unions endanger the market economy, but help to create non-market values; hence they are essentially detrimental to the economy but, in a very vague and ill-defined manner, somewhat beneficial to the social order. Shister's statement that their "market liability has to be weighted against some gain elsewhere" may be interpreted to mean that he has necessarily conceded defeat in the economic sphere. In an attempt to rescue the institution of unionism, he had to fall back on the union's ability to realize workers' aspirations which, because they do not fit easily or completely in the calculus of the cost-price-utility relationship, have little economic relevance. They belong in the vague field of "social values"; a field which, since it lies beyond the pale of the economist's world is not only suspect per se, but also negligible.

While I am certain that Shister would insist that his non-market values are economic values in their own right, I am not so certain that he wanted to engage at this point in an evaluation of the Simons, Wolman, and Lindblom economic reasoning. Neither can I, except for stating that their thesis, untested as it is, seems to me to be erroneous in many respects. Their preoccupation with the alleged dangers of unionism—at best as yet unrealized tendencies—blind them against the existence of potentially very powerful checks on the freedom of union action. If the experiences of other industrial nations is of any significance, such checks can confidently be expected to arise from powerful employer organizations—just re-emerging on the domestic scene—and from a strong government. Certainly in the absence of inherent and environmental checks even the humble house-spider may grow to the frightening proportions so dear to the pulp mystery writers.

This view is shared also by Kerr and Reynolds. On the basis of new evidence Kerr has restated what economists since Taussig and Douglas have said, namely that unions neither in our own experience, nor in other democratic capitalistic nations, have substantially or dangerously affected the pre-existing wage system, the wage structure (inter-industry differentials), the allocation of resources, the wage

level, and, as Boulding pointed out, the relative distributive share of the national income which goes to the wage earner. Furthermore, on Tuesday, Reynolds raised the question whether we had not overstated greatly the inflationary danger with which Boulding concerned himself today.

To restate these facts here was important since the indiscriminate attack on the unions has reached potentially dangerous proportions. The popularizers of the Simons, Wolman, and Lindblom argument are not satisfied with a reasonable governmental check on union activities. The Allen-Bradley doctrine does not satisfy their ambitions. They will never be willing to admit that checks on the workers' freedom of association does not necessarily imply an identity of rules for product- and labor market associations. They are not even satisfied with the Taft-Hartley Act or a reversal of the Apex-Hutcheson doctrine. Nor will they stop with a policy which would cut down the unions to (plant-wide) size in analogy to Fred I. Raymond's "limitist" proposals until they approach the ideal, immortalized by Peter Dunne's satire. Their real aim, now bolstered by a vulgarization of the scientific attack led by the late Professor Simons, is to destroy this institution completely—and the prohibition of strikes over wage issues would be as effective a means to that end as any—so that future meetings of the AEA and IRRA could debate the then purely academic question "whether capitalism could dispense with labor unions."

As to the economic nature of Shister's two aims, his search for high industrial morale and lifetime productivity, very few words are necessary. Quite apart from the fact that industrial morale may after all decrease cost somewhat—even if we don't know yet where and by how much—and that increased lifetime productivity may, at least to a certain extent, increase the national output in the long run, and hence fall within the concept of the economic world as it seemingly underlies the latest writings of Professor von Mises, nothing compels the economist to restrict his concept of legitimate economic aims to the maximization of output. As long as he recognizes maintenance of high-level employment, a minimum of social security, maintenance of industrial peace, Kerr's freedom of association etc., as goals competing with the aim of maximization of income, he has no reason to exclude Shister's additional two aims from the list of desirable socio-economic values. He will, of course, always remain aware of the fact that these

various aims may conflict with each other and that a balance in their respective realization must be achieved.

Although we may be perfectly willing to accept Shister's general thesis, namely that certain economic values, which under the pressure of competition in the product market are not likely to be produced, will be forthcoming under, to use one of his very fortunate new terms, "market bargaining," we do not have to like his two examples equally well. There is no objection to his "industrial morale." Some of us may prefer to call it "job-satisfaction," a term which may have a more definite meaning to the economist since it does not presuppose a full acceptance of the terminology of the human relations, the psycho-sociological, and the manipulative-management expert. Except for the period of the initial organizational drive, when the creation of dissatisfaction with the job is an important organizational device, the unions are increasing "job satisfaction." It is furthermore important to note that they are here performing a function which neither the employer alone, nor the government, is able to perform. The same holds true for another socio-economic value which Shister could have added to his list—the maintenance of industrial peace.

The example Shister did use, his "lifetime productivity," is a less fortunate choice. To justify the existence of unions by pointing out their performing of valuable functions would also entail a proof that the unions are not only able but also better able than other institutions to achieve the realization of a given aim. Let us agree on three propositions. One, that lifetime productivity is a positive social value; that it is not only a legitimate humanitarian demand, but also of relevance for the national economy. The recent war experience has underscored the fact that labor is a national asset and, like any other natural resource, must be conserved as much as forests, soils, and mineral resources. Two, that in the absence of any check upon their freedom of action, not even the most enlightened employer could afford, or would feel compelled, to realize this value if it involved the making of cost-increasing concessions. Third, that the realization of a labor-conservation policy, the corollary of a "natural resource concept of labor," may conflict with other societal goals. Then it will be contended that labor unions, as we know them, are in no position to guarantee the universal, uniform, and continuing realization of this goal; that their performance would merely produce spotty, unstable, hence unsatisfactory results; and that their actions may interfere with the realization of this policy in a satisfactory fashion by different and more

competent social institutions. Furthermore, the task of balancing conflicting social goals cannot be safely entrusted to the interested parties. To be specific, the decision of a conflict between producer and consumer interests cannot be satisfactorily left to the unilateral determination of the producers alone, i.e., to the collective bargaining process. Since by our assumption the decision cannot be reached in the market, it must be made in the political sphere by the representatives of the body politic, the government.

How certain are we that the unions will pursue a policy of lifetime productivity? If the unions' well-known hesitancy to take the long-run employment effect of the their wage-demands into consideration is accepted as caused partially at least by their essentially political nature, then some doubt exists whether sufficient intra-union political pressure of sufficient strength will be produced in all cases to encourage union leaders to pursue forcefully such a long-range aim as lifetime productivity. Shister does not assert that unions aim at this goal directly. He only claims that it will be a by-product of other union policies. Quite apart from the question whether the detrimental effects of these various policies will not outweigh their contribution to a labor conservation policy, such multiple purpose policies may, because of their complex nature, not always prove to be adequate.

Nor are unions able to pursue such policies uniformly, universally, or continuously. Market bargaining has not been achieved in all industries. Neither is the employed labor force 100 per cent organized. The labor movement is not unified in one central peak-federation (super-market bargaining). Nor are these developments likely to occur in the foreseeable future. As long as business activities, employment, and the distribution of political power are subject to change, there is no guaranty that the unions will maintain even their present strength. If lifetime productivity is a generally accepted socio-economic goal, only a law could make its realization uniform, universal, and independent of constant changes of the respective bargaining power of unions and employers. Even inadequate union action, pointed in the same general direction as proposed legislation, and pre-empting the latter's purpose may effectively delay, even interfere with, the enactment of the desired law. A reminder of the threat which the recent union-employer welfare funds constitute for a badly needed reform of the Social Security Act may suffice as an illustration.

Not sufficient reasons are given to provide a satisfactory proof for the contention that "market bargaining" will always assure a "proper

balance between the interests of worker-producers and consumers" (workers and others). This balance is constantly threatened from opposing directions. Employer-union collusion at the consumer's expense is admittedly a rare occurrence, but not impossible. On the other hand, a possible deterioration of the bargaining strength on the part of the unions may endanger, even nullify, the gains which worker-producer interests had made in past collective bargaining.

The crux of the matter is, that Shister's lifetime productivity goal is not one which, to quote him "can be equally well attained either by government or private action." It belongs in the public, the governmental, sphere. Measured against a considerable list of other "non-market values" which could have been used to justify the existence and the action of unions, the lifetime productivity issue turned out to be not the best possible choice. Since Shister shows a complete awareness of the fact that the logic of the situation would require the exercise of government, and not of union, action in this case, the interesting question arises why he refused to give the devil (that is, in this case the government) his due. May I suggest that he, like most of us, suffers from a common affliction of the post-war liberal mind, the fear of government? But even governmental actions differ in their degree of objectionability. The chances are that the proper policies for the realization of the lifetime productivity aim, once agreement on its precise contents had been reached, would not embrace the governmental hand-out, not the policing and interfering with the collective bargain, but the time-honored and generally accepted role of the government as norm-setter, as law-giver. The lesson we could draw from this little incident could very well be a realization of the need for the establishment of a body of rules as to how the safeguarding of socio-economic values should be divided between employer, labor, and government within a working capitalistic system. Certainly, such an investigation would presume a better understanding of the theory and operation of government. For the economist to concern himself with the institution of government is no unheard-of innovation. What may be necessary is not to replace economic analysis by a study of institutions affecting the market, but an integration of theoretical analysis into the larger framework of the study of political economy. The papers we heard today represent a very important step in this direction.

Part IV

CRUCIAL ISSUES IN THE PENSION PROBLEM

LABOR'S APPROACH TO THE RETIREMENT PROBLEM

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THE PROBLEM OF retirement, as a concern of organized labor, does not differ in its essential elements from the problem of retirement as a concern of other groups in our society. Any difference that may exist is not with respect to the nature of the problem but, rather, with respect to how and to what extent action shall be taken to meet it. Even these differences in approach are more a matter of historical significance than of present day concern.

The Retirement Problem

The retirement problem can be quite simply stated. We have an aging population with the proportion of old to young increasing; the expectations of living longer are increasing; and the cost of living longer is sharply upwards in trend. The problem is a greater one today than it was ten years ago. And it will be still greater in 1960 than in 1950.

The economic impact of the problems is accentuated by the lack of an organized and universal program assuring financial security to the worker when he is no longer able to work whether the reason be primarily age or incapacity. The individual worker is dependent upon his job to provide the wherewithal for existence of both himself and his family. When he can no longer work, because of age or disability, his income stops—and when his resources are exhausted he must fall back upon public relief. Public relief is not security.

The worker cannot be expected to save enough from his current earnings for the time when he will be unable to work for reasons of age or incapacity. Even if the worker could be certain that he would be able to work until he reaches the age of 65 he would have to save approximately $16,000 to purchase an annuity assuring himself of an income of $100 a month until death. Even this income, when added to his OASI benefit, would no more than provide a bare minimum of the necessities of life. But the fact is that a worker cannot save $16,000 during the period of his working life. He has difficulty in currently providing himself and family with the essentials necessary for a decent standard of living without provision in the family budget for retire-

ment savings. And, any savings that he may accumulate are quickly erased in a single illness, a long layoff, or by any one of many other common hazards. A burden of debt is more generally the pattern of the working man than savings for any purpose—whether it be for education of children, purchase of a home, or the proverbial "rainy day."

Added to the converging trends accenting the problems of the aging population is the increasing industrialization of our society. Today we no longer have farms to which our older people can turn, and children are not generally situated so that parents can be taken into their households. Private and public charity has not and cannot compensate for the gaps which modern life has created in the traditional defenses against insecurity in old age.

When the Social Security Act was passed in 1935 there were hopes that public social insurance legislation was the solution to the problem. These hopes have not been realized. Those who framed and supported the federal social security program had conceived of this legislation as the foundation for an integrated approach to provide economic security for those who had served industry and society. Instead, Old Age Assistance, the "means test" public aid program, which was conceived as a stop-gap and auxiliary program, is still, today, the basic approach to the problem; and county and state poor relief is the only universal provision for incapacity. Labor rejects these and any other program based on the "means test" idea. The social stigma and the connotation of "charity," whether it be private or public, is objectionable and cannot be reasonably called security—either emotional or physical security.

Labor's Approach

Labor believes a well-integrated, comprehensive, and meaningful public social insurance program is the only truly satisfactory answer to the problems of workers who no longer receive pay checks because they are too old or too sick to work. The United States does not have such a program today. The aim, if we are interested in old age security—and we all are—is a governmental program which assures an adequate floor of protection for all workers. This floor of protection must represent for the majority of industrial and farm workers a modest standard of living that is consistent with our present day concepts of decency and adequacy. Federal government budget studies, adjusted for price changes to March, 1949, show that a modest stand-

ard for an aged couple living in Detroit would require $143 a month. Considering that the average federal social security benefit for an aged couple is somewhat less than $43 a month, the deficiency is approximately $100 a month, even on the basis of this very limited budget.

Labor is not content with existing standards of security for the older worker. Nor are we content with the total absence of protection for the worker who has not reached 65 years of age and who is unable to work for reasons of incapacity. What, then, is the alternative for millions of workers who reject poor relief standards and methods?

It is to be expected that organized workers would turn to their union for action leading to an improved standard of workers' security The union was born out of the need of working people for a mechanism to attain those things which group action can achieve and which individual action cannot achieve. The union is an economic and political organization reflecting workers' aspirations for higher standards of living and security.

Out of this setting labor's two-way drive for social security has emerged: a drive on the legislative front and a drive on the collective bargaining front. Labor's position is that to the extent that adequate security for workers is not provided through governmental programs the problem of workers' security will be taken to the collective bargaining table. Economic security for the worker when he is no longer able to work is as fundamental a concern of the union as wages and working conditions.

In its two-way drive labor has not relinquished its position that the basic approach to the retirement problem must be through adequate federal legislation and proper administration of public programs. Security for union members only, or for members of those unions with sufficient economic strength to win their collective bargaining demands, is not an adequate solution because the problem of insecurity is common to all segments of our society. It is only through inclusive federal legislation and good public administration that all workers in America can be assured of an equitable retirement income based upon employment, whether it be in industry or in other economic pursuits. The basic retirement income program must provide protection for all workers in the economy. Protection must be more stable, continuous, and broader in scope than can be achieved in private and isolated pension plans.

At the same time that unions adopt what is sound social and public policy, it must not be forgotten that good policy and high principles

are not now putting money in the hands of retired workers for the purchase of housing, food, clothing, and medical care. Nor do good intentions alone keep the retired worker from falling back on his local relief agency for his primary source of income a few months after his retirement. During the past ten to 15 years we have witnessed the gradual loss of the effectiveness of our old age insurance program. Congress has repeatedly failed to amend the basic Federal Security Act to take into account changes in the cost of living and the changing makeup of the population.

The real value of the benefits has continually shrunk. In our industrial cities, where the cost of living is higher, the initially inadequate standard of benefits has become increasingly more inadequate. Coverage has been restricted. The purposes for which the legislation was enacted in 1935 have been in large measure negated for the millions of aged persons who are without any means of support when their pay checks stop.

Opposition to improvements in the federal social security program has come largely from the very groups with which unions bargain about wages and working conditions. The failure to secure Congressional action has left no alternative for organized labor than to make the problem of workers' security a major collective bargaining issue. The legal basis for such action has been recognized by federal court decisions. Management is confronted as never before with the fact that the concrete problems of retirement, disability, and health security are issues that must be met. So important are these issues that unions have backed up their demands with all of the economic force that free labor in a democracy possesses.

In the past year labor has achieved a marked degree of success in the two-way drive for workers' security. Supplementary retirement income plans are recognized today as a legitimate responsibility of industry. The principle of supplementary benefits through collective bargaining has been established. And, likewise, it has been demonstrated that employer support for improvements in the public program is a direct result of the collective bargaining pressure for workers' security programs.

A reflection of employer interest in public programs is evident in the following remarks made by C. E. Wilson, President, General Motors Corporation, on November 1, 1949, in a public speech:

> If the present social security pensions were approximately adequate when the law was passed, they are certainly inadequate now.

> We are going to have pension plans in business and industry to supplement and improve federal plans.
>
> So there is a real reason for pensions in industry. Now, the problem is: How do we provide pensions soundly. . . . Adequate federal pensions on a sound basis would seem to be the real answer to the problem.

Ernest R. Breech, Executive Vice-President, Ford Motor Company, in a speech delivered on the eve of settlement of the collective bargaining demands of UAW-CIO for supplementary pensions, stated at Youngstown, Ohio on September 27, 1949:

> The best way of providing for workers after their period of useful service is through the Federal Old Age Security legislation.
>
> The interest of all employees can, in our opinion, be properly served only by such a national plan. . . .

A year ago, before the current collective bargaining demands for workers' security programs, many management officials were unaware of the importance to labor as well as to management of an adequate governmental retirement income program supplemented through collective bargaining to meet the needs of particular groups of workers. Today we appear to have almost complete acceptance of the need for action on the legislative front and for some supplementation through collective bargaining of the basic floor of protection assured by government. This supplementation is necessary not only to bring the benefits to adequate levels, but to assure flexibility in meeting particular needs and to fill gaps that may exist.

Current Policy Questions

The establishment of programs under collective bargaining has already presented several fundamental policy questions and with experience additional questions will undoubtedly develop. The kinds of questions and the solutions which are adequate will, of course, vary from industry to industry. Programs under collective bargaining will recognize the differences growing out of unique circumstances. There have been, however, six major issues that the UAW-CIO, for example, has considered important in the 1949-1950 negotiations. These issues are:

1. Joint union-management responsibility for administration of retirement and health security programs.
2. Fixed employer commitment for a specified allocation of money stated in terms of cents per hour.
3. Employer-financed, non-contributory programs.

4. Standard of benefits that together with Old Age and Survivors Insurance, or future federal programs for benefits not now existing, will constitute a modest, but adequate, budget.
5. Integration with the federal program in such a manner that private plans are, in real effect, supplementation of the floor of protection assured by government.
6. Actuarial soundness.

1. *Joint Administration.* Prior to general acceptance by management of the concept that workers' security was as much a matter for collective bargaining as wages and working conditions, the prevailing philosophy was that pensions and health security programs were the prerogative of the employer. Recognition that employee benefits are a proper subject for collective bargaining has led to changes in employer thinking on administration in the same manner that thinking on methods for program formulation has changed. Only a year or two ago the employer consulted his insurance broker or a pension consultant, and, without review with representatives of the employees, established programs which were offered to workers on a "take-it-or-leave-it" basis.

If a worker failed to participate he had no protection; if he participated he took what was available. It is reasonable to believe that many of these pre-collective bargaining programs were designed by the employers without full recognition of the preferences and needs of workers. Too often, in order to keep the cost low and thus to assure wider participation by employees, the resulting level of protection was too low to meet the worker's actual needs.

Today pension and other employee-benefit programs are established in a different setting. Previous concepts of desirable procedures for program formulation and operation must be re-examined in relation to the current practice of developing pension program policies in collective bargaining. Unions are asking that retirement benefits be provided as an economic gain which is frequently in lieu of a wage increase. Employer-payments to a pension trust fund represent monies which belong to workers. It follows logically that the workers should be effectively represented when the program is being formulated as well as in the operation of the plan.

The UAW-CIO believes that pension plans growing out of collective bargaining should be formulated and administered by a Board of Administration on which the union and management have equal representation and that this Board should have an impartial chairman

selected from the general public. The Board should serve in a policy-making capacity rather than as a full-time administrative body. Arrangements should be made by the Board for the day-to-day operation of the program. By the joint Board of Administration approach it becomes possible to limit negotiations to policy questions which affect costs and benefit levels and to leave the details of program formulation to a Board functioning outside of the bargaining atmosphere. Through the joint Board employer interests, as well as employee interests, are protected and strengthened. It assures democratic administration and a degree of employee participation and identification with the program that would not otherwise be possible.

2. *Fixed Employer Payments.* In collective bargaining the union can negotiate for a level of benefits without regard to the cost of their provision. Or, the union can negotiate for a fixed cents-per-hour employer-payment into retirement and health security trust funds and develop a program within the limitation of funds available and in accordance with the general policies agreed to in collective bargaining. The UAW-CIO believes it is preferable to negotiate for a fixed employer commitment in terms of cents-per-hour rather than for a fixed level of benefits only. It is possible to determine prior to the conclusion of negotiations the approximate benefit levels which can be provided for a given cents-per-hour cost to the employer. It is not unreasonable, as a result of collective bargaining, to guarantee a fixed level of benefits with respect to the major outline of the pension plan and to stipulate in the contract a cents-per-hour cost to the employer which will remain constant throughout the life of a particular agreement.

If only benefits are negotiated, without regard to the cents-per-hour cost, it would mean that one employer might have a 15 cents per hour cost for a given standard of benefits and another employer a 5 cents per hour cost for the same standard of benefits. Employers in competition with each other have during the past decade tended to increase their wage rates by the same, or nearly the same, amount. As a result the competitive balance has been maintained among employers insofar as affected by economic gains won by labor. This balance would be disturbed if unions negotiated for standard benefits without regard to cost. The UAW-CIO has taken the position that the cents-per-hour cost of the workers' security program should be specified in the contract with the employer and that payments should be a fixed commitment. This means that in certain details the benefit structure may

vary somewhat among employers and that the period of amortization of the accrued liability may, likewise, vary.

As federal programs establish a higher floor of protection or provide benefits that are now non-existent, expenditures from trust funds required to provide the initial benefit structure will be reduced. When this situation occurs the accrued liability may be amortized over a shorter period or other adjustments can be affected by the Board of Administration or through collective bargaining. Many labor-management contracts for pension benefits are being established on a five-year basis with an earlier reopening by mutual agreement of the parties. Although five years is a very short time in which to evaluate the trends in a pension plan, if the fixed-employer payment during the first five years did not fund the benefits as planned or resulted in payments into the pension trust fund in amounts larger than allowable as current tax deduction, necessary adjustments between the union and management can be worked out.

The fixed employer commitment for payment of a given cents-per-hour amount into a pension trust fund or a health security trust fund does not remove employer incentive for an expanded public program. As public programs are strengthened during the next few years the pressure for supplementation through collective bargaining will be lessened. And, the employer is aware that the public program is on a contributory basis.

3. *Employer-Financing.* The issue of non-contributory pensions has been for all practical purposes settled in major negotiations in steel and auto and elsewhere. C. E. Wilson, President of General Motors Corporation, succinctly summarized the thinking of management on this question when he stated on November 15, 1949 in a public speech:

> Pension plans recently negotiated by labor unions which have been on the non-contributory basis have been referred to as free pensions. Actually they are forced savings plans as the cost of these plans could otherwise have been paid out in wages with the same effect on costs and prices.

From the union's point of view non-contributory pensions result in the protection of every worker—not just those who feel they can afford to participate. Non-contributory pensions mean, too, that more benefits can be purchased with the employer dollar paid directly into the pension trust fund than if paid to the worker and checked-off. To purchase a dollar's worth of benefits the worker must receive approximately $1.20 because he pays withholding taxes on the wages

which are checked off. The same dollar's worth of benefits can be provided through employer financing for a net cash much less than a dollar. In addition, the employer is allowed full deductibility in computation of taxable income for all monies paid into a qualified pension trust fund.

Employer-financed or non-contributory collective bargaining programs are more efficient from the employer's and the union's point of view. They mean greater effectiveness in accomplishing protection for the older and incapacitated worker and they mean more benefits for the funds available.

4. *Standard of Benefits Necessary for a Modest and Decent Standard of Living.* What should constitute an adequate level of benefits is not as difficult a decision as it may at first seem. We must start with the assumption that the amount of benefit should be sufficient to accomplish the purpose for which it is intended. The worker does not have protection unless he knows that his benefit will permit him to retire and maintain a modest standard of living. Benefits must be substantially higher than the public relief standards of the community in which the worker is living. Unions cannot accept benefits that are so inadequate that they must be supplemented by public relief agencies. Benefits that are too low will not accomplish the purposes intended by the union or the objectives which management wishes to achieve through the establishment with the union of a retirement plan.

The Bureau of Labor Statistics and the Federal Security Agency have jointly prepared a modest budget standard for an aged couple. This budget varies in the amount of money required in different cities and different sections of the country. It does not take into account the standard of living of a particular worker before his retirement. For lack of a better yardstick of what it costs to maintain an adequate family standard of living, we can accept the budget approach as criteria in determining benefit levels. However, it must be kept in mind that if such a benchmark is used we must review periodically the assumptions and content to make adjustments for expanding concepts of adequate living standards.

5. *Integration with Federal Social Security Benefits.* The fundamental objective in approaching the retirement problem is to strengthen and expand public social insurance programs. Private pension plans should be designed to accomplish this objective rather than to impede the development of a basic social security system. To maximize employer incentive for a public program the method of

integration of the private pension plan with federal social security must provide for some manner of offset in the cost of private plans as public programs absorb an increased part of the load. This offset, however, should not cancel out the economic gains won by labor through collective bargaining.

Direct integration can be achieved by automatic reduction in the amount of benefit paid under private plans as public program benefits are increased. This method is not objectionable if the level of benefits from which the deduction is made is maintained in accordance with an adequate standard. Another method that should be explored is a modification of the full offset formula to provide that as public program benefits are increased the offset shall be a percentage of the increase in benefits provided under public insurance. Still another possibility is that as employer contributions increase for public insurance the payments to the private fund are decreased on a percentage basis.

The important issue is that recognition be given to the need to relate the collective bargaining programs to expansion of benefits provided through government in such a manner that the validity of the private as well as the public approach can be enhanced.

6. *Actuarially Sound Plans.* Even though it means lower immediate benefits, UAW-CIO believes that pension plans established by collective bargaining must be constructed on sound actuarial assumptions. Workers want retirement income security. This objective cannot be achieved unless the plans established are financially sound. Unions cannot accept plans that permit the possibility of a retired worker's benefit being discontinued because of the lack of funds. Past service liability under private pension plans must be amortized over a reasonable length of time and future service must be funded by payments into the pension trust fund as such credits are accumulated. Only if this is done can the income of workers who have retired be secure.

Likewise, it is to the employer's advantage that a program be established which fixes a level cost to him and creates reserves so that when obligations become payable funds will be accumulated to meet the cost. While funded pension plans that are actuarially sound from the first day cost more initially in relation to benefits provided, over a period of years the ultimate costs to the employer are less. A fixed level cost permits management planning. Moreover, it is only through a financially sound plan that the employer can be assured of the advantages of a retirement program.

There are many other specific issues that might be considered. There has been much discussion, for example, about such issues as compulsory retirement versus voluntary retirement, the effects upon the employment of older workers that might result from the widespread establishment of private pension plans, the effects upon the mobility of labor, whether rights should be vested prior to retirement, flat benefits versus benefits geared directly to earnings, and the effects of these programs on the level of consumption, profits, income, and employment. Some of these issues cannot be fully resolved until we gain more experience with the operation of private retirement plans; some can be clarified by serious study; and still others can be worked out only as we build and strengthen the private programs in light of the changing needs of workers. Our first labor-management contracts left much to be desired by both parties. Our first pension plan agreements do not entirely satisfy either management or labor. In the current negotiations the ground work is being laid in relation to basic principles; and around these central ideas we can build from time to time as pension agreements are opened for discussion and analysis.

Conclusion

Present negotiations for workers' security programs establish a new and significant area for labor-management cooperation through collective bargaining and in the joint administration of the programs. These programs are evidence of maturity and increased social responsibility of both unions and management. Through the programs established under collective bargaining there will come experimentation with various administrative problems and methods for the provision of benefits and services.

The greatest contribution made by labor's drive for workers' security programs may well prove to be the necessary motivation for meeting the problem of retirement income for our aging population. And, out of this drive for retirement security will undoubtedly come a new look at other workers' security problems—disability benefits, hospital-medical care services, and survivors' benefits.

We are in 1950 on the threshold of a new era in the development of a full measure of security for the workers of America and for their families. In the next several years we will have a happier people and a sounder economy because we had the courage and determination to meet the economic problems of old age, sickness, and premature death.

PENSION PLANS UNDER COLLECTIVE BARGAINING: AN EVALUATION OF THEIR SOCIAL UTILITY

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IN 1945 THERE were less than a half million workers under collective bargaining pension plans. By the middle of 1948 there were 1,650,000. By the time the plans are completed for the automobile and steel industries over four million workers will be covered.

How good are these plans from the standpoint of the public interest? What will be their effect on the efficient use of the labor force? What kind of protection do they provide for the workers covered? What will be their effect on business enterprise?

These questions may be considered from two entirely different points of view. The plans may be evaluated as stop-gaps pending the liberalization and extension of the public retirement system, with the expectation that they will later be substantially revised. Or they may be judged as if they were expected to do the main job of providing retirement protection.

Considered only as stop-gap plans, they are well designed. With the limited amount of funds available, 8¾ cents an hour for pensions at Ford's, 7½ cents an hour in steel, more or less depending on the firm, the basic decision to be made was what to include and what to leave out. If you consider the recent agreements as stop-gaps, I believe they emphasize the right thing—the provision of a relatively large amount of retirement income for those at or near retirement age. To provide about $100 a month for those now retiring, with the funds available, the plans have had to sacrifice many features which are of great importance in the *long run* but which are expensive and add little to the value of protection for workers already old.

The new agreements which provide that the private pension plus the amount from government shall equal the agreed-upon sum are particularly well adapted to serve as stop-gaps, since as government undertakes to do more of the job, industry can do less. This, together with the decision to put the whole cost on the employer, should

[1] The opinions in this article are those of the writer and do not necessarily represent the views of the Social Security Administration.

operate to increase the interest of employers in having a more liberal public program. Assuming that the public program is considerably liberalized in the near future, the collective bargaining plans would, however, need to be substantially modified in order to give more protection to workers now young and to make the plans sound supplements to a good public program.

Long-run Limitations of Private Plans

The private pension movement as a whole, employer-sponsored or collective bargaining, is an unsatisfactory way of providing the major part of old-age security. The recent collective bargaining plans, judged not as stop-gaps but as long-range plans expected to do the main job of providing protection, are particularly unsatisfactory. Let me say why this is so.

1. *The effect of private plans, particularly the recent collective bargaining plans, would be to discourage the hiring of older workers and to discourage younger workers from seeking more productive jobs.*

From the standpoint of the public interest it is of great importance that retirement protection be furnished in a way which does not further handicap the older worker seeking a job. During the next 25 years the number of persons age 65 and over will probably increase over 60 per cent (from 11 million to 18 million). We cannot escape the burden of the support of aged persons through any device which provides them with cash income but does not exact work in return. The man on a pension must be supported out of the current production of others. The goods he uses and the food he eats must be made and grown in approximately the same year they are used. Obviously, the price of supporting the aged in idleness is a standard of living for the whole community considerably lower than could be obtained if those aged who can make a contribution to production are allowed to do so.

From the standpoint of the individual, as well as society, suitable work is a more satisfactory form of security for able bodied persons over 65 than retirement on a pension. Most retirements are not voluntary but result either from disablement or the wish of the employer. In a survey of its beneficiaries the Bureau of Old-Age and Survivors Insurance found that only about 5 per cent of those receiving the old-age benefit had stopped working because they wanted to. The return of old-age and survivors insurance beneficiaries to employment during the war also illustrates the desire of the aged to work when given

an opportunity. Suspensions of benefits because of employment rose from about 8 per cent in January of 1942 to more than 17 per cent in November of 1943.

Opportunity to work means recognition and a sense of being a useful participating member of the community—values that are of great importance to the mental health of the older person. The fear of being unwanted and useless is hardly less of a threat to the security of the aged than the fear of poverty and dependency.

Pension plans then must be judged partly by the extent to which they discourage employers from hiring workers in the older age groups—not only those 65 and over but those 45, 50, and 55. The extent to which pension plans discourage the hiring of older workers is almost entirely a question of whether or not the older person seeking work brings with him substantial retirement rights to the new job. In hiring an older worker who does not already have rights to a deferred annuity, the employer is faced either with the expense of providing a pension greater than his responsibility to the worker on the basis of years of service would justify, or with the onus of later retiring him on an inadequate pension. The employer's solution of this dilemma will frequently be not to hire the older worker at all.

The pension arrangements created or modified by collective bargaining have not, by and large, given the worker rights which go with him from job to job. Under the plans now being established in the steel industry, for example, typically, a worker to get *any benefits at all* will need not only a minimum of 15 years continuous service but will have to be in the employ of the company at retirement age. Under the Ford agreement, also, the worker must be in the employ of the company at retirement age and, to get full benefit, must have been employed for 30 years with this one employer.

Industry-wide plans, such as those in the mining industry, the clothing industry, and in electrical contracting, are somewhat better in this respect, since the worker can move about within the industry without losing protection. But industry-wide plans are not an adequate solution to this problem for the movement of workers from industry to industry is very great. The wage records of the Bureau of Old-Age and Survivors Insurance show for the years for which data are available that a high proportion of covered workers were employed in more than one industry during a year. In 1944, there were 30 per cent employed in more than one industry, in 1945—31.5, 1946—31.4, and 1947—26.2. Even if the 1950's show fewer persons

working in more than one industry during the year, it is clear that industry shifts over a working lifetime are very common indeed.

If older workers are not to be seriously handicapped in seeking employment, pension plans must give workers a kind of retirement protection which follows them from job to job. Although the plans negotiated by the Amalgamated Association of Street, Electrical Railway and Motor Coach Employees of America seem to be the only major collective bargaining plans which provide for this, it is common practice in employer-sponsored plans not only for the employee to have rights to what he himself has paid for but to acquire under certain conditions a vested right to a fraction or all of the equities the employer has paid for. To avoid high costs these plans do not usually provide for "vesting" until after a certain period of employment, or until the employee has reached a certain age, or both. The group annuity contracts tend to be the best type of private plan on this particular point, the majority providing for full vesting after ten or 15 years of employment. Some employer-sponsored trusteed plans, on the other hand, have no vesting or require very long periods of service. The American Telephone and Telegraph Company, for example, requires 30 years of service before the employee under 55 (females, 50) has any pension rights at all.[2] A public program covering all types of work is the only really satisfactory solution.

The so-called "vesting" of pension rights is also important in promoting the most efficient use of the labor force at younger ages. Workers at relatively young ages may fail to seek better jobs and more satisfactory placements because in leaving a given employer or industry they lose all pension rights, rights which in some instances have a potential value of many thousands of dollars. From the standpoint of the public interest, we should encourage workers to try out at better jobs at which they may be more productive. We should not set up grave penalties for enterprise and initiative.

From the standpoint of the worker as well as the economy, the failure to vest is the greatest weakness of the present collective bargaining plans *if we consider them as long-range plans.* Very large numbers of those in the younger age groups would not get anything out of the present agreements, for they will not work 15 to 30 years for one employer and then in addition be in his employ at retirement

[2] For employees between 55 and 59 (females 50-54) 25 years or more of service is required; employees 60 years or more (females 55 or more) need 20 years of service.

age. Perhaps not more than one out of 20 younger workers would ever get a benefit under the approach now being used.

The collective bargaining plans discourage the employment of older workers in yet another way. They usually make complete retirement from the particular employer, and, in the case of the industry-wide plans, complete retirement from the industry, a condition of receiving benefits. Part-time work is very effectively ruled out. Yet, part-time work is the only way in which many older persons will be able to make a contribution to the national product. The choice is not, on the one hand, between a full-time job doing the same thing one has always done and, on the other, complete retirement. In the future we may not want to limit the payment of pensions to persons who stop work entirely. We may want to use the pension as a way of partly compensating for a decline in productivity. Under H.R. 6000, the bill to amend the old-age and survivors insurance program which has passed the House and is pending in the Senate, earnings under $50 a month will not affect the payment of the retirement benefit.

2. *Considered as long-range plans designed to do the major part of the job of providing retirement protection, the collective bargaining agreements are also unsatisfactory from the standpoint of the amount and kind of security provided.*

There are many facets to this part of the problem. I have discussed in some detail the grave limitation on the security provided under a plan which says "if you leave this employer or this industry you lose out." But in addition to leaving or being fired there are other contingencies which are very inadequately provided for or overlooked entirely in most collective bargaining agreements and in most employer-sponsored plans, as well. One of the most important is the failure to protect the survivors of the worker or even of the pensioner. Life insurance policies of even $2,000 to $4,000, as in the Ford agreement, do little more than pay for the expenses of the last illness, burial, and the debts of the deceased. Income protection for the widow and child requires a guarantee of monthly benefits for the minority of the child such as is provided under the public program.

Protection against the risk of permanent and total disability has also been sacrificed in order to get adequate retirement benefits for those near retirement age. Yet the complete destruction of a man's earning power through a permanent disability is the most overwhelming of all the economic risks to which a worker is subject. It is also the most impossible to provide for on an individual basis. Unlike old

age it cannot be foreseen. Unlike death, it results in an even greater need for money than before.

The United Mine Workers plan for the contingency of disability is really only relief, paid only to those who can prove individual need. Many plans have no protection at all for persons suffering loss of income from disability, or, as in the Ford Agreement, they pay benefits only to those who are disabled after age 55 and who have a long period of service. This is the cheapest way to set up the plan but it is the man 35 years old with children to raise who suffers the biggest loss through disability. In the steel industry, the pattern of permanent and total disability benefit is somewhat better. In the Bethlehem plan, for example, a minimum of $50 monthly would be payable after 15 years' service.

How much security these plans really provide is not only a question of the benefit provisions but of the degree of certainty that the benefits will be paid as promised. In our economy, individual businesses are continually being replaced by other enterprises and whole industries become outmoded. In such a situation, it is proper to test the security which these plans provide by what happens if the business or industry fails or, less drastically, if an enterprise has to cut costs to keep alive.

The answer to this question is to a large extent a matter of the financial arrangements. The most certain way of providing a pension is to set aside funds in such a way and in such amounts that each worker is guaranteed that on retirement he will receive for the balance of life the monthly income specified in the plan. If it were possible to limit a new plan to younger workers, then each year sufficient funds could be set aside to cover the liability incurred in that year. When the employee retired there would then be enough money to pay benefits for life. If the company went out of business or the plan were discontinued, retired workers would continue to draw their pensions. Limiting a plan to younger workers, however, is obviously unsatisfactory for it postpones the effectiveness of the protection for a generation or more. Thus, all the plans undertake to pay benefits to those at or near retirement age. This is both desirable and necessary but it raises the question of how to pay for the past service credits given the older worker. United States Steel estimated, for example, that under the plan agreed to, its liability for past service credits would be about one billion dollars.

One way of handling this accrued liability is the method proposed by the steelworkers' union. Under this suggestion the liability would

never be paid off but the company would each year set aside an amount equal to what the interest earnings would have been if the past service credits had been fully funded. This "interest" plus payments covering current service, if properly financed, would in practically all instances, be at least enough to equal benefit costs in any particular year. The catch is that this manner of handling past service credits depends upon the continued ability of a particular company to make the annual payments—a problem which might not be too serious in the case of the very largest corporations. However, if used generally, this approach would obviously not provide security. Among small firms the average length of life is probably not more than 20 years.

