Productivity
(1976 folder)

PRODUCTIVITY: THE LINK TO ECONOMIC AND SOCIAL PROGRESS

A Swedish-American Exchange of Views

WORK IN AMERICA INSTITUTE, INC.

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WORK IN AMERICA INSTITUTE CONFERENCE PROCEEDINGS

PRODUCTIVITY: THE LINK TO ECONOMIC AND SOCIAL PROGRESS

A Swedish-American Exchange of Views

Edited by Curtis Prendergast

Proceedings of a Meeting Cosponsored by the Federation of Swedish Industries and Work in America Institute, Inc.

April 5, 1976
Washington, D.C.

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CONTENTS

WORK IN AMERICA INSTITUTE, INC.

FOREWORD

The Federation of Swedish Industries initiated the idea for this conference in order to consider productivity and its implications for economic growth and progress at a time when the subject has aroused great interest. The Work in America Institute was delighted to function as a partner with the Federation to present the conference as our inaugural event. We feel that the timeliness of the conference and the excellence of the speakers contributed to the high level of involvement of all the participants. These proceedings capture the highlights of the discussion and should be helpful in the United States, Sweden, and other countries.

The purpose was to provide a platform for Swedish and American leaders to exchange views regarding productivity and balanced economic growth. The backdrop was the contemporary scene in Sweden, as presented by leaders from government, business and labor. Many outstanding Swedish spokesmen took time from their busy schedules to devote themselves to this exchange. The talks facilitated better understanding of rapid changes in Swedish labor-management relations, so that American leaders could reconsider U.S. values and economic problems.

The conference was attended by more than 100 leaders from the United States, Congress, Executive Branch, business and labor. Many participants asked that, in the future, we should allow more time for a deeper and more intensive interchange among the speakers and the audience. We hope that this is only the first of a series of international exchanges on labor-management relations.

On behalf of the Institute, I would like to express our appreciation to the outstanding delegation of Swedish spokesmen. Our thanks go, in particular, to Messrs. Axel Iveroth, Kurt Borg and Anders Pers of the Federation of Swedish Industries. Without their involvement and dedication, the conference would not have been possible.

Jerome M. Rosow

OVERVIEW

Sweden and the United States are the two most advanced industrial nations in the world. Swedish economic growth has been described as something of a miracle: Sweden was once one of the poorest countries in Western Europe. Today Swedish per capita gross national product exceeds that of the United States. *What can Americans learn from the Swedish experience?*

This question was at the heart of conference discussions on "Productivity—The Link to Economic and Social Progress," which took place in Washington, D.C., on April 5, 1976, under the joint auspices of the Federation of Swedish Industries and the Work In America Institute. Over 100 representatives of business, labor and government from both sides of the Atlantic participated, among them Sweden's King Carl XVI Gustaf, who attended one of the panel discussions in the course of his Bicentennial visit to the United States.

During their exchange of views, panelists compared the Swedish and American approaches to full employment and balanced economic growth, issues of ownership, management and participation, and the interaction of the industrial sector with government policy.

Common Problems

"Sweden generally moves ahead by consensus, after long advance discussion, whether between management and labor in the labor market committee, or in the parliament," observed Dr. Clark Kerr, general chairman of the conference. "Here in the United States we operate more through pluralistic initiatives, of many different enterprises, different unions, different government activities, on the basis of trial and error before we decide which is the best way."

Yet, as Dr. Kerr pointed out, "our two countries have some specific problems in common, such as how to obtain relatively full employment with relatively moderate inflation; neither of us yet has been able to solve that dilemma. Both nations are trying to increase productivity in order to improve domestic welfare and to meet foreign competition. That is difficult to do when the nation is already advanced in technological and industrial processes, and when it can no longer shift people from marginal agriculture into industrial production, especially since a large proportion of workers are already employed in service industries and government.

"Both countries must adapt to the new work force, which is better educated than ever before in history and more informed about social conditions within their country and in other nations . . . . We must adapt to some reduction in the work ethic and some reduction in the acceptance of authority. We face a very great increase in the demand for a higher quality of life, on and off the job."

A Reappraisal

The mood of reappraisal that pervades both countries was evident from the Swedish-American dialogue.

On both sides, the speakers praised the value of Sweden's unique system for reconciling private and public interests and for making labor, management and government feel that they are partners in national progress. Yet both sides raised questions. For the Americans, it was a question of direction. Could the United States, from its different background and starting point, pursue the Swedish type of practices? For the Swedes, it was a question of limits. How far will the public sector encroach on the private? How far should labor move into corporate ownership and control?

Clark Kerr, left, *and King Carl XVI Gustaf*

Swedish speakers credited the nation's consensus approach for a large part of the national economic success. Between employers and employees, government and opposition parties, there has been basic agreement on the goals of economic growth and full employment, the maintenance of industrial productivity, competitiveness and profitability. Monetary and fiscal policies have stimulated investment and helped smooth out cyclical variations. In the postwar restructuring of Swedish industry, with its deliberate shift of emphasis to the high-productivity sectors, labor had given its cooperation, government its support. Labor has been receptive to change; government policy has mitigated the social impact with retraining and relocation programs.

But Swedish panelists saw problems for the future. Economic growth is decelerating; the later years of the 1960–1975 period were not as good as the earlier years. Under the statistical surface of full employment there is probably hidden unemployment. More disturbing to several of the Swedish speakers is the growth of *public* expenditure, now just over *half* the total national expenditure. The tax burden is heavy. Wage costs have been rising faster in Sweden than among Sweden's competitors; they now exceed American wage costs.

For the American panelists, the overriding concern is unemployment. Recovery from the worst recession since pre-World War II days is under way: the outlook for labor peace is good, even though labor-management contracts covering some nine million workers are to be negotiated this year. But unemployment remains at unacceptably high levels. Its cost in lost Federal and local government revenues and in individual misery is tremendous.

The prospect that joblessness will not be reduced below 6% before 1980 was felt to be deplorable; official toleration of that figure represents a remarkable shift in American goals. It is to attack this problem that the Humphrey-Hawkins Full Employment and Balanced Growth Act has been introduced into Congress. Its aim is to bring adult unemployment down to 3% within four years. By this act, the United States would be somewhat emulating Sweden in setting annual national goals for production, productivity and purchasing power; national economic policies would then be coordinated to achieve these goals. The act would also provide for anti-cyclical actions and standby measures, including emergency public works programs, to combat recession.

Swedish Labor Participation

As for employee participation in the management and ownership of business, Sweden is moving in directions which the United States is unprepared to follow—and indeed, the Swedes are not of one mind on these questions, as the panel discussions showed.

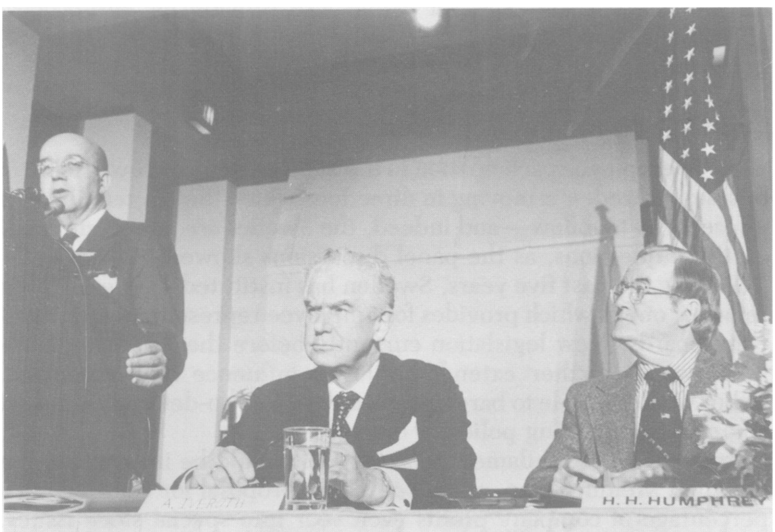
During the past five years, Sweden has instituted a series of labor reforms, one of which provides for employee representation on company boards. New legislation currently before the Swedish parliament would further extend employee influence in managment. Labor would be able to bargain collectively for "co-determination" of companies' operating policies.

An even more fundamental power shift would be involved in the so-called Meidner plan, a labor-initiated proposal for transferring a percentage of company profits each year into special stock issues. These shares would be pooled in "collective employee funds," a nationwide system of labor-administered funds which would gradually own and control much of Sweden's private enterprise. The debate on the Meidner plan is now raging in Sweden. The government attitude is cautious, but Swedish business is vigorously opposed, and the plan may be considerably modified in the next few years.

As possible alternatives to the Meidner proposals, employee stock ownership plans are being tried within individual Swedish companies. One plan now in operation will eventually make employees the largest shareholders in Sweden's third biggest bank. Further experiments are being conducted which may indicate better the results of employee participation in the industrial decision-making process. These experiments, jointly sponsored by Swedish labor and employer organizations, indicate that participation does *not* automatically increase productivity; other factors may be involved. Meanwhile, the government is using nationalized industry as a social laboratory. The state holding company which manages 28 government-owned industries has been mandated not only to show a business profit, but also to promote job security, co-determination and worker satisfaction.

U.S. Differences

American speakers agreed that in the United States as well, workers want "a piece of the action" in their companies. Profit-sharing plans have a long history in the United States; currently the Kelso plan, incorporated in the recent tax bill to provide tax credit for stock issued to employees, has the support of both liberals and conservatives. But in the American panelists' view, neither labor nor management would welcome legislative control of their relationships, as in Sweden. Labor participation in management, along the lines of



Left to right: *Clark Kerr, Axel Iveroth, Senator Hubert H. Humphrey*

Sweden's most recent labor reform bill, would find little receptivity here. In labor's view, employers are not prepared to accept unions as co-equal partners; the unions themselves are not ready for the responsibilities of participation. Conditioned by their long struggles with management, the unions still take an adversary position. And on all sides, anything like the Meidner plan would be flatly rejected.

Differences were also apparent in the Swedish and American views of government policy and its interaction with the private sector. The U.S. attitude generally is that business and government are natural enemies. National economic planning would be hamstrung by the immediate obstacle of existing anti-trust laws. Consultations within industry about production, supply sources and markets, which would be essential to generate planning guidance for the government, could result in businessmen "signing their own death warrants as far as anti-trust is concerned," as one panelist said. The multitude of local governments and regulatory bodies in the American system of *decentralized authority* would also complicate matters enormously. Nor within the American system of pluralism is there sufficiently unified representation to facilitate relations between business and government.

Government Encouragement of Investment

Even more fundamental, in the view of the speakers, is the difference between Swedish and American government approaches to investment. The tax treatment of industry is more liberal in Sweden. Through such measures as tax deferrals on corporate profits which are set aside as investment reserves for stimulating the economy during recessions, the Swedish government has encouraged capital formation; this has been one of the major elements in Sweden's lead in productivity. During the panel discussions, a strong statistical case was presented for the thesis that production is proportionate to the capital — rather than the manpower — employed, and that capital investment is the single most important factor in the economic growth of nations.

Meanwhile, the United States government is doing little, apart from the investment tax credit, to help increase the supply of capital that will be needed for socially mandated outlays on environmental cleanup, occupational health and safety, and similar expenditures where investments must be made regardless of the payoff in normal business terms. *What can the United States do to meet its capital requirements by expanding the formation of capital?* In remarks that came during the question period, American and Swedish speakers gave their opinions. In the American view, the Swedish government's tax encouragement of investment reserves for use during a recession could not be faulted; American business, however, lacks the trust in government needed to make this type of cooperative anti-recession effort work. The Swedish panelist found a different situation in Sweden. The government was willing to forego tax on profits set aside as investment reserves, in the knowledge that it stood an equal chance with the shareholders in gaining from that investment.

FULL EMPLOYMENT AND BALANCED ECONOMIC GROWTH

During the 1960s, the Swedish economy was growing at 4% to 5% a year, with about 4% inflation. In the same decade, the United States growth rate was a comparable 5%; inflation was about 2% annually. But from 1970 to 1975, Swedish economic growth dropped to 2½%, or about the average for all OECD countries, while inflation rose to 8%. In those same five years, the American growth rate fell more sharply, to a 1.7% annual average; inflation rose to about 6.3%.

Sweden came significantly closer to maintaining full employment throughout the 1960s and into the 1970s, with less than 2% of its labor force out of work during this period. In the United States, unemployment average 4½% during the years 1960 to 1970; by 1975, unemployment had reached 7½%.

It was against this background, presented by Swedish and American panelists, that national policies for maintaining full employment and economic growth were compared. Chairman for this panel was E.G. Collado, Executive Vice President (Retired), Exxon Corporation. Axel Iveroth, President of the Federation of Swedish Industries, was the introductory speaker.

Key Factors in Swedish Policy—Axel Iveroth

> *The Swedish people basically have a positive attitude toward change. People have been willing to move to new places, to new professions.*

Sweden's successful economic development, in the view of Mr. Iveroth, was the result of a rapid and steady increase in productivity —more than 7% annually during the 1960s, and about 6% during the 1970s. Swedish industry had been "the generator of the growth process" and industry itself has been the beneficiary of Sweden's consensus approach to the formulation of national economic policy.

"It would not have been possible for Swedish industry to attain such a productivity record unless we had in our country almost a complete unity of opinion about economic growth as a goal. Government, opposition parties, unions, business—all have been in agreement on the importance of economic growth in promoting social welfare. There has been no wide dispute, either, that efficient and profitable companies are a condition for economic growth. This has created a favorable political climate for the application of new techniques to increase productivity," Mr. Iveroth said.

