

Proceedings of a Conference on

PRODUCTIVITY

December 6, 1950

AMERICAN LEGION AUDITORIUM
EAU CLAIRE, WISCONSIN

Sponsored by

The University of Wisconsin Industrial Relations Center

and the

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F O R E W O R D

Set forth herein are the proceedings of a joint labor-management-public conference on the subject of "Productivity" which was offered through the facilities of the University of Wisconsin's Industrial Relations Center and the Eau Claire School of Vocational and Adult Education. The meeting held in the city of Eau Claire on December 6, 1950, represents the second in a series of such conferences to be held in various cities of the state under the co-sponsorship of the Industrial Relations Center and the Vocational Schools.

The speakers on the program were Mr. Sidney Garfield, Vice President, International Chemical Workers Union, AFL, who lives in Chicago, Illinois and Mr. Ivan C. Lawrence, Vice President, Minnesota Mining and Manufacturing Company, Saint Paul, Minnesota.

The program was planned with the aid of a local advisory committee consisting of Glen Rork, James Franey, E. G. Hoepfner, Fred Winrich, Clifford Elliot, and James Voll. Their aid is gratefully acknowledged.

R. W. Fleming, Director
Industrial Relations Center
University of Wisconsin

W. L. Enge, Director
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Eau Claire, Wisconsin

PRODUCTIVITY CONFERENCE

December 6, 1950

Mr. G. V. Rork, President, Northern States Power Company:

The Industrial Relations Center Advisory Council, of which I am a member, is composed of five men from labor, five men from management, men from the faculty of the University of Wisconsin, representatives from agriculture, and from the various other groups which make up our economy in the State of Wisconsin. The Industrial Relations Center is designed primarily for the discussion of problems which are facing labor and management and the public at all levels in Wisconsin. It is not intended to be a group seeking a right answer. It is intended to be a group that will develop the problem itself and in so doing present it in various forms so as to bring about a meeting of minds. The Industrial Relations Center has been headed up by a faculty committee of which Dr. Edwin E. Witte is the chairman. Attached to it is a young man, Prof. Bob Fleming, who is the fellow who does the paper and the leg work throughout the state and the planning of these meetings and countless other meetings on the campus. He is active himself in the whole matter and problems of labor and management. It has been my privilege to serve with this group and to meet frequently not only with representatives of management but also with the state heads of the American Federation of Labor, CIO, the United Automobile Workers, the Office Workers union, and others. In these meetings the committee has endeavored to try and find some way, some form, some basis, for discussing these many serious problems which affect our economy and affect everyone involved in the economy. And in these meetings, originally at Madison, subsequently at Milwaukee, still later at LaCrosse, and I believe at other points throughout the state, it has been found that there are many things of common interest, many problems which can be expanded and developed. The conferences present a sounding board, a means of developing the problem.

In serving on this committee I have felt and do feel that here is a group which in itself has no exact counterpart throughout the University activities. It is part of the University, it is part of the State of Wisconsin. It's a privilege

therefore, acting for Mr. Enge, for me to present to you Professor R. W. Fleming who has done an excellent job of coordinating these activities over 3 years. May I present to you Professor Fleming.

Professor Fleming:

Thank you very much, Mr. Rork.

I had planned to say a word or so about this kind of a meeting, but Mr. Rork has said it so well for me that I think I need not repeat. We are proceeding on the theory that though there are always differences between management and labor, there are mutual areas of interest which are of even great importance. We do not try, in these meetings, to foist off one group's view upon the other, or our viewpoint upon both. We simply try to pick an issue which is of interest to everybody and then explore it from a lot of different angles.

I want to say just a couple of words about these materials. The yellow pamphlets, which some of you have, were prepared as a sort of an experiment. Our idea was that you might like to have something to take away with you which contained some basic facts. You will see that the charts, etc. are taken largely from recognized books on this subject, and they give you a fairly clear picture of what has happened productivity-wise over the years. If any of you haven't obtained a copy of the pamphlet there are some more over on the table, which I would be glad to have you take and read.