Another way to finance past credit is to set aside at the time the plan is established, in a lump sum or over a period of years, an amount estimated to cover the pension credits earned by each worker in the employ of the firm, from the time he entered employment to the time the plan is established. This requires outlays of very substantial sums of money. In fact, if private plans attempted to do the job of supplying retirement income for most workers, the required amount would be so large, according to some observers, as to seriously reduce funds available for investment in enterprise with a large element of risk. Pension funds, by and large, are not venture capital.

The financing of current service credit is no less important than that of financing past credit. Here too it is necessary to make certain that over the years enough monies will be accumulated to pay the benefits contemplated. Yet some plans under collective bargaining are not funded in a manner to guarantee this. The retirement fund of the Coat and Suit Industry is an example. This plan protects the pensioners but does not protect the worker who has not yet retired. As stated in the agreement:

> It is the intention of the parties hereto to retire as many workers who shall be qualified for retirement during the term of this agreement as there shall be moneys available in the Fund to assure workers who are retired that they will receive the sum of $50 (now $65) each month from the Fund for each year of the remainder of their natural lives (or such different monthly amount as may result under the provisions of the last preceding paragraph). Whenever there shall be a lack of sufficient funds to permit the granting of further applications for retirement, the Board shall have the right to refuse to approve or grant further applications until such time as there shall again be available sufficient funds for that purpose.[8]

[8] *Collective Bargaining Provisions, Employee—Benefit Plans, Part II—Pension Plans,* Bureau of Labor Statistics, September, 1949.

Thus, no one is put on pension unless there is enough money in the fund to fully pay for his annuity. In the event of discontinuance of the plan, all pensioners would nevertheless continue to get their benefits, but under this approach it is possible that some people may meet all eligibility requirements and yet not be put on the pension rolls.

How these private plans are financed is a matter of first rate importance to the security of the individual. Security is not only freedom from hunger in the present, nor enough to wear, nor a place to live now, but it is the state of knowing that what one needs and values will be available tomorrow and the next day. The consequences of insecurity are not only the suffering of those in want but the effects of the fear of being in want on those who currently have a relatively high standard of living.

The continued existence of a private plan depends on the financial position of its sponsors. Moreover, under a collective bargaining plan the employer's obligation terminates with the expiration of the agreement and the plan is subject to renegotiation, suspension, or termination.

From the standpoint of making sure that benefits will be paid in spite of the changed circumstances of individual firms and industries and contractual agreements, the only satisfactory long-range plan, in private industry, is one which fully funds the past and current service credits and in addition guarantees that even if the plan is discontinued those below retirement age will have rights to partial pensions based on the years of service completed under the plan.

In the government program it is not necessary to have a fully funded plan in order to guarantee security. Unlike an individual company or industry, the continued existence of the government may be assumed and the solvency of the plan rests on the taxing power of the government.

Other Limitations

But perhaps we have gone far enough with an evaluation of these pension programs considered as long-range plans designed to do a major part of providing income security for retired workers. There are additional reasons why it would be unwise and nearly impossible to rely primarily on private pensions, either employer-sponsored or collective bargaining. The method is not adaptable to the self-employed and to agriculture and only with great difficulty to the small employer. In practice the protection would be adequate only where

the employer was unusually strong financially and usually where, in addition, there was a powerful union. This makes protection for a particular employee a matter of chance even though the cost, in part at least, is shared by all consumers.

Many employers will not be able to support an adequate plan and meet competition. This situation is aggravated by the fact that pensions, unlike the provision of medical care, short-term disability, unemployment benefits, and the like, involve long-term expectations so that the plans cannot readily be changed to meet the changing competitive position of the employer. Moreover, costs will be higher for one employer than another and for one industry than another. Industry and business as a whole can support with far less disturbance a payroll tax applied across-the-board as in the public program than it can support the cost of adequate private plans where the cost varies according to the age composition, labor turnover, and mortality rates of the particular plant or industry.

Private Plans as Supplement to Government Program

From the standpoint of the public interest, then, the provision of retirement income should be carried on largely through the government program. Are the advantages of government operation in this particular field then so great that government should do the whole job? I do not think so. I think there will always be room in the pension field for some supplementation and adaptation to particular industries and employers. The goal, I believe, should be the development of a comprehensive and adequate public program with some continued supplementation through employer-sponsored plans and collective bargaining plans. If the main part of the job is done by the public program, modest supplementary plans will not cause the social and economic disadvantages which have been suggested.

Assuming that in the near future the coverage of the public program is extended, benefit amounts are made more nearly adequate, protection is added for permanent and total disability, and it is made easier for those in the older age groups to qualify, what then is the most desirable direction of development for the private plans?

I offer three points for your consideration.

1. Supplementation serves a particularly useful purpose in those industries where it is most difficult to use the services of older workers. For extra hazardous occupations or in industries with a large proportion of jobs requiring great physical stamina, the supplements

might take the form of an earlier retirement age, with benefit payments comparable to those under the public programs starting at say age 55 or 60 and terminating at 65. Another possible approach to the need for flexibility in the retirement age would be for some private plans to grant disability benefits for older workers on a somewhat more liberal basis than they will be granted under the public program.

2. Even with a public program adequate for most workers there would continue to be a need for paying supplements to persons in positions of executive leadership in order to facilitate their retirement from a particular firm. Executive pensions designed to assure youthful and aggressive leadership are perhaps peculiarly within the province of private planning. Planning for executive retirement is not inconsistent with the goal of suitable employment for those aged who can and want to work. Executives after 65 should not necessarily stop working, but they may need a change of occupation or a new organization to work in.

3. Finally, it seems to me desirable, assuming a relatively adequate public program, that the emphasis in the collective bargaining plans should be shifted from the provision of relatively high amounts for those about to retire to an emphasis upon adequate financing and early vesting. In fact, minimum standards on vesting and funding might possibly be made requirements for approval for income tax exemption under the Internal Revenue Code. To be approved, for example, a plan might be required to provide for full vesting after ten or 15 years and for a method of financing which would at least guarantee benefits for life to all those put on the rolls. A person who has taken the serious step of retirement in the expectation of a life income should not later find that payments have been suspended as in the case of the Mine Workers Fund. These are minimum standards—I do not pretend they are enough.

Conclusion

Looking beyond the problem of pensions to the larger problem of social security as a whole, I hope that, with the improvement of the public retirement program, unions and employers will turn more of their attention to the short-term risks of cash sickness and the payment of medical care expenses which do not involve long-term commitments as pensions do, and which can be changed more readily as the economic circumstances of an employer or an industry change. Furthermore, it is in providing protection against illness that the

public program may be expected to be the least adequate during the next few years.

I would hope that the improvement of the public program would also mean that unions and employers in dealing with the problem of old age security would turn the greater part of their attention to a study of how to make the most efficient use of the services of older workers. The unions deserve the thanks of the public for taking an increasingly strong stand against the principle of a compulsory retirement age and arguing that retirement should be based not on chronological but on physiological age. But this stand needs to be implemented with studies, industry by industry and job by job, so that we know where older workers can best be used.

This approach requires a change of heart on the part of many employers so that they see the growing group of older workers as what they are—a reservoir of excellent manpower which industry will have to learn to use with increasing effectiveness. It means that unions will have to make adjustments in wage and hour standards and in conditions of work in return for employers' willingness to provide part-time work and work geared to reduced productive capacity. To the extent that the older age group can be productively employed, it will be possible to supply adequate benefits to those who must retire without creating an undue burden on the economy. The provision of useful work for the aged is to pension planning what accident prevention is to casualty insurance.

Looking at the whole problem of old-age security from the standpoint of the public, a rational approach seems to me to consist of three components:

1. Planning for the employment of those who can and want to work.

2. The provision of the major part of retirement income for most workers through a contributory social insurance system on a basis of adequate benefits, universal coverage, and with benefits geared to the previous wages of the pensioner—a program similar to that provided by H.R. 6000 but with some improvements.

3. The development, where needed, of supplementary plans geared to the special conditions in particular industries.

WHAT SHALL WE HAVE: RETIREMENT BENEFIT OR SUPERANNUATION PLANS?

SOLOMON BARKIN
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THE CURRENT HANDLING of our problem of old age pensions highlights the great deficiencies in our basic collective bargaining machinery. There is no provision for careful definition of issues and the constructive planning for the handling of basic labor demands. The controversies are thrown into a cauldron. The management stubbornly resists making any concessions and smugly retires to its remote towers hoping that the wind will blow over but knowing full well that it will not. They will have to concede and work out an answer. The conflicting parties participate in the sparring until a pattern is molded by the negotiations with one important employer. This pattern is then necessarily blanketed widely as the essential characteristic of American employment conditions has been (both before unionization and particularly since the extension of unionization) a tendency toward uniformity.

The deficiency of this procedure is most manifest in the handling of the problem of old-age pensions. A program for retirement must be integrated with a governmental system and with a scheme applicable to all industry. Moreover, private systems can have varying objectives such as supplementary retirement benefits for its own superannuated workers or the establishment of supplementary retirement claims by all workers. These can be developed maturely only through careful negotiations and associated with an agreement on the details of a federal plan. But the employers resisted stubbornly. They were forced to take their first step by a federal court which established the issue as a proper subject for collective bargaining. They would not work out freely the details of a plan even when its outlines were indicated by a federal fact finding board. They attacked it in the genre of speech of our time as welfare-statism.

The absence of a constructive approach to the inevitable demands of the time bespeaks of the lack of imagination among the key men framing industrial relations policy for American industry. They work on expedients and do not frankly seek to perceive the lines of future developments in collective bargaining. In this atmosphere it is essen-

tial to have national machinery which can provide a place for more deliberate discussion of economic controversies between labor and management. At such a national bargaining table, they can develop the overall guides to detailed collective bargaining throughout the economy. The present haphazard system of relying upon the exigencies of the negotiations in single industries and companies will produce solutions which will not always happily meet our needs.[1]

The second fact which the current negotiations have highlighted is that the disparities in the basic articles of employment among manual and salaried workers and between the latter groups and executives are rapidly disappearing. One definite guidepost for future collective bargaining must be the complete removal of the differences which now exist. The establishment of pensions is a critical step in this direction. Pensions were most popular before and during the war for the higher paid executive and administrative personnel. Now it is being extended as a right for all employees. All industrial relations, personnel benefits, and economic policies must be built upon the assumption of uniform treatment for all classes of employees. One significant field is that of guaranteed employment either on a weekly, term, or annual basis. If we could develop guideposts for such negotiations, we would be moving toward an era of smoother and more constructive collective bargaining.

Liberal Federal Legislation

With respect to the subject of old-age pensions, there are two significant issues on which there is quite general agreement. The first is that the federal old-age security law should be immediately liberalized. It is probable that most groups will agree that it should be the nation's number one domestic issue on the Congressional calendar. One by-product of the recent union negotiations has been the conversion of many large employers to support of the federal program. They no longer fear this federal activity since it will relieve them of tremendous liabilities and shift part of the burden to the community. The "welfare state" is not abhorrent to them. The American people will remain indebted to the labor movement and particularly to the personal sacrifices of the Steel Workers for converting the employers, effecting such unanimity, and contributing so much to the advancement of the general pension movement.

[1] See writer's article, "National Collective Bargaining," *Personnel Journal*, November, 1946, pp. 150-160.

This drive for a liberalized old-age pension system has gained support from many diverse groups. We have mentioned the employers. Older people are, of course, among the most significant adherents. There has been agitation for liberal old-age pensions for many years. The drive gained momentum during the last year despite the high levels of employment. The surges in economic activity and the subsequent recessions and the current forward movement are the types of variations which spread fear and uncertainty among older persons. When they are released, they find getting a new job more difficult. Technological changes are rapidly substituting new for older industries. Industrial migration is uprooting entire plants. These weaken the hold of older persons and diminish the security given by seniority rosters and union protection. The failure of modern industry to work out jobs for these men is threatening the security of the entire group. The pressure for pensions is therefore great. If jobs are not there, if personal disability makes employment impossible, the older worker looks to a pension for his protection.

The present federal old-age security system has been branded by all as inadequate and obsolete. The final vote of the House of Representatives in favor of a new bill was 333 to 14, with 130 Republicans joining in approving the bill. One fact that has made its inadequacy apparent is that pensioners have had to turn to old-age assistance for supplementation. Many are not now covered by the old-age security law. The old-age assistance system, which was to be replaced in time by the old-age security plan, has become the mainstay for older persons. One of every four persons past the age of 65 years is now receiving assistance. The 1949 cost of old-age assistance was $1,380 million in contrast to the payments of $688 millions under the Old-Age and Survivors' Insurance program. After withdrawing the sums paid to dependents, the actual sums going to pensions was $546 million. The average monthly benefits under the old-age insurance program was $25.93 as compared with average assistance payments of $43.38. The growing cost of such assistance has, of course, also alarmed the state and local governments. The governors of 11 western states recently demanded liberalized pensions in order to relieve them of the burden.

We are therefore challenged to develop a federal law which generously advances the adequacy of old-age pensions. While the bill passed by the House of Representatives makes a substantial advance,

it is far from adequate. Nor do we believe that a federal system can at any time establish such high standards as to be able to suffice unto itself for all people.

We endorse the proposed terms suggested by the Advisory Council on Social Security at the beginning of 1949 as a minimal program. It should supplant the one adopted by the House. It recommended immediate extension of the system to all persons gainfully occupied with the exception of clergymen and members of religious orders. To make the program immediately valuable, it proposed that benefits be raised to 50 per cent of the first $75 of the beneficiaries' average monthly wage and 15 per cent of the remainder up to $350 per month. The minimum pension would be raised to $20 and the ceiling on family benefits would be set at three times the primary benefit, or 80 per cent of the average monthly wage, whichever is lower. The benefits for a single retired worker would be raised from the current $26 per month to $55; for a man and wife, from $41 to about $85; and for a widow and two children from $49 to $118. To accelerate the eligibility of many persons, the applicants would only have to have worked one-half the time from the start of the system to age 65. Earnings up to $35 per month would be no bar to receipt of benefits, and benefits in excess of that sum would be reduced by one dollar for each dollar of earnings. A rate of 1.5 per cent of employee earnings, contributed by both employers and workers, would finance the plan for the first period.

The House plan restricts the coverage, and establishes benefits which would result in a single retired worker's benefits of $50; a man and wife would receive $80. The benefits would be calculated up to a maximum of $300 per month. Earnings of older workers under $50 per month would be exempt from calculation of the benefits.

The liberalized plan proposed by the Social Security Council had the almost unanimous support of all groups. It would provide a sound base on which to develop supplementary systems. Its economic feasibility has been confirmed repeatedly by study. Any other system can only pretend to meet the needs of the great mass of organized and unorganized workers. The American labor movement has been in the vanguard of this fight and has pressed for the adoption of this legislation when many of the current advocates and snipers at union programs were arrayed against it. It is now arrayed solidly behind the most liberal program which can be secured.

Private Pension Systems

The second issue on which there is agreement is the propriety of establishing a supplementary system of pensions or retirement benefits in private industry. There was considerable controversy for a time on whether such plans shall be a subject for collective bargaining, but that issue has been removed. The present systems in a definite sense are devised to bridge the gap between the present inadequate federal plan and a more adequate one, supplemented by a system of permanent retirement benefits for all workers.

There is much controversy on the exact form this supplementary system should take. The limitations of private systems as now constituted and the financial costs involved have greatly affected the current systems. Existing union-negotiated plans must not be conceived as the final word on the form in which these payments will eventually evolve. The plans were hastily developed and are adaptations of the earlier pension systems. There is a challenge ahead of all students of this problem to examine the issue and to help define the specific direction in which the evolving plans may ultimately move. The older students of the problems of pensions, particularly the consulting actuaries, must shed their traditional thinking and do more imaginative work. They have obfuscated the present controversies because they have not clearly diagnosed the differences between the present movement and the privately-sponsored employer systems. They have been outraged at the new departures only because they have not fully appreciated the nature of this new movement.

In order to fully state the basic problem which we now face in the development of old-age pension system, it is necessary to distinguish between two types of private pension systems. They may be designated superannuation pension plans and retirement benefit plans. In some completely funded private plans, varying combinations of these basic types have been discerned. But in the future we shall have to recognize more clearly the aims which the plans are designed to realize.

Superannuation Plans

In the first class of pension plans, which by and large includes the vast majority of the plans now being negotiated by unions, the retirement of the superannuated is being sharply emphasized. This is a carry-over from the emphasis in the liberal executive pension programs and for that reason, if for no other, needs complete reevaluation. It

is designed to remove or permit the retirement of aged persons with long service with the company, whom the employer no longer desires to keep on the payroll. The provisions for compulsory retirement are hangovers from executive plans which were intended to handle the executive who was reluctant to retire even though his presence obstructed efficient operation of the organization.

The plan is designed to take care of a most select group of workers, namely, those who meet certain age and service and other supplementary requirements. It is not constructed to help all persons who might retire no matter how generous the allegations may be in the preamble of such a plan. The qualifications established for the pensioners will tend to limit the group. Mortality, labor turnover, and employee service records will comb out substantial proportions of the employees. Mr. Eugene Grace in his statement to stockholders on December 19, 1949, confidentially stated that "Bethlehem's experience has shown that only a relatively small percentage of employees . . . would normally receive pensions because the great majority of them either die or otherwise terminate their employment before they reach a pensionable age."

The plant or industry superannuation approach to pensions must therefore be considered to be an emergency program designed to make up for the deficiencies in our federal legislation and the failure of industry to organize a real pension plan. It seeks to take care of the superannuated or the persons who can no longer be productive in an existing organization. The vast majority of the persons who have been employees of companies with plans and who will attain pensionable age will not be taken care of. They will have to rely on the federal pension and other resources.

Those who might normally qualify may not enjoy these benefits for other reasons such as the liquidation of businesses, the financial stringency of specific establishments, or the deficiencies in the provisions in the fund for protecting the claimant's rights. Moreover, these plans suffer from many other defects since they are inherently unable to deal with problems of rising prices, or the needs of those who do not qualify. The recent tendency among employer-operated systems to provide supplementary benefits to pensioners and to provide benefits to ineligible employees illustrates these issues.

Two basic types of superannuation pension systems now exist for employees. These have been shaped by the exigencies of individual plans and industries. There are first the limited liability plans, which

provide for funds to be set aside, typically by employers alone, to be used for the retirement of persons eligible for the pension. The fund's liability is limited to the amounts placed into it. The number of persons retired is determined by the fund's resources. There are no uncertainties as to the financial undertaking, which is to guarantee the pension rights to persons who are retired, and the number so selected is determined with an eye to the resources and the cost of such pensions for the designated persons.

Some union-negotiated plans are in the above category. The criticisms directed against them by actuaries and students of social insurance stem from the fact that they are attempting to endow the plans with purposes which far transcends their current undertakings.

The second is the all-inclusive liability type which entitles all employees who survive the retirement age and meet other specific qualifications to pension benefits of the type agreed upon. Contributions must be made and funds established to meet the full liability assumed under the plan. The plan is typically represented by many of the recently negotiated plans. The variants of these plans are numerous. Major differences arise on issues of normal and optional retirement ages, compulsory retirement, retirement benefits formulae, methods of determining credited past service, maximum benefits, eligibility for the system, contributions, cash payments at termination of service or death, vesting, and methods of funding the liabilities under the plan. They meet a substantial part of our current emergency needs of affording pensions to the superannuated.

Retirement Benefit Plans

No matter how sound the above supplementation of the federal system may be, it cannot be the answer to the demand of the mass of people for adequate retirement benefits. At best it is an emergency provision designed to take care of the immediately pressing problems within an organization. To the extent that supplementation of federal pensions is likely to continue, and it is probable that such supplements will continue in a society where there are variations in earnings and rewards, and many prosperous companies and industries, the above systems will finally have to be supplemented by a more satisfactory program which seeks to take care of the great mass of workers. This must be a system which currently credits retirement benefits to all workers and not merely to the select few aged which have the specific qualifications within a particular industry or plant.

If the present discussion has produced any new basic concepts of what we are trying to do, it is that the pension is a deferred wage. The nature of the recent collective bargaining process has highlighted this fact. The pension program has been substituted for a wage increase. The benefits have to be widely shared by all workers in a bargaining immediately after the emergency created by past failings has been overcome. The deferred wages must be paid to all. The supplementary pension program must establish pension rights for all, both young and old.

It is therefore likely that we shall see within the next few years a radical change in the nature of our pension programs negotiated by trade-unions. The present ones will be supplanted by a liberal federal system, supplemented by a retirement benefit plan which guarantees retirement benefits to all engaged in the class of employment where a supplementary system has been established. The students of private pension systems and the public authorities who are responsible for thinking of the problems of integration and supervision must bend their attention in that direction. We must begin to examine the procedures for such a transformation and the types of mechanisms which will best serve the demand for permanent retirement benefits as supplements to a liberal federal program.

Initial progress has been made in this direction in one of the private programs through the vesting provision. Under such plans the employee who terminates his employment before he is eligible for retirement gains a right to a part or all of the benefits already purchased by the employer's contributions in his behalf. In contributory plans, there is frequently an additional requirement that the employee leave his contributions and the interest thereon within the plan. At the retirement age the person is eligible for a paid-up annuity. The plans now differ as to the period after which they gain these vested rights. Few plans allow immediate vesting of all contributions in the interest of the participant. The more common practice is to defer the vesting until an employee had been a member for a number of years or to graduate the percentage claims to the annuities according to service.

But this type of vesting provision has been used in only a limited number of plans. In addition, the period of deferment until the claims are established have been deterrents to mobility. They are at best initial attempts at establishing true retirement benefits. But since they were conceived in the framework of the superannuation plan, the vesting privileges have been limited.

The supplementary pensions developed by the private pension systems must be increasingly conceived of as permanent retirement benefit claims which accrue to the individual with each period of service. They are a deferred wage which automatically comes with service. The realization of these rights are not deferred but are immediately established.

This type of retirement claim can be operated as private pension programs as they are now. But the many objections to long term solvency of such plans, the financial and investment problems that they present, and the need for the simplification of the methods and payment of final benefits, justify our working out a federal system of annuities which can be purchased with these retirement benefit annuities. Such a plan now operates in Canada. We therefore urge that such a federal annuity program be organized to permit the current purchase of retirement benefits for all workers. With the organization of such a mechanism, the newer pension programs developed through collective bargaining will provide a supplementary benefit to all workers covered by the agreement without any of the drawbacks of existing plans.

Need for Federal Disability Benefit Systems

In the current discussion of old-age pensions, one must not lose sight of one of the most serious problems—the care for the permanently disabled person who has not attained the pensionable age. Unfortunately most of the private pensions and union-negotiated plans are inadequate on this score. It is essential that every program of old-age pensions extend similar benefits to the disabled. The economic problems of the disabled are even more intense than those of the aged and are less adequately taken care of.

We endorse as a minimum program the recommendations of the Advisory Council on Social Security. Payments would be made to those permanently disabled who after a waiting period of six months are demonstrated to be suffering from disability which will be long-continued and of indefinite duration. Stringent eligibility requirements are set: a worker has to have a minimum of 40 quarters of coverage and has to show employment during at least one-half of the time within the period immediately preceding the onset of his disability. The benefits for the disabled would be equal to those of the retired person but there would be none for the dependents.

Jobs for Older Workers

One area on which considerable additional work has to be done is that relating to jobs for older workers. We know that their number is rising. The life span is increasing. Workers are continuing to be productive for longer periods. As the medical and psychiatric sciences continue to improve, they will extend both life itself and the productive years of life. Constructive studies have been made and original contributions offered in this field. But the work toward increasing the specific opportunities must be pressed not by pious declarations but by definite constructive projects.[2]

Conclusion

The present pension movement is the result of the deficiencies in our federal pension program and the inadequate provisions for retirement by individual employers. The delay experienced in modernizing an obsolete insurance program and the willingness of employers to negotiate a careful program have catapulted us into the present situation. There is need for haste to make up for our tardiness in liberalizing the federal old-age pension law. The recommendations of the Senate Advisory Council on Social Security should become the nation's minimal program for immediate legislation. This should embrace both the provisions for old-age pensions and disability benefits.

The current private pension plans are designed primarily as superannuation benefits to take care of the accumulated liabilities to the older persons in American industry. As our debt to them is met, we must convert the private systems into a system of supplementary retirement benefits currently credited to each and every worker. To ease the administration of such a system, the federal government should provide the mechanism whereby the annuity credits may be currently purchased through trust funds in behalf of the individual worker.

In our drive for a well developed system of old-age pensions, we should also plan for more extensive employment for older persons.

[2] See Solomon Barkin, *The Older Worker in Industry*, J. B. Lyon Co., 1933, for detailed discussion of techniques.

Part V

ECONOMIC POWER BLOCS AND AMERICAN CAPITALISM

GROUP TENSION AND INTEREST ORGANIZATIONS

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MY ASSIGNMENT on this joint program is to discuss the problem of group tension arising in a society, such as ours, which is typified by the presence of economic power blocs. I am asked to treat particularly how such group tension may be lessened or controlled. The order of my discussion will be, first, to make some observations on the nature of economic power blocs in order to depict the character of the society in which they operate and, then, in the light of such a depiction to consider the problem of group tension.

Economic Power Blocs Natural to Society

I assume that in speaking of economic power blocs—the topic of this joint meeting—we refer to organizations which by virtue of their size or strategic position exercise, directly or indirectly, significant control over various economic operations in our society. Some of these organizations like industrial corporations, cartels, combines, interests, and labor unions may exercise a direct control in certain areas over such items as prices, investments, wages, sources of raw material, and supply of goods. Other of these organizations like trade associations, industrial associations, agricultural associations, and labor associations may seek indirectly to achieve such control by exerting pressure on political institutions or governmental agencies.

The exercise of such direct and indirect control has made economic power blocs suspect in the eyes of many students. This is probably the reason why we are having the current program. Many students regard economic power blocs as inimical to the operation of a free competitive system. Other students regard them as a threat to political democracy by virtue of the powerful pressure they allegedly exert on legislative and administrative agencies and by virtue of their efforts to influence public thought through propaganda and other means. Many students, further, believe that such organizations endanger the very existence of a unified society by their pursuit of special interests at the expense of communal interest. There lurks in these views an idea that economic power blocs are alien and threatening social forms that somehow have intruded themselves into a society

whose intrinsic makeup is uncongenial to their presence. Thus, some economists think of them as unnatural and menacing because they do not fit the premises of a pure competitive economy; some political scientists think of them as alien and dangerous because they cut athwart the premise of a political democracy based on the principle of *vox populi;* and some sociologists think of them as strange and perilous social forms because they contravene the premise of shared community interest, without which, it is stated, no true society can exist.

In my judgment, however, any intelligent treatment of economic power blocs and kindred organizations in other areas of our life requires a recognition that they are natural products of our society, that they are congenial to the way in which our society operates and that they play an integral part in that operation. I wish to explain briefly why this seems to me to be true.

First, we may note that economic power blocs are fundamentally interest groups. They exist as tight or loose organizations seeking to advance or protect a given interest or combination of interests. As such, economic power blocs are like countless other organizations, big or small, in our society acting consciously to further or defend particular interests of the most diverse nature. In local communities, rural regions, cities, and states, in such broad areas as business, religion, politics, education, and popular arts, and in a variety of institutions, there are innumerable formal and informal organizations having their own particular interests which they seek to advance or to protect. Indeed, modern society is a vast network of such interest groups ranging from small combinations of few individuals to huge functioning organizations. What we refer to as economic power blocs are merely more conspicuous and formidable instances, in the economic and political realm, of such interest groups with which our society is rife.

In order that we not miss the full import of this generic similarity between economic power blocs and a host of other interest groups, small and large, in our society, we should note that in diverse ways and at different times other interest groups may acquire what amounts to a monopolistic or quasimonopolistic position similar to that which is alleged to exist in the case of economic power blocs. Thus, in the economic field a local employer may be in a position to depress wages, a union with a closed shop to elevate wages, a large purchaser to control the price of surplus products in a local market, a local combine to set the prices on some speciality item, or a local bank to control the

extension of credit and to show favoritism in that extension. Such monopolistic or quasimonopolistic control on a small scale is not confined to the economic realm but may exist in other areas of interest—a local political machine may have a grip on local political life, a small administrative clique may "run" a college, a set of officials may dominate a church, or a gambling establishment may brook no opposition. Monopolistic control is in no sense confined to huge organizations nor is it limited to the economic field.

These trite observations are sufficient to emphasize (1) that in our type of society it is natural for a multitude of interest groups of the most diverse nature to arise and flourish, each seeking in its own way to advance or defend its own interest, and (2) that many of them, when opportunity affords and strategic position permits, may achieve a monopolistic position for a given time. We are compelled to recognize that economic power blocs are fundamentally like other interest groups in our society—they are organizations in pursuit of their particular interests in a setting which permits, invites, or compels their growth and facilitates their mode of operation.

What seems to be peculiar to economic power blocs in contrast to most other interest groups is their size and the more formidable power which they may exercise over wider areas of life. Yet even these elements of size and greater power are natural and congenial to our type of society. What I have in mind is that growth to huge size and increase in power occur naturally, under propitious circumstances, in the case of organizations pursuing their interests. There is nothing strange, unexpected, or unusual for a corporation which sees an opportunity for increased economic gain or economic security to absorb a series of competitors if its position enables it to do so; or for a number of concerns facing ruinous competition from each other to establish a combine which will enable their survival; or for a labor union, faced with widely differential wage rates and the presence of unorganized workers, to move toward complete coverage and control in its field; or for industrial associations, trade associations, agricultural groups, or labor organizations to combine, respectively, to exert political influence on behalf of their respective interests. All of such instances of growth are natural. And it should be noted that instances of natural growth to huge size are to be found not only in the economic field but in other fields—the professional field, the political field, the religious field, the educational field. Witness the American Medical Association, the American Legion, the Catholic Church in

our country and, may I say, the AAAS in whose embrace we find ourselves.

The emergence of huge interest organizations in our society should be easy to understand. After all our democratic type of society is committed to allowing people relatively wide latitude in the pursuit of their interests. The expansion of such a society in size, in diversification, and in resulting inter-dependency means a corresponding growth in the organization of interests. Our emerging society allows, encourages, or compels growth of large and powerful interest organizations. To some interest groups, a wider area of action is opened and they grow in response to the pursuit of their interest in that area; in the case of other interest groups, growth is almost compulsory if they are to protect their interests in the national arena; in the case of others, the mere peaking-up of function in an increasingly integrated society brings forth growth in size and strategic control. Frequently, the growth in size and power in some interest groups brings about almost inevitably such growth in the case of other interest groups. And, even though it may seem paradoxical to some, the growth in size and operation of government leads to growth in the case of some interest groups—if, for no other reason, than to exercise successful influence on such government.

It is such observations that lead me to believe that economic power blocs and other large interest organizations are natural and congenial products of our society and that they are integral parts of our society. Instead of viewing economic power blocs or other large interest organizations as alien or even dangerous to the nature of our society, I believe that we should view our emerging society as having increasingly a nature that is set by the presence and operation of large interest groups. It is doubtful if a massive and complex democratic society, set up to allow a relatively free play of interest, could operate without a developed structure of large interest organizations.

Dynamic Organizations in a Mobile World

Having identified economic power blocs and other large interest organizations as natural parts of our society—as merely the larger and more formidable of the countless interest groups in our society—I would like to deal briefly with their nature and with the operating world in which they act. This knowledge will be helpful for the subsequent discussion of group tensions. The key to understanding large interest organizations, it seems to me, is to recognize that they are

dynamic organizations operating in a mobile world. They should be seen as acting organizations and not as mere aggregations or classifications of inert individuals, allegedly having a common interest. Such classificatory groups as the proletariat, the bourgeoisie, farmers, laborers, or capitalists are not interest groups—and I venture to add do not play an important role in the shaping of our society. Interest groups are organizations set up to act. The large interest organization has a structure consisting of a top executive leadership, echelons of sub-leaders and officials with different authority, and a differentiated membership or following. In pursuit of its objectives the interest organization necessarily must act as an entity. This requires direction and gives rise to such functions as planning, the clarification of objectives, assessing the possibilities of action, setting policies, devising strategy and making decisions. In the case of large interest groups these functions are lodged increasingly and necessarily in the hands of a small executive or directing group who, as we are wont to say, guides the destiny of the organization.

The dynamic character of large interest organizations is clear from a scrutiny of the experience of any one of them. Such a scrutiny discloses a temporal succession of opportunities to be realized, of obstacles to be overcome, of threats to be forestalled, of encroachments to be beaten back, and of crises of varying severity to be met and surmounted. Such experiences bespeak an active and striving group which, in the pursuit of its interests, makes thrusts into its world, meets resistance to many of its thrusts, and is exposed to counter thrusts into its own area of interest. I doubt if there exists any large interest group in our modern American society which does not have to strive continuously to realize or defend its interests. Ask the directors if they have problems! The typical picture is one of constant effort and of new effort.

The dynamic character of large interest groups corresponds, of course, to the mobility of the world in which they operate and to which they have to adjust. Their operating worlds are arenas in which a new patterning is in process. Depending on the field of interest, there is emergence of new ideas, new inventions, new technologies, new encroachments, new oppositions, new alignments of power, new regulations, new laws, new possibilities, and new threats. And, added to this, is a play of events which frequently cannot be foreseen or controlled. The experience of a large interest organization, frozen in a single moment of its operation, may not disclose the mobility of its

world; the experience over a reasonable period of time will surely do so. To invoke a serviceable simile, the experience of the large interest organization resembles less that of a standing army in peace-time and more that of such an army engaged in a military campaign.

The dynamic character of the large interest organization and the mobile nature of its operating world enable an appreciation of three items, significant for the subsequent discussion of group tension. One is that the large interest group is involved in a process of contest with its world and that an appreciable part of this struggle may be with groups having opposing interests. The second item is that the large interest organization operates in a precarious world. It is incorporated in a system that transcends it—a mobile system with an unfolding parade of events and developments bringing new opportunities, new obstacles, new threats, and new problems. In a sense its accustomed ground is slipping away from under it or threatening to do so. Despite its size, power, and strategic position, the large interest organization does not have the fixity of security, the freedom from concern, and the lasting triumph of control that popular imagery frequently assigns to it. Its power is something that waxes and wanes from situation to situation and from time to time. The third item is that by virtue of being in a shifting world and in an arena of opposition the large interest organization is perforce led to follow to a great extent a policy of workable adjustment or of expediential practice. It has to be flexible to meet the demands called for in exploiting opportunities, bulwarking against possible losses, and retrieving itself from setbacks.

Nature of Group Tension

The foregoing discussion provides an appropriate background for a discussion of group tensions arising in a society with large interest organizations. The term "group tension" is a concomitant of conflict. It signifies a concern aroused in a group which believes that its security, well-being, interests, and values are being opposed, jeopardized, or undermined by the actions of another group. It means that the group with such a concern is poised to react in a hostile manner to what it construes to be an attack on it.

It should be clear from the previous discussion of interest groups that group tension is indigenous to the very process of operation of a society of interest organizations. The pursuit by groups of their interests usually brings them through one or another way into opposi-

tion or conflict with other organizations pursuing their interests. The clash of group interests in our society is so common that to cite even a few makes me feel that I am padding my paper. But I proceed to pad the paper. In my home community the apparently simple matter of formulating a building code has been held up for years as a result of an unbelievable strong clash of a variety of interests. In the economic domain of our society we may note the clash between competing business concerns; the clash between unions and companies; the conflict between unions; the conflict between so-called industry interests, such as coal and oil; the opposition between sectional producing groups; and the conflict between different farm organizations. Conflict of group interests may be seen easily in other areas such as religion, education, and politics. In all areas and at all levels of our society where there are interest organizations, there will be found opposition, conflict, and tension. The clashes of interest may differ in many ways. They may be momentary or long-lived, sporadic or continuous, frequent or infrequent, minor or grave. The chief point is that these clashes occur and that their occurrence is natural and inevitable by virtue of the very character of interest organizations and of the mobile world in which they operate.

Continuous Workable Adjustments

This picture of extensive, recurrent, and persistent conflict of interests in the world of interest organizations would suggest that the accompanying group tension would be formidable, serious, and very difficult to handle. Actually, such tension, by far, does not constitute a problem. I say this primarily because of the fact that just as the operations of interest organizations give rise continuously to conflict and tension, so similarly such operations provide continuously for the containment or liquidation of such conflict and tension. This may sound strange to some students; to others it will sound as the trite remark that it is. What I have in mind is that organizations who have occasion to come into opposition or conflict in the pursuit of their interests will almost always work out an adjustment between their respective actions. In the conflict situation an interest organization may refrain from pressing further its action; it may recede from the situation; it may make concessions or establish a compromise arrangement; or it may resign itself to a loss or a defeat. What is done will have the character of a workable adjustment. Sometimes the given workable adjustment covers the full scope of conflict and thus leads

to liquidation of tension. More frequently, the workable adjustment represents only a temporary accommodation, to be followed by further opposition and jostling which, in turn, gives rise to other workable accommodations. Such step by step adjustmemt may not reduce the tension, or sense of conflict, between the organizations. Indeed, in certain instances it may accentuate such tension. However, what is important to note is that the accommodations allow each organization to continue to function with regard to the other. Tension is contained in the sense that it is prevented from expressing itself in ways which would prevent such mutual functioning.

I submit that a survey of interest organizations in conflict, whether they be small organizations in a local community or huge economic blocs on the national scene, shows in amplitude a picture of continuous workable adjustment between them. Such workable adjustment is just as natural to the operation of interest organizations as is the opposition and conflict of which we have been speaking. It is a kind of corrective process which functions continuously to liquidate or contain the tension aroused by the conflict and opposition. Even in the area of labor management relations which is frequently regarded as showing the most acute and grievous conflict between interest organizations, the liquidation and containment of tension is by far the normal and dominant occurrence. It is vary rare to find an instance of difference or of conflict in that area that is not resolved in a form of workable adjustment, however difficult it may be to reach that adjustment and however short-lived that adjustment may be. The pervasiveness of workable adjustment between interest organizations explains why the problem of tension in this field is, speaking generally, of no consequence.