These key factors in Swedish policy aimed at developing productivity and fostering economic growth were listed by Mr. Iveroth:

• *Short-term monetary and fiscal policy to keep the economy balanced.* In Sweden's experience, Mr. Iveroth said, most productivity gains came when business activity was high; thus Sweden has been using special anti-cyclical measures to stimulate the economy during recession periods. Companies have been allowed to establish tax-deductible reserve funds, created out of profits from good years, to stimulate industrial investment in recession years. Other tax incentives and direct investment subsidies are also being used, and special treatment is given to companies producing goods for stockpiling against later sales. These anti-cyclical stimuli have proven useful, Mr. Iveroth said, but he noted a recent tendency toward selective application — toward allowing individual companies to negotiate "tailor-made support" from the government, with "obviously negative" effects on competition and productivity.

• *An active and aggressive policy for stimulating competition.* Here, according to Mr. Iveroth, Sweden has avoided the tough, formal approach that marked American anti-trust policy. Instead, Sweden has relied on voluntary government and industry connections to combat monopolistic tendencies and attempts to prevent competition. "Before legal steps are taken, there is a negotiation process which usually makes any legal steps unnecessary," Mr. Iveroth reported.

• *A manpower and labor market policy facilitating mobility.* In Mr. Iveroth's view, much of the Swedish productivity gain during the 1960s was the result of a deliberate restructuring of Swedish industry, in which government and labor also participated. Low-productivity firms were closed down and human resources transferred to the high-productivity sectors. Considerable attention was paid to mitigating social consequences, but the main factor, Mr. Iveroth said, was that "the Swedish people basically have a positive attitude toward change. People have been willing to move, move to new places, move to new professions." This attitude has been encouraged, he added, by Sweden's active manpower policy, which provides subsidies for moving and facilities for reschooling and retraining.

• *A policy of free trade and internationalization of Swedish business.* This exposure of Swedish industry to world market competition was "the basic explanation for our postwar productivity growth," Mr. Iveroth said, noting that two-thirds of Sweden's industrial output is exported and that Sweden is, in relation to its size, "the biggest multinational company country in the world, what you might call the biggest multi-industrial complex in the world."

Because American leadership in postwar trade liberalization has been of such help to Sweden, Mr. Iveroth observed, he was particularly apprehensive at recent American import curbs, such as those imposed on steel. He hoped that "the economic recovery now under way [in the United States] will also reverse the trend toward protectionism, which could only too easily become contagious."

Motivating Productivity Today

Would these Swedish policies, that had brought such productive growth and expansion, continue to prevail? In this regard, Mr.

Iveroth saw another danger, beyond those he had cited earlier. "With increasing living standards, people become less ready to expose themselves to change. Or rather, they take out the productivity gains by leading a more leisurely life. At the same time, they do not seem to be willing to give up all the material things that can only be offered by productivity and expansion." The problem now was to "invent new mechanisms" to stimulate productivity, Mr. Iveroth felt, "and that is obviously a task for both management and politicians in cooperation."

The Humphrey-Hawkins Bill for U.S. Economic Planning —Senator Hubert H. Humphrey

> *I do not believe you can justify price stability at the expense of poverty and unemployment for millions of our fellow citizens. There has to be a better way.*

For Senator Hubert H. Humphrey (D-Minnesota), Chairman of the Joint Economic Committee, there was a particular lesson which Sweden could teach this country. This was Sweden's management of its economy to keep unemployment at a very low level—a fact which most impressed him during a recent visit to Sweden. Western Europe as a whole, Senator Humphrey observed, "is unaccustomed to the higher levels of unemployment that we generally endure in the United States, even when we think we have good times. We have conditioned ourselves to accept relatively high levels of unemployment. I consider that to be economically and morally unacceptable. I do not believe you can justify what we call price stability at the expense of poverty and unemployment for millions of our fellow citizens. There has to be a better way."

Sweden's excellent unemployment record was "not the result of a benevolent Providence," Senator Humphrey said. "God has not selected Sweden for certain benefits." Rather, it was the result of intelligently-applied efforts to retrain and re-employ unemployed workers. American efforts in this regard were "hit or miss," Senator Humphrey said. "There is no concerted re-employment policy in the United States, or any retraining policy." In his view, Sweden has also planned intelligently in allowing corporations to set aside profits as a reserve for investment in periods of recession. Thus, it is not only government financing that is brought to bear in such periods; private investment likewise is "triggered," Senator Humphrey noted. "But as soon as there is a recession in this country, privage investment dries up, or at least it's substantially reduced."

Purposes of the Bill

Acknowledging that Sweden had made a profound impact on his own economic thinking, Senator Humphrey went on to describe the Full Employment and Balanced Growth Act of 1976, which he and

Representative Augustus Hawkins (D-California) have recently introduced in Congress, proposing an economic planning mechanism for the United States based, in part, on the Swedish experience. The bill would be an amendment to the Employment Act of 1946, which first attempted to establish goals and policy for employment, productivity and purchasing power in the United States. "But this legislation breaks with the past by requiring a broad range of new economic policies to put our citizens to work and to provide for balanced growth. The U.S. private economy is apparently unable to reach full employment by itself. The purpose of this legislation is to help maximize the opportunity for employment in the private sector," Senator Humphrey declared.

Senator Humphrey rejected assertions that the Humphrey-Hawkins bill would involve "a massive public works program." There were other public works and public service proposals supplemental to the Humphrey-Hawkins bill, he said; the aim of his bill was "to modernize our economic policy machinery in order to achieve the elusive national goal of a decent job for every American who is ready, able and willing to work."

The goal of the bill would be to reduce adult unemployment to 3% within four years.* This would not cause inflation, Senator Humphrey said. He noted that when unemployment stood at 12%, inflation was 10%, and that with 7.5% unemployment, inflation had dropped to 6%. "There is no empirical evidence, at least in recent months, that as you reduce unemployment you get more inflation. *The answer to inflation is productivity*. And that's the last thing we like to talk about around here. We prefer to talk about how you tighten credit, how you get the interest rate up . . . rather than talking about going to work, producing better goods and services, lowering unit costs, increasing productivity . . . I know that includes investment. I'm an investment man. I believe you have to pour it in, and I'm perfectly willing to see the tax laws adjusted so that you can get investment."

Under the Humphrey-Hawkins bill, Senator Humphrey continued, "goals would be set for economic performance, and economic policy systematically coordinated to reach them." Each year, the President would propose to Congress quantitative targets for employment, production and purchasing power. Then "the Federal Reserve Board would be brought into the government for a change," as Senator Humphrey put it, and the Board would be asked to shape its policies to fit these goals. In this, Senator Humphrey declared, he had the assent of the Federal Reserve Board Chairman, Dr. Arthur Burns. Secondly, the bill would provide that the annual goals be set within the framework of the longer-run planning process, in which the complex of government policies would be examined to see how

* Because of legislative business, Senator Humphrey left the conference shortly after delivering his speech. But his co-panelist, *New York Times* columnist Leonard Silk, remarked later in reply to a question that confining the unemployment target to 3% adult unemployment had "decontaminated the bill—that is, muted some opposition to it."

well they applied to these goals. Third, while the bill "envisages that aggregate fiscal and monetary policy will continue to be the basis for sustaining an adequate level of overall production," it would also authorize anti-cyclical action and such standby measures as emergency public works programs. Furthermore, the President would be required to submit an "impact statement of Federal rules and regulations," and in order to improve government efficiency, there would be an annual re-evaluation of 20% of the dollar value of existing Federal programs; thus there would be a full review every five years.

Cost-Effectiveness

The cost of the Humphrey-Hawkins bill would be "minimal," Senator Humphrey claimed, if it succeeded in stimulating the private economy. For him, the question was: what would be the cost without it? Even with 6% unemployment, he said, "we can't afford that kind of low-grade fever in our economy, the kind of infection which has within it incredible social costs." Describing the building of jails as "the biggest public works project in America today," Senator Humphrey cited figures on youth crime and unemployment. "Eighty per cent of all crime in America is committed by youths 14 to 18, and 90% by those between the ages of 14-22. And you relate that to 30% unemployment in our cities, 40% among young blacks, 28% among young whites . . . I submit to you that something has to be done."

Excessive unemployment, Senator Humphrey said, had cost the United States $230 billion in lost incomes and production in 1975. The Federal government had lost $80 billion in revenues, the state and local governments $27 billion, there had been 12,000 business failures, and "one-third our industrial plant idled." Senator Humphrey concluded: "When you add that up, you have to ask yourself: what are we willing to pay to get out of it? . . . The terrible economic evidence tells us that what we are doing is not good enough."

Sweden's Future Economic Performance— Sven-Olov Träff

> *We take it for granted that industry's contribution to our total economic growth will be the same percentage increase as it has been in the past 10 to 20 years . . . That would mean that we base our decisions for the future on the record of past history.*

Some concerns for the future in Sweden were voiced by the next speaker, Sven-Olov Träff, Conservative member of Parliament and Vice Chairman of the Swedish Employers' Confederation. Since the Depression of the 1930s — when a broad consensus was reached on maintaining what is described as "an active employment policy," Sweden had experienced balanced economic growth, Mr. Träff noted. He acknowledged that "the general unity of opinion as to our ultimate economic goals . . . and our tradition of cooperation, perhaps most obvious in the labor market" were important factors underlying Sweden's economic development. The statistics cited earlier, he said, "give reason to look back with some content." But, Mr. Träff added, "it is also true that the most successful years are not at the end of the period. If we take the last few years as the starting point we have all reason to ask ourselves if the successful postwar trend will continue, or if we must try to adapt ourselves to more restrictive conditions."

Sven-Olov Träff

Mr. Träff observed that 1% of the Swedish labor force was employed by the Labor Market Board or engaged in retraining, and thus it was hard to gauge Sweden's actual unemployment rate. Also, recent legislation aimed at greater job security had resulted in employers keeping workers on the payroll even during recession times. "This could mean that we have some kind of hidden unemployment within the factory walls," said Mr. Träff. This in turn could affect Sweden's productivity growth.

He was also concerned about the rapid growth of the public sector. In 1963, it had accounted for 37% of Sweden's total GNP expenditure; by 1974, the corresponding figure was 51%.* In 1962, public consumption as a share of private expenditure was 28%, or about the average for most countries except the United States (where it was 30%) but by 1973 Swedish public consumption was 43%, compared to

* In a subsequent panel session, on government policy, it was indicated that this percentage figure included some 20% representing transfer payments for social welfare, such as old-age pensions, sick benefits, etc. But the public sector in Sweden still employed about 25% or 30% of the work force.

about 30% elsewhere. In 1960, some 12% of all Swedes were employed in the public sector; last year, 25%.

As a result, Mr. Träff observed, the total Swedish tax level was very high. Most workers paid 40% of their income in taxes, with marginal rates rising to 60%. Because of the wage-price effect of this highly progressive tax system, all Swedish political parties had agreed on the need for a review. Mr. Träff described rising wage costs as Sweden's "most acute short-term problem." The competitive situation which was favorable until 1974 was now "quite the reverse," he said, and Swedish wage costs were rising faster than those of the foreign competition and had already passed United States' levels.

When wage costs had been lower, correspondingly improved profits had encouraged investment, particularly during 1973 and 1974. Overall, investment had risen 33% from 1970 to 1975, but this year it had declined. Moreover, the changed pattern of savings — with public pension funds showing an increase, corporate savings a proportionate decrease—meant, in Mr. Träff's view, "that a larger share of the allocation of capital is made by administrative decisions instead of the mechanisms of the market."

Yet, while Swedish productivity might not continue to grow at past rates, Mr. Träff observed, it was growing from a very much higher base. Thus, 4% growth over the next few years would result in production which was, in absolute terms, 35% to 40% higher than for the period 1960-1965. The real problem, Mr. Träff felt, was in political attitudes — a tendency to "take it for granted that industry's contribution to our total economic growth will be the same percentage increase as it has been in the past 10 to 20 years. That could create serious problems, because that would mean that we base our decisions for the future on the record of past history."

Comparing Swedish and American Performance—Leonard Silk

> *One can get bored with numerical concepts of unemployment and inflation. But what is happening below the statistical surface is a great deal of misery to the country, a loss of direction and a loss of verve.*

The concluding American panelist, Leonard Silk, financial columnist, *New York Times,* saw "less reason for pride and satisfaction" in U. S. economic performance in recent years, which he considered "poor by comparison with the Swedes, and also pretty poor by comparison with American history."

Mr. Silk was particularly concerned about unemployment and inflation rates. "It is a terribly urgent matter that we do better, that we not lapse into habits of thought that a new era has arrived in which inflation can be tolerated at 6% per annum. That is not a stable expectation. Groups having to protect themselves will build in a system of informal institutionalized indexation even if Professor Friedman or some Brazilian does not do it formally for us. That will then mean that our average plateau rate of inflation will in fact be considerably exceeded over time." On the unemployment side, "equally, perhaps even more serious" in his view, Mr. Silk noted that "we have apparently reached a point of considerable flaccidity in our attitude toward full employment during the past couple of years." Acceptance of a 6% unemployment rate, which a Presidential economic report forecast would not be significantly lowered in this decade, represents "a remarkable shift in American goals."

"One can get bored with numerical concepts of unemployment and inflation," Mr. Silk said. "But what is happening below the statistical surface is a great deal of misery to the country, a loss of direction and a loss of verve. And you pay a very high price for that internationally."

Social and Economic Inequality

Looking abroad, Mr. Silk traced the changes occurring within the Communist movement and speculated on their relation to the problems facing democratic societies. In Western Europe, a "third schism in the Communist church" was now evident, with the Italian and French Communist parties "now willing to come on as democrats." Mr. Silk considered this a very important change in that it was "an effort to repair what are clearly the most fundamental . . . outrages in the Communist system, the lack of individual freedom, the lack of real political democracy, and the lack of cultural freedom." Mr. Silk noted similar ferment in capitalist societies. "The fundamental flaw in capitalist systems is that they lack social equality, that they lack a sense of participation and satisfaction in work . . . . These things which in the past have been the special province of particular groups of academics or particular groups of people directly involved have boiled up as a genuine and important social issue, a political issue, in all the Western countries. Obviously it's behind the growing strength of Communist parties in Western Europe."