Now I want to say just a word about the program before we start. You will notice that we have first a film which I think will set before you the economic facts of this productivity problem probably better than we can do in any other way. Mr. Garfield, who is slated to speak immediately after the film, will be late in arriving because his plane has been cancelled, but he is arriving on the 8:00 train. If he is not here at 8:00, and we're late getting started we'll shift around and have Mr. Lawrence talk and then put Mr. Garfield on when he gets here.

As to the subject of productivity itself, it seems to me it's pretty obvious why it's important to all of us; if we're going to divide more things, we've got to

have more things to divide. The reasons why it is important to labor and management will be developed by the speakers and I don't want to spend any additional time on it now.

I hope that the film will raise a number of questions in your mind, so that when we get through with the speakers you can shoot some questions at them.

Film: "Productivity: Key to Plenty"

Produced by the Twentieth Century Fund and

Encyclopaedia Britannica Fund and

based on America's Needs and Resources

by J. Frederic Dewhurst and Associates

Now your program shows that Mr. Garfield is scheduled to speak first, and I still haven't seen him walk in the door. I suppose after he gets here we ought to give him thirty seconds to rest before he starts to speak. So, I think, Mr. Lawrence, we'll put you on first and then turn to Mr. Garfield after you have finished.

Mr. Lawrence is the vice-president in charge of personnel for the Minnesota Mining and Manufacturing Company. He has been good enough to come down here from St. Paul. He's a graduate of West Point, and M.I.T. Those of us who were privates in the rear rank won't hold it against him that he's from West Point, as long as he went to M.I.T. along the way, too. He served with the Army Corps of Engineers for some time. He was, thereafter, a consulting engineer, Mr. Lawrence

Mr. Lawrence:

Good evening, friends, Mr. Chairman, ladies and gentlemen. When Mr. Fleming asked me to participate with you in this program, it turned out to be the beginning of an adventure for me. I've met some wonderful people and I've been exposed to some people who have devoted their whole careers, even their lives, to thinking on this very important subject of productivity.

I feel that I am not a stranger to Eau Claire; I've stopped here many times both on trips East and also on the way to our plant in Wausau. We are Wisconsin people, as well as Minnesota people. We also have an operation at Waukesha and one at Cumberland, so we feel very much at home in Wisconsin, and we feel that we are neighbors. Our boundary lines are only imaginary so far as I am concerned, and so I bring you greetings from your neighbors from Minnesota.

This film that you have seen is a wonderful film; we have a copy of it in our company. We use it in connection with our supervisory training program, where we try among other things to give our supervisors some of the fundamentals of economics. I think that Mr. Fleming's work is outstanding and I've read some of the conferences he's had at Milwaukee. I think it's a marvelous program, and I'm very glad to participate with you.

Productivity somehow we recognize as being related to work. I don't know how many of us enjoy working. Maybe there are some things we enjoy better. I like a good game of golf, although I don't do very well at it. Productivity implies producing something; it's producing goods and services. If the atomic bomb should destroy everything all around us and leave just this group here in this room, destroy all our tools and everything, I think we'd immediately begin thinking about what we could produce in the way of food and shelter and clothing, and some of the other necessities as well as luxuries, that go to make up our standard of living. We'd use the natural resources as best we could; the wood, the water, the soil, the rock, and ore as we could find it and we'd start all over as our forefathers did before us a couple of centuries ago when this country was a wilderness. And if we were smart and saved our money and put some of that investment into more and

better tools and power, why we'd probably eventually get to a point similar to where we are today.

As I came down on the "400" this afternoon, I couldn't help but think of the ingenuity and inventiveness that went into making that trip possible; the savings of many people that certainly were represented there. A hundred years ago, it would have probably taken me all day and then I doubt if I'd have gotten here at all, so we do enjoy the fruits of saving and of power and of ingenuity which go to make up our standard of living. Prof. Fleming expressed it very well, I think, that in order to divide up more amongst us, there must be more to divide, and I think our living standard can be expressed just that way. It is the total amount of goods which are available divided by the number of people served. If there are more goods there is more to go around, and certainly we've come a long way from the theory of scarcity which was somewhat prevalent a while ago.