Problems of Adjustment

Yet there are problems—serious problems in the eyes of many people—which indicate an inability of a so-called process of workable adjustment to cope successfully with group tensions and which call for other means of eliminating or reducing such tensions. Let us mention a few of the more important of these problems. First, it is to be noted that in given instances the working out of adjustment by organizations in conflict may occasion appreciable social loss and inflict distress on innocent outsiders. The labor strike will serve as an example—it is a means, for both parties to it, of moving toward a workable adjustment. Many people would feel that where the process

of adjustment involves social loss and public distress there is a clear need for the elimination or reduction of tension in place of relying on the normal working of such a process. Second, it is pointed out that frequently one of the interest organizations in conflict may have overwhelming strength and thus either force the weaker organization out of existence or else compel it to accept adjustment solely on the terms, so to speak, laid down by the stronger organization. Many people would feel that in such instances there is distinct need of resolving or abating tension in place of relying on a process of accommodation in which there is such unequal advantage between the conflicting groups. Third, one may note instances of a mounting up of tension despite the operation of workable adjustment, leading frequently to the transfer of the conflict to the political arena where it becomes a disturbing problem. Such a condition, as in the battle over labor legislation, signifies, seemingly, an inadequacy of the process of workable adjustment. To many it calls for positive efforts to eliminate or reduce tension.

However, we should be cautious in concluding that these conditions set a problem of group tension between interest organizations. I say this because such undesirable conditions seem to be natural concomitants of a system in which organizations are allowed relatively free play in the pursuit of their interests. By and large, this is recognized in our society; the conditions spoken of are generally tolerated. Thus, some degree of social harm or of distress attends many instances of group conflict and on some occasions may be quite pronounced as in the case of a strike, a filibuster, or a price war. Further, our society takes for granted the extinction of interest organizations in the conflict process, irrespective of unequal advantages between them; our history is a graveyard of organizations which have perished in the strife in the economic, political, or other fields. Also, our society has been, and is, rife with interest organizations, economic or otherwise, which because of relative weakness have been forced into extremely subordinate positions in relation to other interest organizations. Finally, the transfer of conflict between interest organizations into the political arena is, of course, a frequent occurrence and is acceptable in our political life. I make these observations not to justify or to deprecate the conditions but to point out that they occur repeatedly and that they are generally tolerated. The frequency of their occurrence suggests that they are indigenous to the conflict process in our society. They are taken as part of the game. They seem to be a price

paid by a democratic society which is committed to the principle of relatively free pursuit of collective interests.

Conflicts And the Public Interest

As one runs his eyes over the American scene it becomes clear that such conditions as social loss, public distress, the extinction of interest organizations, and coerced adjustment of weaker organizations are regarded and treated as serious only when they are deemed to threaten what we vaguely call the public interest. When such conditions occur on a small scale they are tolerated; when they occur on a large scale there is likely to be a significant outcry and the intervention of the state is sought. A strike of a group of laborers in a local coal yard is viewed with comparative indifference; a national strike of coal miners becomes a matter of great concern. The smashing of a small union or the liquidation of a small business concern is accepted as part of the game; the undermining of a regional industry, in contrast, is viewed as serious. What I wish to note is that the same processes of conflict and accommodation with the same form of consequences are at work on a minor scale and on a major scale. What is accepted and taken as granted in the one instance is viewed with grave concern in the other. Tension between interest organizations becomes a problem of social significance only at the point where its expressions are felt to jeopardize the public interest. Consequently, the problem of coping with tension arises as important essentially only in the case of large interest organizations.

We can now address the question of what can be done to eliminate or reduce tension between large interest organizations, as in the case of economic power blocs. This question should be viewed in the light of the foregoing remarks, to wit, that conflict and tension are indigenous to a system of freely operating interest groups; that such tension is primarily resolved or contained through a process of point-to-point workable adjustment; that our social system accepts and tolerates in general deleterious consequences of such a process of adjustment as being part of the game; and that only in the event that such consequences are deemed to be adverse to public interest is action taken, and then in the form of the intervention of the state.

Proposals to Reduce Tension

There are, it appears, three general ways proposed to eliminate or lessen tension between interest organizations. These are: (1) to get them to follow a policy of understanding and good will, (2) to invoke

effective control over them through public opinion, and (3) to apply to the problem the knowledge and techniques of social and psychological science.

In my judgment neither historic experience nor impartial analysis holds out much hope of eliminating or diminishing tension appreciably by having large interest organizations in conflict adopt a policy of good will and understanding toward one another. I will pass by the rather significant problem that is set in trying to get large organizations to adopt such a policy when they do not have it. The question of why such given organizations have not adopted such a policy, despite the general exhortation which we have in our society to do so, raises many interesting and important points which, however, we need not consider. Rather, I would assume that the large interest organizations have such a policy of good will and understanding which, incidentally, most of them would declare sincerely they did have. Such a policy would not, I think, appreciably affect conflict and tension if there were genuine conflict between vital interests. Where there is genuine conflict in interest, the problem does not lie in the area of ill will or misunderstanding—it exists, instead, in the fact that the respective interests and objectives of one of the organizations run athwart those of the other. If the organizations believe their respective interests and objectives to be valid and proper, it is somewhat presumptuous to expect them to desist from the pursuit of the interests and objectives, such as to surrender a vital advantage already secured or to refrain from pressing toward a vital accessible gain. If we as social scientists were organized as an interest group and were seeking, let us say, $5,000,000 of available federal funds for vital and cherished research, I do not think that out of a spirit of good will and understanding we would refrain from pressing our pursuit if one of our organized patriotic associations were seeking to secure that same $5,000,000 for the erection of statues and public plaques. Nor would the patriotic organization refrain from its pursuit out of consideration of good will to us, if it genuinely believed its objectives to be superior to ours. From everything I can find out, based in part on some direct observation of my own, the directors of large interest organizations have faith in the integrity and rectitude of their objectives. I am puzzled, accordingly, by the belief held by many thoughtful students that such organizations can be expected to curb or compromise their objectives solely out of sympathetic consideration for the opposed interest organizations. I would much rather expect interest organizations to

compromise objectives because they found it judicious or expediential to do so.

The same observations may be made with regard to the tactics employed by interest organizations to realize objectives which they hold to be valid and proper. If the tactics, like that of the strike, are legal and sanctioned, it is fanciful to expect that their use will be forfeited out of sympathetic consideration for the interest organization which is blocking pursuit of the objectives. There is very little in historic experience to warrant such an expectation. These thoughts make me dubious about relying on good will and understandnig to stay group tension in the case of large interest organizations.

However, one may ask, may not large interest organizations abandon or limit legitimate objectives and forfeit the use of sanctioned tactics out of consideration for *the common welfare*. This is a more reasonable expectation. Such a sacrifice—although with spottiness—does happen in times of dire danger such as war when the existence of the society, itself, is felt to be imperilled. The record for other times is very disappointing. It is not difficult to understand why. An understandable primacy attaches to the interests and objectives of the organization—a primacy, I wish to repeat, that is endorsed by the freedom accorded interest organizations in our democratic type of society. Further, as a sociologist would expect, the objectives become clothed in the eyes of the organization in a garment of rectitude and social good. Where the interests and objectives are viewed as legitimate and socially wholesome, an interest organization cannot be reasonably expected to sacrifice the objectives voluntarily out of consideration of a tenuous precept of common welfare.

This leads me to the second general type of proposal for handling tension between large interest organizations—namely, to invoke the pressure of public opinion. A critical public opinion, if formidable and unified, may unquestionably have an effect in given instances and at given times. The rub enters at this point. The opinion is not likely to be unified—large interest organizations have a habit these days of doing something themselves about the formation of public opinion. Further, even though a unified and formidable opinion may arise at certain critical points, there is little likelihood of forming a stable and durable climate of such opinion in our society with its given makeup. After all, our society, as one of interest organizations, works on the principle of allowing people to organize and act on behalf of collective interest as long as that interest is not illegal or does not contravene too

grossly accepted norms of decency. There is, consequently, a strongly intrenched operating code which gives full support to interest organizations to defend tenaciously or follow vigorously what they believe to be vital and justifiable interests. Those who advocate control of interest organizations through public opinion should conjure with this deeply rooted operating code which impels in a direction opposite to that which they advocate. I think little reliance can be placed on public opinion as a stable means of controlling tension between large interest organizations.

This brings me to the third general type of proposal. The hope of eliminating or reducing tension between large interest organizations by applying the present-day knowledge and techniques of social sciences strikes me as futile and somewhat fanciful. I do not know where the relevant knowledge and techniques are to be found and I believe that I am familiar with the literature. There is a sizable literature on such varied topics as industrial peace, industrial unrest, the competitive process, social movements, political parties, interest politics, and group motivations — much of it concerned in one or another way with the world of interest organizations. The literature is full of proposals and blue prints; however, I do not find in it any formulae, tested propositions, or self-convincing knowledge which would assure the elimination or reduction of tension between large interest organizations in genuine conflict. Nor do I find among the variety of proposed techniques, such as two-way communication, the psychiatric interview, guided discussion, psycho-drama, social placement, status alignment, attitude studies, or opinion surveys any technique whose use offers any encouraging prospect of eliminating or reducing tension between large interest organizations in genuine conflict. To claim that they can, is little less than sheer pretension.[1] The discussions in the literature rarely address the central problem, to wit, how can consciously directed interest organizations in conflict be brought to renounce or to modify legitimate-appearing interests and to refrain

[1] I think that it must be admitted that present-day social and psychological science has done relatively little to study the world of interest organizations. There is, further, some legitimate doubt as to whether their prevailing imagery is suited to such study. I am fully satisfied that this doubt is justified in the case of my own discipline, Sociology. Certainly, this world cannot be understood if it is viewed as a static equilibrium, or as a mere heirarchical structure, or as a differentiated aggregation of individuals; or if it is analyzed in terms of a simple community, or of an out-moded competitive market, or of an out-moded political forum. It is a complicated, dynamic, evolving world characterized by large organized collective striving. It must be studied in terms of an imagery that befits its character.

from the use of sanctioned procedures when there is nothing in their appraisal of the situation to lead or compel them to do so. When such a problem is thought through with all of the breakdown that it requires in concrete situations, it becomes enormously complicated. What is there in our social science knowledge to prove to the directors of large interest organizations that their interests are wrong and need to be revalued? Even though there be such knowledge, suppose that the directors are unreasonable and stupid and refuse to heed such knowledge. Then, what social science propositions and techniques can be brought in to get them to heed such knowledge? Further, since frequently they are directing a collective entity with a following and inner groups to which they have to be responsive in some manner, what reliable means does social science have for overcoming inner conflicts, changing traditional conceptions, and controlling the inner power process? Still further, what certainties does social science have to contribute to the appraisal that needs to be made of the concrete situation in which action is to take place? Such an appraisal requires an assessment of possibilities, a sensing of lurking tendencies, a calculation of risks, and a formation of synthetic judgment. What does present-day social and psychological science have to contribute to this highly complicated process of appraisal so as to assure that the appraisal will be made in a given specific way? There is no need to mention other parts of the central problem. Enough has been said to indicate that there is little in present-day social and psychological science that touches on the central problem.

Conclusion

If a policy of good will, the evoking of public opinon, and the use of present day knowledge and techniques of social and psychological science offer little secure promise of dealing with the problem of tension set by large interest organizations in genuine conflict, what is left? We should remember that by far interest organizations, themselves, handle this problem in a tolerable way through a process of workable adjustment, and that, as stated previously, the problem becomes serious when its expression is believed to jeopardize the public interest. At such a point the stage is set for the intervention of the state in one or another way. This is what our history has been and this is what I foresee will continue to happen. The intervention of the state as the only alternative means of controlling the problem of tension between large interest organizations, which such organiza-

tions cannot themselves control, seems a dismal prospect, particularly since such control will be called for increasingly in the future. The intrusion of the state into the operation of huge interest groups and the accompanying intrusion of such interest groups into the political arena for the purpose of influencing the state raise many serious problems. My own opinion is that the problem of huge interest organizations, such as economic power blocs, is almost solely a problem of the relation between them and the state. Fortunately, my assignment does not require me to deal with this problem. It is left in the hands of a more competent scholar on this program.

ECONOMIC INTERESTS AND THE POLITICAL PROCESS

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LET ME BEGIN by stating what I conceive to be the problem around which this evening's meeting has been organized. What we are undertaking to discuss is nothing less than the place of the organized group in the American economy—its claims and pretensions, its privileges and its obligations. This is a large theme—perhaps too large to be adequately dealt with in the time at our disposal. Put in its broadest terms, it involves the relations of members to the group with which they have affiliated; it embraces the whole area of inter-group relationships; and it also involves the relations of the groups to the larger community of which they are a part.

From the point of view of a member of the group, group organization is an instrumentality through which he maximizes his economic and political bargaining power. By associating with others who share like interests, he is able to exert an influence on public policy which is denied to him in his individual capacity. Looked at through the eyes of the voluntary adherent, there is nothing pernicious or ominous about the economic power bloc. It is simply the guardian and promoter of the interests of its membership.

Looked at from the point of view of the larger community, the perspective changes. The policies which originate in the needs of special groups may serve broader public interests, but when that happens it is rather more likely to be a fortunate coincidence than a planned consequence. The new pluralistic cosmos of pressure economics and politics presents a not altogether attractive spectacle of powerful economic blocs colliding, competing, and occasionally collaborating, with each pursuing its own self-interest, and seeking to carve out a protected and sheltered position for itself against the rest of society.

Role of Interest Groups

Ours is an economic system characterized by a proliferation of interest groups occupying the intermediate area between the individual and the great society of which he is a part. The process of organization is itself cumulative. Organization breeds counter-organization

with the result that economic decision-making becomes a species of inter-group bargaining. But organization itself varies widely in scope, in intensity, and in effectiveness. Business enterprise commands large-scale economic resources, but it encounters formidable obstacles in transmuting economic power into political power. The economic resources of labor and agriculture are less impressive, but the mass electorates which they can mobilize give them a political leverage which can be translated into very concrete economic gains.

The organizational front has its lacunae as well as its occupied sectors. Large-scale business enterprise is very effectively represented; small business men have greater difficulty in shaping organizational tools to serve their purposes. Large-scale and middle-size agriculture have effective representation in the major farm organizations; the interests of the marginal farmer, the tenant farmer, and farm laborers rarely find organizational expression. The CIO, the AF of L, and the RR Brotherhoods speak for perhaps a fourth to a third of the labor force; there remain whole regions like the South and important sectors of the economy such as the distributive, the clerical, and the service trades where labor organization is weak and undeveloped. The consumer movement scarcely exists as an effective force. Indeed, in many instances the most effective spokesmen for consumer interests are not the weakly developed professional consumer organizations, but the powerful business concerns whose bargaining strength as purchasers of raw material and supplies enables them to cut the cost of the end product. In a politico-economic world that is part organized and part unorganized, the race goes to the organized. It is the organized interest capable of mobilizing both economic and political power that is in the most favorable position to press for a larger share of the income stream.

Interest Groups and Government

Ours is a political system in which organized economic interests find free expression. Indeed, in many respects it is a system which is calculated to stimulate and promote pluralistic organization. Members of the House of Representatives are rooted in the localism of district, senators in the localism of state. As such, they are necessarily sensitive to the configuration of organized interests which possess strategic political leverage in their constituencies. The major parties have a heterogeneous membership and an amorphous character. Within Congress, power is scattered, party organization is loose, and

party discipline uncertain. Except in presidential years, the time table of elections favors the local issue over the national. The diffusion of power and the autonomy of the constituency facilitate the transformation of legislators into representatives of functional interests, ambassadors for the dominant economic groups of their localities.

The same pluralistic pressures project themselves into the administrative structure. The national constituency of the President makes his position unique; yet even the leadership which his office affords is limited by the problem of finding a working balance among the interests and views of his actual and potential supporters in the legislature. Within the administrative structure, each of the great economic interests develops its nuclear fields of power. The Department *of* Agriculture becomes a protagonist *for* agriculture, or at least for those branches of agriculture which are in a position to give it effective support. The Department of Labor becomes a department *for* labor and looks to its labor constituency to provide it with continuing sustenance. The Department of Commerce becomes a department for business, and even speaks weakly on behalf of its constituency when the dominant political party turns in other directions for its main support. Even some of the agencies originally established to regulate the industries over which they exercise jurisdiction have a strange and interesting habit as the years pass of taking their clients to their bosoms and ending up as their spokesmen and protectors. The whirling cosmos of organized pressures exerts a centrifugal and diffusionist impact throughout the legislative and administrative structure.

Political scientists divide in their appraisal of these characteristics of our political system. By some the prevailing pluralism is accepted as a source of great strength. As part of the reaction against recent and continuing experience with totalitarianism, there is a new-found appreciation of the virtues of decentralized economic and political power. The rich diversity and organized character of group life are viewed as a bulwark against the danger of over-centralization, both in government and in the economy. For those who take this view, the fact that public policy becomes a patchwork of compromises with and concessions to special interests provides no cause for alarm. The *ad hoc* adjustments which are worked out in this fashion may be neither neat nor tidy, but they at least have the merit of yielding a minimum degree of satisfaction to the interests affected. The very multiplicity of interests, their freedom to maneuver and combine, and the open character of the society in which newly felt demands may always find

organizational expression insure against the possibility of a frozen society and the rise of centers of intransigence within it. The dynamic equilibrium which results registers the vital aspirations of the groups who compose society and make certain that public policy will be based on a moving consensus of felt needs.

This line of analysis which I have summarized all too briefly has been subject to increasing attack in recent years. The attack begins with the group formations themselves. Can the assumption that organizations are fully representative of the interests for which they purport to speak be left unchallenged? Group leaders frequently present themselves as representing a monolithic membership. Yet there may be a wide array of opinion and interests within the group itself. Group leaders tend to magnify the power which they represent. Can one accept the group's estimate of itself? Is there not an obligation to deflate pretensions and assess the actual representativeness of group pressures? What of the unorganized? Must their interests be allowed to go by default on the assumption that until they are ready to speak they cannot be heard? The attack widens out in terms of the difficulties which the free play of pressure creates in achieving a coherent and consistent public policy. In a highly complex, interdependent society can one allow dispersive tendencies to have their head without risking disaster? Is there not a special obligation to fashion institutions which will filter out special interest demands and coordinate "the babel of selfish voices into a coherent program?"

Those who take this view tend to believe that the public interest is something more than an *ad hoc* compromise among articulate private interests. They look both to the great economic groups and to government to develop a sense of responsibility which reaches beyond the private advantages of the groups themselves. The drift of this school of thought is clearly in a monistic direction. It reflects both a fear that pressure politics have gotten out of hand and a conviction that the new and formidable powers of economic management by government create problems of policy integration and coordination which an undisciplined pressure politics is poorly suited to resolve.

It is obvious that those who are relatively complacent about pressure politics and those who are deeply critical of what they regard as its excesses evaluate the need for coordination and integration in policy-making differently. Yet, faced with the conflicting aspirations of pressure groups, both join in the search for terms of accommodation and reconciliation. The methods differ. Those who place a high

premium on group autonomy tend to seek a solution in terms of group self-restraint, the inculcation of a spirit of compromise, and the development of wider horizons of responsibility by the group itself. Those who are skeptical of the group's capacity to develop objectives beyond its own immediate short-run interests, tend to look for a solution in terms of institutional adjustments which will compensate for group short-comings.

Many-sided Search for Correctives

The search for institutional correctives has been many-sided. It has involved a strong reliance on political and administrative processes to mediate and compromise conflicting group interests. Within the government itself, it has contributed to an extension of the merit system, on the assumption that centers of disinterested competence in the public service facilitate the settlement of group differences that come before them for adjudication. The institutionalization of the office of the President has provided a focal point from which to generate national as opposed to local policies. The efflorescence of planning agencies in recent decades has been a response to the same felt need. The movement to integrate the federal administrative structure under Presidential leadership, although inspired in large part by considerations of economy and efficiency, has not been unrelated to the search for cohesive public policy and program-planning capable of weaving agency and interest-group objectives into an ordered pattern which minimizes unnecessary conflict. The rich experience with advisory committees and other consultative procedures in the last decade, although occasionally serving to emphasize how thin the line is which divides advice from domination, has also pointed the way to the possibilities of fruitful collaboration and mutual education when interest groups and administrators work in close association.

Although these developments can contribute to more effective coordination and integration of the policies which originate with special interest groups, they do not of themselves insure it. Executive authority and administrative initiative operate within a framework of definite limitations. To be sure, we have long since abandoned the notion that the administrator merely reflects and registers the shifting balance of group forces in the community. We recognize that he is in a position to make an independent creative contribution to the formulation of public policy by virtue of his special competence and his position in the governmental hierarchy. Given a war emergency or a

combination of crisis and dynamic leadership, the power of the executive may rise to great heights. But under more normal circumstances, administrators must perforce operate in a political context in which interest groups exert great influence. These influences come to their strongest focus in the Congress; the legislative leverage which an interest group manipulates represents a force which the administrator disregards at his peril.

Congress and Congressmen assert a right of continuous intervention in the administrative process. This right of intervention, if it may be so termed, is dispersed in Congress, among the committees and among individual Congressmen. It does not characteristically assert itself through a disciplined party organization seeking to define the major lines of policy for the executive to follow or to criticize those policies. It tends to be a job of piecemeal, *ad hoc* intervention in which Congressmen seek to protect the dominant interests in their districts. Collective administrative responsibility for public policy is difficult to develop under such circumstances. Each administrative agency tends to adapt itself to its special Congressional situation. It becomes particularistic in its orientation, seeking support from the economic blocs having a special interest in its activities and from the Congressional committees in which such blocs are represented. The result is that administrative policy must be sensitve to, shaped around, and fused from the localisms inherent in the diffused and decentralized character of Congressional authority.

Faced with such obstacles, those who feel it necessary to discipline pressure politics turn hopefully toward more effective party organization and management as a possible integrating force in developing a more cohesive public policy. But here again formidable difficulties assert themselves. Lack of homogeneity in party membership is a powerful deterrent to integration. The weakness of central party organization reflects the character of the American political system. Federalism insures dispersal of authority within the party organizations and decentralized sustenance. The power of localism in the Congress only serves to reinforce these tendencies. The looseness of party organization is a product of the way in which power is structured within the party. State and local party organizations usually have their independent power bases. They resist the discipline of the center because subordination robs them of the autonomy and influence which they so jealously cherish. With the parties maintaining their character as loose associations of quasi-independent principalities, it

is hard to see how the policy outlook of the center can do more than mirror the varied views of the periphery.

Those who seek organizational solutions for this problem turn to such devices as central party research organizations and frequent party conferences, or alternatively they call for the strengthening of party leadership and discipline through the creation of National Party Councils armed with power to shape party policy, to select Congressional party leadership, to enforce party discipline, and to require Congressional candidates to commit themselves to the policy declarations issued by party conventions or conferences. Those who advocate these proposals operate on the assumption that they will contribute substantially to the clarification of party policy and provide a degree of program integration which is presently lacking. Whether or not such proposals are likely to be adopted would seem to depend on the nature of the configuration of forces within the parties. While the focal points of power within the parties remain as they are, it is at least doubtful whether any purely organizational approach will magically dissolve the resistances to centralization of party power.

Possibilities of Integration

It is possible to envisage developments which would create more favorable ground for the adoption of such proposals. It may well be true that an analysis which stresses party heterogeneity and localism looks to the past rather than to the future. There may be forces at work which with skillful direction can contribute greatly toward making the parties more homogeneous and centrally disciplined organizations. Local machines are no longer as firmly based in state and municipal patronage as they once were. Both the spread of civil service requirements for office-holding and the expansion of the federal government's social service functions have a tendency to undermine the independent power of local political organizations. Urbanization and industrialization drive in the direction of a larger and more compactly organized labor movement, with potentialities for transforming the internal power structure of at least one of the major parties that have still to be fully exploited. Popular participation in politics is still low. So far as the evidence goes, it is less at the lower end of the income scale than in the upper ranges. A huge reserve of non-voters awaits mobilization and effective organization. Factors such as these may suggest that there is danger in treating party as a static phenomenon, and that there are long-run possibilities

for transforming the character of the American party system that cannot be dismissed out of hand.

The short-range prospect for the installation of strong central party leadership to guide and formulate party policy would appear to be dim. Given the lack of homogeneity in the membership of the major parties, given the problem which the Democratic party faces in reconciling Southern conservatives and Northern urban and industrial constituencies and appealing at the same time to Western agrarian interests, given the problem which the Republican party faces in broadening its appeal to labor and agrarian interests, while retaining its hard core of business and middle class support—it is hard to see how party policy-makers can do more than shape a program calculated to retain the loyalties of the faithful and at the same time attract the wavering allegiances of the not-so-faithful.

Obstacles to Integration

The search for a formula of integration and coordination of public policy through party runs into obstacles inherent in the rich associational diversity of American life. It is a complex pattern of interests which defies easy resolution. There is no magic wand by which these interests can be made to disappear or be prevented from asserting their claims. They represent the stubborn realities of a multiform society—sources of strength as well as of danger. From the perspective of the center they often appear short-sighted and exclusively concerned with their own needs. They create tremendous difficulties for the administrator and policy-maker who sees the symmetry of his program destroyed by what he is too apt to describe as a series of concessions to group selfishness. Yet the process of placating group interests is an essential part of the function of the politician and administrator in a democratic society. The underlying consensus on which a democratic society depends for its strength cannot be achieved without winning the consent of the interests who compose it. There is danger in confusing the abuses to which interest groups have given rise with the substance of the interests themselves. One can direct fire at the abuses and still recognize that interests provide the basic ingredients of public policy in a democratic community.

Conclusion

This still leaves the problem of integration to be resolved. If the line of analysis suggested here has any validity, it is not a problem which is likely to be solved by any single organizational formula or

any sleight-of-hand magic which treats interest groups or power blocs as illegitimate intruders in the body politic. Given the underlying complexities which have to be reconciled, it is perhaps inevitable that the search for the substance of public interest be never-ending and many-sided. In the most profound and basic sense, the problem begins with the individual members themselves who compose the interest groups, with their capacity and willingness to recognize that the interest group must not be allowed to exhaust the range of their interests and loyalties. The disposition to recognize loyalties as multiple rather than unitary—the willingness to find a place for the community as well as the group in the individual's hierarchy of values—such attitudes provide an almost indispensable prerequisite for the effective play of mediating institutions in regulating the processes of intergroup bargaining.

Complex problems mean complex solutions. The search for methods of strengthening the integrating and coordinating aspects of society is one of exploiting opportunities for creative adjustment at every strategic point at which interest groups and mediating social and political forces come together. In an institutional sense, the political party, the legislative organs, and the administrative process all make available such opportunities. Each in its turn provides its multiple points of intervention through which it becomes possible to give shape to the flow of public policy as it is being formulated and executed; each also provides facilities for expressing a supra-special interest point of view. But there is no guaranty that these opportunities will be used, except in so far as those who seek to utilize them find support in a public consciousness that rises above group consciousness. The effective operation of society's mediating institutions requires the existence of a social and economic environment in which mediators can function without meeting frustration. Improvements in instruments alone and readjustments of their relationships may be powerless to achieve the purposes which they are intended to serve in the absence of a milieu congenial to the realization of these purposes. The strengthening of the forces making for harmony in a democratic society and the development of economic decision-making which expresses such harmony must ultimately depend, not only on professional competence and proper organizational arrangements, but also on the consent which they can elicit and the degree of communal support which initiates and sustains them.

POWER BLOCS AND THE FORMATION AND CONTENT OF ECONOMIC DECISION

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I SHALL TREAT the significance of blocism in terms of its increasing and probable influence upon the end-product of economic decision-making and voluntary negotiation between legally free and supposedly equal parties, the bargaining transaction. For the persistence of capitalism is contingent upon the persistence of the bargaining, as distinguished from the managerial and the rationing, transaction. Because extrapolatable concrete data are lacking, my analysis is largely speculative.

Economic Power and Political Power

The outcome of a bargaining transaction between buyer (buyers) and seller (sellers) is controlled by two sets of determinants, one *internal* and situated within the transaction framework, and the other *external* and situated outside it. The external set, consisting of the institutional structure of the society and reflecting its group-composition, limits the range of action open to the bargaining parties. The internal set includes all the circumstances which, in the aggregate and given a specific set of external determinants, cause the exchange ratio issuing out of the bargaining process to be what it is.[1]

Corresponding to these two sets of determinants are two types of power potentially at the disposal of one or the other of the (individual or collective) parties to a bargaining transaction. One of these types may be called *economic power,* and the other *political power.* Either or both of these forms of power may be resorted to by that party to a bargaining transaction who is bent upon making the outcome of the transaction process more favorable (at least in the shorter run) to

[1] The classic treatment of the transaction is that of J. R. Commons, in his *Institutional Economics,* Macmillan, 1936, chaps. 1-2, esp. pp. 58 ff. "Transactions . . . are the alienation and acquisition, between individuals, of the *rights* of future ownership of physical things, as determined by the collective working rules of society." Bargaining transactions entail voluntary agreement between legal equals whereas managerial and rationing transactions involve the issue of orders by superiors to inferiors. Bargaining transactions predominate in "free" societies; rationing and managerial in "unfree" societies. In all societies the transaction is a (usually temporary) harmony-producing resolution of conflicts issuing out of economic scarcity (cf. my "The Problem of Order in Economic Affairs," *Southern Economic Journal,* July, 1948, pp. 1 ff.).

him. The bargaining individual (or group) may be said to exercise economic power when he maneuvers *within* the framework of a given set of internal determinants to alter the terms of the transaction in his favor. The same individual (or group) may be said to exercise political power or something resembling it when he produces in the external set of determinants a change that makes it possible for him to obtain better terms than he would have obtained in the absence of this change. If one of the parties to a bargaining transaction becomes able to exercise a sufficient amount of political power, he may convert what has been a bargaining type of transaction into one that embodies much of the authoritative superior-inferior relationship characteristic of rationing and managerial transactions.

While the political type of power is readily distinguishable at the analytical level from the economic type, the two types are not always sharply distinguishable at the substantial level. Difficulties respecting the attainment of a complete distinction at the substantial level are complicated, moreover, by the fact that possession of the capacity to exert one type of power almost invariably coincides with possession of capacity to exercise the other type, acquisition of one capacity usually greatly facilitating that of the other.

The effects which accompany the exercise of either of these types of power rarely are restricted to the participants in a transaction. These effects may be divided, therefore, into two categories, the *participant-affecting* and the *non-participant-affecting,* the former of which includes all effects of a transaction incident upon the transacting parties, and the latter of which includes all effects incident upon individuals, or groups, not parties to the transaction and therefore describable as non-discretionary and forgotten parties. While the participant-affecting category of effects may make a transaction a matter of concern to the overall association (or community), the non-participant-affecting category invariably makes the transaction a matter of such concern.

Frequently the acquisition of the capacity to exercise economic power is contingent upon the prior acquisition of the capacity to exert political power, since possession of the latter permits changes in juridical conditions conducive to the former. For example, suppose that a multiplicity of sellers, though confronted by a monopsonist, are unable, under existing economic and/or juridical conditions, to unite themselves into a single unit. If these sellers secure the establishment of new juridical conditions which enable them to unite and act as a

unit, they may be said to have exercised political power in order to equip themselves with economic power. Such a sequence of events has taken place in both the agricultural and the labor sectors of the American economy.

The Politico-Economic Bloc

The term politico-economic power bloc designates any group, of considerable significance in the nation's labor force, that is able, through the exercise of political power, to modify in its favor either the external determinants of transactions involving its members, or their capacity to maneuver advantageously within the framework provided by the internal determinants. While our main emphasis here is upon the exercise of political power, it follows from the bloc's being economically significant that it is potentially, if not actually, capable also of exercising economic power. The political power of such a bloc consists principally in its capacity to influence the content, the interpretation, and the administration of legislation affecting transactions. This capacity, while it is of diverse origin (e.g., use of propaganda, force, etc.) flows principally from one or both of two sources: (1) the bloc's giving the appearance of being able to marshal a sufficiently large number of voters in strategic areas, and (2) the fact that the bloc's leaders and spokesmen subscribe to essentially the same community of interests, attitudes, and beliefs as do a dominating number of those elected or chosen to fill legislative, administrative, and judicial posts.

The main sources of strength of a bloc are three in number: (1) a sufficiently large membership strategically distributed throughout the economy, (2) consciousness of kind, of belonging to a distinct and easily identifiable segment of the labor force, and of having economic interests which appear to be preponderantly alike for the whole membership, and (3) effectiveness of organization at top, intermediate, and sub-bloc (or local) levels. Consciousness of kind is the cement that binds the individual members together and conduces to their acceptance of discipline designed to further their presumably common interests. This subjective connecting agent operates with most force at the local or sub-bloc level and with least force at the all-inclusive national level, the individual members' awareness of their supposed interests diminishing with the breadth of the social context within which these interests are defined. Organization serves to mobilize and give direction to the relevant behavior of individual members, operating also to intensify their consciousness of kind. While organ-

ization is essential at all levels, its importance is relatively greatest (in a modern state) at the all-inclusive national level and the intermediate levels (e.g., union international, trade association) whence subjective and objective guidance and support may be communicated to local levels in need thereof.

The rise of politico-economic power blocs has been accompanied by changes in the realm of economic-decision making—by changes which serve to intensify such modifications as were associated with the prior introduction of monopoloid forms. In an economy dominated by simple competition, responsibility for the crucial economic decision—namely, "the selection of men to make decisions"—rests with the active entrepreneur or (when hired managers are used) with the owners of the resources invested in the enterprise, for upon these responsible individuals there is incident all of the economic uncertainty inherent in the economy except for that relatively small amount which cannot be channelled to these individuals by the prevailing network of contractual arrangements; and by these individuals that reward which accompanies uncertain-bearing is enjoyed. In such an economy ultimate responsibility for the making of crucial and quasi-crucial decisions is widely diffused, despite its being centered in entrepreneurial hands; for comparatively many individuals found therein the answer to the description of entrepreneur and, while possessed only of the limited autonomy that simple competition allows the entrepreneur, are untrammelled in their decision-making by the circumscribing and direction-giving dictates of *combinations* of buyers and sellers. Responsibility for decision-making, together with the content and formation of the decisions actually made, is not quite the same in an economy shot through with monopoloid forms and overriding combinations of buyers and/or sellers. In the latter the ultimate responsibility for decision-making is concentrated in fewer hands, control over this process being relinquished to strategically situated minorities; political, as distinguished from economic, elements are given far more weight by decision-makers; and the formation of decisions frequently becomes so bureaucratized as to take on the nature of a collective process instead of that of one dominated by individuals as such.[2]

[2] See F. H. Knight, *Risk, Uncertainty, and Profit,* Houghton Mifflin, 1921, chaps. 9-10; N. W. Chamberlain, *The Union Challenge to Management Control,* Harper, 1948, and the important works by R. A. Gordon and P. E. Holden et al., there cited. On relevant sociological questions see R. Dubin, "Decision-Making by Management in Industrial Relations," *American Journal of Sociology,* January, 1949, pp. 292 ff.; W. E. Moore, *Industrial Relations and the Social Order,* Macmillan, 1946.

Of the pressure groups presently operating at the political level in the United States, none is definable as a complete politico-economic power bloc. But there exist three loose alliances of sub-blocs which do exhibit many of the characteristics of a politico-economic bloc: Organized Agriculture, Organized Business, and Organized Labor; and at least the last of these gives every promise of maturing into a full-bodied politico-economic bloc.[3]

Organized Agriculture

Of these three alliances, Organized Agriculture has been the most effective so far at the political level, at least until recently. Lacking the power to suppress inter-farm competition and thereby augment the capacity of farmers to maneuver within the framework set by the internal determinants of their transaction relations with their customers, Organized Agriculture utilized its latent political power to modify the external determinants of these relations, establish supracompetitive prices for a number of commodities, and maintain these prices through a combination of output-restricting and surplus-removing measures. Organized Agriculture thus accomplished this increase in its economic power by *initially* mobilizing its political power and therewith obtaining sufficient control over the apparatus of the state to introduce and execute the requisite economic measures.

A number of circumstances facilitated this mobilization of political power: the size and strategic distribution of the voting agricultural population; the widespread belief, reinforced during the Great Depression, that the farmer had not had a "fair deal" and that agriculture requires special governmental treatment; the seeming simplicity and rough justice of the parity program, together with the neglect, until recently, of its critics convincingly to advance a workable alternative; the failure of the victimized urban consumers to counter the agricultural program effectively; and the skill with which agricultural leaders compromised their differences respecting the inclusion and treatment of particular commodities and worked closely with crucial Congres-

[3] Consumer organizations are not definable as politico-economic power blocs because they are not organized around *persisting and easily identifiable interests.* Organizations such as those of the war veterans and the aged are not so definable inasmuch as their primary objective consists, not in modifying transaction terms, but in attaining free income at the expense of owners of labor and other forms of productive power.

sional committees. These circumstances were reinforced, of course, by the changes taking place in the nation's underlying value-pattern.

Despite the past success of Organized Agriculture, it is less likely than Labor or Business to evolve into a full-fledged politico-economic power bloc. It is declining in absolute and relative magnitude, its potential membership having fallen from about 18 to around 13 per cent of the civilian labor force between October, 1940, and October, 1949. This fraction will decrease, under the impact of mechanization and the elimination of disguised unemployment, to a minimum of around eight to ten per cent; for in the agricultural sector, unlike in the labor sector, prevention of labor-displacement is not an important objective. The ideological heterogeneity of the farm population will tend to limit its political effectiveness; for laborers and tenants, comprising about one-half of the agricultural labor force, while less conservative and more disposed to collectivism than are farm owners, are less active politically and, presumably, less capable of pressing the income-increasing objective of agriculture than are the owners. Urban opposition to continuation of the farm price-support program appears to be growing, while analysis of trends indicates that, in the absence of economic depression, even a competitive agriculture should prosper. It is now accepted that the frequency of absolutely and relatively low familial incomes in agricultural areas can be appreciably reduced only through the removal of the excess farm population. Respected experts are agreed that the basic desideratum is a reasonable stability of agricultural income; that parity-pricing is unsuited to bring about either income stability or a welfare-augmenting utilization of agricultural resources; and that agricultural price supports, in so far as they may be deemed necessary, should assume the form of forward prices instead of that of obsolete, backward-facing parity prices.

In view of these circumstances it is unlikely that blocism will increase materially in the agricultural sector, or that transaction-relations obtaining between agriculture and its customers will be further modified, through the use of political power, in favor of the agricultural labor force. It is much more likely that, under the impact of the rise of blocism in the business and/or labor sectors, transaction relations will become less favorable to agriculture, with the burden of any accompanying adverse income-changes falling principally upon agricultural rent.