While the United States has been spared "that kind of political attack on what we conceive to be the essential structure of the country," Mr. Silk continued, there was a similar interrelation of economic, social and political issues in this country too. "Many of our economic problems are related in one way or another to the same issues. The problem of racial equality is a very real part of it, the problem of cities and slums and how we're going to handle our urban decay is a very real part of it, our educational problems are all crucial to this whole issue of equality and social security . . . the security people feel about their jobs, about their lives, about their work."

Methods of Cooperation

In dealing with these questions, Mr. Silk felt, the Swedes had demonstrated particular adaptability. "The Swedish experience, warts and all,* is a grand success. The American experience is a relative success and at the moment we are feeling the negative aspects of our achievements more than the positive," Mr. Silk said. "The fundamental lesson we can learn from the Swedes is the desirability of cooperation among groups in the society to try to solve problems. I think we in America have much too much been the victims of confrontation techniques in change."

By this, Mr. Silk explained, he did not mean that either in Sweden or the United States "there can be an endless honeymoon between business, labor, the academics, the press, and so forth." In his view, "part of the joy and pleasure of our society is that we are, to a considerable extent, an adversary society in which individuals and groups feel control over their own life, and try to pursue it in their own way." But he criticized the "fat cat" habit, as he phrased it, of business groups in this country getting together to solve problems their own way. Mr. Silk thought it "equally sad if labor thinks it can solve its problems alone, by industrial warfare if necessary — and all too frequently." Sweden's experience and the Swedish approach, Mr. Silk remarked in closing, "are extremely relevant to what is wrong in the United States of America."

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* In the question and answer period, Mr. Silk was asked to describe several "warts." He replied that he considered Sweden's employment policies as regards immigrant labor "the No. 1 wart" in the picture. The second, in his opinion, was Swedish trade protectionism, which had attracted less attention abroad than had American protectionist measures.

OWNERSHIP, MANAGEMENT AND PARTICIPATION

A recent Harris poll indicates that 66% of the American people believe that employees should have some economic share of the company in which they work. Sweden's experience with stock equity plans, wage participation schemes and investment funds, and the implications of this experience for the United States, were discussed during the panel on ownership-management-participation. Chairman for this panel was Leonard Woodcock, President, United Automobile Workers.

Business Objections to the Meidner Plan— Erland Waldenström

> *One motivation of the Meidner plan is the distribution of wealth, to make it more even, and the other is the question of influence and power in the country. You reach both goals if you take over ownership in the companies.*

Sweden's controversial Meidner plan for diverting a share of corporate profits into "collective employee funds," which would assume an ever-larger role in the ownership and control of Swedish private enterprise, was the first topic of discussion. Erland Waldenström, Chairman of the Gränges mining, metals and shipping group, explained the workings of the plan, and the objections that Swedish business has to the Meidner proposals.

Mr. Waldenström put the Meidner plan into the context of European profit-sharing systems, which, he said, fell into two categories: those worked out in individual enterprises, voluntarily, between labor and management; and broader, more or less obligatory systems introduced by legislation. Systems of the latter sort were under discussion in Germany and Denmark, and had been adopted in France, where the government participated by compensating companies for their profit-sharing outlays. Sweden, Mr. Waldenström said, had "not felt at home with obligatory systems." As for voluntary systems, within individual companies, these were rare in Sweden; the trade unions had not favored them. The unions had preferred to promote industry-wide solidarity between workers, rather than foster stronger employee-management loyalty within an individual company. "They don't want to sit on both sides of the table," Mr. Waldenström said.

But Swedish trade union attitudes had been changing and in 1971 one of Sweden's trade union confederations commissioned Dr. Rudolf Meidner, an economist, to develop proposals to be applied on a national scale. The Meidner report, published last year, was "far-reaching, revolutionary in many respects," Mr. Waldenström said, and had resulted in unprecedented public debate in Sweden.

Aspects of the Plan

The Meidner plan would apply to all companies employing more than 50 workers—those in the public sector and consumers' unions (cooperatives) excepted. Under the plan, 20% of a company's pretax profits would be transferred each year, by means of a special stock issue, into a "collective employee fund" — actually a nationwide system of funds, under the control of a central fund, administered by the trade unions. The shares would not be allocated to the company's own employees but rather would be held collectively, "locked into the funds forever," as Mr. Waldenström phrased it.* As long as the funds held less than 20% of a company's capital stock, the new shareholders' right to appoint board members would stay on the local level. Beyond 20%, that right would pass to the central funds administered by the central unions.

Companies which would be affected by the Meidner proposals employ 75% of the Swedish labor force, Mr. Waldenström noted. Eventually, the funds "will own the majority of shares of all these companies. How long it will take depends on profits, two to three years for some companies, up to 30 or 40 years for others," he said. "This ownership will be in the hands of a central trade union fund. How that influence will be exercised is very much being discussed." Trade union study groups, in which 18,000 persons were participating, were in fact examining the question.

Motives behind the Meidner proposals were twofold, in Mr. Waldenström's analysis. "One is distribution of wealth, to make it more even, and the other is the question of influence and power in the country. . . . You reach both goals if you take over ownership in the companies."

Changing the Whole Mixed Economy

He conceded that there was uneven distribution of wealth in Sweden. But distributing stock ownership would not, in itself, significantly spread the wealth as a whole. Stock comprised only 5% of average individual wealth although this was, in his view, "a critical 5%." He noted that institutional stock ownership was increasing, that 40% of all shares on the Swedish exchange were now institutionally-owned, and that the institutions had a large voice in stockholders' meetings. "This is not a very happy development. We do not see why

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* The Meidner plan, Mr. Waldenström noted during the question and answer period, was unique in Europe in that it proposed collective ownership. German, Danish and French trade unions, in favoring employee stock funds, showed "no such fears" of individual ownership.

we should increase this with the Meidner funds, which would be institutionally-owned," Mr. Waldenström said. "You might just end up with one person being able to run the meeting."*

The Meidner plan would increase employee influence over industry through ownership. But increasing employee influence was "a process that has been going on for a long time in Sweden, through the growth of industrial democracy." Mr. Waldenström noted. "It has been on another level, within the companies . . . within the ordinary administrative process, as the result of gradual decentralization and delegation of authority." Mr. Waldenström said there had been further legislative advances in this field; employees now had the right, through their trade unions, to appoint two members of company boards of directors.

In Mr. Waldenström's view, the Meidner plan would "change to a fundamental degree the whole system . . . of a mixed economy" and substitute "trade union socialism." Furthermore, the taking of 20% of profits "acts as a kind of punishment or taxation of present shareholders . . . people who haven't done anything wrong other than putting their savings into risk capital for industry," Mr. Waldenström said. It would upset the capital market, and have serious effects on small and medium-sized industries, particularly owner-operated firms. And, Mr. Waldenström added, it could have "very far-reaching consequences for multinational companies, whether they be Swedish companies acting abroad or foreign companies with subsidiaries in Sweden."

Many things needed to be done, in his view, to keep Swedish industry strong and healthy, but they could be done "without obligatory measures of the kind Meidner suggests, by free agreement between companies and employees . . . in a way not only to bring about more even distribution of ownership and influence, but also other positive effects, increased satisfaction in work and a community of interests between workers and companies, which is regarded as a disadvantage by Meidner and his co-workers."

No early action, however, was expected on the Meidner plan, Mr. Waldenström reported. The Swedish trade unions, which had adopted the Meidner proposals "in principle," would meet this summer. The Swedish government was "being very careful about expressing itself" and a study group had been appointed, of which Mr. Waldenström was a member; its report was not expected until 1979. "Probably by then the Meidner plan will be very much different," Mr. Waldenström predicted.

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* Figures on the concentration of stock ownership were given by a later speaker, Stig Gustafsson, during the question period following this panel discussion. According to Mr. Gustafsson, in 90% of the companies listed on the Swedish stock exchange, three shareholders between them held the majority interest; in 70% of the companies, two shareholders; and in 50% of the companies, one shareholder.

An Alternative Plan and Its Effects—Jan Wallander

> *When we set up our profit-sharing system we never imagined that it would work like a 'carrot' and increase productivity. We told ourselves the carrot would be too distant and too abstract. But obviously, the yield per man-hour has increased significantly.*

The Meidner debate has also served to focus Swedish attention on alternative plans for employee stock ownership being tried within individual companies. One of these, now in effect at Svenska Handelsbanken, the nation's third largest bank, was described by the bank's president, Jan Wallander

Operation of the Plan

The plan was introduced in 1973. Svenska Handelsbanken's profitability, according to Mr. Wallander, was "tangibly better than the average for other commercial banks," and in management's view, much of that was due to the efforts of the bank's employees. It was to give the bank staff "a reasonable share in the results of a job well done," that the plan was instituted. Under the plan, the bank's annual yield on working capital is compared with that of other banks listed on the Swedish stock exchange, and Svenska Handelsbanken's after-tax surplus over that average is shared equally between employees and the bank's stockholders. The employees' share is set aside in a foundation called Oktogonen (Octagon). Oktogonen is staff-owned and entirely separate from the bank, with a board of directors elected by the bank's trade union. In this foundation, each employee's share is the same. "For reasons of equality prevailing in Sweden," Mr. Wallander remarked, "the priniciple of one man/one share applies." Employees may neither withdraw their shares, nor draw the yield on them, until retirement. Here, as Mr. Wallander explained, the aim is to avoid yearly fluctuations in the yield and, at the same time, to allow Oktogonen's capital to accumulate, thus giving employees substantial ownership in the bank itself.

With 4,700 employees and total assets of $7.4 billion, Svenska Handelsbanken showed an operating profit last year of $108 million, of which $15 million was "surplus result" over that of competing banks.* Of this surplus, which has been rising annually, $5 million was transferred to Oktogonen. The foundation's assets are now $17 million and it is the bank's fifth largest shareholder. The aim is that it should eventually become the largest. (Svenska Handelsbanken's shares are spread widely; the largest single holding is below 5%.) Of

* While two other Swedish banks rank with Svenska Handelsbanken in being more profitable than the average, Mr. Wallander said later, during the question period, neither of them has yet introduced a profit-sharing system such as that of Svenksa Handelsbanken. Skandinaviska Enskilda Banken, the country's second largest bank, is considering a plan of its own, however, Mr. Wallander said.

the bank's 17 directors, two are from Oktogonen. Both these labor representatives are branch managers and have, "in many instances, a better insight into the bank's special problems than other board members," Mr. Wallander said. "They are most loyal and constructive members. In respect to dividend policy, they have no tendency whatsoever to argue differently from other board members. As a matter of fact, our dividend has risen considerably during the time this system has been in effect."

Left to right: *Stig Gustafsson, General Counsel, Central Organization of Salaried Employees; Leonard Woodcock, President, United Auto Workers; Jan Wallander, President, Svenska Handelsbanken*

While the banks' employees could, under the law in Sweden, have two ordinary members of the board of directors and two deputy directors to represent their interests, Svenska Handelsbanken is the only commercial bank in Sweden without such representation. The only employee directors are the two from Oktogonen, for, as Mr. Wallander explained, "the employees have preferred to sit on the board as owners' representatives, rather than doing it by way of legislation."

Productivity Benefits

Assessing the effect of the profit-sharing system on the bank's productivity and profitability, Mr. Wallander noted that during the 1970s Svenska Handelsbanken's business had expanded in step with the rest of the banking system, but the number of employees had dropped 18%. Also, costs had fallen in relation to total assets while other banks' costs have been rising.

"When we set up the system we never imagined that it would work like a 'carrot' for the employees and thus increase productivity. We told ourselves the carrot would be too distant and too abstract . . .

Neither was it our desire to step up the working pace at the bank. There is nothing to indicate this pace may have risen. But obviously, the yield per man-hour has increased significantly," Mr. Wallander said.

"That has very little to do with working-pace in a bank. But it has very much to do with employee willingness to organize their work effectively and to be strongly cost-conscious. The cost of forms, computer services, telephone, services from central staff departments, etcetera, is to a very great extent controlled by the employees and their willingness to show greater or less thrift and care of resources," he added. The profit-sharing system had contributed greatly to instilling cost-consciousness.

Even more important to the bank's increased in productivity, in Mr. Wallander's view, was employee willingness to reduce the work-force by retirement, and to accept changes in work-duties and transfers from one job to another. "Our system has undoubtedly been of importance in getting people to accept changes, knowing as they do that improvements in operating results will benefit them."

Mr. Wallander asserted that while exact figures were hard to produce, he was certain of the plan's effectiveness. "For each year that passes I become increasingly convinced that these effects are tangible and that they, in combination with the commitment and the responsibility resulting from ownership and representation on the board, have a large and in the longer run growing and favorable effect on the productivity of the bank."

Changes in Swedish Labor Laws—Stig Gustafsson

> *The employee is dependent upon the company for his livelihood, he spends a large part of his life within its portals, he is exposed to environmental risks involved in the enterprise. He therefore has an interest in the enterprise being run in a sensible manner. He needs the right of co-determination.*

From discussion of employee ownership, the panel turned next to consideration of employee participation in management, where the Swedish government has introduced new legislation described as "the most far-reaching labor reform ever advanced by a Western European country." Presented to the Swedish parliament in March, the bill will become law next January. Stig Gustafsson, a Social Democratic parliamentarian who is also General Counsel for the Central Organization of Salaried Employees (TCO), Sweden's white-collar trade union federation, explained the background of the government's legislative proposals.

As the 1960s ended, Mr. Gustafsson reported, there was much unrest and uncertainty among Swedish workers. Labor was worried about job security, about health hazards and technological changes in the work-place. "We examined our labor laws and decided to change them," Mr. Gustafsson said. It was decided, as he phrased it, "that workers should have more say in fields where employers had the options."