We measure productivity - it comes from many elements of course, manpower, the animal power, and the other sources of power, and is really related to all of those things--but we measure it in terms of man hours of work; and so, in this film, we see that the productivity level has gone up five times in a hundred years. That's measured in terms of everything produced by all resources in terms of man hours actually spent. And, by the way, in that film--those dollars expressed there, while it didn't say so, those dollars are all in the same terms - you'd don't talk about a fifty-cent dollar or a thirty-cent dollar, or a seventy-five cent dollar at various periods. It's all in terms of the same dollar, so that is actually an increase of five times in goods produced per man hour. You will note that the work week has gone down from 70 hours as it was in 1850, a hundred years ago, to about 40. If we were still working 70 hours a week we would have a still greater supply of goods; providing we had the power to go with it. I asked Mr. Rork how much it costs to deliver one-horsepower of energy here in Eau Claire and he said depending on quantity used, it costs less than one cent per horsepower. You could probably rent a horse, if you could find one, for \$.75 an hour and

you'd get one-horsepower hour, which would cost you 75 times as much as a horsepower of electrical energy. A man, here in Eau Claire, an unskilled worker, in the construction industry, will receive \$1.40 an hour, and he by his muscles can produce about 1/10 of a horsepower an hour, so it takes 10 men to deliver a horsepower hour in an hour which would cost you \$14.00. A horsepower of electricity would cost you one cent, and so utilizing a man's physical energy would cost you, right here in Eau Claire, 1400 times as much as the mechanical energy which you get delivered from the power company. That is why we are, in this country, using so much of that kind of energy and so saving of human energy. Yet, no matter how wonderful a machine we have developed, we still have to have somebody to run it; sometimes our engineers are inclined to forget that and put the handles in the wrong place, but I think our people are getting more man-minded in the design of equipment and certainly it is for our best interests. As a result of this tremendous increase in productivity, we have, unquestionably, the highest standard of living of any country on earth. As compared to the rest of the world, the film showed we only have about 6 percent of the world's population; there are about 3 times as many people living in China, but their standard of living, believe it or not, is only three per cent as great as ours; their productivity is 3 per cent as much as ours. So that in comparison to the other countries of the world, of which we are (population-wise) about 1/15 or about 6 or 7 per cent, we do have a total of over 1/3 of the world's production. Taking a few items by themselves, we have over 70 per cent of the world's automobiles to go around among 6 per cent of the world's people; we have 50 per cent of the world's radios; 50 or 60 per cent of the world's telephones; and about 90 per cent of the world's bathtubs. To many people, even in some of the European countries, it's more or less unheard of to take a bath in a regular bathtub. One hour's work in this country will buy all kinds of goods and services -- about 3 times as much as it will in Britain, France, or Belgium; it will buy about 6 times as much as it will in either Italy or Russia; it will buy about 12 times as much as it will in India; and one hour's work will buy about 30 times as much as it will in China. Now

how has this come about? Do you think it is because of our manpower? Of course not. We only have 1/15 of the world's population, and China has 3 times as many people as we have; we only have about 7 per cent of the world's area so it isn't the vast area we have; and only about the same amount, 7 per cent, of the world's resources. China has just as many resources as we have, but their standard of living and their productivity is far, far below ours. Possibly we may think it's a question of superior brain-power. I doubt that very much. Many of our basic inventions come from scientists from France, Germany, Italy, Sweden, Russia, England, and no doubt, some of the basic inventions you will find way back in the early days came from China. I don't think it's superior brain-power, but it does seem to me the one thing on which we differ from other countries is the fact that we have, in this country, not a central autocratic government that controls our destinies, but we do have a free competitive system with the individual property rights, the right of property ownership, the right to go into whatever business we wish to go into, to make a profit or lose our shirt. We have the free choice to direct our energies in the direction that we wish. The incentive for profit is certainly a real one. People may criticize, and yet, I think it's one of the most wonderful things that characterizes our system. People save up their money and they form a partnership or corporation, depending on the size of the business they intend to go into, and they expect to get a return on that investment. Savings are difficult; any of us who have tried to save know that. We put our money into a business; we take our chances, and put our energies into a business we think is going to succeed. We make use of tools and power and human inventiveness and skill and I think that because of this free competitive system we get productivity and the standard of living we have today.