Organized Business and Organized Labor

The potential numerical strength of Organized Business is only about one-half that of Organized Labor.[4] In the latter group may be placed all skilled, semi-skilled, and unskilled laborers (exclusive of those engaged in agriculture) comprising approximately one-half the labor force; in the former, non-farm proprietors, managers, and officials, together with most professional and semiprofessional workers, or slightly less than one-fifth of the labor force. If farm laborers are included with Organized Labor and farm proprietors with Organized Business, the potential numerical strength of the latter approximates one-fourth the labor force, and that of the former, slightly over five-ninths. The appropriate allocation of the white-collar workers (nearly one-fifth of the labor force) is not clear; for, while the interests of most such workers seem to be identified with Labor rather than with Business, a large fraction of this white-collar group is ideologically affiliated with Business, and presumably will continue so until the civic power and prestige of Labor are greatly increased.[5] For white collar workers, like the members of the business and the professional groups, when contrasted with manual workers (the bulk of whom identify themselves as belonging to the working class rather than to the middle class) are less radical, less inclined to collectivism, more active politically, more satisfied with their income and employment situations, and more disposed to prefer opportunity for self-expression to "security." Yet, even if we allocate two-thirds of the white-collar workers to Business and the remaining third to Labor, the potential numerical strength of the latter still remains about double that of the former.

Until recently Organized Business, though describable at most as a loose coalition of various local, regional, and national associations of business leaders, was more powerful than Organized Labor, apparently making up in consciousness of kind and effective organization

Estimates of the potential numerical strength of each bloc are based upon 1940 and post-1940 census data on occupational composition. On political and related attitudes see R. Centers, *The Psychology of Social Classes,* Princeton University Press, 1949, esp. chaps. 5-6, and (with H. Cantril) "Income Satisfaction and Income Aspiration," *Journal of Abnormal and Social Psychology,* January, 1946. Cleavages between "big" and "little" business and ideological sympathies between "little" business and agriculture are not explored. On the political behavior of various economic groups in the 1948 presidential election see SSRC report, *The Pre-Election Polls of 1948,* 1949, esp. chap. 11 and pp. 357 ff.

[5] See C. W. Mills, *The New Men of Power,* Harcourt Brace, 1948, pp. 278 ff., and "The Middle Classes in Middle-Sized Cities," *American Sociological Review,* October, 1946, pp. 527 ff.

what it lacked in actual and potential numerical strength. Accordingly, it was able, prior to the 1930's, to command enough legislative and administrative support to continue a legal milieu hospitable to commerce and industry, to maintain in large measure the strength of employers vis-à-vis labor, and to secure various types of legislation of supposed advantage to particular industries (e.g., tariff protection).[6] Labor, meanwhile, was able to enroll in the union movement only a minor fraction either of the labor force or of the working class prior to the 1930's. Union members comprised about three per cent of the labor force at the turn of the century and, if we except 1919-22, under nine per cent prior to 1937; at present they form about one-fourth of the labor force and about one-third of the nonproprietor and nonprofessional component of the labor force. Unionism dominates the nonagricultural branches of the economy up to the distributive level, and it has made some inroads even there. Its enlisting power has been strengthened, as have other of its powers, by the augmentation of the class-consciousness of the working class issuing from: (1) the dissolution of craft-practices and craft-consciousness produced by the spread of mechanization; and (2) the decline in vertical social mobility occasioned by management's increasing disposition to draw its membership from among the educated instead of from among its own wage-earning employees.[7] Unionism's organizing power has been strengthened by the affiliation of five-sixths of its membership with the CIO and the AFL and the enrollment of nearly all its remaining membership in strong national organizations.

Despite the comparative strength of Organized Business in the past, despite the progress of business firms in size, and despite the development of fewness[8] and varying degrees of collusion, most business remained workably competitive, at least until recently, and exploitation of buyers and sellers was limited in scope. For the persistence of a large measure of competition many factors have been responsible. The Sherman and related acts have had the considerable negative

[6] See R. A. Brady, *Business as a System of Power,* Columbia University Press, 1943, Part III; C. D. Edwards, *Maintaining Competition,* McGraw-Hill, 1949; and D. Lynch, *The Concentration of Economic Power,* Columbia University Press, 1946; also note 14 below. On the political role of business see C. W. Mills, "The American Business Elite: A Collective Portrait," *Journal of Economic History,* V, Supplement V, December, 1945, pp. 20 ff.

[7] On the status system of the modern community and the social system of the factory, see W. L. Warner et al, *The Status System of a Modern Community,* Yale University Press, 1942, and *The Social System of the Modern Factory,* Yale University Press, 1947, chap. 10; also Centers, *op. cit.,* pp. 66, 72, 75, 101 ff., 210 ff., and R. K. Merton, *Social Theory and Social Structure,* Free Press, 1949, pp. 320 ff.

[8] See W. Fellner, *Competition Among the Few,* Knopf, 1949.

effect of a fleet in being and the sizable positive effect that periodic prosecutions inevitably produce. Changing technology, shifting demands, and the multiplication of products have served, given sufficient time, to dilute much of the economic power that *fewness* and collusion temporarily give groups of firms over buyers and/or sellers. The same struggle for power that has generated bigness has operated also at intervals to weaken collusive arrangements. Bigness itself has often contributed to the prevention of some economic evils attributed to bigness. Large firms frequently can impose competitiveness upon their suppliers, and they can undertake the research that eventually will shift supply curves downward. With bigness, moreover, there is commonly associated both a highly rational approach to purchasing, production, and distribution problems, and a large measure of productive-power mobility. The former conduces to technological progress and to economy in the use of resources; the latter makes for high elasticity of potential supply in respect of particular products and thus reduces the number of suppliers requisite for the maintenance of workable competition, etc.[9]

Although Organized Labor was not capable of exercising much political power until the 1930's, usually preferring to strive for economic rather than for political power, unionization gave members of trade unions a wage advantage over nonmembers as early as the 1890's.[10] Whether unionism pushed wages above the competitive level, or worsened the distribution of workers among occupations, is not inferrable, however, from the data at hand. The frequency with which disorderliness has characterized wage patterns, together with

[9] In a forthcoming book G. Stigler presents an estimate to the effect that in 1939 "competitive industries" embraced more than four-fifths of the labor force, and he suggests that competition may have increased moderately since the turn of the century. See also M. A. Adelman, "Effective Competition and the Anti-trust Laws," *Harvard Law Review,* September, 1948, pp. 1289 ff.; E. S. Mason, "The Current Status of the Monopoly Problem in the United States," *ibid.,* June, 1949, pp. 1265 ff.; M. A. Adelman, "The A. & P. Case: A Study in Applied Economic Theory," *Quarterly Journal of Economics,* May, 1949, pp. 238 ff.; E. S. Mason et al, "Various Views on the Monopoly Problem," *Review of Economic Statistics,* May, 1949, pp. 104 ff.; D. M. Keezer, ed., "The Anti-trust Laws; a Symposium," *American Economic Review,* June, 1949, pp. 689 ff. For evidence that industrialization tends to decrease rather than increase the degree of market control exercised by sellers and/or buyers see M. R. Solomon, "The Market in Undeveloped Economies," *Quarterly Journal of Economics,* August, 1948, pp. 519-41. Cp. T. Veblen's interesting comments on the country town in his *Absentee Ownership and Business Enterprise in Recent Times,* Huebsch, 1922, pp. 142 ff.

[10] See A. M. Ross, "The Influence of Unionism Upon Earnings," *Quarterly Journal of Economics,* February, 1948, pp. 263 ff., 781 ff., and *Trade Union Wage Policy,* University of California Press, 1948; also C. E. Lindblom, *Unions and Capitalism,* Yale University Press, 1949

evidence of the operation of the employers' fear of spoiling the labor market, indicates the presence of less competition than the nonorganized workers' unassisted propensities would generate.[11] Moreover, until recently, except for some narrowing of the spread between maximum and minimum wage levels, wage structures manifested little disposition to change in either a more or a less competitive direction.[12] For, in view of the ease with which most of the requirements of occupations can be mastered and in view of the normality of the distribution of occupational aptitudes among the individuals composing a population so large as that attached to a typical industry, interindustry differences in wage structure and median wage should be quite small, given simple competition. And yet these differences have long been pronounced and they still remain so.

Since the 1930's Labor's political power has increased tremendously for a number of reasons, in particular the capacity of top-level labor leaders, despite their ideological and organizational differences, to work together as if they constituted a coalition. This accession of political power has been accompanied by that of economic power, which in effect is being mobilized on an ever wider terrain. Both forms of power have been and are being directed principally to the improvement of the economic situation of union members. Neither the enactment of the Taft-Hartley Act nor the periodic recourse to principle-lacking "fact-finding" boards has significantly affected the augmentation of Labor's power.[13]

[11] For evidence of the underpayment of labor see W. R. MacLaurin and C. A. Myers, "Wages and the Movement of Factory Labor," *Quarterly Journal of Economics,* February, 1943, pp. 241 ff.; R. A. Lester, "Diversity in North-South Wage Differentials and in Wage Rates Within the South," *Southern Economic Journal,* January, 1946, pp. 238 ff., and "Wage Diversity and Its Theoretical Implications," *Review of Economic Statistics,* August, 1946, pp. 152 ff.; L. G. Reynolds, "Wage Differences in Local Labor Markets," *American Economic Review,* June, 1946, pp. 366 ff.

[12] On wage-structure changes see e.g., S. Lebergott, "Wage Structures," *Review of Economic Statistics,* August, 1947, pp. 274 ff.; J. T. Dunlop, "A Review of Wage Policy," *ibid.,* pp. 154 ff.; H. Ober, "Occupational Wage-Differentials, 1907-1947," *Monthly Labor Review,* August, 1947, pp. 127 ff. Comparisons which I have made (using an appropriate index of inequality) of prewar and postwar wage-rate dispersions in respect of their inequality indicates that it has diminished since the 1930's.

[13] See P. A. Brinker, "The Taft-Hartley Act in Action," *Southern Economic Journal,* October, 1949, pp. 147 ff.; S. H. Slichter, "The Taft-Hartley Act." *Quarterly Journal of Economics,* February, 1949, pp. 1 ff. On shortcomings of fact-finding proposals see H. R. Northrup, "The Railway Labor Act and Labor Disputes," *American Economic Review,* June, 1946, esp. pp. 340 ff. It should be added that while "fact-finding" boards tend in some measure to standardize "settlements," they disregard the welfare of third parties (i.e., the forgotten public), being unequipped with a framework of principles intended to guard the well-being of the *entire* population.

Today Organized Labor is capable of growing in strength rapidly, even without that governmental assistance which in the past has nourished it; while its power at the transaction level is greater than ever. Through its organizational instrument, the union, and through its almost untrammeled right to combine, strike, and exercise other monopoly-creating powers, Organized Labor can now advance money wages faster than training, invention, innovation, and capital-formation can increase output per worker. If Lindblom [14] is to be believed, wage-restraining forces have become almost inoperative. The employer's disposition to acquiesce in union wage demands is no longer greatly restrained as formerly by fear of heightened competition from lower-wage-paying rivals and industries, since bargaining now is increasingly conducted on what amounts usually to an industry-wide and, frequently, to a multi-industry basis; while it is strengthened by his fear that if he does not give in, the union will encroach upon his management-prerogatives.[15] Union demands are not appreciably restricted by the fear that prices will rise, or that union-members will be displaced by machinery or by nonunion and unemployed workers. For the membership of each union proceeds, as do tariff-seekers, upon the supposition that it stands to gain more than it will lose, and that it certainly will lose through price rises elsewhere if it demands nothing; while the union, through the control which it now is able to exercise over the employer, can reap most of the fruits of mechanization for itself in the form of higher wages, just as it can prevent his hiring available unemployed and nonunion workers. It follows, if this analysis be valid, that a large part of the control over price movements has passed to Organized Labor, and therewith the power necessary to transform Labor into the paramount politico-economic bloc in the economy, given the present legal and institutional framework. This inference is strengthened by the seeming predominance in management of what Pareto would call the fox-type of leader and in labor of the lion-type, for the fox is inclined to appease the lion at least so long as he believes that he can do it at someone else's expense.

[14] "The Union as a Monopoly," *ibid.*, November, 1948, pp. 671-97, and *Unions and Capitalism.*

[15] See Neil Chamberlain, *op. cit.*, for a careful analysis of union penetration of management. See also G. A. Briefs, "Can Labor Sit in the Office?" *American Affairs,* Summer, 1948, Supplement.

Implications of Labor's Growth to Power

Let us examine the vectors being introduced into the American economy by the increasing concentration of politico-economic power in the hands of the Labor Bloc. Because of the recency of this power-shift, our analysis of its implications is couched in terms that are more conjectural and static than one would prefer. Our analysis is based upon a two-fold supposition: (1) that, even though a trade union is a multi-purpose organization animated by the diverse motives of a plurality of individuals, its overriding objective is the frequent increase of the income of its sometimes growing and sometimes restricted membership;[16] (2) that this objective is sought through the employment of political and economic power to modify the internal and the external determinants of the employer-worker transaction-relation in favor of the latter.

1. Intra- and inter-industrial combination will be stimulated. In recent times the scope of the bargaining unit formulating and (frequently) presenting the demands of Labor has been steadily extended by the desire of the representatives of particular union-groups to free themselves of competition and to obtain for their members comparatively similar terms from industrially diverse employers. Industry-wide bargaining is superseding plant- and firm-wide bargaining, while key-bargaining and what amounts to multi-industry bargaining are now replacing industry-wide bargaining.[17] Bargaining at industry-wide and multi-industry levels, in turn, generates in affected firms both the desire and the opportunity to cooperate with respect to price-fixing and related matters; for these firms see in such cooperation the prospect of guarding themselves against discrimination and of recouping their continually expanding outlays for Labor, and they may see in a union's virtual exemption from the anti-trust laws the possibility of attaining prohibited monopolistic and/or monopsonistic ob-

[16] For diverse views regarding what, if anything, a union is trying to maximize, see Ross, *Trade Union Wage Policy;* J. T. Dunlop, *Wage Determination Under Trade Unions,* Macmillan, 1944, chaps. 1-6; J. G. Turnbull, *Labor-Management Relations,* Social Science Research Council, Bulletin 61, 1949. This subject has been treated also by J. Shister and S. Slichter in papers cited by Turnbull.

[17] J. T. Dunlop ("A Review . . . ," *loc. cit.,* p. 158; also pp. 354 ff., in *Income, Employment and Public Policy* (Essays in Honor of A. H. Hansen), Norton, 1948, believes wage-rates follow 25-50 "key bargains" which are the foci of change whence wage adjustments are propagated. See also J. Shister, "The Locus of Union Control in Collection Bargaining," *Quarterly Journal of Economics,* August, 1946, pp. 513 ff.

jectives indirectly and through the instrumentation of the union. Of this we already have evidence.[18]

2. The polar outcome of the tendencies now under way would appear to be a society of bilateral monopolies exploited by Labor under conditions that might entail each employer's acting as collecting agent for a union and taking from his customers the maximum which, in the absence of discriminatory pricing, they stand willing to pay for the labor embodied in the products marketed by the employer. As will be noted, however, this polar outcome will be prevented by effects accompanying the movement of the economy in that direction, the situation being somewhat similar to that obtaining in a world subject to spreading trade-constriction. But even so, the allocative role of the price system will be severely circumscribed.

(a) Any given union (or group of cooperating unions), by restricting appropriately the amounts of labor which firms composing an industry may hire, can fix that industry's output of goods at the bilateral-monopoly level which will maximize the joint profit of the union and its industry-employer, compatible with the employer's hiring that number of workers for whom the union seriously seeks employment. The union, furthermore, by including an all-or-none principle among those conditioning its providing the industry-employer with labor, can fix wages at the highest level attainable by the number of workers for whom it demands employment, given the minima necessary (under the union's time horizon) [19] to insure the required supply of productive agents used jointly with labor. These minima can be further reduced through recourse by the bilateral monopoly to discriminatory or monopsonistic (or oligopsonistic) pricing when it purchases agents complementary to labor.

(b) Each union is commonly under a double impulse to extend its bilateral monopoly sway. (i) Since a union must protect itself against indirect competition occasioned by the availability of substi-

[18] On a scheme to cartellize the coal industry through union assistance see "Economic Power of Labor Organizations," *Hearings* before Committee on Banking and Currency, United States Senate, 81st Congress, 1st session, July-August, 1949, pp. 492-97; on practices in other industries see *ibid.*, pp. 67 ff., 226 ff., 466 ff., 671, 779, and Mills, *Men of Power*, pp. 224-29. In this connection see also W. F. Brown and R. Cassady, Jr., "Guild Pricing in the Service Trades," *Quarterly Journal of Economics*, February, 1947, pp. 311 ff. On the exemption of labor from the anti-trust laws, see Edwards, *op. cit.*, pp. 76-90; *Allen-Bradley Co. v. Local Union No. 3*, 325 U. S. 797 (1945) and *Giboney v. Empire Storage & Ice Co.*, 69 S. Ct. 684, 93 L. ed. 649 (1949).

[19] This minimum is a function of the union's time horizon, increasing with the length of that horizon.

tutes for goods which its members produce, it must (acting alone or jointly with other unions) bring the industries producing these substitutes under the same bilateral monopoly control. (ii) It must try to obtain comparable remuneration for those of its workers who are engaged in industries not in close competition with those described under (i), for otherwise the existence of relatively low wages for those of its members enrolled in these less-monopolized (or exploited) industries may act as a drag upon wages in the monopolized industries.

Appraisal of a union's exploitative operations is complicated by the fact that its income objective usually is a compromise between maximization of the aggregate income of its employed members and maximization of their average wage. A union is most likely to emphasize the former if the winning of a wage advance threatens to displace enough workers who, attributing their unemployment to this advance, are likely to unite and force the employer to consider a lower wage offer. Since, under prevailing circumstances, such a conjuncture is rare, it is wage maximization that dominates union policy.[20] Respecting this objective it may be said that, *ceteris paribus,* the lower the wage being received relative to wages deemed comparable, the greater the relative increase that appears consistent with equality and susceptible of attainment.

3. A union, whether or not it has established a complete bilateral monopoly situation, will take additional steps to protect itself against the effects of labor- or commodity-competition: e.g., control the introduction of machinery and the employment of nonunion or unem-

[20] E.g. see Lindblom, *Unions and Capitalism,* chap. 6, and L. G. Reynolds, "Towards a Short-Run Theory of Wages," *American Economic Review,* June, 1948, pp. 289 ff. Two conditions govern the *overtness* of the influence exercised upon the volume of unemployment (complete, partial, or disguised) by the introduction of monopoly and/or a wage more supracompetitive than the one ruling formerly in an industry: (a) the rate at which, because of industrial and/or population expansion, the demand curve for labor is shifting upward through time; (b) the rate at which monopoly is being introduced into an industry, or the prevailing wage is being raised above the competitive level. (a) Given an expanding economy, no visible unemployment need be occasioned, since if the wage is not advanced too rapidly, a union can obtain for its supposedly fixed number of members a wage that rises more and more above the competitive level. (b) If the wage is adjusted upward at a rate reducing employment in an industry only by the amount (per year, say) that death, disability, and analogous forces reduce the labor force attached to that industry, no *visible* unemployment will develop therein. In sum, the fact that none of the labor force attached to an industry is unemployed is not proof that monopoly is not increasing therein, or that the wage rate is not becoming increasingly too high. The unemployment occasioned by these measures may simply have been transferred elsewhere in the economy, there to assume the guise of full, partial, or disguised unemployment.

ployed workers; prevent organization of nonunion members into a lower-wage-offering competing organization; secure, through joint political action with other unions, removal of partly or fully unemployed workers from the labor market through state-supported unemployment compensation and public works programs; establish local and regional monopolies (e.g., building, services); exclude mobile, lower-priced domestic or foreign products through tariffs, health regulations, transport controls, etc.; induce government to subsidize either labor-dominated industries, or their customers, so that their demand for labor rises (e.g., subsidies to various branches of the transportation industry).

4. Two effects will accompany the assembly of politico-economic power in Labor's hands if, as seems inevitable, this power is employed to establish exploitable situations, whether bilateral-monopolistic or less extreme in character. (a) Private capital formation will be checked since the usurpation of nonlabor income will diminish both the capacity and the will to save and/or invest. Innovation consequently will be adversely affected. (b) Prices will generally move upward, thereby diminishing the real value of all fixed-quantity claims. The appropriation by the union membership of the fruits of innovation will largely prevent their distribution to consumers as in the past. The pressure of Labor for governmental support of diverse labor groups (e.g., workers on governmental projects, unemployed, etc.) will conduce to deficit financing, while Labor's demands for greater wage increases than the economic system can tolerate will make for augmentation of the active money stock utilized in the private sector. The outcome of these two continuing pressures will be continuing money and price inflation.[21]

5. The spread of bilateral monopoly (or of any less extreme form of exploitative arrangement) will encounter increasingly powerful obstacles, obstacles which in time will undermine both unionism and the exploitative arrangements it endeavors to establish. These obstacles have their origin, ultimately, in the limited productive capacity of the economy, in the differential susceptibility of industries to effective union organization and exploitation by labor, and in the growing number of victims of such exploitation. Accordingly, the final outcome of continued multi-union efforts to swell the aggregate income-

[21] Aspects of this problem have been treated in 1946-49 by M. W. Reder, H. W. Singer, O. W. Phelps, M. Friedman, W. Fellner, B. Higgins, G. Haberler, and S. H. Slichter.

share of these members beyond a probably low tolerance limit will be a sufficient multiplication of victims of this policy to provide political strength wherewith to shear unionism of its abused power and to undermine a form of capitalism that, through failure to reduce prices and advance wages sufficiently, brought this unrestrained unionism into being.

Because a union's power, even under bilateral monopoly, to exact a "supracompetitive" wage varies inversely with the elasticity of its employer's demand for its labor,[22] a union is pressed to bring all closely competing industries under a single bilateral-monopolistic con-

[22] Industries are differentially susceptible of exploitation by labor through bilateral monopoly, or related arrangements, either (a) because some industries (e.g., retailing) are harder to organize effectively, or (b) because some industries, though organized as effectively as others, are characterized by greater elasticities of demand for the labor employed therein, than are other industries. (a) is self-evident. (b) reduces the rate at which an industry can be bilaterally monopolized without occasioning undue repercussions. If conditions (a) and (b) are both present in an industry in some degree, it will be marked by relatively low wages, together with unemployment (complete, partial, and/or disguised).

Suppose two industries, G and F, each of which is competitive in all respects, with G employing labor supplied by union g and F employing labor supplied by union f. Suppose, further, that each industry is using Q labor at wage R, and that the derived elasticity of demand for labor at wage R is lower in F than in G. Now suppose that each industry is converted into a bilateral monopoly which the union proceeds to exploit. If each union reduces by one-third the amount of labor that it now supplies, the remaining two-thirds can command a higher wage in F than in G, with the result that the employed workers in G will be less satisfied than are those in F. Again, if each union fixes the new wage at R', the raising of the wage from R to R' will displace more workers from employment in G than in F, with the result that there will be greater dissatisfaction in G than in F, and greater pressure from the displaced workers upon the benefited workers to reduce the wage below R'.

That the exploitability (let us call it m) of a bilateral monopoly by a union varies inversely with the elasticity of the monopoly's derived demand curve for the labor supplied by the union may be illustrated as follows. Suppose that each industry is supplied Q_1 labor by the union dominating it. The maximum attainable wage in industry I will then be W_2; in industry II, W_1. Had each monopoly been able to hire Q_1 labor at a wage equal to the value (in marginal-revenue terms) to the monopoly of the Q_1th unit of labor, the wage would have been W', which, in this instance, is the same as the wage W that would prevail if the industry hired Q_2 labor competitively. Since W_2 and W_1 each is an average value (call it A) to which a marginal value W' (call it M) corresponds, we may write $m = A/M - 1$. Now let e represent the elasticity of demand of each average curve at point-value A. Then $A = Ma$ where $a = e/e - 1$; and $M = Ab$ where $b = 1\text{-}1/e$. Whence $m = Ma/Ab - 1$. Accordingly, since, as e increases, a and b and M/A each approaches 1, m approaches zero. We have supposed that the average and the marginal values of the labor supply curve, being under union control, are equal. If this is not the case, and if the average supply curve for labor is a rising one, it may be shown by similar reasoning that the relative extent to which bilateral-monopoly output falls below competitive output varies inversely with the elasticity of the average labor-supply curve.

tol. If but one union pursues this policy, it can approximately maximize its income objective, since it gains more from the removal of competition than it loses through the associated decline in the economy's aggregate income, thereby illustrating the importance of an exploiter's not being too important. Yet not one but more and more unions will pursue this policy, with the result that any advantage initially won by some particular union tends eventually to be converted into a negative gain, the wage-increasing effect eventually being swamped by price-increasing and income-reducing effects. For, independently of any adverse influence imputable to diminished private investment, the demand for the labor supplied by any particular union is reduced by: (a) increases in the prices of materials, etc., used jointly with labor; (b) decreases in an economy's aggregate real income consequent upon the spread of job-restriction associated with the extension of bilateral monopoly and similar arrangements, since job-restriction produces either partial and full employment or disguised unemployment (i.e., over-employment in governmental make-work jobs or in industries that are comparatively "unsheltered" and hard to monopolize).

Conclusion

Our analysis suggests that the power bloc most dominant in the American economy today is labor-oriented; that its rise has modified the transaction-pattern of the economy sharply in labor's favor; and that this increasing one-sidedness threatens to undermine both unionism and the only kind of economic system with which an at all powerful form of unionism is compatible, namely, free enterprise. Believing the role of economist badly served at the moment by panacea-mongering, I propose no solutions. And finding as yet only dimly foreshadowed the solutions immanent in and being ground out by our essentially Hobbesian economy, I am unable to forecast the concrete form and substance that they will finally assume.

Consideration of the trends seemingly under way suggests, however, that contemporary unionism, though imposed upon labor by the sometimes feudal, sometimes guerrilla-like character of labor-management relations during the period of unionism's flowering, will not persist, being incompatible both with the developing value-system and with the equity-, continuity-, and other requisites of an economy so interdependent, sensitive, roundabout, impersonal, and innocent-person-affecting as is any modern economic society. Accordingly, Labor's

presently great though transient power will be diluted, and the role of its principal organization, the union, will be brought into balance with those of other components of the politico-economic structure.

The dilution of unionism's power will be accomplished in one of three ways. (1) Should state socialism supersede contemporary or successor capitalism, the union will be socialized along with industry, and, though the transformation will require time, both will be subordinated to the state. (2) Should a corporate type of society succeed contemporary capitalism, upper levels of union officials will be absorbed into the managerial bureaucracy, while the increasingly bureaucratic character of union organizations, reinforced where necessary by the state, will serve to hold the rank and file members in line. (3) Should the essentials of a free-enterprise system continue to persist, they will have been enabled to persist by the subordination of the policies of both unions and employers to flexible rules calculated to insure workable competition. Under such rules secular real wage changes will be dominated by the secular change in overall output per worker, about 1.5 per cent per year; the price system will be permitted to perform its allocative function; wage differences will be enabled to dominate labor allocation and occupational choice, though diminishing in consequence; price reductions, enforced by the state if necessary, will distribute the bulk of the fruits of innovation; while fiscal policy will be relied upon to eliminate such inequalities in income and wealth as are deemed socially undesirable. Should the effectuation of such rules not prove possible, approach (2) may be anticipated, but probably only as a prelude to approach (1).

In sum, the present is a period marked by a recent redistribution of politico-economic power, and transaction relations have been affected accordingly. There has not been time for the community to comprehend the significance of this power shift, a shift which not even the latter-day judiciary foresaw. Whence counter-measures have not yet been taken. But such containing measures, such institutional adjustments, are inevitable. It may be taken as axiomatic that a community, if it cannot immediately dilute newly-risen power concentrations, will circumvallate them and gradually deprive them of necessary nourishment. For just as possession of great power tends to be self-corrupting, so does its wanton exercise tend to be self-destroying.

DISCUSSION

HANS SPEIER
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The time allotted to the discussants on this program does not permit them to evaluate adequately the contributions which have been made to the understanding of interest groups in American society. The subject is so complex that the analytical parts of the papers by Professors Blumer, Fainsod, and Spengler present a great challenge to the discussion. In addition, the papers contain, explicitly as well as by implication, generalizations about the nature of our social and political life, appraisals of its stability, and forecasts of changes to come. To none of these parts of the presentation do I feel capable of doing justice within a few minutes.

Concentrating mainly on Professor Blumer's paper, I shall first comment on what might perhaps be called his philosophy of rugged organizationalism. Secondly, I should like to say a word about the perspective in which all three speakers have viewed their common problem.

Professor Blumer stressed with great forcefulness that interest organizations are congenial to our social structure. He regarded them as "natural" products of our "democratic type of society." In this society people are allowed relatively wide latitude in the pursuit of their interests and thus many organizations advancing and defending special interests exist. It surprised me that Professor Blumer likened in this context economic power blocs to educational organizations and to the Catholic Church, despite the fact that the latter antedates the birth of modern democracy and today flourishes also in societies in which the political authorities do not permit the free pursuit of private interests. I would prefer to regard economic power blocs as products of capitalist society in a specific, fairly recent, phase of its history rather than as integral parts of a democratic type of society.

Democracy neither requires economic power blocs nor has it always been associated with their existence. In fact, at the risk of appearing pedantic, I must confess difficulties in understanding what is meant by "democratic type of society," since democracy is a form of government. This remark does not pertain to a matter of definition: it affects the problem under review. If I am not mistaken, all three speakers agreed that a crucial question regarding interest organizations in our society is that of their compatibility with democracy, i.e., ultimately

with the principle of political equality. If huge economic power blocs are likened to educational organizations or the Catholic Church, and are regarded as integral parts of a democratic type of society, this crucial question, I am afraid, may be obscured.

Professor Blumer said that if organizations grow, sometimes to huge size and great power, we witness merely a phenomenon of natural growth. Again, the important question does not appear to be whether or not such growth is natural but what consequences it has for the political and social structures and for the goals they are intended to realize. If weak organizations are destroyed by strong organizations, Professor Blumer observes, "our society takes for granted the extinction of interest organizations in the conflict process irrespective of unequal advantages between them." While this is generally true, such indifference or tolerance seems to be predicated upon the expectation that the struggle between the organizations will be limited by certain restraints and that the outcome of the struggle is ultimately desirable. For example, people do not take it for granted that it is "natural" for weaker organizations to be extinguished through liquidating their directors by assassination. Furthermore, social scientists need not necessarily take popular indifference toward non-violent extinction of weak social organizations for political wisdom; they may ask whether the people who think like most people are right or wrong in their indifference or tolerance and, more specifically, under what conditions they are right or wrong.

Professor Blumer's exposition is a most necessary antidote to the erroneous opinion that order in society means perpetual harmony and is incompatible with struggle among its constituent elements. A semblance of the most perfect harmony exists in regimented societies; most of us prefer a social scene in which conflicts can be expressed to one in which they are not expressed because of police action and threats. Moreover, conflict and struggle are not only a price to be paid for liberties but are a valued part of life itself in modern western civilization. Hence, they might indeed be said to be "natural" within the confines of our civilization. But just how much conflict, what kind and form of conflict are compatible with the democratic course of government? Clearly, the mere frequency of conflict and of continuous, temporary, accommodation do not yield valid criteria of what is desirable. Are wars "natural" because they are often waged? If we call them such, we distinguish ourselves from warmongers by regarding them nonetheless as undesirable and attempt to prevent their oc-

currence, preferably in such a way that the controls we apply will not inflict more deprivations upon us than war itself.

How powerful may economic power blocs be and what may they do without undermining the democratic foundations of the government? As Professor Fainsod has pointed out, "in a politico-economic world that is part organized and part unorganized, the race goes to the organized." Furthermore, strong economic organizations do not confine themselves to advancing their interests against competitors or opponents in given political circumstances, but try, as all three speakers have observed, to change the political circumstances themselves in order to advance their interests more effectively. In these two respects, then, economic power blocs may jeopardize democracy. I should like to regard Professor Blumer's opinion that the problem of huge interest organizations "is almost solely a problem of the relation between them and the state" as an indication that he agrees with me on this point.

The activities of interest organizations do not necessarily threaten democracy. They may, in fact, strengthen it by organized opposition to monopolies of power which other organizations try to attain or defend in their sphere of interest. Or they may merely present a challenge to the citizens and the government to exploit, in Professor Fainsod's words, "opportunities for creative adjustment at every strategic point." There was a time when political philosophers were convinced that the democratic form of government was unsuitable to large nations and could prosper only in small political communities. By the same token, it would be rash to assume incompatibility of large social interest organizations with democracy, without paying attention to the varied specific forms and conditions of the conflicts and struggles which their co-existence generates.

Professor Spengler has given an interesting account of the effects which the operations of labor organizations have upon the national economy and has commented all too briefly on the transformation of the political structure which he foresees in consequence of the growing power of labor. I hope that his analysis will be reviewed by men more competent in economics than I am and be supplemented in the discussion by an analysis of business organizations.

Spengler has mentioned the factors which make organizations strong, namely size of membership, consciousness of kind, and organizational efficiency. I should appreciate learning Spengler's reasons

for excluding from this list control over resources, information, skills, and access to policy-makers.

Let me conclude with an observation that refers to all three papers. The whole discussion has centered on economic interest organizations in a domestic setting. Neither the economic nor the political operations of these organizations, however, can be fully assessed today without taking account of their intended or unintended international repercussions. Similarly, the direct or indirect influence of these organizations upon the foreign policies of the government under which they live deserves more careful study than it will be given tonight. It appears to me that potential and real conflicts between minority interests and the common good must be reviewed with regard to national security and national power since, in what Professor Blumer has so aptly called "a precarious world," the common good comprises national security and national power in addition to prosperity and justice.

DON K. PRICE
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Although I am not entirely sure what the role of a "discussant" should be, I suppose that, like an editor or an auditor, he is obliged to find something to disagree with in order to justify his existence.

Dr. Fainsod has made this a difficult job. Instead of going all out either for pluralism or for the integration of our political and economic system, he argues for a certain amount of moderation and balance. By going down the middle he dodges me completely—simply because I agree with what he is saying. I am sure he is fundamentally right in arguing that only by simultaneous efforts to reform our party system, our legislative organization and processes, and the administrative structure of government, can we enable our government to develop a general policy in the public interest.

But I think Dr. Fainsod has failed to deal with a couple of aspects of the problem—aspects which are of great importance in determining our approach to it. If Dr. Blumer is too pessimistic, as I think he is, about the opportunity that social scientists have to help solve our practical problems, I believe that these aspects need to be taken into account.

First of all, it seems to me that Dr. Fainsod, and Dr. Blumer and Dr. Spengler as well, have greatly underemphasized the forces that

help integrate the various groups in our society. After all, the same individuals are members of various pressure groups and at the same time are citizens of our larger society. And our educational machinery, our press, all our national organization for scientific research—all these help build a more or less objective basis for the integration of society.

My second point is a little less obvious and requires a fuller explanation. It is that Dr. Fainsod, and the other two speakers as well, seem to me to assume that power blocs are created by the initiative of economic groups, and then move in on the government as an arena in which to stage their contest. This, of course, is true. But on the other hand, it is also true that government is a form of organization (and its various sub-divisions are something like communities with social purposes of their own) which itself develops pressures and initiates social movements. As the government grows in its expenditures and the number of its employees and the range of its functions, the influence and initiative of our governmental agencies in the economic scene, as something more than a mere reflection of economic power blocs, necessarily increase.

If this is true, it is high time that economists and sociologists and political scientists all begin to pay more attention to the conditions which tend to make governmental agencies act like independent and competitive forces, and the different conditions which tend to make them responsible to a general national policy or the general public interest.

In Great Britain they are discovering, if they didn't know it already, that ownership is not the only clue to economic power. They have nationalized ownership and are now trying to find out how to control the industries they have nationalized—especially, how to relate operating efficiency to the demands of general policy. Similarly, legal and constitutional authority over government departments is never enough. The British executive and the American President have widely different constitutional authority but they have many of the same problems when it comes to coordination and control of their own governmental agencies.

Nevertheless there are some aspects of government that are nearly peculiar to the United States—how little its public service personnel resembles a closed bureaucracy, how little influence or control its executive has over the legislative process, and how the executive is

unable to determine the nature of the organization and the departmental structure through which it must carry out public policy.

All these aspects greatly increase the ability of a government department to act like a power bloc, almost as independent as—sometimes even more independent than—private economic interests.

For this reason the details of legislative procedure and administrative organization—which the more scholarly social sciences have been accustomed to leave, with something like a feeling of disdain, to the efficiency experts—have become determining factors with respect to the development of important economic interests. What is it that lets the Army Corps of Engineers develop a policy of its own, independently of the Chief Executive and without any real responsibility to the Congress as a whole? Whatever it is, it may go far toward determining the economic future of the Mississippi Valley and parts of the arid West. What is it that determines the degree of independence of the Federal Reserve Board or the Interstate Commerce Commission? Whatever it is, it does much to affect the future of the banking and transportation industries, and not always in the ways that those industries expect. What is it that determines the degree of responsibility of a doctor or a scientist to the demands of government, whether he works for government, or for private businesses or universities that have contracts with the government? Whatever it is, it may determine the future of the profession of medicine, and the status of scholarship and research in the United States.

If you are interested in maintaining a pluralistic society, I think you must look with a great deal of fear on the extent to which business is driven to standardization and consolidation by the laws of its own technological development, and that you should take comfort from the fact that the nature of our political and administrative system seems designed to maintain a great deal of diversity and freedom. We may yet come to think that freedom of enterprise has been projected by an individualistic system of government on a highly organized world of business.

But with the need for a certain degree of coherence in our national policy—the state of the world being what it is—we cannot be smug about the lack of unity in our governmental apparatus, and we had better see what we can do to bring about the necessary degree of integration without sacrificing the basic values of freedom.

On problems like these social scientists in all disciplines can make a great contribution, provided—as long as they are acting *as scientists*

—that they avoid the role of advocate or reformer. If they develop objectivity of method, they may be able to build up the objective basis on which conflicting groups can build a community of interest.

And as for those trained in the social sciences who are engaged not in research but in "social engineering" or administration, I think they should not take Dr. Fainsod's concluding remarks to mean that they must wait on public opinion before taking a stand in favor of the social change which it is their responsibility to help bring about. If they avoid such a misinterpretation of Dr. Fainsod's point, I am sure they will profit too by his advice to follow a balanced approach in dealing with the governmental aspects of the problem, rather than quarreling about which of the several steps ought to be taken first.

NEIL W. CHAMBERLAIN
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The detached point of view and the careful analysis which characterize Professor Spengler's paper are sufficiently apparent so as not to require further comment. They recommend a sympathetic examination of his remarks considered as a thesis. In addition he has offered certain redefinitions of concepts, and spelled out systematically the meaning of others which are often left amorphous. These details warrant more specific examination. In the brief time allotted to me, however, I shall confine my remarks to the gist of his paper, its central theme, rather than to any of its parts, in the belief that this will sustain a more general interest.