Existing agreements with labor give Swedish management essentially the same rights that American management has, Mr. Gustafsson said. Under the proposed law, managerial rights will be determined in collective bargaining. "Unions will be able to ask for, and get, at least an equal voice in all aspects of corporate life," he said, although labor would probably not go beyond asking for a voice in personnel questions when the law first comes into effect.

Mr. Gustafsson described the new law as "the logical continuation" of legislative reforms, aimed at improving industrial democracy, which Swedish labor has been demanding in recent years. Since 1970, a number of laws have been enacted. In 1972 employees were granted leave-of-absence rights for study; in 1974, they were granted representation on the boards of directors of private firms and public bodies. In 1974 also, new laws on the security of employment, on the promotion of employment, and the shop-floor status of union stewards came into effect.

Nonetheless, Mr. Gustafsson noted, employers continued to have the deciding voice in company operations, in directing and assigning work. "Employees have had no co-determination in these matters," Mr. Gustafsson said. "And only when employees have been accorded complete determination will it be possible to achieve any leveling-out between labor and capital. Such a leveling-out is in our opinion necessary. The employee is dependent upon the company for his livelihood, he spends a large part of his life within its portals, he is exposed in greater or lesser degree to environmental risks involved in the enterprise. He therefore has an interest in the enterprise being run in a sensible manner, and he feels a responsibility for this. He needs the right of co-determination."

New Legal Objectives

Basic to the proposed legislation are these four principles:

• *The right to negotiate.* The new law would view "the right to negotiate as the basis for increased influence on the part of employees," Mr. Gustafsson said, and it will define the negotiating rights of both management and labor. Management is required to consider demands put forward by employees, and to try "constructively" to settle the issues raised. While there is no obligation under the law to reach agreement, employers are required to delay decisions on "major questions" pending negotiation. This "primary obligation to negotiate," imposed on employers, would mean that "an employer should enter into negotiations with the union on his own initiative, that is, without the union so requesting," Mr. Gustafsson said. He added that this "primary obligation to negotiate" would also apply to "management questions."

• *The right to information*. "This, as we see it from the employees' side, is a very important right, as employees today often have great difficulties in getting real information concerning the company or [public] authority where they work," Mr. Gustafsson noted in the prepared text of his speech, and in the panel discussions he explained how this right to information would apply under the proposed legislation. Employers would be required to keep the union informed on such matters as production, corporate economic developments, guidelines applying to personnel policy, etc. Union representatives would have the right to inspect company accounts and records in order to assess the company's economic position and, as Mr. Gustafsson phrased it, "to get to grips with questions that the employer has failed to discuss or has discussed only summarily." Employers would also be required to assist union inquiries into conditions within a given company. (Mr. Gustafsson observed that these rules already applied in industry, by an agreement signed last year between unions and the Swedish Employers' Confederation.)

An employer could not refuse the union's request for information solely on the grounds that "risk of injury" might be involved, Mr. Gustafsson said. The legislation did, however, include rules covering the confidentiality of information. But the union's consent would be required if an employer wanted to impose an obligation not to divulge information.

• *The right to agreements on co-determination*. The legislative object here, Mr. Gustafsson explained, would be "to afford employees co-determination or some other degree of influence over conditions at the company." The extent of employee influence would be defined in collective agreements negotiated with the employer. The right to exercise such influence, and the right to negotiate for it, would apply not only to questions of work supervision, but also to "matters of company management," Mr. Gustafsson noted.

• *Priority rights for unions in the interpretation of collective agreements*. Presently, it is the employer's view that prevails in disputes over the interpretation of collective agreements; unions must take the initiative to open negotiations and to have cases reviewed by the Labor Court. The new law would change this. In case of disputes relating to the obligation to perform work, or disputes on the import of agreements defining employee influence in company affairs, it would be the local union's interpretation that prevailed, Mr. Gustafsson said. In the prepared text of his speech, he noted that employers could take their side of the dispute to the Labor Court, if they wanted. Also, in case of wage disputes, the employer's interpretation would apply for the first ten days during which there would have to be negotiations on the question; failing that, the union interpretation would prevail. Mr. Gustafsson observed: "The burden of initiating proceedings should lead to the employer giving in on all minor issues."

A Shift of Power

Swedish trade unions had demanded that the new law apply also to the public sector, and the Swedish government had agreed to this in principle. But the difficulty of implementing the legislation fully in the public sector lay, as Mr. Gustafsson observed, in the fact that "activities of public authorities are the business of political institutions." The bill would, however, grant public employees rights of negotiation and information, and a basic agreement signed in March sets forth procedures for determining whether union demands for co-determination would infringe on the powers of the public authorities. Decisions will rest with a 13-member board, consisting of seven members of parliament and six members representing the parties to the dispute.

Mr. Gustafsson concluded by observing that many questions had been raised in Sweden about the proposed legislation. Would giving employees greater participation in the decision-making process lead to conflicts? In Mr. Gustafsson's view, the law did envisage "a shift of power from capital to labor, decreases in the power of the employer and an increase in the collective power of the wage workers. It means that employers and employees will continue their practical day-to-day work departing from different positions of power." Success or failure of this "new Swedish experiment," he felt, would depend on whether employees and employers could maintain their traditional cooperation which had brought Sweden such industrial peace and prosperity. "I am convinced that the Swedish tradition of cooperation between unions and management will continue when workers assume a vital, integral role in corporate life through their unions," he said.

Participation and Productivity—Karl Olof Faxen

> *We cannot expect men and women to be more productive in their work just because they participate in management or ownership. There are important intervening variables.*

How will increased worker participation in the managerial decision-making process — such as will result from the new legislation described by Mr. Gustafsson — also result in increased productivity? On this subject, the final speaker on the Swedish side, Dr. Karl Olof Faxen, offered some observations, based on experiments recently conducted under the auspices of the Development Council, a joint body comprising the Swedish Employers Federation and Sweden's two major trade union federations. The experiments were conducted in nine Swedish industrial plants and one insurance company. Final reports have not yet been completed, but Dr. Faxen, as a member of the coordinating committee with a special interest in the productivity aspects of the research, indicated what his own conclusions were.

Essentially, he felt, the casual relationship between participation in management and productivity has yet to be proved. "It is often assumed that participation in itself would make workers more responsible. It would increase their interest in the work. This way, it would have positive effects on productivity. The intensity of work is said to be higher and the effort of the individual worker is said to be larger, if workers have participated in making decisions and in this way shared responsibility," he observed. But, from the experimental results, he said, "we do not have any evidence to support this view."

Karl Olof Faxen

Several of the experiments had shown significant gains in productivity, from 20% to 30% in a few years' time, he said. "These results show that participation may sometimes be important," Dr. Faxen said. "But we also have negative examples. Increased participation has met with varying success." While improved organization of work could bring about greater production with the same effort, Dr. Faxen noted, "when this does not happen there might even be a negative effect, arising from confusion. It must also be remembered that participation in itself takes a lot of time and energy."

New Learning

Changes in the organization, not in the intensity of work, Dr. Faxen felt, were the decisive factor, and he asked why it was that "application of the traditional principle, 'it is up to management to manage,' " did not always produce the most efficient organization. Here, Dr. Faxen said, participation entered into the picture by helping workers, supervisors, production engineers and others to know more about the organization as a whole. This learning came in joint problem-solving, in sharing of information among groups who did not normally communicate, in gaining "mutual understanding of motives, norms and behavior" among others elsewhere in the organization. But, Dr. Faxen noted, "development of understanding and communication is a time-consuming process. It can proceed only in small steps."

Dr. Faxen chose to distinguish this "social learning," as he called it, from technical learning about the production process, and he cautioned that "active participation in management cannot lead to results in productivity faster than social learning proceeds. Technical learning is not enough." Social learning was a complex process, he added, with great chances for failure. Obstacles had to be surmounted. Work rules had to be changed; this often involved indentity threats to middle-level management. On the production line, variations in quality of materials or condition of the machinery affected the work of an individual operator, and while participation in planning or scheduling decisions could help the worker to adjust intelligently to such variations, he also had to be motivated.

"We cannot expect positive results from just leaving individual workers or groups of workers alone under the slogan of giving them more autonomy," Dr. Faxen said. "The learning process has to be reinforced continuously by information about the result of decisions and adjustments made. Since information flows constitute an essential part of the reinforcement loop that controls the development of the learning process, the organization has to be designed in such a way as to facilitate the desired flow of information. Committees with representatives of workers, supervisors and production engineers can play only a limited role. Semi-autonomous work groups can stimulate the development of desired channels of information only if jobs are technically interrelated in such a way as to make exchange of information interesting and rewarding for the participants."

Dr. Faxen reminded the panel that the pay system also was important. "Its main function," he said, "is to express the goals of the organization to its workers in a concrete and understandable form. It is not the direct relationship between pay and intensity of work that is crucial here, but the pay system as part of the organization." When the organization is changed, to permit more participation, the pay system has to be changed along with it, he said. In his view, "to find ways to design the new pay system is a strategic problem," and the Swedish experience had confirmed that it was a major element in the success or failure of the experiments under study.

In a final observation, Dr. Faxen remarked that "we cannot expect men and women to be more productive in their work just because they participate in management or ownership. There are important intervening variables in the relationship. . . . Progress is dependent on a better understanding of these intervening variables and the organizational structure in which they operate. If such understanding is the basis for the form of participation, it can be constructive, as we know from experience in successful experiments. Otherwise it may well be destructive, as other examples from our country demonstrate quite clearly."

U.S. Stock Ownership— Representative William A. Steiger

Something like the Meidner plan would fall on deaf ears in the United States.

American views on ownership-management-participation were given by the next two speakers. Both paid tribute to Swedish leadership in this field; neither felt the United States was yet ready to follow in Sweden's path.

Legislative mandating of labor-management cooperation had to be seen against a different background, the first speaker, Representative William A. Steiger (R.- Wisconsin), Ways and Means Committee, U.S. House of Representatives, said. The Occupational Safety and Health Act was "one example of our effort to work out the relationship between unions and management," Representative Steiger said. But proposals like the new labor legislation before the Swedish parliament, and even more so, the Meidner plan, would be unacceptable in this country.

"Something like the Meidner plan would, I think, fall on deaf ears in the United States," Representative Steiger declared. "It would be very difficult to see the kind of program that Svenska Handelsbanken has instituted. I find it difficult to believe that it would sit very well with the American worker or is the way in which labor and management might approach their mutual problems of productivity and participation. The way we have traveled in this country has not been in the same sense as the Swedish experience and frankly we have not debated it."

Representative Steiger described the Kelso plan providing tax credit for stock issued to employees of corporations as having been "slipped in the back door" as part of the tax bill. The Kelso plan had not been widely debated, Representative Steiger observed, but it had certain attractions for both liberals and conservatives who were aware of its concepts. "It has a broad appeal to conservatives who are interested in broader stock ownership, and it has some appeal to liberals who look at it as a way to get worker participation, or worker participation, or worker involvement, in the management of companies in the United States. But it is not an issue that has been at all well understood, or terribly well focussed upon, either in terms of its tax consequences or in terms of what it sets as a precedent for the direction in which the United States, or its economy, goes."

Profit sharing had a longer history in this country, Representative Steiger believed. It was used "as an alternative form of participation, by both companies and by workers in the United States, and has been done with some great success, I think it's fair to say." He noted an example from his own state of Wisconsin where the janitor of the Sears Roebuck store in Oshkosh had retired in 1964, and died a couple years later, leaving a $200,000 estate from his profit-sharing equity. This, Representative Steiger said, was "far beyond what others of his wage-earning capability might have expected."

While there was great interest in America in the concept of broadening stock ownership, Representative Steiger said, "it is not yet clear where we will come out." Both the President and Secretary of the Treasury favored ending double taxation of dividends, and they had talked of tax deferrals which would encourage investment in stock issues of public utilities. These, in Representative Steiger's view, constituted "part of a program for broadening the participation in capital ownership and capital formation by more people in the United States. There are obviously a substantial number of Americans who participate in the stock market and yet a very small number of people in this country control a very great amount of stock. . . . The question of the balance between ownership and income distribution will continue to be an issue of some importance in the United States." But that would not, Representative Steiger reiterated, lead to American adoption of programs comparable either to the labor act now being debated in Sweden, or to the Meidner plan.

Different U.S. Labor Problems— William W. Winpisinger

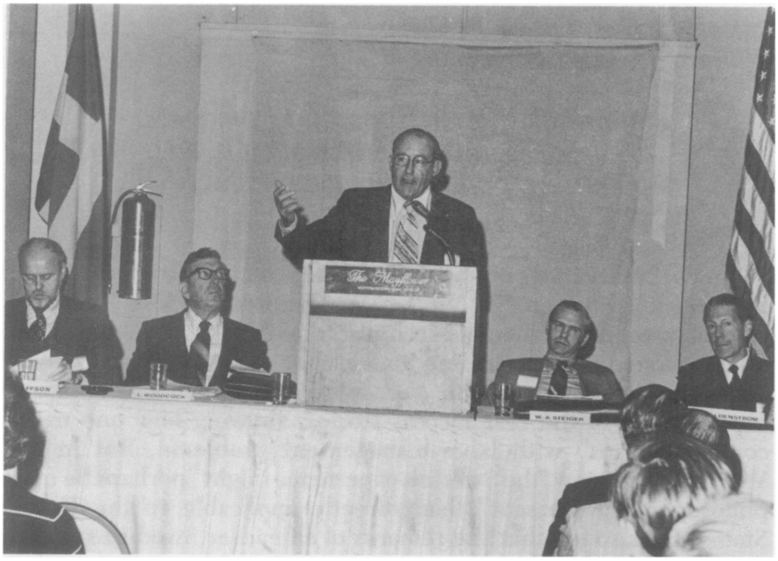
> *A mythology persists among American businessmen that participation is an automatic panacea for productivity problems.*

Similar reservations on the part of American labor were expressed by the concluding panelist, William W. Winpisinger, Vice President, International Association of Machinists and Aerospace Workers. He acknowledged that the United States labor movement had followed Swedish developments with avid interest. Sweden had appeared here as "one of the real success stories, showing how one nation comes to grips" with labor-management problems. But in Mr. Winpisinger's view, the Swedish experience might "perhaps be more philosophically pleasant" than directly applicable to the United States. He also felt that the remarks of an earlier Swedish speaker, Dr. Faxen, would help in "putting to rest some of the mythology that, I think, persists among American businessmen that participation is an automatic panacea with respect to productivity problems."