Of course, there is always the theory that when machines come in men go out. In the horse and buggy industry I understand there were about a million workers at the turn of the century producing buggies and wagons and taking care of horses and wagons and raising feed and so forth. Today, all the things that go to make up the automotive industry employ about 8 million workers, or about eight times as

many. Of course, we do many more things today with automobiles than would have been possible to do without them; and we have 8 million people employed in this field, including the construction and maintenance of the highways that are necessary for our automobiles. These things have been made possible through inventions, savings, and of course, some of the massive equipment four stories high that will turn out the top of the automobile body with one operation. I understand that the hub assembly of^a modern automobile, if it were produced by the primitive methods of fifty years ago, would cost \$2,000. We certainly recognize that the cars we get today are a lot different from those turned out fifty years ago. On the subject of our American wastefulness of power we have learned to waste power and to conserve human energy. The automobile industry here in America scraps more equipment in one year's time than the whole of France does in a period of fifty years. Those of you who know something about French industry know that they will hang onto a piece of equipment until it literally falls apart.

We sometimes forget, I think, that when people go into activity such as government, and a certain amount of government is necessary to protect our rights and to perform certain services for us--the people who go into that kind of service are no longer producers. They are consumers, and they get their income through the taxes that we producers pay. But they in turn must have their share of the standard of living, and so we as producers must produce more so that there will be enough for us and for them too. The more people that are absorbed in our government activities, the more we're going to have to produce to give them the same standard of living as the rest of us have. As a member of the advisory committee of the Civil Service Commission in our district one of the problems that came up was the question of the efficiency of government employees. I think that everybody recognizes that they don't have the same incentive that we have in private business; the Chief of a certain department, because of the system that's set up, is paid on the basis of the number of employees he supervises. One situation we had to contend with was if a person had 12 employees under his supervision he belonged in one pay bracket and if he had less than 12, he was in another pay bracket, and

there was the problem of somebody who could get along with 8 or 9 or 10 people and yet, if he would get a couple more, that would put him in a higher pay bracket. Now that, of course, is a danger, too, in our industrial job evaluation work. Let's be sure that we don't pay a fellow for the number of extra people that he can get on his payroll. Let's pay him on the basis of how good a job he does and how efficient his work is.

We sometimes get the feeling that somehow government provides us with a standard of living. I think in this discussion tonight there should be a pretty universal agreement that it is our productivity, and not government, that gives us our standard of living. There is a danger, it seems to me, in our political trend towards collectivism and towards the welfare state. Back in the days before the Civil War, if you remember, and of course none of you remember that far back, but the state of Mississippi passed a law for the protection of their slaves. It was up to the slave owner to look after them in sickness and in health, to take care of their old age, and to be the complete guardian of their social security. The only way that a slave could be freed from that serfdom or slavery was if he performed some outstanding service to the State. Then ^{he} was declared free, and he no longer had to depend on his guardian for his livelihood or his welfare. He could go out on his own initiative, and I think we've seen that the freedom that's been exercised by the colored people in this country has demonstrated that they are able to take care of themselves.

Now to contrast that with the Indians; we have a government bureau, a pretty large one, that's looking after a pretty small number of Indians on reservations, and today those Indians look to the "Great White Father" for everything they need and want. We have a lot of Indians in our state, and sometimes I go through those reservations and it seems to me really pitiful the degree of dependence that those people have; and that, I'm afraid, is the kind of thing we're likely to get if we're going to continue the trend to rely on our Federal government to give us everything that we think we need. Let's rely on the great American tradition of initiative and free enterprise, and we'll be farther ahead in our standard of living, rather than depending on Uncle Sam.

There is this question of taxation that seems important to us. There is a tendency to tax those who are most productive and who are most successful and to say to them that they can't have all they produce. Then in other cases we grant subsidies to those who are less productive and are not able to be a success and say to them they can have more than they produce. Now it seems to me that those two things if carried to the extreme are likely to destroy and take away the incentive to produce. If you can't have all you produce, or if it doesn't matter how little you produce, and you're going to get some more from the government, what's the use of trying to produce. Let's watch that tendency.