I am in general agreement, as I suspect all of us are, that a problem exists in the phenomena described by Professor Spengler. I am in disagreement as to the nature of its economic basis, as to its essentially ominous character, and as to its transient quality. It is perhaps unfair to comment on one line of approach by countering with another, but my disagreement is so fundamental that I hope my remarks will be accepted for their specific contrast, and not as an independent and unrelated line of thought.

First, as a preliminary which does not go to the heart of the matter, but which nevertheless needs to be said, unions are not the irresistible forces which they are sometimes pictured to be. Nor, despite the growth in size of bargaining units, is the uniformity of bargained terms so close and widespread as is sometimes assumed. The key bargains exist, to be sure, but they are key in the sense of directing

impulses or influences and not always in the sense of transmitting *unchanged* the amount of the charge. The United States Steel Corporation represents a key bargaining center, the terms of whose collective agreement are accepted virtually without modification in a number of other basic steel centers. As a key bargain, its influence extends beyond basic steel, however, affecting in *direction* the bargains which take place, for example, in the steel fabrication industry; but here the impulse feathers out into a range of actual results, in which diversity rather than uniformity prevails.

This diversity of terms which may have had a common directional impetus is important in understanding why managements may not quite so willingly accede to whatever demands are made by the union, in confidence that recompense may be had from the unarmed consumer. It is thus significant in suggesting why the fear of bilateral monopolies, while not unwarranted, may be excessive. For just as each union formulates its demands, to quote Professor Spengler, "as do tariff seekers, upon the supposition that it stands to gain more than it will lose, and that it certainly will lose through price-rises elsewhere if it demands nothing," so do managements calculate that to concede to their union without resistance may be to subject themselves to a relative disadvantage in competition with firms which, while conceding something, have not conceded all. Nor is there much indication that any union or federation of unions will succeed in bringing under one compact with common terms all industries whose products are functional substitutes for each other.

Moreover, even if we assume uniformity of wage changes, the results for individual firms are variant, depending among other things on the price changes which are induced and on buyers' price elasticities of demand. The accompanying shifts in consumers' preferences as they find expenditure substitutes (as well as functional substitutes) will have an uncertain net effect on individual producers' sales. These differential and possibly unfavorable effects are of course allied to one of the major forces which Professor Spengler sees as inhibiting the unions directly in the long run. But I would urge that they are also likely to act indirectly in the short run by stiffening the resistance power of managements, a resistance power which in many cases is still formidable.

For this and other reasons which, with more time, might be added, I am inclined to doubt that unions either now hold or will in the future hold the full powers of exploitation which sometimes have been at-

tributed to them. But this is said only to bring the problem down to more realistic dimensions. It does not change the fact that the unions do possess great economic and political powers, which are still on the increase, and that this fact presents a problem which must be met. And on this score I am happy to note that this Spengler predicts no "decline of the West" but, rather, appears to believe that union excesses will in time bring their own correction. I should agree that if the unions do embark upon a policy of unmitigated group selfishness, ignoring the welfare of society generally or unrestrained by a systematizing of their functions within a larger pattern, they are apt to find themselves shorn of their misused strength by a tired citizenry which includes many of their own members.

Now let me turn to more fundamental considerations. Professor Spengler regards unions as price-making institutions which came into being through failure of a capitalistic society to reduce prices and advance wages sufficiently. He thinks of them as monopolistic in the usual price-affecting sense, designed to exact "a supracompetitive wage." The problem thus shapes up as one of the desirability and likelihood of restraining economic monopoly when it assumes the union dress. Here is a problem couched in terms that are familiar to generations of economists bred on liberal economic traditions. But its very statement in these terms robs it of its real significance—that the developments in industrial relations represent not just a threat to the workability of the price system but a challenge of its philosophical and ethical foundations. Monopoly when judged within the framework of price theory can be readily condemned. But unions are not such simple economic monopolies, and when their actions raise questions concerning the nature of the system itself, they cannot be answered merely by quoting the tenets of the system. The unions, that is to say, are forcing a re-examination of whether the framework of price theory is adequate for our times. This is a large and insistent challenge, but I find no reference to it in Professor Spengler's paper. I shall have time to refer briefly to only one major aspect of the problem.

The optimum allocation of factors of production, with which he is largely concerned, has been conceived for some time as based on maximum consumer satisfaction. The means by which the factor was to be allocated was the money wage, whose motivating power came from its exchange value. What we have been in the process of discovering for some time now is that this whole system of reasoning has a faulty

foundation in the premise that consumption is the *only* purpose of the economy and the overriding desire of the individual. The increasing number of studies documenting the proposition that workers and unions are importantly motivated by non-pecuniary considerations are simply suggesting, in other terms, that workers and unions are not solely interested in satisfying consumer wants, but that satisfaction in the process of production, and enjoyment of the job and the worker society which it represents are important parts of living. Their interests as producers are worth considering along with their interests as consumers. Those interests as producers require organization to protect them from a price system which seeks the individualization of the market. And organization spells monopoly.

To condemn unions as monopolies, within the framework of the price system, is thus in effect to insist that they have no right to champion their own interests as societies of producers. I submit that that issue has not been resolved by society at large, and that it is too early to foreclose it simply by a reaffirmation of traditional thought buttressed by an imposing theoretical system. It is perhaps worth noting that even the classical and neo-classical writers admitted some departure from the standard that the economy should be geared to maximum consumer satisfaction. Their concept of "psychic income" was sometimes used to explain wage differentials on the ground that a man might derive from his employment such enjoyment that he would willingly accept a smaller wage than he might earn elsewhere. So little impact did this concept make on the body of doctrine, however, that it constituted little more than an interesting footnote to the main stream of thought. There was no appreciation that here was being touched on the phenomenon of producer interest, a matter of such high importance that it was to threaten—in our day—the system which excluded it.

All this is not to argue, of course, that the organizational power which workers acquire in the process of seeking a kind of satisfaction in their working lives may not be abused. It does nothing more than suggest that the union's inevitable interference with the "optimum" allocation of labor cannot be judged harshly out of hand, even though the degree of its interference with consumer satisfaction warrants continuing attention. We may legitimately apply the tenets of price theory, condemning monopoly behavior, where the union operates as a simple pricing monopolist. But where the union demands judgment

by other standards we shall have to examine those standards before rendering judgment.

Finally, as to the role of the social scientist in all this, I sympathize with Professor Spengler's weariness with panaceas, but I should not want to extend such a weariness into disavowal of professional responsibility for possible solutions. If it is true that the freely competitive pricing system no longer constitutes an acceptable normative pattern for important numbers of people within our society, I would judge it incumbent upon those within our profession whose interests run to questions of welfare to begin the labors of piecing together a new systematization of norms that preserves—in some measure—the values of the old and adds—in some measure—the omitted values which time has shown to be important. In such an approach may lie the greatest likelihood of appropriately restraining the unions. For if we explicitly and systematically recognize the values which they can justify their seeking, we may find a greater willingness on their part to conform to a general pattern which recognizes, too, values which otherwise they might be led to attack.

Part VI

MEASUREMENT OF EMPLOYEE ATTITUDES

THE USES AND POTENTIALITIES OF ATTITUDE SURVEYS IN INDUSTRIAL RELATIONS

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HOW MEN FEEL about their jobs, their supervisor, and their company has been recognized only during the past few years as worthy of systematic managerial attention. Why a matter which would seem on even casual observation to be of such paramount importance has been so late in receiving attention is difficult to explain in a fully satisfactory manner. It is perhaps sufficient for our present purpose to note the facts that management has finally become very much aware of the importance of employee morale, that help is being sought from psychological methods in its measurement, and that serious efforts are being made to identify factors associated with low morale. There are few of the commercial services for sale to industry today—services that involve matters such as an insurance or a retirement program, safety, or health—which do not mention the value of the suggested program to the morale of the employees.

Clinical versus Statistical Approaches

This rapidly growing interest in how employees feel about their jobs and companies has been accompanied by a parallel growing interest in the measurement of morale. Thorndike long ago pointed out that anything that exists, exists in some amount, and anything that exists in some amount can be measured. Thorndike's dictum is accepted, at least by implication, by every experimental or statistical psychologist and, therefore, it was a short step for them to begin making attempts to devise acceptable methods for the measurement of morale. However, not all psychologists are inclined toward the use of experimental or statistical methods. Clinical psychology has long been a major area of the field, and recent emphasis by the Veterans Administration on graduate training of clinical psychologists has resulted in a marked increase of professional interest in clinical work.

The quite legitimate differences in background and interests between the clinician, on the one hand, and the experimentalist and/or statistician, on the other, have quite naturally resulted in differences in methods proposed to measure employee morale. To attempt a com-

plete description of methods proposed by both schools of thought would certainly be far beyond the purposes of the present paper. Also, there is a considerable amount of overlapping between the different methods. But perhaps few would disagree with the general statement that the clinician usually tends to prefer some form of the interview, while the non-clinician tends to prefer some form of questionnaire or paper-and-pencil check list. There are quite naturally differences of opinion as to whether the interview or the questionnaire more accurately reveals the really important factors underlying morale, and it is a matter of record that these differences of opinion have at times become the subject of heated argument. Without any desire or intention of becoming involved in this argument, it can safely be said that both methods have been used advantageously. The conditions in a given plant at a given time sometimes suggest one method as the most promising, and sometimes the other.

Paper-and-Pencil Methods

For certain specific reasons, this paper will be limited to a consideration of the paper-and-pencil, non-personal-interview methods. The reasons for this limitation are that my personal experience in the field has involved the questionnaire approach and certain useful results with this method have been obtained. In one instance a repetition of a survey three years after an initial survey quite conclusively showed that actions taken by the company during the intervening period—actions based in large measure upon information revealed by the first survey—were followed by marked improvements in how the employees felt toward their jobs and the company. Other work with the paper and pencil method, e.g., the early work of Bergen and that of Uhrbrook, has also shown that this method will provide useful information.

There are several types of blanks that have been sucessfully used. The earliest method proposed was originated by Thurstone and Chave of the University of Chicago.[1] This method, in its earliest and still most widely used form, requires that a number of statements expressing *some* degree of favor or disfavor toward the attitude object be formulated and scaled by a somewhat laborious procedure. The scaling procedure provides that the statements used be approximately equally spaced on the continuum from extreme favor to extreme disfavor. The person taking the scale then simply checks all statements

[1] L. L. Thurstone and E. J. Chave, *The Measurement of Attitude*, University of Chicago Press, 1929.

that he agrees with, and his attitude is measured by the mean scale value of all statements so checked. If a large number of employees of a plant take the scale, one can readily determine the mean attitude of the employees toward the company, and if the same scale has been used in other plants, enlightening comparisons can often be made. And if certain breakdowns within the plant are made—such as office vs. factory, men vs. women, long vs. short service employees, salary vs. hourly rate employees—important information about differences in morale between groups is often brought to light.

When a scale of this type is used the standard practice is to request the employees not to sign their names. They simply indicate certain information about themselves which is to be used in breakdowns of the type mentioned—such as department and length of service—but no information is requested which would make it possible to trace a specific reply to a specific person. A very limited amount of work has been done in comparing results obtained from signed and unsigned questionnaires, but since comparisons of these methods are difficult to make in a clear-cut manner, the results have not been conclusive. Most attitude survey men use the anonymous questionnaire, feeling that as long as there is any possibility of divergent results with the returns signed and unsigned, it is safer to trust the results from the anonymous returns.

There are several practical objections to the use of the Thurstone type of attitude scale in industry. It yields only one value indicating the degree of favor or disfavor of the employee toward the company. It does not identify specific factors which are associated with high (or low) morale, and therefore is not very helpful to an industrial relations department in pointing out specific things which might be given attention. By its very nature, the scale must include statements which vary from a high degree of favor toward the company to an equally marked degree of disfavor. Many managements, rightly or wrongly, do not wish to use a scale which puts into the hands of the employees a number of statements which are highly critical of the company. This objection to the Thurstone type scale in its original form has been eliminated by a modification of the method developed by Likert [2] which uses only statements to the "right of center," i.e., those which express attitudes varying from neutral to the favorable end of the continuum. But even with this modified method, no provi-

[2] R. Likert, "A Technique for the Measurement of Attitudes," *Archives of Psychology*, June 1932, No. 40.

sion is made to identify specific factors associated with an unfavorable feeling toward the company.

A recognition of this basic shortcoming of the Thurstone type attitude scale when used by industry has prompted a number of survey organizations to develop a somewhat different method. This method makes use of a questionnaire which asks a number of questions about such matters as company policy on a variety of topics and numerous other matters on which management would like to know the reaction and feeling of the employees. When a questionnaire of this sort is used by a consulting firm, exactly the same questionnaire, and therefore the same questions, are often used with a number of clients. The same questionnaire is also used with the same client at a later time, and not infrequently it is repeated at periodic intervals, such as every two years. The use of the same questionnaire with different companies and in repetitions of the work with a given company has several obvious advantages. It makes possible company to company comparisons and comparisons of a company with itself at a later time. A shortcoming of a generally used questionnaire, however, is that it seldom provides for obtaining information concerning employee reaction to matters that are unique to a certain company. Every company has some problems of this sort—such as a particular type of retirement program, credit union, group insurance, medical department, locker system, and cafeteria, to mention only a few. Often such topics which are unique to a company are the very things on which management most seeks information concerning reactions of the employees. Quite a number of companies have therefore followed the procedure of formulating questions specifically adapted to the companies involved. This requires a certain cost in printing the special questionnaire, but even this expense is modest compared with the price of a survey conducted by a consulting firm using a generalized questionnaire. When a special set of questions is written to apply particularly to a certain plant, we have found it advisable to include a number of general questions which have been used in other plants at other times and can be used in the plant in question at a later time. This core of so-called "key" questions forms a basis for inter- or intra-plant comparisons. Examples of "key" questions of this sort that have furnished enlightening information are:

What is your opinion of your boss (the man you report to):

Does he know his stuff?	Yes or No
Does he play favorites?	Yes or No
Does he keep his promises?	Yes or No

Do you feel that top management is interested in the employees? Yes or No.

When desirable job vacancies arise, how do you feel they are generally filled?

By both ability and service.
By employing people outside the Company.
By promoting favored employees who are not especially qualified.
By taking the most qualified person.
I am not sure how they are filled.

In addition to the questions which are answered by checking one of the answers given, it is often advisable to include an "open-end" question at the end of the questionnaire. This not only enables but encourages the employee to "write his mind," so to speak, on any subject that may not have been adequately covered in the previous questions. Tabulation and analysis of the free responses to an open-end question are often difficult, but a simple reading of several hundred such responses is often quite enlightening.

There are several ways in which a questionnaire can be administered. Among them are assembling groups of employees on company time in a room of considerable size, such as an auditorium or cafeteria, explaining the purpose of the questionnaire, asking the employees to fill it out, not sign it, and drop it in a ballot box. Another method is to distribute the questionnaire with an explanatory printed statement to the employees on the job, asking them to fill it out after hours, and drop it in a ballot box when they come to work the next day. Still another method is to send the questionnaire by first class mail to the employee at his home address, enclosing an explanatory sheet and a stamped self-addressed envelope for the return of the questionnaire. Our work in this field at Purdue University has made use of the auditorium method and the mail order method, more frequently the latter. With the latter method our percentages of returns have varied from 70 to 85. We have felt that percentage returns of this order are quite high enough to give a rather adequate picture of morale conditions as they are revealed by this method of measurement.

Victor Adding Machine Co. Surveys

Some of the results from two surveys conducted in the plant of the Victor Adding Machine Co. with an interval of three years between surveys may be used to illustrate the kind of results which have been obtained by the mail order questionnaire. The original survey, conducted in November of 1945, used a questionnaire containing 80 questions. The second survey, conducted in June of 1948, used 82

questions. Approximately 60 common questions appeared in both questionnaires, and of these, 48 were considered possible "key" items for overall morale measurement. Ten advanced students of industrial psychology independently checked each of these 48 questions in the way he felt the item would be checked by an employee who was very well satisfied with his job and the company. Only those questions on which there was 80 per cent agreement among the ten independent judges were further considered as possible "key" morale items.

Half of the 753 returns were then stratified on all biographical information items, i.e., sex, marital status, paid by hour or week, type of work done, and length of service. The remaining half, which was necessarily stratified in a similar manner, was held out for later analyses.

An internal consistency item analysis of the possible "key" morale items was made on one of the stratified halves of the returns referred to above. The full details of this analysis have been published by Harris.[8]

From this analysis, 35 "key" morale items were identified, each of which, without intention on the part of the analyst, was found to be an item on which the ten independent judges previously had unanimously checked the same response as the "high morale" answer.

The reliability of the scale consisting of these 35 items was then tested on the "hold out" stratified half of the returns. The scale was found to have a reliability coefficient of .84. Later studies with this scale used in other questionnaires have shown the reliability to be even higher when the range of the morale among the employees is greater.

The inclusion in a questionnaire of these 35 "key" morale items, or a reasonable number of them, thus provides a basis for overall attitude measurement by means of a questionnaire tailor-made for a specific plant or company. But over and above such overall measurements and comparisons, a comparison of the per cent of high morale answers on each of these questions from time to time or plant to plant, has given some very revealing information.

It will be interesting to examine a few of the "key" morale items used, with the percentage of "high morale" answers obtained in 1945 and again in 1948 at the Victor Adding Machine Co.

[8] F. J. Harris, "The Quantification of an Industrial Employee Survey: I, Methods; II, Application." *Journal of Applied Psychology,* April, 1949, pp. 33, 103-113.

One of the questions was "How do you think your average weekly earnings (gross earnings before deduction) compare with that paid in other companies for the same type of work?" This question had three possible answers—better here, about the same, and lower here." In 1945, only 12 per cent of the returns gave the answer "better here." In 1948, 37 per cent of the returns gave this answer.

Another key question was "What do you think of working conditions here as compared with other plants?" In 1945, 36 per cent of the returns answered "above average." In 1948, 60 per cent of the returns gave this answer. Another was "Do you feel that top management is interested in the Employees?" In 1945, 84 per cent said "yes" —in 1948, 91 per cent said "yes."

An overall comparison of the "high morale" answers to the 35 "key morale" items in 1945 and 1948 revealed very interesting information. An obtained difference between two per cents can readily be tested by a standard statistical test to determine the probability that the difference could have arisen by chance. This test results in a level of significance which should be attached to the obtained difference.

This test was applied to the 35 pairs of per cents arising from the 1945 and 1948 surveys at the Victor Adding Machine Co. A summary of the results showed that on 19 of the items the per cent of "high morale" items increased at the one per cent level, on three items at between the two and ten per cent levels, on 12 items the change was in either direction but could readily be accounted for by chance, and on only one item was there a decrease that could not readily be accounted for by chance. On this single item the drop in per cent of "high morale" answers was at the four per cent level of significance.

Needless to say, these results were very well received by the management, and the results are being used in planning industrial relations activities for the future.

The picture revealed by this type of survey is not always so encouraging. A survey conducted in 1948 in a similar type of company in Chicago used a questionnaire containing 24 of the previously identified "key morale" items. Eighty-five per cent of the questionnaires were returned and 18 of the 24 key items showed lower percentages of high morale answers than the 1945 Victor survey showed. Every one of the 18 key questions showed lower percentages of "high morale" answers than the results of the 1948 Victor survey. These results should give the management some very real help in combating a real condition of low employee morale.

Conclusion

This type of employee survey is certainly not the final answer to the problem of measuring morale, but it has been shown to give definitely helpful information. Among its advantages are the facts that it is relatively inexpensive, the results are clear-cut and unambiguous, it provides a basis for intra- and inter-plant comparisons, and the comparison of a plant with itself at a later time.

GOOD AND BAD PRACTICES IN ATTITUDE SURVEYS IN INDUSTRIAL RELATIONS

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THE MAJOR WEAKNESSES in the use of survey research procedures in the study of labor-management problems are of two types: first, weaknesses that stem from poor techniques and, second, weaknesses that stem from the failure to use survey design in relation to theory.

Lack of Research Design

On the technical side, the most common weakness in surveys is a lack of research design, even when basic theoretical concepts are not being investigated. Apart from the significance of the theory under investigation, surveys can be considered from the point of view of the methodologist in relation to the adequacy of the research design. The fact of the matter is that the empiricism of market research has so affected the survey field that it is all too common practice to find industrial surveys with almost complete lack of research design. The survey will be essentially a counting procedure and will consist of a reporting of the percentage of workers who like the retirement plan, who have confidence in top management, who feel their foremen take a personal interest in them, etc. There is little systematic attempt to seek relationships, so that repeated studies will build up a field of knowledge.

To take a simple example, if we make a study of the attitudes of foremen, we should so design the survey that we can begin to get answers about some of the factors related to differences in the management-identification of foremen. One suggestive study has related foreman philosophy to length of time on the job and has demonstrated that the longer the foreman has been in his role of management representative the more he takes over management values. We are currently investigating differences in foremen values in one plant between foremen who had once been stewards in the union and foremen who had no such union background. In another plant we are investigating differences in foremen who come up from the floor of the plant and foremen who come from the junior executive-training department—differences on such matters as identification with company and with the men, perceptions of the men's problems, and philosophy toward the union.

By survey design, then, is meant the attempt to establish a relationship between two factors. And good survey procedure calls for design even if the problem under investigation is at the applied level.

The Limitation of Research To Data Obtained from a Single Source

A serious technical weakness in many surveys is the limitation of the research to data obtained from a single source. The survey will be confined to the verbal responses of *one* sample of respondents. No outside criterion is used so that the only possibilities of relationships are in the intercorrelation of the attitudinal responses. This type of study may be of considerable value, but it often leaves unanswered questions. Workers may, for example, be critical of company policy, reject company goals, dislike their supervisors, and have strong attachment to their own informal group. Even though these attitudes may intercorrelate, we cannot assume without evidence from another source what the causal relationships are. It may be that the attitudes toward the supervisor are the critical values determining the other reactions. Or the key may be in perceptions of company policy. Or it may merely be that this intercorrelation is a function of a general factor of conventionality—unconventionality in response in the interviewing situation. The more unconventional person may give a more critical and frank appraisal of everything in the questionnaire.

In this case, an additional source of information can be utilized by making a survey of supervisors. If we find on the basis of a supervisory survey that reaction to supervisors and to management bear a definite relation to the values and philosophies of the different foremen, we are on the road to establishing a causal relationship.

A common substitute for outside criteria is the use of factual background material, generally obtained at the end of the interview. These factual questions inquire into the worker's job-classification, his salary, his length of service in the company, his union affiliation, his age, etc. Since these inquiries get at a different level of information, the assumption is that any relationship between the factual data and workers' opinions and beliefs is not artifactual in basis. For example, some surveys relate worker frustration to length of service and find that new employees and old employees show less vocational frustration than those in the job two to eight years. There is no reason for questioning this finding on the ground that the disgruntlement of the worker with chances for getting ahead made him distort his answer

to the length of service question so that it fell into an intermediate category.

Another example of the use of factual items to determine relationships has occurred in getting at the determinants of intrinsic job satisfaction. Though it is sometimes asserted that people do not like decision-making and that the less-endowed individual enjoys routine work, the survey findings are in agreement that the higher the level of job difficulty the greater the intrinsic job satisfaction. This is based upon factual items describing the level of job difficulty which are then related to attitudes about the job, with other factors held constant.

Good survey practice calls for a more extensive and a more searching use of factual and experiential questions. There is a tendency to automatically add to the interview schedule a few standard items such as wages, job classification, age etc. Good procedure is to explore fully the most relevant factual items for the beliefs, ideas, and values under investigation. If the survey has questions about discriminatory attitudes toward Negroes, then the factual items should include questions about the respondents actual contacts with Negroes, whether he has ever worked in the same shop with them, whether he has ever known any outside the shop, etc. Similarly, if we are concerned with worker frustration in terms of vocational aspiration, we want to ask factual questions about his schooling, his training, the occupation of his parents, the number and recency of his promotions, etc.

A study will be definitely enriched if these background, factual items can be supplemented with information about additional criteria. For example, if we can get the various departments in a plant classified on the basis of number of days lost by work stoppage or absenteeism or some other measure, we can then relate the interview material to these outside criteria. Significant progress can be made if we give more attention to this factor of establishing relations between measures which are *independently* obtained.

We have already mentioned the use of the survey of a different group as an outside criterion in referring to interviews with supervisors. This development is a new and promising extension of survey methods, especially in the area of union-management relations. It calls for separate surveys of management, of union leadership, and of rank-and-file workers. For certain purposes we can take as an outside criterion the type of relationship between foreman and steward as determined by a consideration of interviews with these two groups and then relate worker attitudes to differences in these relationships.

For example, in our Studebaker study we have made a separate survey of all foremen, all stewards and a sample of rank-and-file workers. We can classify departments in the company on a number of dimensions: for example, on the power relationship, into those departments where the foreman has the dominant power, those where the steward has the dominant power, and those where the power situation is in conflict. This can be done on the basis of foreman and steward interviews. Then we can examine the differences in worker reaction in these three different types of departments.

Moreover, the relationships between steward, foreman, and worker attitudes are interesting facts in and of themselves. The conflict theory of group interest assumes that labor problems are essentially a function of the fact that you can't slice the pie so that each side gets the largest piece. The more one side gets, the less is left for the other side. Another theory assumes that there is no essential conflict and the failure of labor and management to get along is due to distorted perceptions, lack of communication, and misunderstanding. The survey method applied to the various groups in the picture can yield information about the degree to which the problem is one of misunderstanding and incorrect perception in a given situation.

Selective Biases in Sampling and the Definition of the Universe

The type of sampling problem that has plagued the pollster or the market researcher is the selective bias either in the quota-control method or in mail ballots. In general, this is not a basic problem in the field of labor-management relations. Mail ballots need not be used and should not be used since there is no way of determining their selective bias save through supplementary field work. The difficulty with the mail ballot is that you do not know what the people are like who do not respond. You have a hole in your sample and little information about its nature. The device used to strengthen this technique involves successive waves of mail questionnaires to compare the characteristics and responses of each wave. The better procedure is to avoid the mail ballot altogether.

The other common bias in sampling is one of interviewer selectivity. The interviewer in the quota-control procedure is not directed to a specific respondent and so can introduce selective biases which are a function of his personality, his social situation, the pressures under which he works, etc. Again, there is no need in this field for the use of methods which give the interviewer freedom in the choice of respondents.

The real problem is the definition of the universe we are studying. If we are making a survey of labor and management in a plant, it may not be enough to have a highly representative sample of labor and management in that plant. The findings from the study will not be generalized to other industrial situations because we have failed to define the nature of the individual situation we are sampling and we have failed to include enough cases representative of the situation.

In other words, there is one problem of sampling the individuals within a single industrial situation and another problem of a representative sample of industrial situations. The second type of problem has received little attention in the survey field. It raises many perplexing questions about the nature of the universe with which we are concerned and the dimensions according to which stratification should take place. One of the practical weaknesses thus far has not been the selective bias of individuals but the selective bias of situations. It has been much easier to undertake surveys in those plants where relations between management and labor are harmonious. Neither union leaders nor management welcome surveys when they are deadlocked in a struggle.

The Failure to Use Good Interviewing Procedures

Good survey procedure calls for intensive or depth interviewing at some stage of the process. The purpose of the intensive or open-ended interview is to get a full and valid account from the respondent of his perceptions, beliefs, values, and motives.

The technique is essentially that of starting with general, open questions and narrowing down to some of the specifics as the interview proceeds. It is essential that this be done in what psychologists call a "warm, permissive" atmosphere. It is essential, too, that the interviewer be a well trained, highly qualified person who will be accepted by the respondent.

It is not necessary to use open-ended interviews exclusively in conducting a large scale survey. If they are not used in the main part of the study they should be used in a pilot investigation to develop the questionnaire for more extensive use. It is also wise to supplement a fixed alternative schedule with a sample of open-ended interviews. Through open-ended interviewing it is possible to find the frame of reference in which the individual himself is thinking and to understand something of his basic set of values.

Because open-ended interviewing is time consuming and costly, even for a pilot study, and because it requires a high level of training and because of an unawareness of its potentialities, many morale surveys have been rushed into the field without adequate preparation. The research cost, in terms of superficiality and unreliability of hastily constructed questionnaires or fixed alternative interview schedules, is heavy. People will give "yes-no" or "approve-disapprove" answers to the questions thrust at them but these answers may not be very meaningful.

It is particularly true in the field of research in labor-management relations that open-ended interviewing should be used to supplement the more traditional procedures. In many situations, rank and file workers will tend to give back *safe* answers rather than their true feelings. When the company itself conducts a survey the interviewers may be perceived as company representatives and the workers may be suspicious of the purposes of the survey. Even when an outside group is doing the study, its objectivity needs to be clearly demonstrated to both sides. (One important procedure for gaining acceptance is to have a working group, both from the union and the company, who help to plan the study and who participate, to some extent, in the analysis.)

Written questionnaires can be usefully employed in many industrial situations if properly pretested and if accompanied by open-ended interviews. It is a mistake, however, to assume that they can be used without an examination of the audience to which they are addressed. There is a general tendency for the morale sort of question to have an upward displacement toward the high end of most scales. Most people tend to check some position at the favorable end of the scale. One way of checking reliability of the written questionnaire is to stagger the order of alternative answers in two forms. The two samples can then be compared for position effect on the answers. We have found a primacy effect among workers with only grammar school education—that is, these people in some cases *tended* to check the first position on the scale no matter what its meaning.

Questionnaire Construction and the Interpretation of Findings

Many surveys suffer from the attempt to give blanket coverage to too many problems. It is wiser in any one interview form to have a clearly defined problem and to approach it from a number of angles. This will give the related constellation of attitudes and perceptions and will make possible their full exploration. Approaching the prob-

lem from a number of related angles also provides checks for the consistency of response. It is also important to ask the dependent questions. In answer to many questions, many people like to begin, "It depends," and it is important to find out from them what the dependent conditions are.

In constructing a questionnaire it is essential not to rely upon direct questions for obtaining the reasons for a person's action. Indirect questions should be used and, if it is an open-ended schedule, the Lazarsfeld technique of pushing the respondent to deeper levels of motivation through pinning him down very specifically can be employed. But essentially it is important to anticipate what the possible reasons are for an action and to include them somewhere else in the questionnaire, in some other form than as a reason question. Then the causal relationship can appear through statistical analysis. For example, during the war people were asked their reasons for buying bonds. The two popular reasons were patriotism and the wisdom of the investment. The questionnaire also asked, before the interview was over, whether or not the person had been personally solicited, either in a community drive or at the plant where he worked. The item that was really correlated with bond buying was this fact of personal solicitation.

It is sometimes naively assumed that the art of questionnaire construction consists of getting neutrally-worded questions which will not prejudice the answer. This is a misconception of the problem. It is important to explore the respondent's attitude through many questions rather than to try to get a single, neutrally-worded item. I remember one study in which a neutral wording was sought for the treatment of strike-breakers and the question was finally worded, "Is it all right for workers to use force against other workers who are employed during a strike?" Workers had trouble with that one and finally turned to the interviewer and asked, "Do you mean should we slug the scabs?"

Perhaps no area in this research field is more treacherous than the interpretation of survey findings. The survey itself should furnish some context for interpretation but this context may not be broad enough. Related studies in the field should also furnish part of the framework for interpretation. In surveys on controversial issues, we should examine the techniques very carefully when the results confirm our own particular values. Many industrialists should have wondered about the survey they were buying which showed how

much the workers loved all the provisions of the Taft-Hartley Law. The procedure in this survey was to show that while there was an emotional rejection of the Taft-Hartley Law there was little detailed knowledge of the provisions of the act. Moreover, when some of these provisions were presented to the workers, the great majority approved of them. The interpretation that was made was that employees were overwhelmingly in favor of what the Taft-Hartley Law really stood for and that, if they only understood it, they would be enthusiastic about it. The role of management was clear. All it had to do was conduct an educational campaign. Yet when we made a survey in the last election, we found that the attitude that correlated the most highly with a rejection of Dewey was a rejection of the Taft-Hartley Law. Either management had not done a good job of education or the interpretation of the survey on the Taft-Hartley Law was too pat.

I would suggest that those of you who are interested in the use of survey technique go back and study this survey of the Taft-Hartley Act to see whether you think all the important provisions of the law were covered or whether the differential advantages to labor and management of the Taft-Hartley Law compared to the Wagner Act was explored and whether the emotional meaning of the Taft-Hartley Law was fully inquired into. Another way of saying this is to ask whether the unions could have done the same type of study and come up with, perhaps, different results.

The Lack of an Adequate Pretest

We have mentioned the importance of open-ended interviewing in a pretest or pilot investigation for questionnaires which are to be used in a full scale survey. A pilot investigation, however, should cover more than the development of the interview instrument. It should be carried to the point where there is a complete trial of all the procedures to be used in the larger study. This means that the pretest covers both the development stage of the questionnaire and a testing of it in its final form. It means, moreover, obtaining enough in the way of preliminary results to know whether the questions will be discriminating from a quantitative point of view. The first phase of the pretest should have less structuring and should give ample opportunity for the workers' perceptions of problems to appear. It should also afford an opportunity to test out the measures which are trying to get at certain hypotheses.

This type of pretest is in the framework of social science rather than in the framework of practical operations. It means long-range planning and unusual cooperation on the part of management and of labor. For these reasons, adequate pretesting is difficult to achieve in surveys. An adequate pretest of the Taft-Hartley study just referred to might well have revealed some of the weaknesses in its basic structure.

The Failure to Use Survey Designs in a Theoretical Context

This type of weakness has received much less attention from applied psychologists and much more attention from social scientists. The survey as a methodological tool is strong only if applied in a context determined by theory. Theory must define the important variables to be investigated and the survey is one means, and sometimes the only means, of gathering systematic data to give measures of the variables in question.

The typical weakness of the employee morale survey is that it has for a frame of reference the specific and immediate needs of the company and personnel department. The personnel department may be concerned about supervision and may want information about building a supervisory training program. Or management may want to assess the strong and weak points in morale in relation to some possible activity it has in mind. Surveys of this sort can be extremely useful and may have as their by-product some contribution to the knowledge of the psychology of the worker. They will, however, contribute very little to a science either of industrial psychology or of labor-management relations. Since they do not attempt a systematic analysis of the variables involved, they can do little to establish relationships among them.

The use of surveys for building a science of social relations is only in its infancy. The great handicap in employing surveys for basic research is not so much the technical difficulties of sampling, interviewing, and validating of people's verbalizations as it is the lack of sound theory of social relationships at the psychological level. The survey method makes the individual the unit of measurement. Therefore, most social theory which deals with group concepts and with the products of social interaction needs some translation for survey methodology.

Theory in social sciences often lacks direct application to a study of people in that it deals with superorganic concepts which postulate

the interaction of institutions. Exactly what is implied for scientific research here is not clear for the worker employing survey technique. On the other hand, social-psychological theory in great part has been developed from personality study or from the study of the individual in a small group situation. Hence it lacks the concepts of group structure which would furnish fruitful hypotheses for research or would point to the variables that need to be studied in the field of labor-management relationships.

My own interpretation is that we will make progress with survey procedures in studying labor-management relations if we can derive from some of the broader theory of the social sciences operational concepts more social-psychological in nature which can be tested on a multi-individual level.

DISCUSSION

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In performing the function of discussant I have been asked to give particular attention to Dr. Tiffin's paper. It seems to me, however, that a consideration of the weaknesses in the use of survey research procedures presented by Dr. Katz provides a very able criticism of Dr. Tiffin's statement on the uses and potentialities of attitude surveys in industrial relations. Almost all of the elements essential to an adequate survey suggested by Dr. Katz are absent from Dr. Tiffin's procedure: lack of research design which seeks to establish a relationship between two or more significant elements; a sampling bias (I call especial attention to the conflict of opinion of the two papers on the matter of mail questionnaires); a disregard of interviews which Dr. Katz believes necessary to provide background for developing the survey as well as checking the validity of results; no attempt to relate the attitude survey to a general theory of human behavior.

The two papers point up indirectly but very clearly the two different uses of attitude surveys, (1) as a measuring instrument whose primary function is that of an indicator of conditions which are too complex to measure directly and hence require more intensive study, and (2) as a diagnostic instrument which is designed to explain and produce information as to causal relationships. These two functions should be clearly separated, and it is doubtful whether the same survey instrument can effectively serve the two purposes.

There is a very obvious need for instruments of both types. Dr. Tiffin's interest is largely with the former—the indicator or yardstick device. To develop an efficient morale indicator, I should like to suggest three additional steps to those already mentioned by Dr. Tiffin. The first is a definition of morale, that is, the thing which is being measured. Neither an operational nor a conceptual definition is easy to construct, but if we are measuring something we should be reasonably clear as to what it is we are measuring. If it is not possible to define an item in terms of its nature, as is the case with electricity, there is always the possibility of defining it in terms of its attributes or behavior. A second step now follows naturally, the development of correlations between test scores and some objective characteristics of morale, for example, absenteeism, labor turnover, the number of grievances or complaints, production rate, spoilage rate, machine mainte-

nance costs; or, in a union, attendance at union meetings, expeditious handling of grievances, and payment of dues on time.. And a third step, the validity of a testing instrument must be established by repeated applications. One cannot but be amazed at the assurance with which test scores are accepted with such superficial attempts at validation as Dr. Tiffin's paper reveals.

I should like to emphasize, however, the need for measuring instruments to do the job that Dr. Tiffin is seeking to accomplish. If we could discover an indicator of industrial health like the pulse beat or blood pressure is in man, or find an instrument like the clinical thermometer to measure social temperature, which could be used, as in medicine, not as diagnostic instruments, but as signals or indicators of states or conditions, much mental strain and useless expenditure of energy could be avoided.

The attitude survey has also been presented in the papers this morning as a diagnostic instrument. Although Dr. Katz has done a splendid job of shoring up the side walls of his survey technique and in building carefully guarded approaches before and behind so that the survey is well protected on all sides, one may still point out serious shortcomings with the attitude survey as an analytical tool. May I cite a few of these and thus expose my own biases.

First, after all is said and done, what is actually being measured by the attitude test? Presumably it is a state of mind, or a tendency to act toward some definite objective, but as such it is intangible and becomes concrete only as behavior emerges. Yet an attitude test score carries a pseudo-validity because it is a number, and it lulls the researcher into a contentment with results with the assurance that something has been measured. This statement is not a criticism of experimental methods or quantification; it is a criticism of measuring an intangible, which, standing alone, does not yield to prediction of behavior.