Added Mr. Winpisinger: "The social and economic climate has to be achieved initially, within which the introduction of such experiments has some hope of bearing fruit. I agree here with Congressman Steiger. I don't see the beginnings in place in the United States on which we could build to these lofty plateaus . . . Unlike Sweden, we have no acceptance in the American scene of unions being a co-equal partner in the management of the industrial complex or even in terms of being political partners in the democratic process.

"I see no evidence, unlike in Sweden, that the American people are willing to change their educational system, to avoid teaching kids to be anti-union when they come out of school. I don't see, unlike in Sweden, any conscience on the part of American business to be abhorred by the notion that you can get behind worker cooperation one day, and make an under-the-hat contribution the next day to the National Right to Work Committee, which has as its platform the destruction of the viability of American trade unionism. I don't think you see in Sweden this almost maniacal resistance to having your business establishment organized by a union, because over there they say, 'come on in, fellows, you're part of the action.' "

American labor, in Mr. Winpisinger's view, "lacked the kind of leverage we need from a full employment economy" to embark on the sort of experiments being tried in Sweden. "I don't think we'll have that for a long time, either. We're not the beneficiaries of a 20% to 25% factor of the work force being transient labor" as in Sweden, he noted. There, he said, the more desirable jobs went to Swedish workers and the less pleasant jobs to non-Swedish labor. "That makes a big difference."



Left to right: *Stig Gustafsson, Leonard Woodcock; William W. Winpisinger, Vice President, International Association of Machinists and Aerospace Workers; William A. Steiger; Erland Waldenstrom*

But, Mr. Winpisinger continued, "I don't, for that matter, see any bent on the part of American trade unions to reduce their numbers by intelligent mergers," nor any inclination toward "reducing jurisdictional conflict and accepting the responsibility of being a co-partner in the management of things. That's largely because we've had to live through the law of the jungle and we'll continue to do that and maintain our adversary relationship so long as we perceive that to be the only way to get a standoff in terms of worker welfare."

Caution About Profit Sharing

It could only be by "ameliorating some of these problems that we can build a broad base of worker participation," Mr. Winpisinger felt. "Until the American people or their leaders make up their mind to go to work on these things, programs like the Meidner plan or the new labor law in Sweden will not be realities in the United States."* Even with employee stock plans such as the Kelso plan, labor's attitude would be wary, he observed in conclusion, "Optimally, the Kelso plan ought to be attracting those firms with long-range positive earning postures, but all I see them attracting is losers, where they try to give a loser to the employees as a way to bail out. Companies like the Penn Central would be logical targets to the American business intellect, from what I can see. And that suggests to me that we'll be kind of cautious where we involve ourselves."

U.S. Collective Bargaining in 1976—William J. Usery

The fruits of collective bargaining generally reflect, rather than affect, the economy as a whole.

It was against the background of an important development on the labor front in America — settlement of the nationwide teamsters' strike—that the conference had opened. The conference's luncheon speaker, Secretary of Labor William J. Usery, who had just returned to Washington from helping mediate that settlement, gave Swedish and American conferees his views on prospects for continued labor peace in the United States over the coming year.

Mr. Usery was optimistic. The teamsters' strike could have "paralyzed our whole economy," he said. The most important lesson from the settlement, in his opinion, was that the parties had reached

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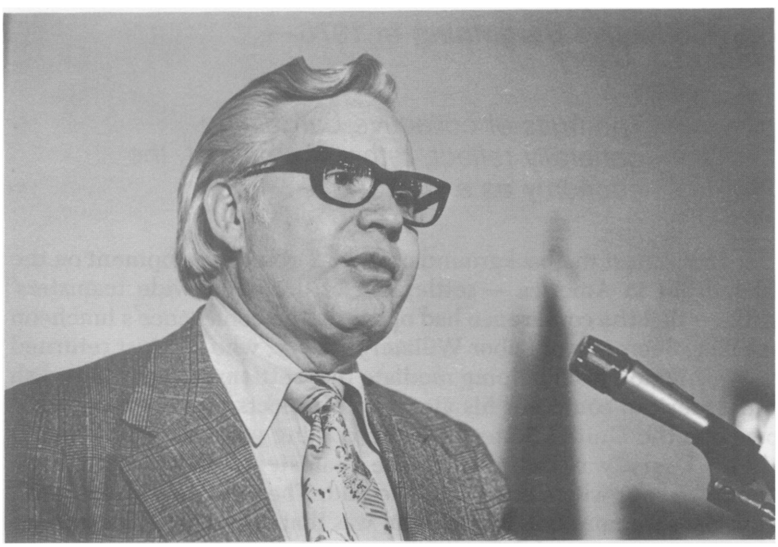
* Further indication of American labor attitudes came during the question period, when the panel chairman, Mr. Woodcock, was asked his opinion of the Meidner plan. The Meidner proposals, Mr. Woodcock observed, stemmed from the policy of Swedish labor which was trying to create "an equitable, egalitarian wage and salary system and now to apply that same policy to stock ownership. Since in the American labor movement and in the American society we haven't taken the first step, I don't have any positive or negative reaction to the Meidner plan." However, Mr. Woodcock continued, he could understand how profit-sharing plans "could widen the gap among workers. Certainly it would in the industry my union represents. If we had a profit-sharing plan for the General Motors Corporation and also in American Motors —where we have one, there would certainly be a great widening of the gap between those who were fortunate enough to work for General Motors as against those who worked for American Motors or other less profitable concerns."

agreement voluntarily, "without any direct Federal intervention other than mediation . . . The free collective bargaining process has worked." He said he wanted to thank the parties to the truckers' dispute for having shown that "labor and management can solve their differences without invoking the strong hand of this or any other government. This is as it should be in a free society, because the fruits of collective bargaining, after all, generally reflect rather than affect the economy as a whole. That collective bargaining process will be tested a number of times in this Bicentennial year."

Mr. Usery remarked that a three-year rhythm has developed in the expiry of the 165,000 labor-management contracts in effect in this country. "We are coming off a low year into a peak year of contract renewal," he said. The Bureau of Labor Statistics has counted 861 contracts covering 1,000 or more employees due to be negotiated this year; in these, some 4.5 million workers "or their employees" will be affected. In addition, there are "tens of thousands" of contracts covering less than 1,000 workers, and "hundreds of first-time contracts." In all, close to 9 million American workers will be in bargaining this year, Mr. Usery said.



William J. Usery

"So far we've been fortunate," he continued, citing recent agreements reached without strikes in the ladies' garment industry and the New York transit system. "Early results indicate we may be approaching a new era of peace in the construction industry" where more than 3,500 contracts are to be negotiated this year, Mr. Usery said. "Significant settlements and very few strikes have marked the opening round of bargaining in this vital industry."

While work stoppages in February 1976 had been at an 18-year low, and January 1976 had also been good, Mr. Usery said, "two months do not make a year." He warned of serious problems to be overcome in the rubber industry and pointed to other "coming attractions" such as the coordinated union bargaining with General Electric and Westinghouse in June, a major agreement in the meat packing industry due in August, negotiations in the automobile and farm implement industries in September. Interspersed with these would be negotiations involving the paper industry, the major hotels and restaurants, the 650,000 workers in retail food handling and processing, and numerous contracts involving health care facilities and public employees.

Mr. Usery felt it was also fortunate that this heavy bargaining schedule came in 1976 rather than 1975 because, in his view, "we have shaken off the worst effects of a severe recession and are on the way to brighter days." Unemployment was still at "unacceptable, and I underline unacceptable" levels although below the 8.9% reached in May 1975. But sales were rising and "profits have climbed from the sickbed," Mr. Usery said. Interest rates had levelled and inflation was slowing with prospects of dropping, and productivity was "on the upside."

Greater Reasonableness?

"There's generally an air of optimism in the business community," Mr. Usery said. "This optimism coupled with the hard facts of economic recovery are excellent signs on the bargaining front. Like the business leader, the workman this year is trying to accelerate his rate of recovery. This translates into demands for wage increases and for liberalization of cost-of-living escalators as well as job security measures. In this, management is demanding that it receive more flexibility in the area of work rules and manning."

Mr. Usery remained confident that labor and management could find answers to these problems, through the free collective bargaining process. "I see a continuation of the growth of reason, responsibility and just plain good sense that has marked our labor-management relationship in recent years . . . In the past several months they've been steadily working out a way from under the most serious economic problems this nation has faced in decades. I find a firm determination on everyone's part to finish this job by using their wisdom, by practicing reasonable restraint, and by displaying concern for the national interest—as I am sure labor and management will."

THE ROLE OF GOVERNMENT POLICY

In the concluding panel session, which followed lunch, views were exchanged on the interaction of the industrial sector with government policy in the two countries. Discussions were not, however, confined to this single topic; they also touched on questions of productivity and participation dealt with in earlier panels. Donald Burnham, Vice Chairman of the National Center on Productivity and Quality of Working Life, and a director of the Westinghouse Corporation, was the panel chairman.

Using Capital Most Effectively—Curt Nicolin

> *Given time, production is proportionate to capital employed, not to the number of people.*

The importance of capital investment in promoting productive growth—and the role that Swedish government policy had played in encouraging investment—was outlined by the first speaker, Curt Nicolin, Chairman, Allmanna Svenska Electriska Aktiebolaget (ASEA).

"Given time, production is proportionate to the capital employed, but not to the number of people," Mr. Nicolin declared. Illustrating his thesis with a series of graphs, Mr. Nicolin traced the correlation between capital input and industrial output in Sweden and in nine other industrialized societies, those of Belgium, Italy, Holland, France, West Germany, Canada, Japan, the United States and the United Kingdom.

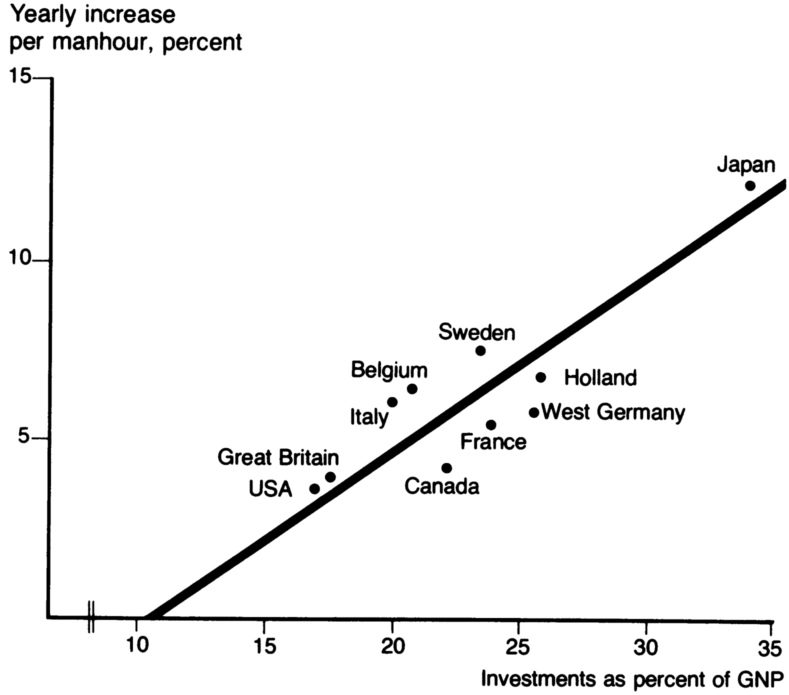
The Importance of Capital Investment

Graph 1 shows a correlation between the share of gross national product invested and the increase in production per man-hour, in the nine countries during the period 1960 to 1970.

This graph, Mr. Nicolin said, "indicates that investments—capital expenditures—probably are the most important single factor governing the economic growth of industrialized nations." Neither the size of the country nor its raw materials resources seemed to have an essential effect. "This is contrary to often-presented beliefs," Mr. Nicolin observed, adding that in his analysis, the relatively free trade which existed during this period largely eliminated the factors of geography and resources.