The glass workers, as you saw in the film, had a job where they produced a certain number of bottles a day. Today, of course, it's done by machinery with production ever so much greater, and yet today we have 500 per cent more workers in the glass industry than we had at the turn of the century. So many more uses for glass have been developed because of its cheapness that although the jobs are different, there are more than 5 times as many people employed. Over in the Orient when taxis first came into being, they could see that they could go farther and faster and do the job quicker, and so they passed a law that said they had to have two ricksha drivers riding on a taxicab. Now what they should have done was put the surplus manpower into a filling station or a tire repair shop or something of that kind instead of taking a step where certainly there is a waste of productivity and manpower. You've seen, of course, the recent struggle to have firemen on diesel engines; that is part of that same fear, although those firemen could certainly be useful in the production on diesel engines or in any number of things they could do. Perhaps because we are building up unemployment reserves, some of these reserve funds ought to be devoted to re-training people whose jobs are displaced for the moment for other jobs where they are needed, and certainly we have many, many places they are needed, especially in this war-effort. I'd like to mention one example in the construction industry - and I know there are some members of the construction industry present here. I used to be in the construction industry myself for a number of years, and I know some of the problems we ran into. Our chief engineer on several

instances deplored the fact that our city ordinance requires that we run our electricity through a pipe. He says electricity isn't like water; it doesn't have to go through a pipe. He said there are conduits that pass all requirements that are much more efficient, easier to install. Why do we continue to have those outmoded methods that are wasteful and costly and run up the cost of our housing to the point where we can't have as much housing as we need and as we should have. I think those of us who can be active in the question of city ordinances should try to have ordinances that are designed to do the job and not to specify a certain material which may have been replaced by something more modern and equally effective.

In World War II, I think that about 50 per cent of our production was for war, or things that were directly related to it. Before Korea, we were spending about 12 billion dollars a year for the military establishment; that will be very shortly at the rate of about 30 billion and probably will be more, regardless of what happens in Korea. So there are some people who feel that we can go on producing the kind of standard of living in the way of civilian goods at the rate we have been producing and still maintain that war effort. I don't think it's possible and we haven't got the man power or the productive facilities that are required. It is true, we can work longer hours, and it's true, we can cut down on some of the things we're using, but I think when we have a large source of income from war production and also income from production of civilian goods, and the supply of civilian goods is reduced, that we're bound to have what certainly amounts to an inflation. Competition for a limited supply of goods, regardless of what happens to the regular prices, produces inflation. There was a black-market, as you know, for automobiles, during the last war, and there will be that sort of thing unless we have controls. I think we're going to be faced with controls very shortly; that isn't going to cure the trouble, it can only cover it up and conceal it. The only thing that will ever cure inflation is the balance of this thing called productivity with the purchasing power, so there will be enough goods to match the purchasing power. But increased productivity is certainly going to help. There are a good many ways to increase productivity; some of them are very simple; some are very complicated. When we see

some of the machines and think of the engineering and the ingenuity that goes into them, and all the planning, and the construction of those machines, you wonder how you'd ever go about starting to think about such a machine. But there are some very simple and obvious things . . . We used to make sandpaper in a sheet about 24 inches wide and today we make it in a continuous process in a machine that will coat 48 inches or 54 inches wide. That seems to be a very obvious thing; of course, it requires quite a little bit of engineering and it's quite a different job to coat in those widths and get the same quality all across, but that is one way to increase the productivity. In my industrial engineering work, in which I started off with the company 17 years ago, one of the jobs I had was to try to find ways to increase production and cut costs. I was installing a group bonus plan at the time. I remember one fellow who had to trim off the end of a belt he was making, but he didn't have a pair of shears. A fellow who was there about ten feet away had a pair of shears and so whenever he came to that cutting job he would walk over and get the pair of shears and come back, and then he'd return the shears so the other fellow could use them. He probably, in walking back and forth, paid for an extra pair of shears in a day's time. Things like that are likely to be overlooked. We bought some equipment, I remember, before I came and it was located wherever there was an empty spot. One of the jobs I did was to draw a floor plan and plot the lines of the flow of material from one location to another, and I noticed that there was one place where there was a travel to one machine of about 75 feet, 150 feet round trip, where every load of goods had to go. The production had to be loaded on trucks which took manpower, took up aisle space, etc., and I asked the question why it wasn't just as good to change the location of the machine. It seemed there wasn't enough room for it, but by re-locating one other machine a little bit, it could be brought close by -- a very obvious way to increase productivity a little.