Second, attitude surveys, whether conducted by paper and pencil tests or interviews, are essentially reactions to artificial situations. Both the paper and pencil and the interviewer's questions are stimuli, but they are not the same stimuli which call forth the kind of behavior which is ultimately the thing of real interest. The stimuli of the test or the interview call forth thoughtful responses; the stimuli which call forth spontaneous behavior in the plant are the faulty machine, the foreman's insinuating tone of voice, the plant smell. These can never be presented by the artificial devices of the test or interview.

Perhaps by repeated testing, reliable correlations between test scores and types of behavior in industry can be achieved, but a test score alone has little meaning.

Perhaps my third point is merely an elaboration of the second, but if so, I should like to give it a slightly different emphasis. Attitudes expressed in tests or interviews are essentially rational reactions, one might even say balanced reactions, in which the justifiableness of a feeling or an act has been considered. Actually behavior, as compared to such an expressed attitude, stems from deep-rooted sentiments, and may be called forth by symbols which only careful analysis can explain.

Finally, and most important, attitude surveys of the pencil-paper or interview variety elicit individual responses from individuals acting alone. Behavior, on the other hand, is frequently a group process—the motivation for, as well as the direction of, the behavior stemming from the group, and taking place within an institutional context. The group is still the unexplored area in social science. Why groups form, what holds them together, how group goals are developed, how they acquire power, what causes them to disintegrate? So far as I am aware attitude surveys have not yet been adapted to the study of group attitudes and behavior.

By way of conclusion, may I refer to Dr. Katz's observations of the misinterpretation of tests about the Taft-Hartley law. He implied, I believe, that the surveys asked the wrong questions, and that the responses were misinterpreted. It seems to me that another possible difficulty lay in a faulty theory of human behavior—the survey ignored the symbolical and irrational aspects of behavior; it ignored the force of the group; it assumed that information and logic were more powerful controls than emotion and group identification. I wish there were time to discuss the theories of human behavior which might be called upon to support and facilitate the interpretation of attitude surveys, because this is a matter of first importance. The difficulties of analyzing and predicting the complex behavior found in industry are tremendous, but all too often we permit a handy instrument or a convenient methodological gadget to determine the nature of our research problems.

May I drop one specific question into the hopper for further discussion. In the field of industrial relations attitude surveys have been used almost exclusively for management purposes. This is unfortunate because the problems to which attitude surveys have been applied

have been dictated by management needs. What are the prospects of directing attitude survey techniques to problems of trade union organization, leadership, morale, and how can research opportunities be uncovered to use these methods in conflict situations?

FILLMORE H. SANFORD
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Since Dr. McConnell has so ably interpreted the discussant's role as that of an "irritant," it seems to me appropriate that I should take a less analytical slant and act something like a postscript. Before we go back to consider some of the very nutritious points raised this morning, I should like to take a very few minutes to make four general points which may help somebody think a thought he has not thought before.

First, I'd like to underscore Professor Katz's remarks on the role of theory and conceptualization in attitude surveys. As I heard him, Dr. Katz said (a) that there is very little sound theory to which the industrial researcher can usefully resort and (b) that much attitude research is done in a theoretical vacuum and hence contributes little to the growth of a theory upon which a science can rest. I have the feeling that both statements are more or less true. I think the latter is truer than the former. And I feel that a failure to be mindful of theory not only retards the general thing we call science but also definitely limits the practical pay-off that can come from attitude research in industrial situations. I'm not recommending that all industrial researchers grow long hair. The practical problems of today are vital and must be dealt with. But if each practical problem is treated as if it had nothing in common—except technique—with any other practical problem, then next year's problems will not be more effectively nor more efficiently solved than this year's problems. If, on the other hand, every industrial problem is viewed as a specific example of some very general problem and if the researcher seeks for valid general statements about human behavior as well as valid specific statements about the solution of *this* practical problem, it might well be expected that the researcher will not only, in the long run, earn his pay more definitely, but also make more certainly a contribution to our general knowledge of groups and attitudes and morale and supervision and human productivity. Just for the sake of argument, I will make this statement: in attacking any practical problem in indus-

trial relations, the investment of ten per cent more time and ten per cent more thinking about theory can orient the research in such a way that not only can better practical answers be obtained, but also clear progress can be made toward what Lewin described as the aim of science—formulating "statements of exceptionless validity."

A second point I'd like to talk about for a moment is one which neither Professors Tiffin nor Katz mentioned. It is this: the danger in assuming that pleasant relations with one's fellows and one's supervisors, and satisfaction with one's working conditions, means automatically that the job gets done. There is the example of a war-time aviation training squadron in which everybody thought the skipper was wonderful, their fellow officers and men all princely fellows, and the working conditions nearly perfect. It looked like a high morale squadron. But it had the lowest objective performance of sixteen comparable squadrons studied. The squadron had something of an "outlaw" morale. This sort of example merely emphasizes that perhaps the worker and top management may be working toward quite different goals, with the worker having high morale with respect to *his* goal but low morale with respect to management's goal. And it perhaps suggests that in thinking about the attitudes which make for high industrial morale, we might do well to think in terms not of one general concept of morale but in terms of two concepts: maybe *esprit* is one thing, based primarily on satisfactory interpersonal relations, and maybe productive morale is another, based on something different or more inclusive.

A further problem that comes up in many studies of attitudes is that of how to get the worker to express real rather than "safe" feelings. Both Tiffin and Katz touch indirectly on this bothersome point. The anonymous questionnaire and the "warmly permissive" interview are currently used devices to get frank rather than conformist answers. Whether these procedures work is not really certain. Some will even say that the worker may have important feelings, of immediate relevance to his productivity, which he will not admit even to himself. This is a fairly wild sort of notion, but it is not too improbable. At any rate it may be well to mention here that at the Institute for Research in Human Relations in Philadelphia, there is currently some experimentation with "projective" attitude-eliciting techniques. Instead of asking the respondent direct questions about his feelings, the interviewer asked the respondent to complete an attitude-full sentence or to fill in the blank bubble in a cartoon-like drawing of a

social or work situation. Preliminary evidence indicates that the "projective" techniques elicit uncensored and more psychologically meaningful answers. Some variation of this technique may succeed in bringing together the two approaches Dr. Tiffin mentions—the clinical and the statistical.

A final point. Both speakers have dealt—either directly or indirectly—with the problem of interpreting survey data. I'd like to throw into this general pot one less technical but, at least to me, still useful notion about the interpretation of attitude data. There are those self-styled hardheaded people who say a cynical "so what?" to anybody who brings up attitude data. On the other end of a continuum are those who are immediately ready to assume that any attitude has an indigenous veracity and that to discover one is a great desideratum. A basic and still not completely answered problem is that of the validity of attitudes—the problem of measuring attitudes and predicting from them how the holder of the attitude will actually behave. It seems to me that a reasonable and helpful thing to remember is something like this: behavior in any complex social situation is a resultant of many interacting forces. An attitude—a "readiness to respond"—is only one of many interacting forces. To discover one such force is helpful and important. To discover a pattern of attitudinal forces is more helpful and more important. But to predict behavior precisely, we need even more than that. So we cannot expect too much from attitude surveys. Neither should we sell them short.

Part VII

MISCELLANEOUS PAPERS

SOME ASPECTS OF INDUSTRIAL RELATIONS IN DENMARK [1]

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THE ANALYSIS of foreign industrial relations systems has been a neglected aspect of research in labor. There are relatively few studies that treat in comprehensive fashion the rich body of experience accumulated by other nations. We are likely to have read something of Australian compulsory arbitration and the Swedish labor court, and thanks to the Webbs, British labor history is not uncharted territory. But that is a far cry from systematic and detailed knowledge of the manner in which some of our most pressing problems—the role of government in labor disputes, the results of industry wide bargaining, the settlement of jurisdictional disputes, the regulation of the secondary boycott, the adjudication of disputes under agreements—have been approached and solved abroad.

Detailed case studies of foreign systems can be of great value on two major counts. First, many of the economic factors that are complicated in the United States by the tremendous diversity of our economy can be seen in clearer perspective operating within smaller and more homogeneous economies. Such variables as wages and prices require much less correction before they can be compared meaningfully. Foreign systems may provide more realistic and useful tools of analysis than many of the models that economists customarily deal with.

Secondly, comparative analysis of labor systems offers a fruitful approach to the development of general theories of the labor movement. Professor Perlman's pioneering work provides a good example of the possibilities inherent in this essentially inductive method. It may prove feasible in this manner to gain greater insights into the general determinants of such factors as trade union structure and function, labor ideology, and collective bargaining practices.

The country with which this paper is concerned, Denmark, provides an excellent illustration of a system which, because of its size, the richness of its labor and industrial relations history, and the close

[1] I am indebted to Professor John T. Dunlop for suggestions during the course of preparing this paper.

approximation of its fundamental political structure to our own, constitutes a useful control for some of our problems. Essentially an industrial nation, despite its reputation as an exporter of quality agricultural goods, Denmark has one of the most successful collective bargaining systems in existence. The basic rules were formulated in 1899, and while they have undergone some modification, the original scheme remains unchanged. Work stoppages over the past half century have been kept down to a level which is remarkable even for Scandinavia, a part of the world noted for its achievements in industrial relations.[2]

Union and Employer Organizations

The high degree of organization that prevails on both sides of the bargaining table in Denmark should be noted as a preface to consideration of the details of collective bargaining. The Danish Federation of Labor, which is without a competitor, has a membership of 625,000 out of a labor force of 1.85 million, about 33 per cent of organization compared with 25 per cent for the United States. This difference widens if trade union membership is related only to the nonagricultural labor force, for in Denmark one-third of the gainfully employed population is in agriculture, compared with about 15 per cent in the United States. While neither the closed nor the union shop is formally practiced in Denmark, non-union workers are rarities in industrial establishments, and it is only among white collar workers that the trade union movement has room for further expansion.

The Danish Employers' Association is in many ways a more cohesive and centralized body than the Federation of Labor. Danish employers have delegated to it, and to its subordinate associations, almost the entire labor relations function. A detailed explanation of the reasons for the extensive organization prevailing among employers cannot be developed here; suffice it to say that the slow tempo and the character of Danish industrial development, combined with the persistence of the medieval gild system until 1862, a decade before the foundation of the modern labor movement, account in large measure for this phenomenon.

In 1899, after the costliest work stoppage that had theretofore occurred anywhere in Europe, the Federation of Labor and the Em-

[2] During the period 1920 to 1940, for example, the total number of man-days lost due to labor disputes in Sweden, a country twice the size of Denmark, was 3.6 times greater. Norway, with a labor force about three-fourths the Danish, experienced twice the work stoppage losses in the same period.

ployers' Association concluded the so-called September Agreement which provided, *inter alia,* for mutual recognition of the right of organization. This historic document, which conclusively established collective bargaining as the method of industrial relations throughout the country, is universally regarded as Denmark's labor constitution. Though its text has never been altered, its meaning has undergone considerable change through interpretation to meet new situations. For example, no Danish counterpart of the Wagner Act proved necessary because anti-union discrimination was interpreted as a violation of the September Agreement, and therefore punishable under ordinary contract rules.

Collective Bargaining Procedure

Early rapprochement between the two organizations (it is interesting to note that a similar agreement was not reached in Norway until 1935 and in Sweden until 1938) led to a centralized system of collective bargaining. By 1910, industry wide bargaining prevailed in the metal trades, in textiles, and in some of the specialized crafts, and at present it is the usual pattern, except where employers are organized geographically, as in longshore work, in which case the geographic area become the bargaining unit. Agreements on certain "general" questions, such as sliding scale cost of living bonuses, grievance procedure, and labor-management production committees, are concluded directly between the two central organizations.

The impetus to centralized bargaining came from employers rather than trade unions. Rendered secure by early organization and by the protective provisions of the September Agreement, the trade unions favored limitation of the scope and increase in the diversity of collective agreements. It was said of an outstanding Danish union leader that "he long was an opponent of national agreements with uniform conditions. It was difference and instability that he could so excellently use as a lever." [8] Employers, on the other hand, feared the whipsaw tactics of powerful unions, and insisted not only upon standard agreements, but upon uniform expiration dates as well. By 1916 most collective agreements expired between February 1 and May 1 of each year, or of alternate years in the case of longer terms. The logical conclusion of the trend toward uniformity was an agreement reached in 1936 making March 1 the expiration date for all

[8] Oluf Bertolt, *M. C. Lyngsie,* Copenhagen, 1944, p. 114.

agreements between affiliates of the Federation of Labor and the Employers' Association.[4]

At the same time, an exact timetable for collective bargaining was worked out. Under this procedure, which is now in effect, a notice of intention to terminate an existing agreement, together with the specific changes demanded, must be in the hands of the opposite party three months prior to the expiration date, that is, by December 1 of the previous year. No new demands may be presented thereafter. Both within the Federation of Labor and the Employers' Association informal policy discussions are held during September and October in an effort to evolve joint lines of action on each side. Ordinarily a set of specific recommendations is developed by the Employers' Association, and almost invariably they are followed by its affiliates.[5] On the union side, however, strong insistence upon national union autonomy militates against uniform wage policy at this preliminary stage.

On December 1, negotiations begin between individual national unions and suborganizations of the Employers' Association, lasting for six weeks unless earlier agreement is achieved. General agreement at this stage, increasingly infrequent in recent years, is usually heralded by the conclusion of an agreement with one of two labor organizations: the Metal Workers' Union, which is the largest of the skilled crafts, or the Laborer's Union, a large organization of unskilled and semiskilled workers similar to the British General and Transport Workers' Union, with 40 per cent of total Federation of Labor membership within its ranks. Traditionally, the Metal Workers' Union has set the pattern, the Laborers preferring to delay until the general outlines of the skilled trades settlement became clear, then attempting, often successfully, to secure a bit more. This tactic "of using the other trades as shock troops and cannon fodder," as it has been described, was based upon the explicit long-range goal of reducing wage differentials between skilled and unskilled workers.[6] Since the war, how-

[4] March 1 was a compromise between the desire of the workers for a date in the midst of the busy summer season, and of the employers for termination in the slack winter season.

[5] This is not to say, however, that there are no divergences of opinion among employers. The metal trades, which produce to a large extent for foreign account, are apt to advocate a hard line, while employers in sheltered domestic trades such as building prefer a more peaceful approach even though it may be more costly. Nevertheless, the strong sense of solidarity among employers, which appears to exceed worker class consciousness, enables the Association to reconcile the differences internally.

[6] Success of the policy may be judged from the fact that average hourly earnings of unskilled male laborers rose from 75 per cent of the skilled level in 1914 to 84 per cent in 1948, a significant change in so stable a datum as the wage differential.

ever, recognizing that the area for further compression of wage differentials is small, the Laborers' Union has begun to assume the role of key bargainer, much to the satisfaction of employers, who can be fairly certain that an agreement with the unskilled trades will be accepted by the skilled trades with little question.[7]

For the trades in which agreement is not reached by January 15, a new phase of collective bargaining begins, involving the two central organizations, the Federation of Labor and the Employers' Association. Since there are some 2,000 collective agreements between trade unions and members of the Employers' Associations, it is impossible to go into great detail. Instead, the basic wage questions in the key trades are segregated, and the others farmed out to subcommittees of the central negotiating group. Central bargaining of this scope would not be feasible were it not for the stability attained by the content of collective agreements over the past 50 years. Some agreements are extremely long and complicated, *e.g.* the current agreement in the cement industry is printed on 125 large pages, and they are changed from year to year only in a few particulars. The negotiators concentrate upon the formulation of bargains in the main issues, which tend to be almost exclusively wage problems; once a key bargain is made, the multitude of agreements can be referred back for settlement along similar lines.

Government Mediation

One month is allotted to this phase of collective bargaining. If there are still outstanding agreements by February 15, and either party has given notice of intent to effectuate a work stoppage, the final phase is begun under the auspices of a government mediator. While there exists a state mediation board of three members, only one mediator sits at a time, and in all major disputes, involving the two central organizations, the chairman of the mediation board conducts the proceedings. As a condition of intervention, the mediator may

[7] This probability is enhanced by the different wage systems in effect in the skilled and unskilled trades. The Laborers work under a standard wage agreement with the rates fixed for the duration of the contract. The Metal Workers, and some of the other crafts, have a peculiar "elastic" wage system, whereby only minimum rates are fixed by collective bargaining, the effective rates being determined by individual bargaining between the employer and the employee concerned. The minimum rates remain in effect for the duration of the agreement, but the personal rates may move at any time. Thus the Laborers are concerned with getting the best possible bargain when the agreement is negotiated, while the Metal Workers' are more apt to make concessions, since errors in assessing cyclical movements can be corrected even within the contract term.

require the parties to postpone work stoppages for a period of one week, the compulsive power thus being contingent upon voluntary acceptance of mediation. In practice, mediation is always accepted, and the parties are generally willing to postpone direct action until the mediator feels that no useful purpose is served by prolonging the proceedings, so that in difficult situations the mediation stage may last well into March, and even beyond.

The mediator does not come into the controversy without knowledge of its subject matter. Through unofficial contacts with the parties, as well as through the reports of sub-mediators who are sometimes called in during the earlier stages to facilitate negotiation, he has the requisite information to set up an agenda for dealing with disputed issues, by industry and by type of question. The mediator may meet with each side individually, and with large groups, but the real negotiations take place in the presence of three to five persons from each side, with the representatives of the respective central organizations acting as spokesmen for their groups. Danish mediation proceedings are a cross between arbitration hearings and pure bargaining, the mediator attempting to find a common ground between the positions of the parties, but at the same time orienting himself with regard to the details in the area of disagreement.

As points on the agenda are discussed, the mediator formulates what he considers to be equitable adjustments, so that by the time the agenda is completed, he has a fairly well worked out draft settlement. The top negotiators on both sides are kept *au courant* of his thinking, although they may not always know the precise tenor of his conclusions. When it appears to him that the negotiators cannot directly settle their differences, the mediator presents to them the specific draft agreement that he has formulated, the so-called "mediation proposal."

This is the climax of the collective bargaining process, for the Danish mediation proposal is far more than what would be implied by the same term in the United States. In effect, it has come to play a role somewhat similar to the report of an emergency board under our Railway Labor Act, and partakes of the nature of an arbitration award. However, it has several distinctive characteristics:

1. The Danish mediator is not required to issue a proposal, and will rarely do so if one of the negotiating parties informs him, upon informal submission, that it is not acceptable. Occasionally a proposal is promulgated if one of the negotiating parties refuses to take a

definite stand, as may be the case when a union negotiating committee is divided along political lines, but ordinarily the mediator insists upon the express approval of the negotiating committees representing both the employers and the workers.

2. Acceptance of a mediation proposal by the negotiating committees is by no means tantamount to final agreement, for it must be referred back to the employers and workers covered thereby for their approval. This step is no mere formality. On the employer side, mediation proposals covering more than one industry are voted upon by the General Assembly of the Employers' Association, which in recent years has almost invariably followed the recommendation of its negotiating committee. But the trade unions are required by their constitutions to submit the proposal either to referendum or to a vote of the competent union assembly, and the outcome is often in doubt.[8] In 1946, for example, the packing house workers rejected a mediation proposal strongly endorsed by their leaders; a year later the Copenhagen printers acted in similar fashion.

3. The terms of a mediation proposal may not be released to the public until after both sides have voted upon it and informed the mediator of the results. There is thus no preliminary reliance on the pressure of public opinion to induce the parties to accept the proposal, though the knowledge that it will be released subsequently does tend to exert some influence in this direction. Primary responsibility for securing acceptance of a proposal devolves upon the trade union and employer association leadership.

With the issuance of the mediation proposal, the work of the mediator is at an end, unless he decides, after the inception of a work stoppage, that his intervention may hasten peace. Whether a work stoppage actually ensues is dependent upon whether there is further government initiative of an *ad hoc* character, for there are no additional regular procedures.

[8] Union voting rules are complicated, and have been the source of much dissension within the Federation of Labor. One of the most difficult problems arose out of the varying modes of approval followed by different unions. If separate unions vote jointly on an agreement, as is often the case, those unions that permit their convention to cast a combined vote for the total membership would be overrepresented in comparison with the unions that vote by referenda, in which a participation percentage of over 50 per cent has not been common. To prevent this inequity, the voting regulations, which have been enacted into law, scale down the vote cast by conventions in proportion to the degree of participation in referenda.

Government Intervention Beyond Mediation

The nature of government intervention beyond mediation is another factor contributing to the importance and distinctive character of the mediation proposal. Before 1933 the government confined itself to moral suasion and permitted labor disputes to take their course, regardless of the economic costs involved. But in 1933 the socialist government that has ruled Denmark almost continuously since 1929 inaugurated the practice of more positive intervention after the rejection of a mediation proposal involving large numbers of workers or critical industries. Excepting the war years, when compulsory arbitration of all disputes was in effect, the government on three major occasions adopted the expedient of enacting a mediation proposal into law, once set up a special arbitration board to decide a dispute finally, and once simply extended all agreements for one year. Enactment of the mediation proposal has become the normal mode of procedure, and even when a board of arbitration was appointed, it followed the mediation proposal in all important respects.

The new government policy radically altered the function of the mediator and the nature of the mediation proposal. Previously, the sole end of mediation had been reconciliation of the parties, without regard to the impact of the agreement upon the nation's economy. But with the growing possibility that the mediation proposal, if not accepted voluntarily, would become an act of parliament, it lost its exclusively private character and was transformed into an expression of public policy. The mediatory aspects were by no means eliminated, for voluntary agreement is still the fundamental goal of the collective bargaining system, but the addition of a new element of compulsion created some novel problems for the mediator.

There had never been any difficulty arising out of the relationship of the mediator to the government. Although formally a government official, the mediator had been permitted to operate in virtual independence of the regular governmental agencies; he was far more a creature of the central bargaining organizations. With the growth of his arbitral functions, however, it was essential that his decisions be brought within the orbit of government policy. It might be desirable, for example, that he issue a mediation proposal regardless of the attitudes of the parties toward it, to serve as the basis for an act of parliament. On the other hand, too close a relationship would tend to weaken the mediatory aspects of his work and replace collective bargaining by purely political solutions. If the mediator knew in advance

that the government was contemplating intervention, he might be tempted to concentrate upon the formulation of what he considered to be an economically sound proposal, regardless of the positions of the bargaining parties.

Precisely how the Danish mediator coordinates his activities with government policy is not known, but the mechanism is not of great importance. The fact is that an individual as experienced as the mediator is hardly likely to remain in ignorance of either the desire or intentions of the government. Both bargaining parties have come to assume that he speaks for the government, and he himself is keenly aware of his public responsibilities. In this light it is evident that the mediation proposal takes on even more crucial significance.

The Danish system, however, departs from the usual concept of compulsory arbitration of labor disputes in several important respects:

1. There are still important situations in which the mediator withholds a mediation proposal. He did this in 1946, and the result was a strike involving 40,000 workers.

2. There is no certainty that the government will intervene even though a mediation proposal is rejected, so that the parties must be prepared to accept the consequences of rejection, that is, a work stoppage. It would not be accurate to say that the parties will always be gambling in this respect. The socialist government has demonstrated great reluctance to permit employers to effectuate general lockouts, and it may almost be said that the Employers' Association can reject a mediation proposal with full knowledge that its action merely has protest value. Nor is the socialist leadership of the Federation of Labor likely to suffer embarrassment at the hands of the government. However, communist unions, as well as individual noncommunist unions that are acting against the advice of the Federation leadership, are exposed to the risk of having to support their demands by striking.

3. The form of government intervention is not certain. One of the major Danish political parties is a staunch proponent of the special arbitration board device, and the minority parliamentary status of the socialist party renders this a possible eventuality. Particularly when no mediation proposal is issued, the parties risk decision by a neutral board, in all probability selected from among the members of the Supreme Court, with no previous knowledge of the dispute. It is easy to appreciate why in all but the most extreme cases the mediation

proposal, which is to a large extent controlled by the parties themselves, is the preferred method.

4. Finally, the Danish method of government intervention is *ad hoc,* and thus avoids one of the major pitfalls of permanent compulsory arbitration, the development through a common law process of a body of principles which are habitually applied to cases and lead to rigidity. By comparison, the present practice provides a maximum of flexibility, highly desirable in so dynamic a process as wage bargaining.

Conclusion

What are some of the conclusions emerging from the Danish collective bargaining experience that may be of interest and value to the student of American industrial relations?

1. Perhaps the most important lesson of the Danish experience is that the conceptual framework which we customarily use for classifying the forms of governmental intervention in labor disputes is grossly inadequate. The categories of mediation, fact finding, and arbitration are too discrete to encompass the subtle and constantly changing gradations of pressure that a modern government is able to exert upon labor and management. The Danish system can neither be termed mediation nor arbitration; it is a combination of the two, the preponderance varying with each separate situation.

2. The Danish system points up a major defect in our emergency board procedure: the sharp break between collective bargaining and fact finding. The two are so closely intertwined in Denmark that it is impossible to tell where one ends and the other begins. The mediation proposal emerges directly from the collective bargaining process, and is grounded in bargaining realities. It is thus almost certain never to contain provisions which are completely unacceptable to either party, because of the economic consequences or as a matter of principle. The fact that the mediator normally has a long tenure of office—the incumbent has served in that capacity since 1936—further enhances the realism of a proposed settlement and augments the possibility of its acceptability.

3. It also appears clear from the Danish experience that a system which provides for a court of resort beyond collective bargaining almost inevitably weakens the will to agree. This was well summarized by a former chairman of the Employers' Association when he said:

The mediation institution can create only an immediate truce, and cannot provide a real solution of outstanding problems. All important disagreements are simply postponed for settlement in the uncertain future. Through the years the subject matter of bargaining has tended to become so great in quantity that we do not get to the bottom of it during mediation. All negotiations tend to go to the top, and distressingly few differences are adjusted in local negotiation or in negotiation directly between the central organizations.[9]

The last mentioned factor is particularly important; negotiators sometimes attempt to shift part of the responsibility for unpopular settlements to the mediator by insisting upon mediation proposals that in substance embody the terms of previously reached direct agreement.

4. National and industry wide collective bargaining, as practiced in Denmark, have important consequences of both an economic and political nature:

a. Centralization of bargaining tends to increase the likelihood of government intervention, for the magnitude of work stoppages is thereby amplified. It is interesting that in Sweden, where collective bargaining is much less centralized than in Denmark, particularly in the matter of a common expiration date for all agreements, there has been almost a complete absence of government intervention.

b. Centralized bargaining tends to concentrate the incidence of labor disputes in a few years. From 1898 to 1946, some 74 per cent of the total number of man-days lost in Denmark due to labor disputes occurred in seven "bad" years.[10] On the other hand, there were 35 years with almost negligible strike losses, accounting for only 11.6 per cent of the total loss for the entire period.

c. It is the consensus in Denmark that on balance industrywide bargaining tends to promote industrial peace. An important factor has been the expertness acquired by the professional negotiators representing employers and their personal stake in peaceful settlement of disputes. The staff of the Employers' Association is almost a civil service, and through many years of contact with the labor movement has learned to appraise correctly the limitations under which trade union officials operate, as well as the extent of the concessions they may make without impairing their political positions within the unions. Whether industrywide bargaining has been in the public

[9] *Dansk Arbejdsgiverforenings Generalforsamling*, 1935, p. 28.

[10] Four of the seven years were characterized by price deflation, and none by a price inflation impinging upon real wages. Attempts on the part of Danish employers to reduce money wages have been the major cause of work stoppages; real wage cuts through rising prices have been far less costly.

interest in other respects is a different matter. In all but a few sheltered trades the spur of foreign competition has militated against exploitation of the consumer by employer-trade union combination, so that this problem has never arisen in virulent form.

d. Centralized collective bargaining tends to accentuate the downward rigidity of money wages. Because any wage adjustment is likely to affect a large proportion of the nation's workers, the trade unions will use all the economic and political means at their disposal to prevent reductions. Since the inception of the modern collective bargaining system, money wages have been reduced only during the period 1921 to 1927, at a cost of four general strikes. During the great depression money wages remained stable, labor costs being reduced through currency devaluation.

e. The stability of the intercraft wage structure has been augmented by central bargaining, although the range of differentials has been compressed, among other things by the practice of cents per hour rather than percentage changes in pattern agreements. A recent study of intercraft wage movements from 1914 to 1945, a period which witnessed significant changes in the structure of Danish industry, concluded that "wage movements were consistently parallel, so that the position of the various crafts on the wage scale by and large remains unaltered. The low, high, or average wage crafts in 1914 are still the low, high, and average wage crafts in 1945, and the same holds true for groups of workers and geographical areas." [11]

This paper has been confined to that aspect of Danish collective bargaining concerned with disputes over interests, and has not dealt with the elaborate methods devised for handling disputes over the application of existing agreements. I hope, however, that it has provided some indication of how analysis of foreign collective bargaining models can contribute to our insights into American industrial relations practices.

[11] P. E. Milhoj, "Industrielle Lønninger i Danmark Siden 1914," *Nationaløkonomisk Tidsskrift*, 1948, p. 120.

LABOR RELATIONS PROBLEMS OF A FEDERAL GOVERNMENT PROCUREMENT AGENCY [1]

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THE LABOR RELATIONS activities of the Federal Government which attract the greatest attention are those involving the administration of labor laws and the mediation and conciliation of disputes. However, there is another field of government labor relations which merits study. This is the role of the government as an indirect employer of labor through the procurement of goods or services under contract.

During the late war, with cost-type contracts the rule rather than the exception, most procurement agencies recognized that there were aspects of labor relations under their contracts which could not be handled by the regular government labor agencies. These grew out of the responsibility of the procurement agencies for the disbursement of funds under contract, a responsibility that could not be assigned to another government agency, yet which because of its "bread-and-butter" consequences to labor was definitely labor relations in nature. The contracting authority may often have labor relations implications not possible of solution by any but the contracting agency itself.

Procurement Labor Relations

The handling of those labor relations problems which are inseparable from the administration of contracts for the procurement of goods or services may be referred to as "procurement labor relations." The operation of such a program in a procurement agency is quite compatible with the administration of labor laws by the government labor agencies. Properly administered, there is no encroachment on the functions of mediation or conciliation carried on by the Federal Mediation and Conciliation Service. In fact, a good labor relations program within the procurement agencies can be of real assistance to the Labor Department and other labor agencies in the administration of labor laws.

When the government contracts to purchase a ship or a building is its position any different from that of a private individual doing the

[1] The statements and opinions expressed here are those of the author and should not be construed as representing the official viewpoint of the Department of the Navy.

same thing? Does it have any responsibilities beyond getting the most for its money? The answer to these questions may be found in the letter and the spirit of our federal labor laws. What other purchaser of goods requires the supplier to pay certain minimum or prevailing wages even though so doing may raise the cost of the purchase? What other purchaser refuses to buy goods made with child labor, prison labor, or under hazardous working conditions? Yes, the government is first a protector of the people, an agency for the establishment of standards of conduct, and only secondly, a purchaser. As such, it has considerations beyond merely getting the most for its contract dollar.

It is important that the procurement agency not lose sight of this dual status in its preoccupation with its statutory functions and its efforts to stretch its appropriations. It is a part of the Federal Government and is obligated to conduct its affairs within the law and spirit established by that government. As a part of the National Government, the procurement agency is responsible to all the people, and if the people through their representative have enunciated certain principles and policies, those principles and policies must be followed even where they may appear inimical to the economical performance of the agency's functions.

Chief Functions and Problems

What are some of these labor relations functions which are associated with federal procurement?

First, there is the reimbursement of labor costs under cost-type contracts for the procurement of goods or services. Such contracts usually provide that all expenditures of the contractor for labor must be approved in advance by the agency awarding the contract. This means that wage and salary rates beyond those required by the minimum wage laws must be approved by the government contracting agency. Similarly, overtime expenses, vacation and sick leave, and all other items of labor expense must be preapproved under this type contract.

Under such a cost-type contract, the government has an important control over wage increases and other employee benefits. Because of this, the contractor may in effect "pass the buck" to the government even on absurd labor demands, telling his employees that he has no objections if the government will pay the bill. In more rare cases, at the other extreme, the contractor because of considerations apart from his government work may stand firm against concessions which are

reasonable and otherwise in line with prevailing practice in the industry. This may occur when he has private work operating concurrently, and does not wish the precedent carried over to that work or when, as happened during the war, he does not wish to establish a practice that will be carried over to a period when his work will be private and the government will not be paying the bill.

Where the cost-type contractor passes to the government the burden of refusing unreasonable labor demands, the procurement agency is forced to assume a managerial responsibility properly the contractor's. Where, on the other hand, the contractor in his bargaining adopts an unrealistic and arbitrary attitude which threatens to cause a work stoppage, the government again may be forced to intercede and exert pressure for a settlement in order to protect the continuity of its work. It cannot endanger its own interests to protect the private work of the contractor, or other private considerations which he may have. If it is not to be accused of partiality and unfairness, it must call the shots as it sees them. It should be emphasized that both of the foregoing examples illustrate irresponsibility on the part of the contractors, and the government is likely to hesitate before giving such contractors future work.

Strikes, as a result of disputes between unions and contractors over economic issues, may seriously involve the contracting agency under cost-type contracts. Where the government pays the bill, it may be called upon to decide whether to accede to the demands or to suffer the consequences of a work stoppage. While the actual conciliation of such a strike is the proper function of the Conciliation Service, or state or local agencies, the procurement agency with its power over the purse strings cannot avoid involvement in any settlement which results in increased cost to the contractor.

Apart from its interest in labor difficulties having economic causes, a procurement agency may, from time to time, be faced with other types of labor trouble on its contracts. Strikes or threatened strikes for organizational purposes and jurisdictional claims by competing unions sometime place the procurement agency in a delicate position. Suppose, for instance, the agency is constructing a large building under contract with a union employer. Elsewhere on the government reservation, nearby but having no connection with this building, another competitive contract is advertised, and the low bidder in non-union. In line with the established creed of trade unionism, the union workers

on the first job threaten to walk off if the non-union contractor comes on the premises. What shall the government do?

Under the law, it is required to award the contract to the low bidder unless he can be shown to be unqualified. Certainly it cannot adopt a policy of disqualifying contractors solely on the grounds that they are non-union. Yet, it may be clear that if the non-union contractor does begin work, the union job, adjoining, will be struck. In such circumstances the contracting agency must act to protect the interests of the government itself. Whatever steps it takes, must be so justified. Among the alternatives open to it are the postponement of work on the new contract until the labor situation has changed, or a return of bids and readvertisement of the second job with some substantive changes, hoping for a new low bidder whose labor practices will be congenial to the project. Whether, legally, a low bidder can be disqualified for a particular job solely on the grounds that his labor relations make him "persona non grata" on a union-manned project, remains an unsettled question.

A similar situation arises when a low bidder on a contract has bargaining relationships with the "wrong" union from the viewpoint of the union already on the job. This must be handled in the same way as cases involving non-union contractors.

In all disputes between unions over jurisdiction or between unions and management over organizational issues, the government contracting agency must maintain a strict neutrality. Great care must be taken not to make any move that can be interpreted as favoring one side or the other. Any step that is taken must clearly be necessary to protect the government's best interests, and it should be emphasized that it is taken for that reason alone, and not to assist either disputing party.

Division of Responsibilities between Contractor and Government

The proper functioning of a labor relations program in a government procurement agency demands a strict differentiation between the responsibilities and rights of the contractor and those of the government. On cost-type contracts the contractor has the initial responsibility for conducting his labor relations satisfactorily and for performing the work at a reasonable cost to the government. Under a lump-sum contract the contractor's labor responsibility is complete since he cannot pass on increased expenses to the government.

Collective bargaining between contractors and unions should be kept free from interference by the contracting agency. The procuring

department must avoid undercutting the cost-type contractor's handling of labor disputes by dealing directly with the union and making commitments before the employer has exhausted his efforts to settle. Action by the department should never be taken until it is clearly established that the contractor is unable or unwilling to settle the dispute, and that the result will be a stoppage of work to the detriment of the government.

On its cost-type contracts the procurement agency, wherever possible, should reserve decision on reimbursement of labor costs to the contractor until after the parties to the collective bargaining have reached agreement. Otherwise, it will prejudice and interject itself into that bargaining. When collective bargaining has been completed, the agency should follow a policy of accepting for reimbursement all labor expenses which are reasonable and which fairly reflect prevailing practices in the field. While a valid argument may be made that a government cost-type contract is not the proper place for philanthropy in labor conditions or for innovations, it is equally true that the government should not prevent its contractors from keeping pace with progressive employers in the industry.

Since the government cannot reimburse the additional costs of wage or other concessions made by a lump-sum contractor, in fairness it should not use pressure to force such a contractor to settle disputes at his personal peril. If the parties to the dispute are adamant and the continued stoppage is damaging to the government, the procurement agency normally may look elsewhere for a contractor to complete the job. This threat, together with a realization that his standing with the government on future work may be damaged, is usually enough to insure a serious effort by the contractor to settle the dispute if the demands are at all reasonable.

Application of Federal Labor Laws

In addition to other decisions of labor policy that confront a federal procurement agency, there are those problems surrounding the application of federal labor laws controlling government contracts. Among these are the Copeland and Davis-Bacon Acts, the Eight Hour Law, the Walsh-Healey Act, and the anti-convict labor regulations. Of these laws, the contracting agency or department, itself, is responsible for the enforcement of the Davis-Bacon Act and Eight Hour Law, and it must work closely with the Labor Department in the enforcement of the remainder. The application of these laws leaves a wide

area of discretion to the procurement agency. Its practices in applying the laws on its contracts are keenly watched by the labor unions which look to the laws for the protection of their labor standards. Security measures on secret or restricted work are another likely source of labor difficulty for the procurement agency. Clearance of employees and their representatives on such work is often a loaded labor relations problem.

Procurement labor relations in the Federal Government has characteristics which identify it as a special field of industrial relations. While it has many of the features common to labor relations in general, it has the peculiar aspects of an operation that is purchaser, employer, umpire, and government, all at the same time.

ACTION RESEARCH AND INDUSTRIAL RELATIONS

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THIS PAPER DEALS with some problems of general significance which arose in connection with an action research project presently being undertaken in a midwestern community. The research design of this project will eventually make it possible to examine the impact of different types of industrial organization on people's attitudes towards work, unions, management, and various aspects of the social process. The general orientation of the research is towards application and development of techniques of social action whose purpose it is to bring about more democratic relationships in the industrial field.