Graph 2 shows the ratio of the yearly increase in production per man-hour to investments as a percentage of GNP (less 10% of GNP representing that share of the national product required for replacement investment). "It is often anticipated that the return on investment should be higher in less developed countries than in more developed markets. The more developed economies are often supposed to be close to the saturation stage," Mr. Nicolin said. However, he went on, the graph "indicates no relation between return on

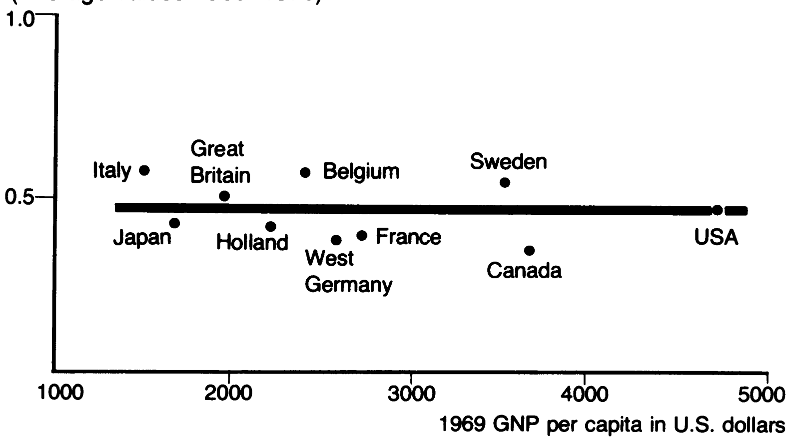
GRAPH 1. Production Increases and Investments (Average values 1960—1970)



Sources: *Monthly Labor Review*, November 1973; OECD Economic Surveys, Australia, December 1972; basic statistics: various sources

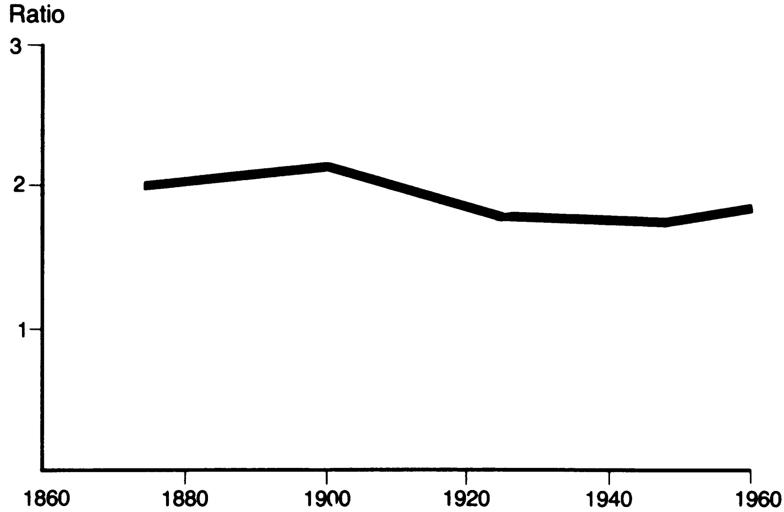
GRAPH 2. Investment Yield Related to Per Capita GNP

Ratio of yearly increase in production
per manhour to investments as a percent of GNP—10%
(Average values 1960-1970)



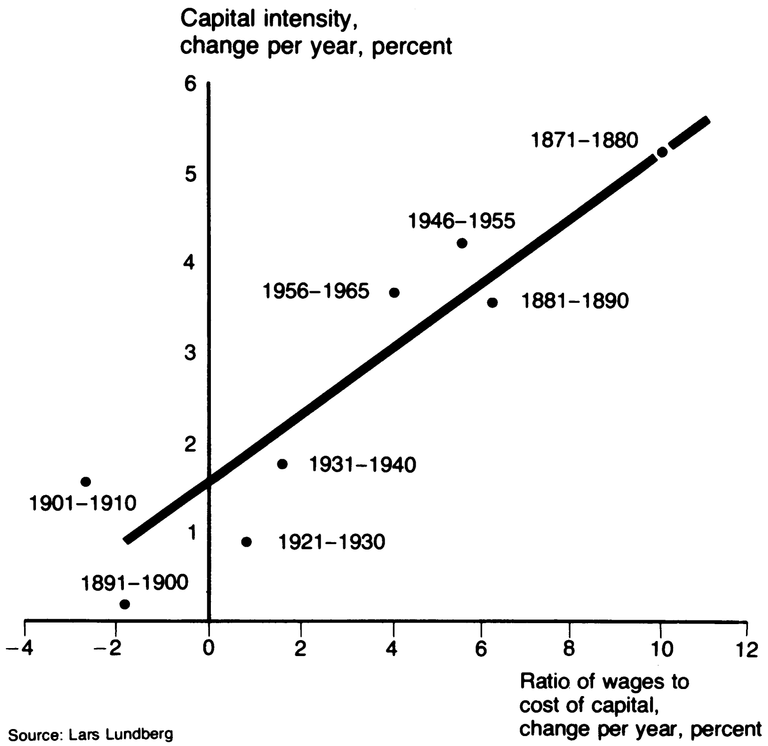
Sources: *Monthly Labor Review*, November 1973; OECD Economic Surveys, Australia, December 1972; basic statistics: various sources

GRAPH 3. Average Capital-Output Ratios in Swedish Industry, 1861—1960



Source: Lars Lundberg

GRAPH 4. Ratio of Capital Intensity to Prices of Factors of Production in Swedish Industry, 1871—1965



Source: Lars Lundberg

investment and stage of development. There may well be a saturation point, but probably at a far more developed stage than we have reached in the United States and Sweden." But these implications were "very rough and should be treated with great care."

Graph 3 shows the gross capital coefficient of Swedish industry over the period 1871 to 1960. This coefficient was relatively constant. "In Sweden, production per man-hour has increased more than tenfold in the last century, but the capital coefficient is materially unchanged," Mr. Nicolin noted. Industrial production in this period was "virtually proportional" to invested capital, but was not directly related to total man-hours employed, at least over the long term, he added. In the short term, however the capital coefficient "does not offer too much information," Mr. Nicolin said. Technological and other factors could enter in.

Curt Nicolin

Graph 4 relates changes in capital intensity, expressed in percentages per year, to changes in wage costs and the price of capital, also in percentages per year, for the 1871-1965 period. The correlation shown by the graph, in Mr. Nicolin's view, was quite good. "Technology has, in principle, had the effect of lowering the price for capital, relative to wages, and so has increased the size of operation."

But Mr. Nicolin warned that other factors beside technological development could also affect the trend of wage costs relative to capital costs. Taxes were one such factor, and Sweden has more liberal corporation tax laws than the United States. Capital has generally been cheaper in Sweden in relation to wages, Mr. Nicolin said. Whereas the ratio of wages to the price of capital in Sweden has risen 5% a year from 1946 to 1965, it declined slightly in the United States over a roughly comparable period. "Here, obviously, is a dramatic difference in the development of the two countries' industries. This may largely account for the greater relative growth in Swedish industry in postwar years," Mr. Nicolin said.

Economical Use of Capital

Leaving aside the effect of government policies on capital development, as well as the impact of free trade and competition—which, he noted, provided an "incentive to use capital economically"—Mr. Nicolin considered what industry could do to increase productivity. In his view, the most important need was for intensified use of productive capital. This included shift-work, large production units, standardization of production, and incentive pay, that is, piecework. Piecework was more generally practiced in Sweden than in the United States, he said. The results were significant.

"We have many examples that show the effect of the introduction of piecework, or its discontinuance. Experience is rather conclusive that piecework increases production by about 20% to 40% unless the production process is entirely governed by machines. Then the effects can be smaller."

"The importance of piecework is not primarily to reduce labor costs per unit of production, as is often thought. Rather it is to increase the utilization of productive capital. It is consequently very important to solve the social implications that are involved . . . We have presently in Sweden a certain amount of opposition to piecework among the unions. Swedish industry for a long time has enjoyed the understanding and positive cooperation of the unions where programs to rationalize production are concerned."

"It is very important that the effects of piecework on the utilization of productive capital be commonly understood. It should not be allowed to be believed that management wants more sweat out of its workers. It wants more sweat out of its capital."

Mr. Nicolin also felt that shiftwork, universally applied in the processing industries but to a lesser degree throughout industry as a whole, could be extended by automation. "The economic effects of shiftwork are very important vis-a-vis the intensified use of capital. Shiftwork reduces the cost of productive capital and it therefore becomes economic to use more productive equipment," he said. "Could it be possible, for instance, in the engineering industries to develop manufacturing techniques to the extent that production could run continuously, with workers present only for day shifts? The work of the operator—moving material and tools—would be fully mechanized, whereas the rest of the work—planning, supervising, maintenance, setting up — would be performed in the daytime. These solutions are already technically feasible in many instances, even if not yet economically viable."

"Industry today has the task of satisfying many economic needs, as well as serving as a positive factor in the solution of social problems, with all that this implies in terms of human aspirations. Should the development, which I propose, become a reality, it will offer an added opportunity for industry to meet its various challenges in a productive and convincing manner." In recent decades, Mr. Nicolin concluded, "we have been very successful in increasing man-hour production. We have been less successful in increasing production on capital." He urged that attention be directed there.

State Management of a Group of Companies— Per Sköld

> *Decentralization is perhaps the toughest policy that management could possibly impose. Our managers are given almost total freedom. But in return, there is no escape from responsibility.*

With the next speaker, the panel turned to questions of government policy—an area where the Swedish government has embarked on a unique experiment in the management of nationalized companies, mandating them not only to hold their own in open-market competition with private enterprise, but to serve as social laboratories as well.

Per Sköld, President of the Swedish State Holding Company, Statesfoeretag, described the operations of this nationalized group. A conglomerate comprising 28 companies, the group's diverse activities include mining, forest products, steel-making, shipbuilding, petrochemicals, numerically-controlled machine tools, nuclear power plant components, electronics and communications equipment, specialized pharmaceuticals and educational systems. Combined sales now total nearly $2 billion annually.

The group does not enjoy a government-protected monopoly or near-monopoly status, nor does its relationship to the Swedish state give it any privilege or special legal treatment. "In these respects, Statesfoeretag is no different from any other enterprise trying to win a place for itself in world markets," Mr. Sköld explained. While government ownership in itself was not unusual in the world today, Mr. Sköld stated, "Statesfoeretag has no model. It is a new and previously untried attempt to fuse traditional commercial concerns with certain nationally-perceived social needs, but not in the usual benevolently vague way such undertakings are so often managed. It is meant to operate in these two areas in an accountable, measurable and effective fashion."

It has been a "combination of historical accident and economic necessity" that put these companies into the Swedish government's portfolio, Mr. Sköld told the conference. "Some were outgrowths, in different forms, of what had once been monopolies that the state either could not dispose of, or found inconvenient to sell. Some, originally under private control, were experiencing difficulties and the state decided to come to their aid. Others, if allowed to collapse, would have created serious unemployment problems in sensitive areas of the country."

Before 1970 these companies had only government ownership, whole or partial, in common and their separate managements reported to eight different government departments. Responsibilities were diffuse, priorities unclear, Mr. Sköld said. The Swedish parliament finally brought them together under a single "administrative umbrella," reporting to a single government department, the Ministry of Industry.

Formation of this "instant conglomerate," as Mr. Sköld phrased it, also created problems. Statesfoeretag was a brand new entity, but the oldest company in the group dated back to the seventeenth century. "Given such individual histories, there was not much inclination to work together. To compound matters, the companies displayed marked contrasts in product orientation and management styles, while their financial requirements, economic problems and levels of performance were all quite different," Mr. Sköld noted. "Thus far, the situation appears to be strictly one of applying conventional management techniques to the solution of not unfamiliar business problems."

Per Sköld

Social and Business Responsibilities

But the Swedish government had "a great deal more in mind than creating a cadre of management that could help a group of faltering companies out of trouble. The task it assigned Statesfoeretag was far broader than that," Mr. Sköld observed. "It was also made clear that Statesfoeretag was expected to assist in meeting certain social requirements and, in addition, that it was to promote the goal of providing job security, co-determination and work satisfaction for all employees."*

* Later, in answer to a question, Mr. Sköld said that "our owners, the government, can force us to start social programs in areas of unemployment . . . and may pay us when we can't do it in a normal economic way." Government reimbursement would compensate for the deficit on the company books.

First priority was for Statesfoeretag to be competitive, effective and profitable. The experience of nationalized companies elsewhere in Europe provided little guidance, Mr. Sköld said. "Most of them do not adhere to the principles of strict accountability, frequently permitting the line between social action and business performance to waver and become unclear. Statesfoeretag, on the other hand, was expected to keep that distinction clear and to deliver measurable results in both areas."

Statesfoeretag recognized it would have to "create its own model," and adopted a management style that was decentralized rather than hierarchical, Mr. Sköld reported. "This fact joined nicely with still another sanction laid down by the state, that the group provide work satisfaction for all employees. It meshed with that concept because it is clearly difficult to accomplish such a goal within the framework of a traditional authoritarian organization."

Still, the group's busines success was to be measured in terms of growth and return on equity. This implied a responsibility of the subsidiaries for financing their operations, thus carrying the concept of decentralization one step further, Mr. Sköld added. "The process resulted in the formation of a management philosophy and an organizational structure that is so completely decentralized that some observers might be deceived into thinking it is permissive. The way decentralization is practiced at Statesfoeretag is, however, perhaps the toughest policy that management can possibly impose. It is true that our managers are given almost total freedom. But, in return . . . there is no escape from accountability."

In three areas only, Statesfoeretag's corporate management retained "irrevocable" powers over the individual subsidiaries: in the appointment of board members, in final authority over the disposition of subsidary company profits, and in being able to decline participation in, or guarantees for, subsidiary financing. Apart from that, subsidiary management is almost completely on its own. Statesfoeretag, Mr. Sköld conceded, had "made many mistakes over the past years." But Statesfoeretag group results had proven the soundness of its approach, with its decentralized structure, its setting of clear objectives to measure performance, and its "emphasis on strategic issues rather than operational details."

Government Regulation and Economic Planning—Alfred Neal

> *In the last recession, we have the astonishing spectacle of fiscal policy working in one direction and monetary policy working in the other to get us out.*

Following Mr. Sköld was Alfred Neal, President of the Committee for Economic Development (CED). Mr. Neal paid tribute to that cooperation between government and industry which had produced in Sweden the world's highest per capita GNP; in contrast, he felt, the government structure in this country "manages to get in the way of a solution of economic problems." In his speech Mr. Neal pointed out some specific areas of concern.

Antitrust Inhibitions

Antitrust legislation, in his view, had a particularly inhibiting effect on national economic planning. Many Americans felt that the government should take a more active role, Mr. Neal said. Yet business leaders were among those most opposed to planning proposals, such as Senator Humphrey had described earlier in the panel discussions. "This opposition to the principle that is at the very heart of business," in Mr. Neal's view, stemmed from a realization of the implications of antitrust. "The fact of introducing national economic planning in the face of rigid application of the antitrust laws . . . will be essentially to rule government participation out of the planning process," said Mr. Neal. "Because if business leaders get together to talk output, capacity, sources and markets in their own industry, the chances of their being hauled up on antitrust charges are pretty high. This helps explain an attitude which otherwise may not seem rational."