There were many simple illustrations of that which happened in my work on the West Coast. I was working at a water heater factory at one time. After assembling the heater and putting on the cover and the insulation two men would lift it up on the bench so they could attach the burner; and after a while they got tired of all

lifting and installed a little chain hoist that would lift it up. Then somebody suggested digging a pit in the floor -- it was a one-story plant with no basement out there and so they dug a pit and slid the water heater over on a dolly and saved that lifting operation. Well, I'm sure that our modern design of layouts and production facilities take those things into account, limit the unnecessary lifting and the unnecessary movement, all of which take up time and tend to detract from high productivity.

Incentive plans, I think, are good; they tend to give the worker a chance to earn some extra money on his own ingenuity and effort on his job and the worker can do many things to improve his productivity on his job. In our company we have a general profit-sharing plan which has been in effect since 1936, and I'm sure that plan has contributed to the thinking of people in the organization that a successful business is desirable and that savings of time or materials is worth while.

One thing we can do to increase productivity is to train the supervisor. A study that was carried on by the University of Michigan on what made for good productivity in departments indicated, to my surprise, that the highest production departments were headed up by supervisors who were not striving for production, but who were employee--minded - they were thinking more about the employees than they were about just getting out production. Now that sounds screwy, but it is a fact. Also, the high productive supervisors were people who were not under too close control or supervision by their own supervisors; in other words, they were given a little more opportunity to use their own discretion. They didn't have to wait always for detailed instructions from the boss. Another fact that distinguished these same supervisors in the high production groups was that they were people who encouraged their employees to participate when new methods were introduced; in other words, they would outline the plan and ask what their workers thought of it, and very often get some valuable suggestions rather than just showing the thing at them.

I think we are learning to work cooperatively more and more; and we get more out of our employees by treating them as individuals, rather than as cogs in a machine. This little pamphlet that I have brought along was published in the Reader's Digest

some time ago and it's written up so simply that even I can understand it. It's about this question of productivity, and it does illustrate the American enterprise system. The little fellow is producing umbrellas in a very small shop, and it costs him one hour's work at one dollar to produce an umbrella, and he goes out and he tries to sell the umbrella, and all he can get for the umbrella is one dollar, so he hasn't made any money, and there's no point in keeping on making umbrellas. So he goes to his owners or stockholders and say, "We've got to put some more money into this business, and buy some modern equipment here." And so the umbrellas and the materials come on a conveyor, and there is more modern equipment; and it costs \$.50 to make an umbrella; in other words, two umbrellas in one hour where he could only make one before, and so he is able to go out and sell those umbrellas for \$.75 each. With his profit on two umbrellas -- he gets \$.50 profit--he's able to raise the worker from \$1.00 to \$1.25, and the other quarter -- he doesn't give it all to the stockholder - one-half of it he puts back in the business for improvement and maintenance of his equipment. It seems to me that little story is a very real one. This problem of productivity is intricate and sometimes gets so involved in economics, and the question of wages and costs and markets that we get confused. The simpler we can get our thinking on this subject, the more clearly we can see that we do need to work together to introduce the best possible method. So we can only have more by producing more. We do need to tell the story of this productivity to our employees, to our friends, because it is the one thing that has made for us the standard of living that we enjoy here in America. Thank you.

Professor Fleming:

Mr. Sidney Garfield is a vice-president of the International Chemical Workers Union, AFL. He's made a name for himself around the country as one of the outstanding young men in the labor movement. He got a good deal of public attention a year or so ago in connection with a study down in Chicago of a plant which was organized by his Union, and some nice things were said about him. Of course, now I'm getting a little worried about him because recently he wrote an article with a university professor, which is always dangerous! When Mr. Garfield finishes I would

like to ask both Mr. Garfield and Mr. Lawrence to come on up here with me and we'd like to dig around on some of the questions that I'm sure are coming up in your minds as they talk. Mr. Garfield

Mr. Sidney Garfield:

Let me say that it was your delightful weather that held me back from coming here. I had a reservation on Northwest Airlines this morning, and the only plane out of Chicago into Eau Claire, in time, happened to be at 1:00. I called at 7:00 in the morning, and was told that everything was fine. They were flying. At 9:15 they called the office and said, "I'm sorry. We're not flying." So I was only able to take the 3:00 train and just make it.