The Nature of Action Research

In the widest sense of the term, action research is research which is not only oriented towards understanding but also towards a change of a problem situation. It goes without saying that a considerable part of research in the social science field is of such a nature. But action research has also a narrower meaning and it is in this—more technical—sense that we are using the term. It then means research which is designed in such a manner that it has a diagnostic and a therapeutic phase. The diagnostic phase consists of two stages: (1) the collection of the data and (2) the analysis of the data in view of strategic factors responsible for and furthering change. The therapeutic phase consists in a change experiment, serving the dual purpose of (1) testing the results of the diagnosis and (2) changing the situation in accordance with certain values. Let us give a specific example: Our diagnosis of the factors determining work satisfaction may have shown certain shortcomings due to the attitude of the foremen to the workers, or we may have found that certain methods could be used to improve participation in union meetings. In order to test these conclusions an experimental group would be chosen, and a program would be worked out to apply the conclusions of the diagnosis of the situation in a remedial way. Whereas the experimental group would take part in such a program of change, a control group—as similar to the experimental group as possible—would be left under the old influences. In this manner we would approximate an experimental situation which would allow us to test our diagnostic results.

Methodological Implications Underlying Action Research

The action researcher takes a specific attitude towards certain basic methodological problems in social science. He believes that objectivity can only be achieved (1) by the greatest possible clarity about the values on which any research is based and (2) by research methods which give to the researcher a certain distance allowing him to respect the research object rather than project his own values on it. It is true that values and personal involvement underlie all research. But this does not make research less objective provided there is full clarity about the continguency of all social science upon values and a corresponding attitude of the scientist. "Objectivity does not mean lack of involvement, it means respect." Action research is designed in such a way as to allow both genuine involvement and genuine respect for the research object.

The involvement is typical of the diagnostic phase of an action research project. The method used to collect data are not different from those of any research in the field of anthropology, sociology, or social psychology. They are: observation, interviewing, projective techniques, group discussions, etc. There may be a difference of emphasis. Group discussions, for example, are used as an instrument of collecting and analyzing data. But the main difference does not lie in the techniques themselves but in the manner in which these techniques are administered. To put it briefly, we may say that in an action research project human beings can never be used as guinea pigs: they are *participants* and in order to become participants, they must be *involved* into the research. This involvement gives a peculiar character to what we called the first stage of the diagnostic phase of an action research project: the collection of material. It makes it the first stage of a process of involvement rather than a mechanical administration of techniques.

We cannot discuss the problem of involvement in detail but we can give some illustrations from our field experience. Problems of involvement arose in regard to the workers, the foremen and supervisors, management and union officials. An attempt was made to involve the workers by sharing as much as possible their work and their life and by relating the research to their own experience. In order to make this possible, the researcher worked in the factory for several months. Workers were not asked to take part in an interview-conversation unless the researcher was personally acquainted with them through work in the factory or through friends. However,

they were not chosen arbitrarily but according to a predetermined sample which was stratified according to department, sex, and age. The researcher worked in each department long enough to get acquainted with a sufficient number of workers who would fit into the sample. An attempt was thus made to combine the rigorous requirements of an adequate sampling process with the need for a human involvement of the people.

The same idea of involvement underlies the technique of interviewing. A "chance discovery" made in an attempt to create a permissive atmosphere in a traditionally conducted interview led to the development of what may be called an interview-conversation. The latter consists of an intensive interview which takes place as part of a conversation. It is interrupted for short conversations during which the interviewer tells the interviewee relevant parts of his own life experience. The conversations were systematically spaced in order to avoid non-controllable influences on the response of the interviewee. The interview-conversation lasts an average of six hours. It takes place in two or three sessions. The results of this method were most fruitful. Less than four per cent of the interviews could not be finished because of resistance on the part of the worker. Most of the workers showed in their response the interest it evoked and some of the relationships established were maintained through correspondence, while the field work was interrupted.

Problems posed by involvement of union officials and management were of a different nature. Interviews were either administered in a more traditional manner or were even less formal, as in the case, for example, of the conversations with the management representative in charge of industrial relations and the president of the local union. The main emphasis was on establishing trust in the integrity of the researcher and confidence that he could be trusted with confidential information.

The second stage—the analysis of the material—is based on essentially the same methods of analysis used by all social scientists working in the same field. However, there is again a difference. The concepts used in analysing the material must be of significance from the point of view of *change* or *therapy*. Since concepts underlie also the collection of the data—for example, the construction of an interview schedule—the point just made applies to the first stage as well. As regards the analysis proper, there is likely to be less emphasis on the average-typical (which is often identified with the status quo) and

more emphasis on types which are relevant for change even of their occurrence is not very frequent.

Last but not least, there is a difference in the procedures used to analyse the material: the problem of involvement does not end but only starts with the collection of material. It is part of our research design that the analysis of the material is undertaken in close contact with the people involved. Not only management, the supervisory staff, and union officials, but the workers themselves will take part in the analysis. So far two group sessions have taken place. One session with the workers, one with management representatives and the supervisory staff. Both were asked to take part in the analysis and the write-up of the material. The response to this idea was so positive that a program of group sessions is being worked out. The program will provide for regular meetings of small groups of three to five people in which material already collected is being analysed. It will also provide for discussion meetings of socio-economic problems.

This program has a threefold purpose: (1) to allow a participation in the analysis and write-up of the data, (2) to get further data to check the preliminary results of the analysis, (3) to help in the later formulation of a change experiment. Only the second and third point need further comment. The first group meeting has already shown that a group discussion of a controversial issue brings out new ideas which are of great value for an understanding of the situation on the part of the researcher. Group meetings offer, furthermore, good opportunities to obtain additional information required. As regards the third point, we must limit ourselves to express the hope that the group sessions will bring about such an involvement of the people and lead to such an understanding of the situation by the researcher as to make a change experiment possible.

The experimental or action phase poses many problems which can only be mentioned here. There are, first of all, technical problems of isolating the main factors which were found relevant in the diagnosis. There are, furthermore, problems of personnel, which arise whenever a researcher takes the role of a change agent. Last but not least, there are basic problems of value. Any "experiment" in which human beings participate involves a change in these human beings. It involves values both in regard to the means by which the change is brought about and the ends towards which the change is being directed. It is these problems which we shall discuss more in detail since they show the signficance of action research in the industrial field.

Action Research and Labor-Management Relations

I am convinced that a realistic appraisal of this problem is only possible if we recognize clearly the fact that an action researcher in the industrial field works in a conflict situation. There are conflicting values, conflicting ideologies, conflicting aims. In such a situation an action researcher seems to be caught in a dilemma. On the one hand, he must try to understand the most divergent points of view; on the other hand, he must be clear-cut and explicit about his own value position—a position which will only in exceptional cases be in correspondence with all groups involved. Unless he is clear-cut about his own value position, he cannot do objective research—as we pointed out above. Nor can he be trusted as a man. And unless he has a real understanding, he will not be able to involve people in such a way that they will accept a change experiment.

The solution of this dilemma may be illustrated by the famous saying: "tout comprendre, c'est tout pardonner." Taken literally, this excludes a clear-cut value position. But rightly interpreted, it shows that understanding is fully compatible with a value position of one's own. "Tout comprendre"—undoubtedly yes. "Tout pardonner"—yes in terms of accepting the person as a human being without reproach for attitudes which may be entirely in conflict with the view of the researcher but which are understandable as an outgrowth of the person's personality structure and his role in the social structure. "Tout pardonner" means real forgiveness from a human point of view, which is not an easy thing to practice thoroughly and consistently. But it does not mean accepting these attitudes as the kind of attitudes which the researcher likes to see prevail.

This approach of a genuine human understanding should not be confused with the position that the presently existing conflict situation can be solved through understanding of the respective points of view. Whether it can or not depends upon our own values and our ability to develop new methods of resolving social conflicts. It depends upon our own values because the kind of solution of a conflict which we accept as satisfactory is contingent upon the kind of society which we like to see prevail. Ultimately, it is, therefore, contingent upon the human values we believe in. It also depends upon the development of new methods of solving social conflicts because the solution of conflicts—if it is more than a *modus vivendi*—requires change of *power* positions, and such a change is only possible if methods of change are developed which minimize fears and anxieties. I believe that action

research can make an important contribution towards the development of such methods of change. However, it is important for the action researcher to recognize that an understanding and clarification of issues *may* lead to an intensification of conflicts if it reveals a conflict in ultimate value and/or power positions.

To assume that understanding and clarification *by themselves* will bring the conflicting groups in the industrial field closer together implies the assumption that this conflict is primarily due to difficulties in perception and communication. It neglects the conflict of power—as, for example, control exercised by different groups—as well as the conflict in ultimate value positions as, for example, between an authoritarian and a democratic system of control. In order to avoid this pitfall, the action researcher must be aware that understanding and clarification have a dual meaning: (1) on the one hand, it means showing differences in value and power position. This may or may not intensify or diminish the conflict. (2) On the other hand, it means showing the "common ground" in different attitudes, to clarify perceptions, eliminate projections, and thus really contribute to a lessening of the conflict. Which element is greater depends upon the situation. The immediate effect of action research can, therefore, not always be foreseen. The ultimate effect, however, depends upon the ability of the action researcher to reduce tension even if differences in value or power position are more clearly seen. I believe that this depends upon the development of methods of democratic action and upon fuller implementation of democratic values which will make it possible to transcend the level at which conflicts take place at present.

If this analysis of the situation is correct, action research involves a serious responsibility for the action researcher. He may feel that his responsibility is discharged by taking a position half way between the conflicting parties. This is a possible but not a necesary position. What happens if his position is contradicting the value and power position of either side? In this case he has to make up his mind whether he still wants to be a researcher or a party man. If he chooses to be a researcher, he may continue to have a position contradictory to one—or even to both parties—provided his understanding deepens to the same extent as he deviates from a position of compromise, and provided he develops the kind of approach mentioned above. He must not only believe that understanding is important in order to get more valid scientific results (or to implement better his own value position). He must try to understand and accept those elements of truth

which are contained in any position—even that most opposed to his own value position. He can only do this if he has a deep respect for the *dignity* of *every* individual and for every individual's human right for self-development and self-expression. Indeed, the action researcher must go a step further; he must show his respect not only in his ends, but also in the means of change. If he cannot take such a position, he should not do action research, but become the advocate of one party.

These ideas whose purpose it is to provoke discussion rather than to come to definite conclusions show one thing quite clearly: action research in the industrial field highlights the close relationship of the researcher and the problems of industrial relations. There are alternative approaches, based on alternative systems of values. Though it is true that this does not affect the immediate findings of the research —provided research is properly conducted—it is bound to affect the meaning of research and its influence on labor-management relations.

We fully realize that the main proof for some of the claims made for the significance of action research in the industrial field remains to be given. Only further research can indicate what the actual impact or what the potentialities of action research in this field will be.

MEDIATION OF LABOR DISPUTES IN MISSOURI PUBLIC UTILITIES

VANCE JULIAN
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MEDIATION OF LABOR disputes in public utilities became effective in Missouri on September 10, 1947. This action by Missouri's General Assembly followed the pattern of other states of the Union in enacting various types of labor legislation. Until that time the state of Missouri had no machinery of any kind providing for the mediation or conciliation of labor disputes.

Missouri Mediation Act

The labor act passed in Missouri is commonly called "House Bill 180" or the "King-Thompson Act," and is of major importance to all public utilities. This act can be found in Chapter 68 Revised Statutes of Missouri, Sections 10178.101 to 10178.122 inclusive. The Act, of course, can also be found in the various labor law services.

Missouri law makers decided to limit mediation strictly to labor relations affecting public utilities. The Missourians have also declared that it is the "policy of the State that heat, light, power, sanitation, transportation, communication and water are life essentials of the people; that the possibility of labor strife in utilities operating under governmental franchise or permit, or under governmental ownership and control is a threat to the welfare and health of the people; that utilities so operating are clothed with public interest; and the State's regulation of the labor relations affecting such public utilities is necessary in the public interest." (Section 10178.101)

Many of the sections were adapted from other state laws. Special credit should be given to the influence of New Jersey's utility laws. The Missouri law has innumerable sections of its own origin.

A State Board of Mediation was appointed by the Governor and approved by the Senate for three year terms. Only the chairman is on a salary; the four other members, two from industry and two representing labor, are on a per diem basis.

Sixty days before the expiration of any labor contract, the parties desiring to change the contract must file with the Board a copy of the specific changes desired. If no question of the company being a utility arises, the Board takes jurisdiction as a matter of course. Both parties are instructed to begin their negotiation. During this 60-day period,

the Board is kept informed of developments. In the usual case, the Board will not interfere unless called upon by one of the participating parties.

At least 15 days before the expiration date of the contract the Board asks the parties to agree on private voluntary arbitration if a contract is not reached. The Board maintains a policy of encouraging voluntary agreements without interference or help. If this procedure fails to reach a contract, the Board then urges the parties to set up their own private voluntary arbitration, and if voluntary arbitration is agreed upon, then the Board waits until a final contract has been signed and filed with it to close its file.

It has been necessary in a number of cases for conferences of the parties to be held either with the chairman or the full Board. It has been found that matters can be settled quickly through these informal conferences; the chairman of the Board acting as the "mediator" or "friend of both parties."

It is to be noted that the Missouri Act does call for a compulsory fact finding board. In the event that management of a utility and employees fail to execute at least a one year contract of all matters in dispute by the expiration date, or if the parties fail to agree on private voluntary arbitration, then it becomes mandatory to set up a Public Hearing Panel to determine the issues.

The law provides for both parties to name a member, within five days; the two so named to select the third, or chairman of the Public Hearing Panel. Failure of the two members to agree upon the chairman necessitates action from the Board to make the selection. A time limit is provided to hold hearings which can be extended only by mutual consent. The panel must, within five days after closing the hearings, make and file with the Governor, a report setting forth its recommendations.

If voluntary arbitration is a part of the contract, the compulsory Public Hearing Panel does not apply unless the disputing parties cannot agree. However, it has been the rule to require the parties to agree to abide by the voluntary arbitration clause if it is in their contract before the expiration date of the contract. If either the utility or its employees refuse to accept and abide by the recommendations of the Public Hearing Panel, or if the parties engage in any strike, work stoppage or lockout, it then falls to the Governor, who, in his discretion, may take over the utility for the use and operation by the state of Missouri in the public interest.

Section (1) of the Missouri Act which provides penalties, is as follows:

> It shall be unlawful for any person, employee, or representative as defined in this act to call, incite, support or participate in any strike, or concerted refusal to work for any utility or for the state after any plant, equipment or facility has been taken over by the state under this act, as a means of enforcing any demands against the utility or against the state.

The penalty goes further and makes it unlawful for a utility to employ any person guilty of violating paragraph (1) above quoted. Further, any labor union which violates this paragraph shall forfeit and pay the state of Missouri the sum of ten thousand dollars for each day of any work stoppage resulting from any strike which it has called, incited or supported. Similarly, an officer of a union must forfeit one thousand dollars for the School Fund of the state.

In addition the Act provides that if a public utility engages in any lockout which brings a work stoppage, it shall forfeit ten thousand dollars for each day of work stoppage caused by such lockout. Also, if the utility refuses to bargain collectively in good faith with its employees over the terms and conditions of employment, the Board may certify the facts to the Public Service Commission of the state for its consideration. The Public Service Commission could revoke the certificates of convenience and necessity, or impose such other conditions upon the public utility as may be provided by law. And there is the usual section in the Act which provides that no employee shall be required to render labor or service without his consent.

Under the Board's rules, all final agreements between a utility and its employees must be filed with the Board. The Public Hearing Panels, as set up by the Board, are paid by the state at the rate of $25.00 per day.

Case Record

Since the Act became effective, there have been 183 cases docketed. Until December 15, 1949, six of the cases have gone to a compulsory Public Hearing Panel. Three panels were discharged without rendering a decision. After all evidence was in and during the five days waiting period the parties were able to reach and execute a final agreement. Following the Board's policy of encouraging voluntary agreements, the Panels were discharged without filing recommendations.

In two Public Hearing Panels the recommendations of the Panels were accepted by the parties, and a contract was reached covering the

Panel's recommendations. In the remaining Public Hearing Panel the union has accepted the recommendation of the fact finding body but the company has not, as yet, accepted the finding. It is interesting to note that in all six cases the panel members selected by the union and the company were able to agree upon the chairman of the Panel without the action from the Board for selecting the third, or so-called public member of the Panel.

Only seven cases went through private voluntary arbitration; the remaining cases reached contracts before the expiration dates or extensions of the old agreements. A number of unions and managements have requested the Board, or chairman, to choose the third person in private arbitration, and many present contracts have the provision for the Board or chairman to select the third person if it becomes necessary. Out of the 183 cases handled, there are on the Board's active docket 30 cases whose expiration dates have not expired, or the case is one of the original contract negotiations. One of the 30 cases is pending on the outcome of private voluntary arbitration.

The Board has denied jurisdiction to employees of a radio station and a company selling "bottled gas." The Board denied jurisdiction to the employees of a bus company owned by a municipality. A mandamus suit against the Board, brought by the officers of the union, in the Supreme Court of Missouri, was recently decided that the Board did have jurisdiction in second class cities of Missouri.[1]

The Missouri Board has taken jurisdiction in cases where interstate commerce was involved. The Board has advised the parties that Missouri has jurisdiction over the company and its Missouri em ployees.

The 183 cases involved labor contracts of employees with the following types of Missouri utilities:

water companies
light and power and REA companies
telephone companies
street car and motor bus companies
passenger bus, (city & over-the-road-companies)
gas companies
telegraph companies
truck associations and truck companies

[1] State of Mo. ex rel Moore, et al. vs. Julian, et al., 222 SW[2] 720 (16 Labor Cases CCH — 65,244).

It is to be noted that in the case of truck companies, the contract involved would cover several hundred companies, but since the agreement was by a trucking association, it is only listed as one case on the Board's docket; even though there might be several hundred companies and their employees in the labor agreement. The telephone company contracts in most cases covered employees in most of the cities of Missouri. The bus company cases were city-operated bus lines as well as over-the-road companies.

The total cost of operation for the twenty-two months period to July 1, 1949 was $38,485.28. This total includes the cost of the specially appointed Public Hearing Panels.

Effectiveness of Act

During the entire two year period since the effective date of the law, it has not been necessary for any of the Act's penalities to be invoked. Nor has it been necessary for the Governor to take over any of the utilities of the state. It might be stated that in at least five instances during the two year period, the matter of seizing the utility because of a work stoppage or threatened work stoppage was being investigated by the Governor.

There have been three work stoppages during the two year period that the law has been effective. All were of short duration. One involved 50 workers in a trucking company in Kansas City of 48-hours duration. The other two involved a gas company in St. Louis City and County of 281 workers of 24-hours duration and 773 workers of 24-hours duration. The service of gas to the public was not curtailed. In the gas cases there had been a dispute between rival unions as to representation under the NLRB.

Prior to the enactment of the Missouri law the following work stoppages occurred in public utilities of Missouri according to the U. S. Department of Labor Bureau of Labor Statistics:

Year	Stoppages	Workers Involved	Man-days Idle
1945	14	2,790	66,400
1946	22	24,000	173,000
1947	11	17,600	426,000

(The above includes a strike involving 15,000 employees in the telephone industry in Missouri covering 57 towns from April 7, 1947 to May 19, 1947; and a work stoppage of the street car and bus system in St. Louis from June 13 to 26, 1947.)

The members of the Board during this period were: Chairman, Vance Julian, attorney of Clinton, Missouri, (Public Member); Charles W. Boutin of Cape Girardeau, Missouri, President and General Manager of Southeast Missouri Telephone Company, (Management); Gerald H. Frieling of Kansas City, Missouri, Vice-President in charge of transportation for the Kansas City Public Service Company, (Management); Carl C. Mitchell of Kirkwood, Missouri, Business Manager and Financial Secretary of Local No. 1439, International Brotherhood of Electrical Workers, A.F.L. (Labor); and John Alvin White of St. Joseph, Missouri in the employ of the Gas Service Company and a member of the Congress of Industrial Organizations (Labor).

Conclusion

The Missouri State Board of Mediation has earnestly tried to function in accordance to the true definition of mediation; it has endeavored to be a friend of both sides, an agency between the parties at variance, with a view to reconcile them or persuade them to adjust or settle their disputes. Its role is that of a third party who tenders suggestions or offers advice.

The State Board of Mediation is charged with the problem of maintaining industrial peace in public utilities of Missouri. It must provide adequate administrative machinery whereby labor disputes can be settled promptly and effectively.

Two years have gone by since Missouri's public utility State Board of Mediation became an active body. In that time the Board has found that sometimes it is the companies who may be at fault in their relations with the employees. At other times the employees have been unreasonable in their attitude and demands. It has also found that the first and most important rule is that the settlement of employer-employee controversies and difficulties should be accomplished by the parties directly concerned as far as possible. Only as a last resort should there be interference by outsiders, or, in this instance, by the Missouri State Board of Mediation.

However, this must be kept in mind constantly—that heat, light, power, sanitation, transportation, communication, and water are life essentials of the people. The great state of Missouri, along with other states, says that such utilities are clothed with public interest.

The state of Missouri has said, by law, that the state will regulate labor relations affecting such public utilities. It has maintained such

action is imperative for the public interest. Let it be reiterated emphatically that the first requirement for both a public utility and its employees is to bargain together in the true spirit of "collective bargaining," to reach a contract by this method as to wages, hours, rules, and working conditions. Failure in this should be followed by private voluntary arbitration in which both sides abide by the Board's decision. As a last resource the Public Hearing Panel or compulsory fact finding board will be used. A public utility and its employees are clothed with a public trust to operate without stoppage the machinery that will provide some of life's vital essentials for the people.

The Missouri law has shown that there is a method whereby a state can supervise the labor relations affecting public utilities; that such a law can prevent work stoppages in public utilities. The law must be reasonable and fair to both labor and management. The most important thing, however, is a "common sense" administration of the law.

THE ARBITRATION OF INDUSTRIAL DISPUTES ARISING FROM DISCIPLINARY ACTION

J. M. PORTER, JR.
Professor of Psychology, Rensselaer Polytechnic Institute

THE PRESENT paper reports on an initial study of industrial disputes arising from disciplinary action which have been taken to arbitration. Our interest in this area arises from the question as to the effect arbitration of such disputes has upon management's effectiveness in maintaining discipline within the plant. We have not as yet found the answer to such questions but our study of nearly 200 arbitration awards has revealed some pertinent information about the behavior of the parties involved.

Analysis of Arbitration Awards

The material selected for initial study consisted of 197 arbitration awards in which the issue was the equity of the discipline (suspension or discharge for the greater part) imposed upon individual employees, for behavior which management deemed detrimental to the effective operation of the plant. These awards were all those involving the arbitration of disciplinary disputes reported by a leading industrial relations reporting service during the years 1946 and 1947.

A wide variety of production and service industries were represented. In only a few cases did the discipline administered apply to more than a single employee. Sixty-eight different individuals served as arbitrators and the median number of awards per arbitrator was slightly more than one.

In 74 cases, which represent 38 per cent of the total number studied, the arbitrators award sustained the disciplinary action taken by management. In the remainder of the cases studied, 121, which was 62 per cent of the total, the effect of the arbitrator's award was to either revoke or modify the discipline imposed by management. In this latter group of cases, the effect of the award was to completely revoke management's action in 49 per cent of the instances and to modify (i.e., reduce in severity) the discipline in 51 per cent of the instances.

Where the original discipline had taken the form of a suspension (24 cases) the arbitrator's decision sustained the action taken in two-thirds of the instances. Where the original discipline imposed had been the discharge of the employee (170 cases) the arbitrator's award

sustained the action in 34 per cent of the cases. Within the limits of the cases studied, there appears to be a definite tendency for the arbitrator to modify the discipline imposed by management. However, when suspension rather than discharge is involved, the awards sustain management's actions two to one.

Our figures show that discharge is the form of discipline most frequently resorted to by management. It must be borne in mind, however, that our data were gathered from disputes which had been taken to arbitration and such findings may merely mean that unions are more apt to press discharge cases to arbitration than lesser forms of discipline.

We next attempted to formulate the categories of employee behavior which evoked disciplinary action. We first listed all the forms of behavior cited by management at the arbitration hearing in substantiation of its actions. In some cases more than one form of behavior on the part of the disciplined employee was cited. Where this was the case and the company's argument dwelt at any length upon more than one kind of behavior as contributing to their decision, the cases have been classified in as many categories as were appropriate. Where the bulk of the company's argument was confined to the fact that the employee's behavior had been of one kind, the case was of course classified under a single heading. We find that four categories of behavior are sufficient to classify all but a very minor number of cases.

Attention is now called to Table 1.

Violation of Shop Rules was cited 59 times. This is 28 per cent of the total citations. Into this category we have classified such forms of behavior as intoxication on the job, tardiness, fighting with coworkers, gambling, dishonesty, excessive absenteeism, absence without proper notice, and failure to report for work when scheduled.

When the reasons cited by the company for the discipline imposed were violations of shop rules, the arbitrator's award sustained management in 45 per cent of the cases and mitigated the discipline imposed in 55 per cent of the cases. In dealing with those cases in which the effect of his award was to mitigate the discipline imposed, the arbitrator completely revoked management's action in 39 per cent of the cases and acted to reduce the severity of management's penalty, in 61 per cent of the instances.

Incompetence and/or Inefficiency was alleged by the company in 41 cases as the reason for discipline. This represents 20 per cent of the total citations. Into this category we have classified behavior de-

TABLE I

Violation of Shop Rules Cited 59 (28%)			Incompetence and/or Inefficiency Cited 41 (20%)			Insubordination Cited 55 (27%)			Violation of Contract Cited 42 (21%)		
Mgt. Sust. 45%	Discip. Mitig. 55%		Mgt. Sust. 32%	Discip. Mitig. 68%		Mgt. Sust. 40%	Discip. Mitig. 60%		Mgt. Sust. 31%	Discip. Mitig. 69%	
	Revoked 39%	Pen. Reduced 61%		Revoked 68%	Pen. Reduced 32%		Revoked 51%	Pen. Reduced 49%		Revoked 37%	Pen. Reduced 63%

scribed as an uncooperative attitude, carelessness, negligence, conducting personal business on company time, and the general statement that the employee was incompetent or inefficient on the job, or both.

In such cases the effect of the arbitrator's decision was to sustain management's action, i.e., find that sufficient cause existed, in 32 per cent of the cases. In the remaining 68 per cent of the cases, in which the effect of his award was to mitigate the discipline, the award had the effect of revoking it completely in 68 per cent of the cases and of finding that cause for discipline existed but that the action taken by management was too severe in the light of the apparent facts in 32 per cent of the instances.

Insubordination was cited by the company in support of the discipline administered in 55 instances. This represents 27 per cent of the total citations. In addition to the general statement that the disciplined employee's behavior had been insubordinate, such specific acts were classified as representing insubordination as: fighting with the supervisor, friction with the foreman, use of profanity in arguing with the boss, and refusing proper work assignments.

When insubordination was cited as the reason for the discipline administered, the effect of the arbitrator's award was to sustain management's action in 40 per cent of the instances and to mitigate it in 60 per cent of the cases. In the latter instances, i.e., the cases in which the arbitrator mitigated the discipline imposed, the arbitrator completely revoked the discipline almost as frequently as he indicated that he felt some penalty was merited but that the penality assessed by management was too severe.

Violation of the Labor-Management Agreement (the contract) was given as the reason for discipline in 42 cases. This represents 21 per cent of the total number of citations. Such behavior as interference with the direction of the working force, engaging in work stoppages and slowdowns, coercion and solicitation of workers to join the union on company time and property, and refusing to follow the grievance procedure as set forth in the agreement were classified as violations of the contract.

When violations of the labor-management agreement were cited as meriting the discipline imposed, the effect of the arbitrator's award was to sustain management in 31 per cent of the instances and to mitigate management's action in 69 per cent of the cases. In those cases where the effect of the arbitrator's decision was to mitigate the discipline imposed, the action of management was completely revoked

in 37 per cent of the cases; in 63 per cent of the instances the arbitrator indicated that he felt some discipline was merited but that imposed by the company had been too severe.

Only four per cent of the cases cited grounds for discipline which could not be classified under one or the other of the four categories just described.

Summary of Statistics

In summary, our study has indicated that arbitration sustains management's imposition of discipline in approximately 40 per cent of the cases and mitigates the discipline imposed in approximately 60 per cent of the cases. The behavior held most frequently by management to merit discipline was:

> Violation of Shop Rules which accounted for 28 per cent of the cases.
>
> Incompetence and/or Inefficiency which accounted for 20 per cent of the cases.
>
> Alleged Insubordination which accounted for 27 per cent of the cases.
>
> Violation of the Labor-Management Agreement which accounted for 21 per cent of the cases.

Violation of shop rules and insubordination are cited as reasons for discipline with slightly greater frequency than incompetence and/or inefficiency and violation of the labor-management agreement.

Our analysis shows that the arbitrator's award mitigated the discipline imposed most frequently when the behavior cited as meriting the discipline was incompetence and/or inefficiency and violation of the labor-management agreement. Discipline for violation of shop rules is mitigated least frequently.

Where the effect of the arbitrator's award was to mitigate the discipline imposed, arbitrators, when they have felt discipline was merited, have been more inclined to substitute their opinion for that of management in determining the discipline merited when violation of shop rules and violation of contract were alleged than they have been when incompetence and/or inefficiency and insubordination were alleged. When insubordination was alleged, and the arbitrator's award mitigated management's action, the arbitrator completely revoked management's action about as frequently as he decided that while a

penalty was merited, that fixed by management was too severe. When incompetence and inefficiency were alleged, the arbitrator's award completely revoked the discipline imposed more than twice as frequently as deciding that though a penalty was merited, that fixed by management was too severe.

Motivations Revealed by Case Analyses

The study of the arbitration of industrial disputes arising from disciplinary action affords an opportunity for studying significant forms of social activity. The issues presented for adjudication permit the study of human motivations, interaction, and conflict in an atmosphere relatively free from appeals to previously established doctrines of *stare decisis* and similar forms of precedent.

It may be expected that the study of various aspects of industrial arbitration, particularly of disputes arising from disciplinary action, will reveal data with respect to human motivations which will supplement that obtained through attitude and morale surveys. In our opinion, insights gained through the study of the activities of the groups and the issues involved in arbitration have a validity which insights gained through the other methods of study lack Arbitration is an activity in which the parties do not engage unless they feel strongly about the issues involved, and it is reached only after prior efforts by the parties themselves to settle the dispute.

We have also been interested in such insights as might be achieved into the thought processes of the arbitrator himself. This individual is coming to play an increasingly significant role in industrial relations. As the fact of their responsibility to the public has been increasingly impressed upon labor and management groups, we find increased resort to arbitration for the peaceful resolution of conflcts which the parties are not able to resolve themselves.

The behavior evoking discipline which we have classified as a violation of shop rules or that indicating incompetency and/or inefficiency apparently represents a conflict between the individual's personality characteristics and conditions established by management in order to conduct the business of the company in what is deemed an efficient and effective manner. In our experience, open feelings of hostility are not usually present in such instances and the dispute is generally a question of whether or not a violation of shop rules occurred or whether or not incompetency or inefficiency was present. And, if so, has the discipline under consideration been applied consistently

throughout the plant in the past? The problem posed for the arbitrator in such cases is generally a question of the determination of the fact of the violation or incompetence and management's consistency in the application of the rules or standards which have been set up.

On the other hand, cases identified as involving insubordination and contract violation are frequently situations of open hostility and the thinking of both parties is emotionally prejudiced thereby. Where an employee is disciplined for either of these causes, the motivation behind the discipline may be at least partially a reaction to implied loss of status on the part of management—a threat to the authority and prestige of the management man. This is particularly true at the lower levels of management where most disciplinary action initiates.

This hypothesis is indicated by the fact that violations of shop rules and incompetence and inefficiency on the job seem to elicit disciplinary action more frequently when associated with behavior on the employee's part which the supervisor or foreman interprets as insubordinate. Thus there is frequently an over-reaction, by first-line management particulary, when insubordination or violation of contract—matters of status—are at stake. The discipline applied need only meet the requirements of management's responsibility for efficient production in the plant, but, in fact, it tends to exceed this need and becomes an action mainly of vindication of status and exercise of authority.

The need for status, frequenty coupled with adherence to feelings of group loyalty, also seems to motivate the union's activities in arbitration hearings. Many cases of violation of shop rules and discipline for incompetence are brought to arbitration by the union even though the facts seem clear that the employee has been guilty of the conduct alleged and no discrimination in the application of the rules or standards by management is evident. The union leadership fights the disciplinary action simply because its status with its members has been challenged and group loyalty tested. The motive of status protection is even more clearly defined in the union's defense of alleged acts of insubordination or contract violation.

These secondary motivations, status and group loyalty, play an important role in the process of arbitration of disciplinary action. By the language of the labor-management agreement the parties are concerned only with the question of the justice of the discipline imposed. Has management's action been taken for "proper or just cause"? Yet the number of instances which occur wherein the union challenges non-discriminatory discipline for patent violation of shop rules, ob-

vious incompetence or unmistakable insubordination, and contract violation, and wherein management resorts to extreme disciplinary action in the case of mild insubordination or violation of contract, seem to indicate that the equity considerations outlined in the Agreement are not the sole motivation. A clear understanding of these underlying motivations would, we think, not only eliminate a substantial number of disciplinary disputes but significantly aid plant morale as well.

Also of value in the application of this understanding of motivation might be more frequent resort by management to suspension rather than discharge. If one views the objective of disciplinary action as the improvement of behavior, then it is clear that insofar as the individual disciplined is concerned, any value in terms of reformed behavior is lost to the company when the man is discharged. Also lost is the company's investment in the training given that man. Moreover undue discharge has a negative effect upon the other employees. Thus those instances which give rise to the opinion that discharge is invoked rather than suspension because of management's over-reaction to a threat to status, would be eliminated and the relations between labor and management would be expected to be benefited thereby.

These unspoken secondary motivations of status and group loyalty impinge upon the behavior of the arbitrator as well. The cases studied demonstrate this premise in two extremes of approach employed by the arbitrator. One criterion of judgment is to simply determine whether management has proper cause for discipline and had been consistent in the past in its application and, if so, sustain management's action irrespective of its severity. The other standard of judgment adopted by some arbitrators is, after determination of proper cause and non-discrimination, to independently evaluate the discipline in terms of what the arbitrator considers merited and so award. Under this second point of view, the arbitrator frequently modifies the company's disciplinary action even though a finding of proper cause and good faith on management's part has been made. Our study indicates that this substitution of the arbitrator's judgment for that of management properly exercised, is more frequent in instances of management discipline for violation of shop rules and contract violation.

Conclusion

We may tentatively conclude from this preliminary study that secondary motivations are of real significance in the arbitration of in-

dustrial disputes which arise from disciplinary action. That both parties are significantly influenced by considerations of status, and that the union is additionally influenced by consideration of group loyalty also seems apparent. The operation of these needs interferes with sound function of the disciplinary process and the arbitration of disputes arising therefrom. The arbitrator, in turn, often has a tendency to go beyond the authority contractually vested in him to ascertain proper cause and non-discrimination, and substitutes his judgement for that of management in determining the appropriateness of the discipline meted out. We believe that further investigation would shed worthwhile light on behavior in this field and aid in the understanding of the disciplinary and arbitration process.

BUSINESS REPORTS

PROGRAM
OF
SECOND ANNUAL MEETING—1949
INDUSTRIAL RELATIONS RESEARCH ASSOCIATION

Hotel Commodore, New York, N. Y.

THURSDAY, DECEMBER 29

9:00 A.M.

INDUSTRIAL SOCIOLOGY (Joint session with the American Sociological Society)

Chairman: William F. Whyte, Cornell University

Papers:

*The Collective Bargaining Process**
Sidney Garfield, International Chemical Workers Union (AFL)

*A Way to Unscramble the Network of Human Relations in Industrial Organizations**
F. L. W. Richardson, Jr., Harvard University

10:00 A.M.

LABOR AND THE PUBLIC INTEREST (Joint session with the American Political Science Association)

Chairman: Avery Leiserson, University of Chicago

Papers:

Protecting Civil Liberties of Members Within Trade Unions
Benjamin Aaron, University of California (Los Angeles)

The Handling of Emergency Disputes
Thomas Kennedy, University of Pennsylvania

The Allowable Area of Industrial Conflict
Carroll R. Daugherty, Northwestern University

Discussant: Clinton L. Rossiter, Cornell University

*Paper not submitted for publication in *Proceedings*.

2:00 P.M.

CAN CAPITALISM DISPENSE WITH FREE LABOR MARKETS? (Joint session with the American Economic Association)

Chairman: David A. McCabe, Princeton University

Papers:

Collective Bargaining and Fiscal Policy
Kenneth E. Boulding, University of Michigan

Labor Markets: Their Character and Consequences
Clark Kerr, University of California (Berkeley)

Trade Union Policies and Non-Market Values
Joseph Shister, University of Buffalo

Discussants:

Frank C. Pierson, University of California (Los Angeles)
Charles Killingsworth, Michigan State College
Paul Fisher, Dartmouth College

4:00 P.M.

CRUCIAL ISSUES IN THE PENSION PROBLEM

Chairman: J. Douglas Brown, Princeton University

Papers:

Labor's Approach to the Retirement Problem
Harry Becker, United Automobile, Aircraft and Agricultural Implement Workers of America (CIO)

*From the Point of View of Management**
J. W. Myers, Standard Oil Company of New Jersey

Pension Plans Under Collective Bargaining: An Evaluation of Their Social Utility
Robert M. Ball, American Council on Education

Discussants:

W. H. Winans, Union Carbide and Carbon Company*
Solomon Barkin, Textile Workers Union of America (CIO)

8:00 P.M.

ECONOMIC POWER BLOCS AND AMERICAN CAPITALISM (Joint session with the American Political Science Association, the American Economic Association, and the American Sociological Society)

Chairman: J. Douglas Brown, Princeton University

Papers:

Group Tension and Interest Organizations
Herbert Blumer, University of Chicago

Economic Interest and the Political Process
Merle Fainsod, Harvard University

Power Blocs and the Formation and Content of Economic Decision
Joseph J. Spengler, Duke University

Discussants:

Hans Speier, Rand Corporation
Don Price, Public Administration Clearing House
Neil W. Chamberlain, Yale University

10:00 P.M.

SMOKER FOR ALL IRRA MEMBERS

FRIDAY, DECEMBER 30

9:00 A.M.

MEMBERSHIP BUSINESS MEETING AND INTRODUCTION OF NEW OFFICERS

10:00 A.M.

MEASUREMENT OF EMPLOYEE ATTITUDES (Joint session with the American Sociological Society)

Chairman: William F. Whyte, Cornell University

Papers:

The Uses and Potentialities of Attitude Surveys in Industrial Relations
Joseph Tiffin, Purdue University

Good and Bad Practices in Attitude Surveys in Industrial Relations

Daniel Katz, University of Michigan

Discussants:

John McConnell, Cornell University
Fillmore Sanford, Haverford College

10:00 A.M.