Information Demands

Mr. Neal also felt that with "a highly decentralized government and a highly decentralized way of industry trying to influence government," not only were the opportunities for improving productivity being impeded, but impeded to the extent that "we need be concerned whether we are going to be able to make the investment . . . that is the short-term source of productivity growth."

"Projects of major national significance become subject to a set of regulations and laws which effectively impede progress, and to such an extent as to threaten the feasibility of what are actually set forth as national goals," he continued, citing the case of a nuclear power plant where approvals had to be obtained from 30 different governments or government agencies. According to a Federal revenue-sharing tabulation, there were some 40,000 local governments in the United States, and one large company of Mr. Neal's acquaintance had been counting the man-hours required for the paperwork demanded by "this morass of government," as Mr. Neal phrased it. In this company, he said, "25,000 people are fully employed filling out government reports. The real question is whether that's the way to increase productivity. I'm sure many of these reports relate to productivity."

Lack of National Goal Setting

Contradictions were also apparent in the Federal government's use of fiscal and monetary policies as stabilization instruments, Mr. Neal observed. "In this last recession, we had the astonishing spectacle of fiscal policy working in one direction and monetary policy working in the other to get us out of recession. It leads me to think that national economic planning, for all its difficulties, is a better alternative than self-contradictory Federal policies." Failure of the policy of energy independence was a case in point. "Three years after the crisis began," Mr Neal said, "oil imports finally exceeded domestic production after something like an energy program was enacted by Congress. It failed to take advantage of the market system in rationalizing our use of scarce resources by removing price controls, whatever problems that might have caused in the distributive area."

One problem in relations between industry and government in this country was, in Mr. Neal's view, the lack of "a few large organizations that represent industry and labor," such as exist in other countries. In Sweden there were two labor federations and the Swedish Employers Federation; in Germany, the Federation of Industry; in France, the *Patronat;* in Japan, the Keidanren. "In the United States, we don't have anything that really represents industry . . . and by tying things together, represents to the government of this country the knowledge that industry alone has about just such subjects as the antitrust law prevents you from mentioning. That is to say, what are your competitors doing about expanding capacity, what are they doing about expanding the market?" Mr. Neal observed. Businessmen from whom the government should be obtaining the knowledge necessary for economic planning "would probably be signing their own death warrants as far as antitrust laws are concerned," if they provided the information, Mr. Neal said. "I'm impressed over and over again that we tie our hands in mismanagement by the way we make industry make its representations to government."

Capital Formation

Mr. Neal's final concern was for the capital shortage that faced the United States "and probably the world." This was not so much a shortage of capital for economic investment; supply would meet demand, Mr. Neal felt. Rather, it was the capital needed for socially-mandated investments for environmental cleanup, for occupational health and safety, for implementation of an energy program and similar endeavors in the public interest where, as he put it, "government has given a social mandate to invest capital at a rate far in advance of that rate at which we normally invest it." Here, Mr. Neal pointed out, "You do not measure the output . . . The investment cost is a socially-mandated cost which has to be made regardless of the payoff."

In meeting demand for capital, Mr. Neal said, "we have been rocking along at a relatively low rate. About 15% of GNP in the United States has been going into capital formation. It might seem a small thing to try to get from, say, 16% to 18%. That's about the order of magnitude that might get us through this socially-mandated capital expansion over the next ten years. But we don't know yet how to do it. And . . . except for the investment credit, I can't think of anything in particular that government has done to help increase the supply of capital to carry out this vast mandate for investment."

The United States, he said, has to find a policy to increase capital formation at a time when the country was already paying what he termed "an OPEC-imposed excise tax" that has reduced its standard of living. "If we have to impose on top of that tax a further excise tax which ends in a reduction of aggregate consumption in our society, then obviously this decentralized government power of ours has not yet found its way," Mr. Neal said.

Employee Stock Ownership in the United States— Senator Jacob K. Javits

> *The two advantages we have over the Communist system are essentially credit and ownership, if we will only use them.*

The final speaker of the day was Senator Jacob K. Javits (R-New York), ranking minority member of the Senate Committee on Labor and Public Welfare. Senator Javits described to the conference the Employee Stock Ownership Fund Act of 1976 which he was introducing into Congress that week. Providing for voluntary negotiation of employee share funds, the act aimed at "cutting the worker into what we call here 'a piece of the action,' " he said. He noted that Sweden has been involved in a "prophetic debate on the issue of employee investment funds" and by his bill he hoped to initiate in whatever way possible a similar American debate over the benefits of broadening employee stock ownership.

For Senator Javits, there was much that the United States could learn from Sweden. He warned, however, that there were important differences in size and population, and differences in tradition, between the two countries. Statsfoeretag, he observed, could be asked by the Swedish government to spend money for the general welfare; were the U.S. government to ask American businessmen to make similar outlays with reimbursement on the basis of evaluation of the project, the reaction would be different. American businessmen would be "mortally scared," Senator Javits said. "They don't know whether they might all be sent to jail for doing the wrong thing after actually doing it at the government's request. It's a very unhappy state of affairs."

Senator Javits felt that American business would have to learn better how to deal with government as a partner in joint ventures, and the communications satellite was an "extraordinarily successful" example of what could be done. But government itself, in learning to become a more responsible partner, would also have to recognize "that you have to have a profit in business, whether in partnership or not," Senator Javits said. "If you don't have a profit you can't do business." The United States could likewise learn from Sweden, Senator Javits added, in adopting "the fundamental idea that there is no natural antipathy between government and business, and that government and business are not natural sworn enemies."

Productivity and Participation

In viewing Sweden's remarkable success in raising real income over the past quarter-century, Americans saw a "performance standard" to emulate. It was this sort of performance standard, in his view, that Americans were looking for. "If it works, there's a lot to it and we're anxious to be part of it. If it doesn't work, we'll try another road," Senator Javits said. The recent American performance record has been poor, he indicated. Emerging from the worst recession since before World War II, the United States still has some 8 million people unable to find work. Productivity has grown "at a snail's pace in the last 10 years, less than a 1% per annum rate, and on one occasion even fell back. The efficiency of our industrial plant has fallen behind practically all of our friends, with very few exceptions, around the world."

Senator Jacob K. Javits

Thus it was time, Senator Javits felt, "to restore our belief in the American dream" and to make productivity and participation through ownership in the system an element in labor-management negotiations for generally broader worker benefits. "The two advantages we have over the Communist totalitarian system are essentially credit and ownership, if we will only use them," Senator Javits continued. "You won't find many Russians willing to wait 40 years to collect their money and put out their labor in the meantime . . . You won't find many Russians who own anything, and they're mighty hungry to own something. This is what this system means. These two are so attractive and so provocative to the human outlook that we have to use them to the full. In this way we will be operating in a completely different dimension, of incalculably greater strength." Through his proposed legislation, which would put the rank and file American worker into partnership participation in his company's future, "we can address our productivity problem as well as help create the capital which is so vital for investment in the American industrial machine."

Employee Stock Ownership

The Employee Stock Ownership Fund Act would provide a framework for voluntary negotiation, through collective bargaining agreements, of employee stock ownership trust funds, which would be jointly trusteed by labor and management, like pension and health and welfare plans already in operation. The employee stock ownership plan would not be a substitute for pension plans, Senator Javits made clear.

Up to 30% of the capital held in these employee-owned trust funds could be invested in voting stock of the employer concern. Senator Javits emphasized the importance of voting rights. "American employers are scared to death of having workers on their boards, just like the universities were scared to death of having those wild revolutionary students on their boards, until they found that's precisely the way to tame them. Voting stock means worker representation on boards, and that's the way it ought to be. I hope United States business will get over its fears and realize it hasn't got a single secret the worker doesn't know, except maybe he's got the facts and that's the worst of all. I believe that by giving the worker a piece of the action in our capitalist system, we will have a better chance to restore the productivity growth which is so absolutely necessary if we are to achieve simultaneous price stability and full employment."

By sharing in ownership, employees would furthermore be better able to understand the profit concept, Senator Javits felt. He noted that corporate profits had been rising in 1975 to a pre-tax total of $120 billion, or 50% higher than 1974, even discounting for inflation. Wages were rising less slowly. Between 1975 and 1981, the Congressional Budget Office has estimated, the share of corporate profits in the nation's GNP will rise to 10%, from 8%, while the share of wages and salaries will fall from 53% to 52%. Workers would not feel that profits had been "taken out of their hides" if they had a stake in them, Senator Javits said.

There would, Senator Javits concluded, be an impact on union leadership as well: "pressure to negotiate profit sharing and stock ownership" and a lessening of the "obsolescent idea of class warfare" between those bargaining as trustees for labor and those as trustees for capital. "If workers begin to get after their union leadership to negotiate in this field, then you will have a very different type of negotiation, and a very different type of negotiator . . . We can have a new day in this country with the orientation of our system which it was meant to have. Karl Marx is obsolescent. We can make him more obsolescent with people's capitalism."

Stimulating More Capital Investment

In a brief question-and-answer period which followed this last panel session of the day, conferees returned to the problem of capital investment. Mr. Neal was asked whether he considered the Swedish system of tax deferrals on profits set aside for investment in recession periods applicable to the United States. Some 70% of investment capital in this country was internally generated, he noted. "The Swedish plan for setting aside a part of that very large fund as a stabilization measure seems to me fairly reasonable if you're a semi-Keynesian, that is, if you think that in recession you need to stimulate the economy," Mr. Neal went on. One way to stimulate the economy was running a government deficit, which had become the "primary way of overcoming a recession," but in his view, "the Swedes have an extra string to their bow . . . It's an investment credit you can't spend unless the economy needs that amount of stimulation. So as an anti-inflation device I can't fault it." But business in this country was not in favor, Mr. Neal conceded. The reason was that businessmen lacked confidence in the government's economic management in dealing with these impounded reserves. "They do not trust the government . . . to release the right amount at the right time," Mr. Neal said.

Mr. Nicolin was asked, in his turn, what he felt the United States could do to help meet industry's capital needs. Demurring at giving advice, Mr. Nicolin suggested that in his view, "if you want to promote more investments, there's one thing you need more than money. That's courage. And anything you can do to induce courage in investment will, I think, make it come through." In the Swedish system, the government permitted tax deferrals, through reserves for depreciation and other measures, which "let the revenues stay in the business. Since the government will get 50% of the profit, they share half the profitability on the capital. So if you work out the mathematics you find that they stand just as good a chance to get better revenues as the shareholders do. . . . This is one way to induce courage in the system."

SUMMARY

United States and Sweden: A Comparison

The United States and Sweden have certain major problems in common:

How to achieve or maintain full employment while moderating inflation;

How to stimulate further productivity gains;

How to bring about generally accepted government-industry interactions;

How to adapt to a better educated work force, as affected by a changed work ethic and demands for a higher quality of working life.

The two countries are characterized by rather different processes of decision-making in their labor-management-government relationships:

Sweden has achieved a general consensus through centralized institutions.

The U.S. process is notable for its pluralism, trial-and-error methods, and adversary relationships.

The two countries are currently focusing on a number of different priorities:

For Sweden, labor participation in management and employee stock ownership are controversial.

For the United States, high unemployment and inflation, plus inadequate capital formation, are most important.

Sweden

Economy

Sweden has integrated public and private interests rather well in the unique consensus which it has obtained from labor, industry and the government. Labor unions have been flexible, especially toward the postwar restructuring of industry; but labor is now moving toward greater corporate ownership and control.

Some recent trends are unfavorable:

Economic growth is decelerating.

Wage costs are high and have been increasing rapidly, faster than the rises for other OECD countries.

Capital investment may be slowing down; but during 1970-75, it rose by one-third.

The public sector has grown rapidly:

In 1963, it was 37 percent of GNP.

In 1974, it was 51 percent of GNP.

As a percentage of employment, it was 12 percent in 1960 and 25 percent in 1975.

Tax levels have moved very high:

Workers' average rate is 40 percent.

The average marginal rate is 60 percent.

Capital investments now derive more from public pension funds than from private corporate funds.

The allocation of capital is therefore more by administrative decisions than through the market.

Certain other trends continue to be very favorable:

Productivity has risen rapidly and steadily:

Over 7 percent annually in the 1960s;

About 6 percent annually in the 1970s.

The tax treatment of industry is liberal and capital formation is encouraged.

Relatively full employment has been maintained in the 1960s and 1970s.

Important anti-cyclical measures are being practiced.

Public Opinion

There is rather complete support for striving for further economic growth.

The public approves of efforts by companies to be more efficient and more profitable; the importance of profitability is accepted.

Considerable public trends point toward:

Less flexibility to change;

A desire for a more leisurely life.

Consequently, new motivations must be sought which can stimulate further gains in productivity.

Public Policy

Monetary and fiscal policies are aimed in part to reduce cyclical swings of the economy.

The competitiveness of industry has been stimulated through voluntary government-industry measures against monopolistic trends.

Labor mobility has been encouraged by subsidies to promote the restructuring of industry, in particular to transfer labor resources to higher productivity sectors. Active manpower policies have developed.

Industry has been aided to be quite competitive in world markets. Competitiveness has been a major force, in turn, in generating good productivity growth.

Employee Participation in Management

Legal changes in 1974 granted employees the right to representation on company boards of directors. Job security and promotion rights were also improved. Nevertheless, employers still direct company operations.

A new law has been submitted to the Parliament this year, to take effect next January. It provides that labor's role in management decisions will become a subject of collective bargaining.

The proposed law's major provisions are:

Management must negotiate with labor, when requested, about major decisions.

Unions must be kept informed about corporate economic developments.

Employees' rights of co-determination should be defined in collective agreements.