Let me explain at the outset that contrary to what people in management can do, those of us in labor cannot become official spokesmen. I am not an official spokesman of the labor movement, either of the AFL, or the CIO here tonight. I am expressing my personal opinions based upon my personal experiences of the last eleven years. I'm not an engineer. I'm not a technical man. The only qualifications that I have are those of being a worker, of working under a number of different systems, before a union, and after, and since then, working in the field as a labor official, trying to work out some of the problems. I think that the first thing I ought to say is that I have found out that half of our problems arise from a matter of not knowing what each other is talking about; the problem of semantics. That is, management people talk about something, and they think that we understand what they are talking about. Sometimes we do. Other times we don't. We talk about certain things and I wonder whether they know what we're talking about. I had occasion recently to go into a big plant of 3,000 people which my international union has a contract with. I was asked to go in there because they've had a great deal of trouble in there; and, in coming in there, I found that the plant officials would do a slow burn every time the word labor or union was mentioned. I don't know why. And I might, at this point, take a dig at the universities. I think they are responsible. I want to tell you why first. You see, we have a great many schools of business throughout the country. We have schools of agriculture, schools

of commerce, schools of law, and lots of schools. Only recently, and the University of Wisconsin was one of the first, have we had any place to teach some of our people from labor who were, after all, mostly workers. Anyway, in the plant I referred to a moment ago, I hit upon the scheme of talking about corporate entity, instead of saying labor unions. It may surprise you to know that these guys warmed up to me because they had been trained in management language; they had been oriented to think about something differently. We call it something else -- we call it the union. But to them, they have the corporation in their minds. There's nothing wrong in that, except that it points up again the importance of being able to have the universities of this country give a rounded course to everyone. Labor is not the most important part of the economy, but it is a part of the economy, the same as business and agriculture. It's about time that we orient the people in this country to know that it takes all of the parts of our economy to make this thing click.

I heard a story a couple of weeks ago which points out very dramatically what some people think. A couple of years ago, when Franklin D. Roosevelt was running for one of his terms as president, in the city of Chicago, we had a Republican precinct captain who went out after votes in the Negro district, and he was trying to solicit votes for the Republican candidate. He went into one of the Negro homes on the South side and he talked with one individual person whom he knew was solid for Roosevelt, and he tried to break him down and get him to vote for the Republican candidate, and he argued with him at great length, and couldn't change his mind. So he threw this at him: "Supposing Abe Lincoln were running against Roosevelt. What would you do?" The Negro sat back and said, "Well, I suppose I'd have to vote for Roosevelt since Lincoln isn't living now." Then he said, "Supposing it was Booker T. Washington, the great Negro leader?" The Negro said, "Well, I suppose I'd still have to vote for Mr. Roosevelt. He's for all the people." By this time the precinct captain was getting pretty mad. So he says, "I suppose if we were running Jesus Christ, you'd still have to vote for Roosevelt. Tell me why." And the Negro sat back and he said, "Well, in the Good Book it says "Seek and ye shall

find'; Mr. Roosevelt says, 'Sit still -- I'll bring it to you.' Unfortunately, a lot of management people think that's what a union means; and all they have to do to find that out is to go home and talk to my wife after she's come back from a group of people that she's played bridge with. She had met them for the first time and they said, "What's your husband do? And she said, "Oh, he works for the Chemical Workers' Union." They look at her, scandalized; that's the same as being a racketeer. We still have that kind of feeling by a lot of people in our society and it accounts for a great many things that are done, and why they're done.

Let me say that as of tonight particularly I don't think that we are on opposite sides. Those of you who have been reading the newspapers and listening to the radio for the past week and a half know what we're up against in Korea; and we're at the beginning of the third World War whether it breaks out tomorrow or a few years from now. But I wonder how many of you have thought that the most important knowledge that has come out of Korea is the woeful lack of manpower which we have against Russia and her satellites in the world; and that actually the only way that we are going to survive, and I say that advisedly, is through production. We're going to have to pit machines and production and equipment against the men that they have in the Soviet order. And so, now more than ever this is a joint problem. If ever labor and management have to work together to make sure that we keep this wonderful system that we have, now is the time; I don't care what you call it--some call it individual enterprise, they call it everything under the sun - I've been around long enough so that the name doesn't scare me any more. It means the most for the cheapest amount for the most people. And that's what we're for, because it has created the highest standard of living in the world. However, we're going to be in trouble, (and I just want to spend a few minutes talking about that) in this country, because we are not going to be able to conceive a coherent policy on world issues. Our people are saying a lot of things about the mistakes we have been making, but I think it's abundantly clear to everyone that for the first time in the history of this country the United States is on the defensive. We are not making the moves first. We're counter-punchers; Russia is leading through her satellites