SELECTED PAPERS

Chairman: George W. Taylor, University of Pennsylvania

Papers:

Labor Relations Problems of a Government Procurement Agency

Russell E. Cooley, United States Navy Department

Action Research and Industrial Relations

Fred H. Blum, Michigan State College

Mediation of Labor Disputes in Missouri Public Utilities

Vance Julian, Chairman, Missouri State Board of Mediation

The Arbitration of Industrial Disputes Arising from Disciplinary Action

J. M. Porter, Jr., Rensselaer Polytechnic Institute

2:00 P.M.

GENERAL SESSION

Chairman: Edwin E. Witte, University of Wisconsin

Papers:

Some Aspects of Industrial Relations in Denmark

Walter Galenson, Harvard University

The Social Control of Industrial Relations

Sumner H. Slichter, Harvard University

REPORT OF THE SECRETARY-TREASURER FOR 1949

The following minutes contain the record of all official actions of the Executive Board and the annual membership business meeting for 1949.

FEBRUARY ACTION OF THE EXECUTIVE BOARD

The Executive Board, by mail ballot on return postcards, in response to a letter from the secretary of February 8, 1949, took the following actions:

1. It was unanimously decided that a *Membership Directory* should be published as a separate volume instead of jointly with the Cleveland Proceedings.

2. It was unanimously decided to authorize the acceptance of subscriptions from organizations to IRRA publications. The annual subscription price was set at $5.00, with nine voting in favor and one not voting. It was decided that the subscription price should include the business reports and *Membership Directory,* with eight in favor and two not voting.

3. It was decided that free copies of the *Proceedings* should be sent only to non-members who were on the program, with six in favor and four opposed. (This action was modified in June.)

4. It was unanimously decided to accept the proposal of the University of Illinois Press for publication of the *Proceedings of the First Annual Meeting.* (This action was reversed at the May meeting.)

APRIL ACTION OF THE EXECUTIVE BOARD

In April, 1949, President Slichter polled the Executive Board by mail on the question of alternative policies regarding use of our membership list for circularizing purposes.

1. By vote of five to two it was decided not to defer action until the next meeting of the Board.

2. By vote of six to none, with one abstaining, it was decided not to refuse all requests for use of the list.

3. By vote of four to two, with one abstaining, it was decided not to make the list available to commercial enterprises.

4. By vote of six to none, with one abstaining, it was decided to make the list available to non-profit organizations that wish to circularize our members on matters relating to industrial relations.

EXECUTIVE BOARD MEETING

Minneapolis—May 19, 1949

The meeting was held in the Center for Continuation Study on the University of Minnesota campus. Present: Slichter, Kerr, Kornhauser, McPherson, Warren, Witte.

Arrangements for the September meeting with the American Psychological Association in Denver were discussed. It was agreed that the Association will pay half of the telephone and telegraph costs incurred in arranging the program for the joint sessions on September 7. Kornhauser reported that the Society for the Psychological Study of Social Issues would be happy to publish the Proceedings as a regular issue of its journal early in 1950. He also indicated that the Society might be agreeable to publication of the Proceedings by IRRA under certain conditions. It was decided that Kornhauser should try to get approval of SPSSI for publication of the Proceedings by IRRA, to be issued as a separate volume, and made available to members of the American Psychological Association at cost.

Several topics were discussed as general subjects for the various sessions of the December meeting in New York. President Slichter reported that the American Political Science Association desires to schedule a joint session on the afternoon of December 28. It was agreed that our meetings might begin a half-day earlier than originally contemplated in order to include such a session. It was decided that every effort should be made to schedule one or two joint sessions with the American Sociological Association. It was recognized that it might be necessary or desirable to schedule some concurrent meetings in view of the unusual possibilities for joint sessions, the growth of our membership, and the breadth of interests of our members. President Slichter announced that Howard S. Kaltenborn and Solomon Barkin had accepted membership on the Committee on Arrangements. It was agreed that James C. Hill would also be asked to serve.

Chicago was selected as the location for the 1950 annual meeting. McPherson reported that an option has been obtained on the Statler Hotel in Washington, D. C., for the 1951 annual meeting, but no

action was taken on this subject pending information as to the 1951 plans of related associations.

The request of a group of students at the University of California, Berkeley, for recognition as a student chapter of IRRA was approved. It was decided that no ceremony of charter presentation to chapters would be arranged unless requested. The question of the development of additional chapters was discussed. It was decided that full cooperation should be given to members in the New York City area in view of the interest expressed in the establishment of a chapter in that locality. It was further agreed that Warren should investigate the extent of interest in the organization of a chapter in Los Angeles. The deletion from the Bylaws of the requirement that chapter committee members be IRRA members was approved, subject to action by the annual membership meeting.

The election rules were revised to read as follows:

Ballots, together with a biographical summary of each nominee, shall be mailed to each member not later than November 15. To be counted, the return ballot must be postmarked not later than November 30. New members, whose applications are received by November 25, shall be entitled to vote if their ballots are postmarked not later than November 30.

Return envelopes shall be distributed with the ballots. They shall provide space on the outside for the name and address of the member voting. Ballots will be valid only if the member's signature appears on the outside of the envelope and is not indicated on the ballot itself. Before the ballots are opened, a clerical employee shall check the names against the membership list. She shall then discard the envelopes before submitting the ballots to the members of the Committee on Elections.

The Committee on Elections shall consist of the secretary-treasurer as chairman *ex officio* and two other members appointed by the president. The committee shall have charge of the distribution and counting of the ballots. Each member of the committee shall separately verify the tabulation of the ballots. The committee shall, by majority vote, decide any questions regarding the validity of ballots.

Members, at the time of balloting, shall be invited to suggest persons for nomination in the following year.

It was agreed that convenience of operation requires that members of the Committee on Elections be selected from the locality of the IRRA office.

It was decided to rescind the approval granted by mail ballot in February for publication of the *Proceedings of the First Annual Meeting* by the University of Illinois Press, and to approve the printing contract with George McKibbin & Son, of Brooklyn, New York.

Regarding the forthcoming publication of the *Membership Direc-*

tory, the proposed form of listing, illustrated by samples presented by the secretary, was approved. It was decided that the proposed directory statement regarding each of the members should not be sent to them for revision or approval. It was decided not to include a separate bibliographical list in the directory. The directory will include the individual biographical sketch plus a geographical classification and an occupational classification. The latter will include the following occupational groups: academic, union, management, government, attorneys, consultants. A classification of "arbitrator" will not be included because of the difficulty of distinguishing between the members for whom this is a major or a minor activity. The academic group will be subdivided by discipline.

The April action limiting the use of our addressograph plates to non-profit organizations was reaffirmed. The decision regarding the charging of a fee for use of the plates was delegated to the secretary.

It was decided to continue the efforts to bring the Association to the attention of all interested persons. No effort will be made to maintain any particular proportions among the various occupational groups represented in the membership.

N. Arnold Tolles, chairman of the Committee on Teaching, presented an interim report regarding the committee's activities in sponsoring regional teaching conferences and studying the industrial relations curricula of our universities.

It was decided that Alexander Hamilton Frey should be asked to serve as the sole member of a Committee on Legal Questions, authorized at the last annual membership meeting.

There was a detailed discussion on the desirability of periodic publication of abstracts of articles in the industrial relations field. It was agreed that such a publication should be of real interest and value to most IRRA members. Dale Yoder and McPherson were appointed to investigate the practicability of the proposal and were instructed to report to the Executive Board at its December meeting. (The matter was subsequently referred to the Committee on Publications.)

JUNE ACTION OF THE EXECUTIVE BOARD

The Executive Board was polled by letter sent by the secretary on June 28, 1949.

1. By vote of eight to none, it was decided to include *The Psychology of Labor-Management Relations* (the Denver Proceedings) in the volumes to be sent to subscribers for the $5.00 subscription fee.

2. By vote of eight to none, it was decided to rescind the action of last February regarding limitation on the distribution of free copies of our *Proceedings,* and to authorize the secretary to distribute review copies at his discretion.

REPORT OF THE COMMITTEE ON NOMINATIONS

The Committee on Nominations submitted to the secretary-treasurer the following final report:

We hereby nominate for office in 1950 the following persons:

For President: . . . . George W. Taylor

For the Executive Board:

Three-year term . .	Alexander Hamilton Frey, Lois MacDonald, William F. Whyte, Harry D. Wolf.
Three-year term . .	John T. Dunlop, Frederick H. Harbison, Richard A. Lester, Charles A. Myers.
Two-year term . . .	Guy B. Arthur, Jr., Carroll E. French.
Two-year term . . .	Solomon Barkin, Lazare Teper.
Two-year term . . .	Arthur Kornhauser, Bruce V. Moore.
One-year term . . .	Wilbur J. Cohen, Meredith B. Givens, Florence Peterson, Dale Yoder.

Respectfully submitted,

EWAN CLAGUE
NATHAN P. FEINSINGER
VERNON H. JENSEN
HAROLD F. NORTH
CARROLL L. SHARTLE
NAT WEINBERG
E. WIGHT BAKKE, *Chairman*

NOVEMBER ACTION OF THE EXECUTIVE BOARD

The Executive Board was polled by mail ballot in response to a letter from the secretary of November 3, 1949.

1. By vote of nine to none, with one abstaining, the Board concurred in the selection of George W. Tayor by the Committee on Nominations as the presidential nominee for 1950.

2. By vote of ten to none, it was decided to authorize the secretary-treasurer to accept the lowest responsible bid for prompt printing of the *Proceedings of the Second Annual Meeting.*

3. By vote of nine to one, it was decided to reimburse, for transportation expenses to the New York meeting of the Executive Board, any Board member who cannot obtain reimbursement from other sources. (This action was modified at the December meeting.)

EXECUTIVE BOARD MEETING

New York City—December 28, 1949

The meeting convened at 4:00 P.M. Present: Slichter, Bladen, French, Frey, Kerr, Kornhauser, Lester, MacDonald, McPherson, Taylor, Whyte.

The minutes of the earlier 1949 actions of the Executive Board were read and approved.

Kornhauser reported on the meeting held jointly with the Society for the Psychological Study of Social Issues and the Division of Industrial and Business Psychology, of the American Psychological Association, in Denver on September 7, 1949.

The secretary-treasurer reported on the membership and finances of the Association.

Frey, as counsel of the Association, reported that incorporation of the Association appeared unnecessary, and recommended that no such action be taken at this time.

Two letters from a member, protesting the pairing of nominees on the ballot in the recent election of officers, were read. After discussion, they were referred to a subcommittee of Frey and Kerr for further consideration.

Letters from another member regarding the method of election of the president were read and discussed at length. It was decided to recommend to the annual membership meeting against the adoption of his proposal for election of the president by the electoral college (the Committee on Nominations and the Executive Board) rather than by the membership.

The meeting adjourned at 6:00 P.M.

The meeting re-convened at 8:00 P.M. Present: Slichter, Barkin, Bladen, French, Kerr, Kornhauser, Lester, MacDonald, McPherson, Taylor, Warren, Whyte, Witte, Yoder.

On behalf of the subcommittee that considered a member's protest against the pairing of nominees, Kerr recommended the addition of a sentence to the present Bylaws to remove any doubt regarding the

intent to permit such pairing as had been made in both of the previous elections. The Board approved for submission to the annual membership meeting the proposal to revise Article II, Section 2, of the Bylaws, by inserting at the end of the third sentence the following: "Selection and method of nomination shall facilitate membership on the Executive Board of individuals drawn from the several disciplines and types of research activity represented within the Association."

After receiving the recommendations of the Committee on Publications from its chairman, Waldo E. Fisher, it was decided that the publications of the Association for 1950 shall include the *Proceedings of the Second Annual Meeting* and a special volume dealing with the various aspects of the problems of the older worker in our society. A special editor will have charge of the content of the latter volume, which may include reprinted materials along with new articles. This volume should be ready for the printer by September 1. The president will appoint an editor and an editorial board for this volume. (President Taylor subsequently appointed an editorial board consisting of Edwin E. Witte, J. Douglas Brown, and Clark Kerr as editor-in-chief.)

A subscription price of $5.00 for the two or three volumes to be published by the Association for 1950 was authorized.

The Committee on Publications reported the offer of a journal publisher to publish in that journal certain of the papers presented at our second annual meeting. The Committee's recommendations that the offer be declined was approved.

The Committee on Publications was authorized to investigate the desirability of participation by the Association in the preparation of a detailed topical classification list for publications dealing with industrial relations.

The president was authorized to make arrangements for a joint meeting with the American Psychological Association at State College, Pennsylvania, next September, and to appoint a Program Committee for that purpose. He was also authorized to arrange, within the uncommitted income of IRRA for 1950, for publication of the *Proceedings* of that meeting.

The chairman of the Committee on Teaching, N. Arnold Tolles, reported on the committee's activities during the current year.

In view of the report of the secretary-treasurer that only one known placement had resulted from the experiment of the Association in offering its facilities as a clearing house for persons seeking new em-

ployees and those seeking employment, it was decided to discontinue this experiment.

A fund of $100.00 was appropriated to be allocated to meeting necessary expenses of IRRA committees.

The Board action of November, 1949, regarding reimbursement of travel costs under certain conditions to Association officers was rescinded. It was decided to reimburse the secretary-treasurer for his travel cost to the New York meeting, and to make similar reimbursement to that officer and the executive assistant for the 1950 annual meeting in Chicago.

It was decided that the headquarters for the 1950 annual meeting will be at the Palmer House if satisfactory arrangements can be made. Otherwise, the headquarters will be at the LaSalle Hotel.

It was decided that membership dues will not be increased for 1950.

The following resolution was adopted: "The Executive Board of the Industrial Relations Research Association expresses the appreciation of the Association to the members of the Committee on Arrangements, Howard S. Kaltenborn, Solomon Barkin, and James C. Hill, for their efficient work in making the arrangements for the New York meeting of the Association."

The meeting adjourned at 11:30 P.M.

ANNUAL MEMBERSHIP BUSINESS MEETING

New York City—December 30, 1949

The annual membership business meeting was held in the Hotel Commodore at 9:00 A.M. on December 30, with an attendance of some 150 members.

President Slichter opened the meeting with a brief discussion of the major activities of the Association during the past year.

The following report of the Committee on Teaching was presented by N. Arnold Tolles, chairman:

The dominant area of specialization within the social sciences, as taught in American colleges and universities, is now the area of labor problems and industrial relations. Yet the instructors in this area have had few opportunities to train themselves to be effective teachers.

In the field of economics, generally, the need for improving the quality of college instruction was recognized by the American Economic Association in 1944, with the creation of a Committee on the Undergraduate Teaching of Economics and the Training of Economists, under the chairmanship of Professor Horace Taylor. One of the many results of this effort was the organization of

three successful conferences for the mutual training of college teachers of economics, in 1946, 1947, and 1949.

Professor Witte, the first president of our own association, was quick to appreciate the importance of this type of activity. At the time of the organizing session of the Industrial Relations Research Association, in 1947, President Witte asked me to form a Committee on Teaching. Professor Myers of the Massachusetts Institute of Technology, Professor Kennedy of Pennsylvania, Professor Chalmers of Illinois, Professor Herbst of Ohio State, and Father McGinley of St. Louis University responded to the chairman's invitation to serve on this committee. This group gives us good coverage in New England, the Middle Atlantic States, and the Midwest. During the coming year, the committee will be extended to include representatives from the South and the Pacific Coast.

This is a hard-working committee. Each of its members is responsible for organizing regional conferences of college and university teachers who deal with our field of interest. We are less concerned with questionnaires, surveys, and the reading of professional papers than with the practical business of improving our own effectiveness as teachers. We are concerned with the objectives, ideas, materials, and teaching methods that are involved in the development of students of the science and art of industrial relations.

For the year 1949, the Committee on Teaching is able to report a very substantial achievement. In contrast with a single conference during each of the years 1947 and 1948 (at American University and Cornell, respectively) the committee was able to effect three regional conferences during 1949:

(1) at Ohio State University, for the Midwest;
(2) at Northeastern University, for New England;
(3) at Cornell University (N.Y. State School of Industrial and Labor Relations), for the Middle Atlantic States.

One hundred college and university teachers, from 65 different institutions, participated in these three conferences. At each conference, the discussions were initiated by several leaders in our field of teaching. Thus stimulated, the major part of each two to three-day conference period was devoted to the discussion of the aims and problems of the conference members themselves.

Digests of the discussions at the Midwestern and Mid-Atlantic conferences are available without charge as long as their limited editions last. Requests for the 17-page digest of the Midwestern conference should be addressed to Prof. Alma Herbst of Ohio State University, and requests for the 80-page digest of the Mid-Atlantic conference should be addressed to Prof. N. Arnold Tolles, New York State School of Industrial and Labor Relations, Cornell University.

For the year 1950, your committee plans to sponsor at least three, and perhaps as many as five, regional conferences of college teachers of courses in the field of industrial relations. Certainly, there will be such conferences for New England, the Mid-Atlantic, and Mid-West regions. Southern and Pacific Coast conferences are in prospect. Announcement of the locations and dates of these conferences will be contained in the volume of the proceedings of this meeting.[1]

The immediate aim of the Committee on Teaching is to provide an opportunity, once a year, for a college or university teacher in our field to discuss the

[1] See page 299.

challenges and the opportunities of teaching with his associates in our field, at a session of two to five days that will be held within his own section of the country. We may come close to achieving this aim during the coming year. At any rate, we are making rapid progress in that direction.

For those who will read the two digests of discussions that are available, little explanation is needed as to the content and procedure of these regional conferences on teaching. To others, it need only be said that these conferences are conceived as being of, by, and for college and university teachers. It follows that the program represents the most useful set of approaches that the immediate conference chairman can arrange in consultation with his regional advisors. Typically, the general sessions are devoted to the teaching of a broad area of subject matter, regardless of particular courses or institutions, while special round tables are organized for the mutual discussion of the more specialized teaching problems. Discussions at the general sessions are stimulated by some opening remarks by two or three invited leaders, from whatever section of the country, but at least half of each session is devoted to questions, observations, and contributions from the 20 to 30 registered members of the conference.

This activity of our Association has been carried on without any significant cost to the Association itself. The most that has been or will be required is the preparation of lists and some minor printing of announcements. The college or university which acts as host is the risk-taking entrepreneur. It assumes the obligations of providing the physical facilities, some reimbursements of the expenses of the invited leaders and the preparation and mailing of the digest of the discussions. Against this expense, it receives the registration fees of the 20 to 30 registered participants from other colleges and universities. To college teachers, your committee and its co-operating institutions have a bargain to offer: a conference of two to five days with a registration fee of $10.00 to $25.00 plus a minimum cost for transportation and living expenses. For most of those who attend these conferences on teaching, the total cost will range between $50.00 and $100.00. We believe that the colleges and universities who employ the teachers who wish to attend these conferences could well afford to defray all or some part of these expenses. Some of them already done so.

Respectfully submitted,

W. ELLISON CHALMERS
ALMA HERBST
THOMAS KENNEDY
REV. JAMES J. MCGINLEY, S.J.
CHARLES A. MYERS
N. ARNOLD TOLLES, *Chairman*

The following report of the Committee on Research was presented by Lloyd G. Reynolds, chairman:

After considering a variety of proposals over the past year, the Committee feels that the Association can best stimulate research activity in two ways: first, by helping to disseminate the results of important unpublished studies, particularly doctoral dissertations. This would require some sort of abstracting pro-

cedure, and the major obstacle is the expense of publication. Since this matter is related to the whole publication program of the Association, action should probably be deferred until that program has taken more definite shape.

Second, the Association can help to disseminate information about significant studies in process in various parts of the country. Instead of waiting for the published results to appear, it may be possible to arrange for discussion of methods and hypotheses while the work is in progress, thus speeding up the exchange of research ideas by as much as two or three years. In particular, we suggest that, if plans for a May conference of the Association in Chicago go ahead as scheduled, at least one day of this conference might usefully be devoted to research discussion. In addition to reports on specific projects, it would be desirable to have some general discussion of how to develop inter-disciplinary cooperation and other problems of research method.

It has been suggested to us that there might eventually develop a series of regional conferences on research, after the pattern of the very successful regional conferences on the teaching of labor. We believe that such a step should not be taken prematurely, but should come only after some experimentation at the Chicago conference and elsewhere, and perhaps after the development of a greater volume of research activity throughout the country. The Association might well keep it in mind, however, as a possible long-run objective in this field.

Respectfully submitted,

JOHN C. DAVIS
J. BENTON GILLINGHAM
PHILIP TAFT
PAUL WEBBINK
LLOYD G. REYNOLDS, *Chairman*

The following report of the Committee on Publications was presented by Waldo E. Fisher, chairman:

After a careful consideration of the financial needs of the Association and the knowledge that the balance in the treasury after commitments are met will amount to about $1000.00, the Committee recommends that two projects be undertaken, only one of which is to be published in 1950.

1. *Compilation of Outstanding Articles and Materials in the Field of Industrial Relations.*

The first project is the publication of a compilation of outstanding articles and materials in industrial relations. It is proposed that an editorial committee be appointed to select 10 or 15 of the best articles which appeared in professional journals in the fields of psychology, industrial relations, economics, political science, anthropology, and related disciplines, as well as the publications of industrial relations institutes and centers and papers given before this and other societies.

Such a compilation would have a number of advantages:

It would bring together in the scope of a single volume the best contributions to the journals and publications in the various disciplines concerned

with industrial relations. The wide range of sources from which the articles would be drawn should make an appeal to many of our members and help make for a better integration of available knowledge in the field.

It would provide useful material which could be used as reference material at colleges and universities.

It would ensure a publication which would maintain a high standard of excellence.

It could be produced with the minimum of editorial effort.

Printing costs would be somewhat lower.

It should serve as an incentive to research in the field of industrial relations and might help to improve its quality.

It is our best estimate, based on cost data provided by The Legal Intelligencer, that the cost of 2500 copies of such a publication would not exceed $1750.00.

2. *Volume on the Problems of Older People in Our Society.*

The second project is a publication which is primarily designed to bring together the thinking and research of the various disciplines concerned with industrial relations by concentrating on a current problem.

For example, it is suggested that a special editorial board be appointed as soon as possible to initiate and assume general responsibility for the preparation of a volume on the problems of older people in our society. Such a study should summarize what is now known about this subject, the critical issues confronting the American people, the unsettled problems, and particularly the areas in need of research and study.

The Committee believes that the preparation of such a volume will require a full-time editor and suggests that the officers of the Association attempt to persuade the director of one of our university industrial relations centers to release a competent staff member to assume this responsibility.

3. *Annotated Digest of Published Material in the Field of Industrial Relations.*

A number of individuals, notably Dr. Dale Yoder and Mr. Tracy Ferguson, have proposed that the Association publish "periodically an index of the vast literature including all the disciplines pertaining to this field." A discussion of this proposal developed the fact that other organizations and associations were interested in this project and that the Institute librarians are now engaged in developing a classification directory.

The Committee recommends that the Association appoint a special committee to ascertain what other organizations are doing in this area and to explore this proposal in the light of its findings.

Respectfully submitted,

ROBERT K. BURNS
CHARLES A. MYERS
DALE YODER
WALDO E. FISHER, *Chairman*

A member suggested from the floor that the programs for future annual meetings should provide for greater participation by the non-academic members of the Association.

Another member suggested that more time should be allowed in the various sessions for discussion from the floor. It was proposed that the Program Committee could achieve this result by scheduling not more than two principal papers for any session.

The secretary-treasurer then presented a preliminary report on the membership and finances of the Association. A complete report on these matters for 1949 is given later in these pages.

The revision of Article II, Section 2, of the Bylaws, as approved by the Executive Board on December 28, was unanimously adopted by the membership.

The non-concurrence of the Executive Board in the proposal that the current provision for vote of the membership on a single nominee for president be replaced by election of the president by the electoral college was reported to the membership.

The resolution expressing the appreciation of the Association to the members of its Committee on Local Arrangements, as adopted by the Executive Board on December 28, was unanimously endorsed by the membership.

The following report was presented on behalf of the Committee on Elections:

In the election of officers for 1950, a total of 670 ballots were returned. Of these, 7 were returned in unsigned envelopes and 28 were postmarked after November 30, leaving 635 valid ballots. We have verified the count of the ballots, and certify that the following members have been elected to office for 1950:

President	George W. Taylor
Executive Board:	
One-year term	Florence Peterson
	Dale Yoder
Two-year term	Solomon Barkin
	Carroll E. French
	Arthur Kornhauser
Three-year term . . .	Frederick H. Harbison
	Richard A. Lester
	Lois MacDonald
	William F. Whyte

Respectively submitted,
MARGARET K. CHANDLER
ROSS STAGNER
W. H. MCPHERSON, *Chm. ex officio*

President Slichter introduced to the membership the officers for 1950. He then turned the meeting over to the new president, George W. Taylor, who outlined the plans for special activities in 1950. These include the May round-table conference, the September meeting with the American Psychological Association, and the publication of a special volume dealing with the problems of the older worker in our society. (The details regarding the IRRA program of activities for 1950 are set forth on the final pages of this volume.)

The meeting adjourned at 10:15.

EXECUTIVE BOARD MEETING

New York City—December 30, 1949

The meeting convened at 4:00 P.M. Present: Taylor, Barkin, Bladen, French, Kerr, Kornhauser, Lester, MacDonald, McPherson, Peterson, Slichter, Warren, Whyte.

The following members were elected to the Nominating Committee: Douglass V. Brown (chairman), E. Wight Bakke, George W. Brooks, Fred W. Climer, William Haber, Ross S. Shearer, and Ross Stagner. (Any member, who has not already suggested nominees for office in 1951, may do so by writing to Prof. Brown at the Massachusetts Institute of Technology, Cambridge 39, Massachusetts.)

It was decided to hold, in Chicago, on May 12-13, a series of round table discussions dealing with workers' education, campus teaching, and research. (President Taylor subsequently appointed Lloyd G. Reynolds as chairman of the Program Committee for this meeting.)

It was decided that President Taylor and Clark Kerr (as editor-in-chief of the special volume on problems of the older worker) will select the members of a special editorial board for that volume.

The alternatives of Boston, New York, and Washington as a location for the 1951 annual meeting were discussed, together with the possibility of holding either the national or a regional meeting in San Francisco at that time. Final action was deferred.

The Hotel Stevens in Chicago was selected as headquarters for the 1952 annual meeting, provided satisfactory arrangements can be made.

The president and secretary were authorized to use their discretion in granting to others the use of the IRRA addressograph mailing list. Policy on this matter will be reviewed at the next meeting of the

Board. A charge of $1.00 per hundred names or fraction thereof was authorized for use of the list.

It was decided that, while adequate supplies remain, copies of the 1949 IRRA publications shall be offered as an inducement to the enrollment in 1950 of new and former members.

Since reprints of the *Proceedings of the First Annual Meeting* cannot be obtained, it was decided to send two copies of the volume to the authors of each paper and to notify them that they may obtain up to eight additional copies if needed. Whenever reprints of future publications can be provided, they will be made available to the authors at approximately one-half of cost.

It was decided that the *Proceedings of the Second Annual Meeting* shall follow the general style of our first publication and shall not include a list of new members or notes regarding current members.

It was decided to continue past practice regarding the use of the union label on IRRA publications.

Milton Derber was elected editor of the Association for 1950. The Executive Board expressed to him its deep appreciation for his excellent work on the IRRA publications for 1949.

It was decided not to reimburse the publisher of the *Proceedings of the First Annual Meeting* for the error claimed in his calculation of cost, in view of the extraordinary delay in the completion of the job and the fact that the bid of another publisher was only slightly higher.

It was decided to set the following prices on single volumes of the IRRA publications: *Proceedings of the First and Second Annual Meetings,* $2.50 each; *Psychology of Labor-Management Relations,* $1.50; *Membership Directory,* $5.00. IRRA members may obtain additional copies of the *Proceedings of the First and Second Annual Meetings* at $1.50 each, and of the *Psychology of Labor-Management Relations* at $1.00.

The monthly salary of the executive assistant was increased to $185.00.

It was decided that the initial judging of papers contributed for presentation at the next annual meeting may be assigned by the President to IRRA members who are not on the Program Committee.

The meeting adjourned at 6:00 P.M.

REPORT ON MEMBERSHIP AND FINANCES

At the end of 1949 the Association had 1441 members and 86 subscribers. The membership is classified as follows:

Life members	8
Contributing members	8
Regular members	1346
Junior members	73
Family members	6
	1441

This constitutes a net increase during the year of 415 members.

During the year addressograph plates were made for our members and subscribers. Our mailing list was furnished in whole or in part to the following organizations:

1. University of Pennsylvania Press for announcements of Kennedy, *Effective Labor Arbitration* and a monograph series on industry-wide bargaining.
2. Professor R. W. Bartlett for announcement of his book, *Security for the People.*
3. National Academy of Arbitrators for distribution of the reports of its Committees on Ethics and on Research and Education.
4. *Industrial and Labor Relations Review* for circularization.
5. Dennis and Company for announcement of Rothenburg, *On Labor Relations.*
6. Dr. Harold C. Taylor for check against membership of the American Psychological Association.
7. Ohio State University for announcement of conference on the teaching of industrial relations.
8. Institute of Industrial Relations, University of California, Berkeley and Los Angeles for supplementation of their mailing lists.
9. Mr. J. G. Hall for distribution of an article by Professor Goetz A. Briefs, "Can Labor Sit in the Office?—Sociological Aspects of Union-Management Cooperation."
10. Occupational Research Center, Purdue University for distribution of a questionnaire on grievance procedures.

Use of the list was denied in three instances after the Executive Board adopted the policy of lending it only to non-profit establishments.

It has been impossible to deliver our recent publications to a few members who have not sent information regarding change of address. Any member who can help us to get in touch with any of the following persons is requested to notify the Association's office:

Nathan Belfer	Mark L. Kahn	Alfons Puishes
Walter K. Bryden	Ardemis Kouzian	Ralph M. Quin
Daniel Carson	Sar A. Levitan	Robert J. Rosenthal
Donald C. Edmonds	Walter G. McCrea	Ivor H. Thomas
Mary B. Gilson	Martha Sue Newell	William B. Wait
T. L. Hufert	Harvey O'Connor	Royce E. Wooddall

The experiment of the Association in offering its facilities as a clearing house for persons seeking new employees and those seeking employment was unsuccessful. Information was submitted regarding 16 vacancies and 28 persons interested in employment. This low registration permitted little matching of openings and applicants. Only one placement resulting from this service has been reported, although there were several "near misses."

The financial position of the Association is set forth in the following report of the Certified Public Accountant who audited the IRRA accounts and records:

January 23, 1950.

To the Executive Board
Industrial Relations Research Association
Champaign, Illinois

Dear Sirs:

In accordance with instructions we have audited the records of cash receipts and disbursements of the Industrial Relations Research Association as maintained in the offices at Champaign, Illinois, for the year ending December 31, 1949.

Cash receipts from member dues and other sources were test checked into the records and cash disbursements, as evidenced by the cancelled checks and supporting vouchers relating thereto, were examined and appear to have been in order. The cash balance December 31, 1949, as shown by the books was satisfactorily reconciled with the amount as certified directly to us by the depository.

As a result of our examination it is our opinion that the summary attached to and forming a part of this report correctly reflects the cash transactions of the Association for the period covered by our review.

Respectfully submitted,

(Signed) NELSON D. WAKEFIELD
Certified Public Accountant

INDUSTRIAL RELATIONS RESEARCH ASSOCIATION
SUMMARY OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1949

Cash Receipts

Member Dues and Sustaining Contributions	$7,628.00
Subscriptions	375.00
Surplus from Annual Meeting and Miscellaneous	166.13
	$8,169.13

Cash Disbursements

Secretarial Salaries	$1,952.25	
Other Personal Services	513.50	
Printing	624.18	
Postage	537.88	
Supplies and Equipment	67.06	
Miscellaneous	327.92	
Total Disbursements		4,022.79
Excess of Receipts Over Disbursements		$4,146.34
Add Cash Balance January 1, 1949		4,286.40
Cash Balance December 31, 1949		$8,432.74

Represented by:

Cash in First National Bank, Champaign, Illinois	$8,314.74	
Cash on Hand	118.00	$8,432.74

It must be emphasized that the financial position of the Association is much less adequate than might be inferred from its year-end cash balance, since bills for the printing and distribution of our first three volumes will be due in January, 1950. The publication of our *Membership Directory* and the proceedings of our Cleveland and Denver meetings will cost at least $6,500.00. Shipping and mailing costs will total over $700.00. When all bills related to our 1949 activities have been paid, there will remain a carryover of little more than $1,000.00 that can be applied to our 1950 program. It is therefore obvious that our publication program and other activities cannot be expanded, or

even maintained, unless we follow the example of other professional associations by increasing our dues or unless each member gives every possible assistance toward increasing the number of our members and subscribers.

Respectfully submitted,

WILLIAM H. MCPHERSON
Secretary-Treasurer

OFFICERS AND COMMITTEES FOR 1950

OFFICERS

President: George W. Taylor

Executive Board:
Solomon Barkin
Vincent W. Bladen
Carroll E. French
Frederick H. Harbison
Clark Kerr
Arthur Kornhauser
Richard A. Lester
Lois MacDonald
Florence Peterson
Sumner H. Slichter
Edgar L. Warren
William F. Whyte
Dale Yoder

Editor: Milton Derber

Counsel: Alexander Hamilton Frey

Secretary-Treasurer: William H. McPherson

COMMITTEES

Nominating Committee:
Douglass V. Brown, *Chm.*
E. Wight Bakke
George W. Brooks
Fred W. Climer
William Haber
Ross S. Shearer
Ross Stagner

Committee on Teaching:
N. Arnold Tolles, *Chm.*
W. Ellison Chalmers
Frank T. DeVyver
Alma Herbst
Thomas Kennedy
Charles A. Myers
John P. Troxell

Committee on Publications:
Robert K. Burns, *Chm.*
J. B. S. Hardman
Fred H. Joiner

Committee on Research:
Lloyd G. Reynolds, *Chm.*
Others to be named

Committee on Local Chapters:
Joseph M. Gambatese, *Chm.*
Thomas Kennedy
Maurice F. Neufeld

Program Committee (Annual Meeting):
George W. Taylor, *Chm.*
John T. Dunlop, *Vice-Chm.*
Otis Brubaker
Milton Derber
Harry M. Douty
John W. McConnell
Douglas McGregor
William H. McPherson
Rollin B. Posey
Sumner H. Slichter
Joseph C. Sweeten

Program Committee (May Meeting):

Lloyd G. Reynolds, *Chm.*
Robben W. Fleming
Paul Webbink

Program Committee (September Meeting):

Morris Viteles, *Chm.*
Samuel L. H. Burk
Robert Dubin
Lazare Teper

Committee on Arrangements:

Frederick H. Harbison, *Chm.*
Charles W. Anrod
Lyle W. Cooper
Frank J. Gillespie
Frank W. McCallister

Committee on Elections:

W. H. McPherson, *Chm.*
John M. Brumm
Harriet D. Hudson

LOCAL CHAPTER OFFICERS

Washington, D. C., Chapter

President: Ewan Clague
Vice-President: Joseph M. Gambatese
Secretary: Donald Horn
Acting Treasurer: Donald Horn

Cornell University Chapter

President: Herbert Hern
Vice-President: Herbert Hubben
Executive Board: Walter Butler
J. James Jehring
Abraham Lipp
William Slayman
N. Arnold Tolles

University of California (Berkeley) Chapter

President: Donald M. Irwin
Vice-President: Margaret M. Schleef
Secretary-Treasurer: James MacDonald

ACTIVITIES FOR 1950

PUBLICATIONS

IRRA Publication No. 4: *Proceedings of the Second Annual Meeting*

Editor: Milton Derber

IRRA Publication No. 5: *Industrial Society and an Aging Population*

Board of Editors: Clark Kerr (editor-in-chief), Edwin E. Witte, J. Douglas Brown

This special volume will contain articles written by economists, psychologists, sociologists, political scientists and others dealing with such problems as the employment of the elderly worker in industry, retirement, pensions and annuities, and the principal needs for further research in this area. The various problems will be analyzed from the points of view of the worker, the unions, management, government, and the community.

MEETINGS

1. May 12-13, Chicago. A series of roundtable discussions on the following research and teaching problems:

Wage determination and wage behavior
Studies of union-management relationships
Handling of "emergency disputes" under federal and state legislation
Determinants of worker effort and output
Internal structure of management organizations
Internal structure of union organizations
Inter-disciplinary cooperation in research
Emphases in industrial relations research
The trade union stake in education
Training for management positions in industrial relations
Teaching problems in industrial relations

Duplicate sessions will be arranged where necessary, in order to limit attendance at each roundtable to about 35 members. Advance registration by mail is required.

2. September, Pennsylvania State College. A joint meeting with the Society for the Psychological Study of Social Issues and the Division of Industrial and Business Psychology of the American Psycho-

logical Association. The first such meeting was held in Denver on September 7, 1949; its proceedings constitute our third publication, *Psychology of Labor-Management Relations.*

3. October or November, Philadelphia. A meeting on problems of labor arbitration, to be conducted jointly by our Association, the Labor Relations Council of the University of Pennsylvania, the American Arbitration Association, and the National Academy of Arbitrators.

4. December 28-30, Chicago. Our third regular annual meeting. All members are invited to submit original papers for selection by the Program Committee.

REGIONAL CONFERENCES ON TEACHING

Sponsored by the

Industrial Relations Research Association and
co-operating universities and colleges

MIDWEST: June 12-14, 1950 at Allerton Estate, Monticello, Illinois
Conference Chairman: Professor W. Ellison Chalmers
Institute of Labor and Industrial Relations
University of Illinois

NEW ENGLAND: September 6-8, 1950 at South Hadley, Mass.
Conference Chairman: Professor Everett Hawkins
Department of Economics and Sociology
Mount Holyoke College

MID-ATLANTIC: September 7-9, 1950 at Ithaca, New York
Conference Chairman: Professor N. Arnold Tolles
N. Y. State School of Industrial and Labor Relations
Cornell University

SOUTHEAST: Time and Place to be arranged
Conference Chairman: Professor Frank T. de Vyver
Department of Economics
Duke University

PACIFIC COAST: Time and Place to be arranged
Conference Chairman: Professor John P. Troxell
Division of Industrial Relations
Stanford University

Information regarding these conferences may be obtained by addressing the respective conference chairmen. Inquiries are invited from college and university teachers in the fields of industrial relations, labor problems, labor economics, or personnel administration.