Unions are to be given priority rights in the interpretation of disputed terms of collective agreements.

In addition, unions are asking that the new law also be applied to public sector. One major difficulty is that public corporations are controlled by political institutions. Labor is asking that a 13-member board be instituted to decide disputes affecting public authorities.

The Meidner Plan

European profit-sharing plans have either derived from voluntary agreements within individual firms, or from broader, obligatory systems imposed by legislation. But Sweden has not favored obligatory systems and its unions have not pressed for voluntary plans.

In a 1975 report for a trade union confederation, Swedish economist Rudolf Meidner proposed a far-reaching and highly controversial plan. Its major features are:

The plan is to cover all private companies with over 50 workers.

Twenty percent of pre-tax profits are to be transferred as a special stock issue to collective funds administered by trade unions, and controlled by a central labor fund.

These funds would appoint board members of companies in proportion to the growth of their holdings.

It is estimated that the plan would affect 75 percent of Sweden's work force. The funds would eventually own a majority of the shares of all companies with over 50 workers. The funds in turn would be part of one central fund under labor unions' control, and thus be highly centralized. By comparison, Germany, France and Denmark encourage individual ownership of employee stock funds.

The Meidner Plan is heavily criticized by industry spokesmen, among others. Their objections include:

The plan would change drastically the distribution of wealth and power.

Forty percent of all shares are already owned by institutions.

The system would be contrary to the gradual decentralization of authority in companies.

Employee influence over management through ownership would be enormously expanded. But employees already have the right to appoint certain board directors.

The plan would change Sweden's mixed public-private economy to one of "trade union socialism."

Alternative Profit-Sharing Plans

Among other plans for profit sharing in Sweden, the Svenska Handelsbanken has developed an imaginative one since 1973. It provides that:

Any surplus of its yield on working capital, compared to that of other banks, is shared equally between employees and stockholders.

The employees' share is placed in a separate, employee-owned foundation.

Shares can be withdrawn by employees only on retirement.

Among the consequences of this plan are that:

The foundation will become the largest shareholder.

Two of the 17 directors are from the foundation.

The bank's productivity, measured as yield per man-hour, has risen greatly because:

Employees have organized the work more effectively.

Employees show greater cost-consciousness.

The work force has accepted changes in their duties and in job transfers more easily.

Participation and Productivity

Experiments are being conducted in 10 Swedish companies to question whether increases in employee participation will bring about similar increases in worker productivity. It has been assumed that workers would become more responsible and more involved in their jobs. So far, no causal relationship has been proved. Several experiments do show significant gains in productivity—20 percent to 30 percent—in several years. There are also some negative examples.

The research suggests that it is changes in *organizational structure* which can bring decisive gains. Thus, it is felt that participation can help employees to understand the organization better; improve joint problem-solving; and provide better sharing of information. However, this social learning is a slow process. It also involves: work rule changes; dissemination of the results of new adjustments; and new pay systems to fit greater worker participation.

United States

Major Aspects of the Economy

Unemployment has been high:

The 1960-1970 average was 4.5 percent.

Reducing the inflation rate is a priority concern:

In recent years, inflation has averaged 6 percent annually.

It is feared that high rates will become expected.

Acceptance of high inflation would bring informal indexation arrangements.

Similarly, though second priority, higher expectations for the unemployment rate are being accepted: 6 percent unemployment is expected for the remainder of the 1970s.

The 1976 outlook is for labor peace.

Capital growth has been inadequate and weakly stimulated by government measures.

Economic growth has slowed in recent years, compared to the past.

Issues of social inequality and urban decay are affecting economic performance.

Many profit-sharing plans are in existence; but labor participation in management is unlikely.

Labor-management relations have remained largely outside of legislative control.

National economic planning is controversial and greatly hampered by:

Antitrust laws

The decentralized system of authority (large numbers of local governments and public authorities).

Economic Planning

The United States tolerates much higher levels of unemployment than do the European countries. Consequently, the United States seems to need new worker retraining and reemployment measures.

The current Humphrey-Hawkins Bill for national economic planning would set a goal to reduce unemployment to 3 percent within four years—without causing inflation. Many of its critics think this goal cannot be attained. The plan would also involve:

Tax law changes to expand investment.

National economic goal-setting to coordinate government policies affecting the economy, with the President setting quantitative goals.

Anti-cyclical measures, such as emergency public works programs.

Employee Stock Ownership

It is generally agreed that the Swedish Meidner Plan or its equivalent would not find acceptance in the United States. Even the Kelso Plan, a system for tax concessions to stimulate U.S. employee stock issues, is not well understood here. A considerable number of American companies do have profit-sharing plans.

There are a number of obstacles to greater employee stock ownership:

Tax treatment of dividends is relatively ungenerous. Unions are less accepted in the United States than in Europe.

Unions are large in number and relatively fragmented, without a central authority.

Labor is cautious about profit sharing in unprofitable firms.

The Javits Bill has proposed negotiation of employee stock ownership trusts. But it is assumed that, for such a plan to be effective:

Public hostility toward profits should be reduced.

Cooperation beween labor and management should be improved.

United States and Sweden

Capital and Productivity

For the United States and Sweden, as for other industrialized countries, an important question is the relationship between increments of capital, or other inputs, and the resulting improvements in productivity. Recent analysis, based on industrial data from many OECD countries, suggests that:

Productivity is proportionate to the amount of capital employed, not to the number of employees.

A good correlation exists in OECD countries between capital inputs and industrial output.

Among other factors affecting the relationship of capital and productivity, it is notable that:

Corporate tax laws are much more liberal in Sweden and some other European countries than in the United States.

Capital is cheaper in Sweden in relation to wage costs.

Government policies, aside from tax policy, heavily affect capital formation.

It is felt that the most important factor affecting productivity gains is an *intensified use* of productive capital, as a result of using:

Shift work;
Incentive pay or piece work;
Standardized production;
Large production units.

Government Policy Toward Companies

In Sweden, a State Holding Company has been established as a form of conglomerate to manage government-owned companies in 28 industries. Among its characteristics:

The state company has no monopoly or special legal status.

The government requires that the state company meet certain social responsibilities:

Job security;
Co-determination by workers.

The state company is expected to be competitive and profitable.

The company has broadly delegated authority to the subsidiary managements of its individual companies.

In the United States, national economic planning by the government is hindered by the antitrust laws; companies cannot share information on output, capacity or markets. Other attributes of the government-industry relationship include:

A rapid growth of regulatory authorities and regulatory requirements creating massive paperwork.

Federal economic policies are often poorly harmonized with each other.

A lack of *central* labor or industry federations with which the government can negotiate.

A shortage of capital for socially-mandated investments in:

Environmental clean-up;

Occupational health and safety measures;

Energy conservation processes.

The government does not provide much stimulation to increase the supply of capital for industry investments:

The United States capital formation rate has been too low—averaging 15 percent of GNP.

BIOGRAPHIES

Speakers

KARL OLOF FAXEN is head of the Research Department, Swedish Employers' Confederation (SAF). The Confederation is made up of 38 associations who in turn represent some 26 enterprises with one and a quarter million employees. In addition to its Stockholm Head Office, SAF maintains regional offices in Gothenburg and Malmö. SAF is the central negotiating body in Sweden's nationwide wage negotiations. It also speaks for employers in matters concerning other aspects of labor-management relations. Dr. Faxen is also an Assistant Professor of Economics at Stockholm University.

STIG GUSTAFSSON is a Social Democratic member of Parliament and General Counsel for the Central Organization of Salaried Employees (TCO). The TCO, Sweden's largest white-collar federation, has 22 affiliated unions with a total membership of some 800,000. Mr. Gustafsson served as legal counsel to the blue-collar Confederation of Trade Unions (LO) before he joined TCO.

SENATOR HUBERT H. HUMPHREY (D-Minnesota) is chairman of the Joint Economic Committee. He was elected Senator in 1948 and, except for four years when he served as Vice President under President Lyndon B. Johnson and four years following his defeat as Democratic presidential nominee, has served in the Senate since that time.

AXEL IVEROTH has been the Director-General of the Federation of Swedish Industries since 1957. He has served as Chairman of the Advisory Board of the European Productivity Agency in Paris. He was named Secretary General of BIAC, The Business and Industry Advisory Committee to the OECD, in 1962. He is Chairman of the Board of the Sweden-America Foundation and Vice Chairman of the International Council of Swedish Industry.

SENATOR JACOB K. JAVITS (R-New York) is serving his fourth Senate term and his twenty-eighth consecutive year in elective office. He is currently senior Republican on the Senate Committee on Labor and Public Welfare, the Joint Economic Committee and the Select Committee on Small Business. He also serves on the Senate Foreign Relations Committee and the Committee on Government Operations.

ALFRED NEAL is President of the Committee for Economic Development (CED), the national economic research and education organization of 200 leading American business executives. He has had careers in banking, government and education. He came to CED in 1956 from the Federal Reserve Bank of Boston where he was First Vice President and Director of Research. His government service has included: membership on the Williams Commission on International Trade and Investment Policy and the position of Director of Research for the Commission on Foreign Economic Policy (Randall Commission). He has been Assistant Professor of Economics at Brown University.

CURT NICOLIN is Chairman of the Board of Allmänna, Svenska Electriska Aktiebolaget (ASEA), a large electrical equipment manufacturer. He began his career as an engineer with a subsidiary of the company in 1945 and rose through the ranks to the position of chief executive. Dr. Nicolin is also Chairman of the Board of the Scandinavian Airlines Systems. He is a member of the board of the Federation of Swedish Industries.

LEONARD SILK is a member of the Editorial Board and a financial columnist for the *New York Times*. Prior to joining the *Times* in 1970, he was a Senior Fellow at the Brookings Institution (1969), and was with *Business Week* from 1954 to 1969. He has written several books, including *Nixonomics* and *Capitalism: The Moving Target and Contemporary Economics*, and has received the Loeb Award for Distinguished Business and Financial Journalism and the Overseas Press Club Award for business reporting from abroad.

PER SKÖLD is President of Statsfoeretag, a central holding company established in 1969 for 28 government-owned companies employing 43,000 people. Mr. Sköld spent twenty years in forestry and became head of the Crown Lands Board before he joined Statesfoeretag in 1970; he became its President the following year.

WILLIAM A. STEIGER, Republican Congressman from Wisconsin's sixth district, has devoted his career to politics. He was elected to the Wisconsin state legislature at the age of 22, and has served in the U.S. Congress since 1966. He is a member of the Ways and Means Committee, Subcommittee on Social Security, and the Subcommittee on Unemployment Compensation. In 1974, *Time* magazine listed him as one of its "200 New Faces for the Future."

SVEN-OLOV TRÄFF is a Conservative member of Parliament and Vice Chairman of the Swedish Employers' Confederation. Mr. Träff is also Chairman of the National Organization for Motor Trades and Repairs and a member of the Parliament's Defense and Taxation committees.

WILLIAM J. USERY, JR. is the nation's fifteenth Secretary of Labor. He also serves on numerous boards, commissions, councils and committees. As Special Assistant to the President for Labor Management Negotiations, he coordinates the government's mediation and other labor-management activities. Before assuming the Cabinet post, Mr. Usery was director of the Federal Mediation and Conciliation Service. He has also served as a member of the National Commission for Industrial Peace, the National Commission on Productivity, the Collective Bargaining Committee in Construction, and as chairman of the OECD Working Party on Industrial Relations.

ERLAND WALDENSTRÖM is Chairman of Gränges, a mining, metal and shipping group, with 28,000 employees. Mr. Waldenström is also Chairman of the Liberian American-Swedish Minerals Co. (LAMCO), and the Gränges American Corp., Vice Chairman of Skandinaviska Enskilda Banken, and a director of Bofors, Luossavaara-Kiirunavaara, the Federation of Swedish Industries, and the Stockholm School of Economics.

JAN WALLANDER is President of Svenska Handelsbanken, the third largest bank in Scandinavia. The bank's operations are highly decentralized, with nearly 500 branches.

WILLIAM W. WINPISINGER worked his way up from the ranks to become Vice President of the International Association of Machinists and Aerospace Workers, America's fourth largest union. Mr. Winpisinger has handled many special union assignments as one of the IAM's top negotiators. He has been a General Vice President since 1967.

Chairmen

DONALD BURNHAM became a Director and Officer of Westinghouse Electric Corporation in February 1975 after serving as chief executive officer of the Corporation for 11 years. He is Chairman of the Board of Trustees of Carnegie Mellon University, Vice-Chairman of the National Commission of Productivity and Work Quality, and Director of the National Council for U.S.-China trade, the Mellon National Corporation, the American Wind Symphony Orchestra, and the Pittsburgh Theological Seminary.

EMILIO G. COLLADO recently retired as Executive Vice President of Exxon Corporation, where he was primarily responsible for financial matters and government relations. Mr. Collado has served as Chairman of the Committee for Economic Development and the OECD's Business and Industry Advisory Committee. He is a Director of the Discount Corporation of New York, J.P. Morgan and Company, Morgan Guaranty Trust Company, the Spanish Institute, the Academy of Political Science, and the Atlantic Council of the United States. He has been a member of the Corporation of MIT, Chairman of the Harvard Foundation for Advanced Study and Research, and Vice Chairman of the Board of Trustees of Long Island University.

CLARK KERR is Chairman and Staff Director of the Carnegie Council on Policy Studies in Higher Education. Before joining the Council in 1967, he was President of the University of California. He is Chairman of the Board of the Work in America Institute and Professor Emeritus in economics and industrial relations at the University of California, Berkeley. He has served on numerous boards and councils, most recently as Chairman of the OECD Secretary General's Ad Hoc Group on Education and Employment, and member of the Board of Trustees, International Council for Education Development.

LEONARD WOODCOCK has been President of the United Automobile Workers since 1970. In 1947, he was elected to the union's international executive board, a post he held until 1955, when he was elected Vice President.