throughout the world, and we have to punch back only after Russia makes the move. And so, there is no real coherent policy. We are in trouble, whether we go and fight China, or whether we pull out of Korea and save our strength to fight Russia. And only production is going to save us, because even if we are very optimistic, all of you can figure how many people we will have for an army. At our best, as you know, we had an army of no more than 7 million people, and they aren't all combat troops. Now if we are optimistic again and add England and Canada and a few others, we could probably wind up, if we get all of them, with probably a 5 to 1 disadvantage in manpower throughout the world against us. In Korea it happens to be as high as 10 to 1 now, and we haven't got the men to send. The only possible way that we can win, in the foreseeable future, is through production. We've got to have machines that will be expendible, and so much equipment that we can save on our manpower. And that's going to be the job of both labor, management, and the entire economy--just to survive. I thought that particularly now, when this subject (which is actually so important) came up, that we ought to say something about the world situation. Now, since we are not going to be able to have a really coherent policy, it's going to be up to each individual group, each individual plant to work out the problem of production. I must say that the situation has changed in the past 10 or 15 years. 10 or 15 years ago, it would have been almost impossible to hold a meeting such as this, of labor and management. Those things just weren't done. And I was amazed when I was invited to the University of Toronto in Canada and was told that that was the first meeting they had ever had in a University where both labor and management people sat together--two years ago in Toronto! The largest city in Canada! It shows why in Canada, in spite of the fact they're doing well, that production is not up to U. S. standards. They still haven't gotten over the old-world capitalism to a certain extent. Thank God we have! But we have a changing concept in labor over the average. There are still individuals, a great many individual plants, which are in conflict with management, and vice versa. But a sign of the times is the fact that we now have 15 million organized workers. We are a potent force. And it's quite a good deal different when you're in than when you're outside

calling names. When you have a contract, you begin to get a responsibility. You're more interested in production, because it is from production that you get wages and conditions. And one of the signs of the times is the fact that while there is a definite possibility in the coming weeks or probably in a few months of controls-- wage and price--still labor is not shouting as hard as it did about the roll-back of prices. Those of you who can remember when we had the first controls in the second World War, how badly we yelled and how loudly; and there was a roll-back. Now the reason for that is that we have a stake in what our individual plants produce, because based upon that is what we are really getting. That's really the key. Whether we like to give management that acknowledgment or not, it is the key. Now as far as management is concerned, they have recognized the labor movement to some extent. We no longer have, on the average, strikes with open shop deals to go back on, or the amount of strike-breakers we used to have. It's developed, for the most part, into a test of endurance. That's one of the most forward steps that labor-management has made in the last 50 years, because management has conceded, evidently, that it is the people who work at the plant to whom the jobs really belong and we have really only one area to fight about, and that is: How much of the production dollar do we get back? We have made progress, but in making progress, we haven't learned all of the tricks of the trade.

Now, let me talk about production. As Mr. Lawrence so aptly pointed out, what does it really take to increase production? It takes probably more and more machines, it takes new methods, it takes a profit-sharing plan, it takes an incentive plan, it takes the workers, it takes the supervision and it takes management. That's easy. Everybody knows that it is those ingredients which make for increased production. Still, we find an awful lot of plants where they don't have increased production and are just going along, where there is trouble, and a lot of people don't understand it. And by the way, I've seen some plants where they have some very fine profit-sharing plans, and they still have trouble. Well, actually, I'd like to go back and say something about what a union is and some of the basic facts which make for trouble simply because we don't understand each other. Let's go back

to the Industrial Revolution, which happened in England around the 1850's, with the advent of the machines into the modern world. In the last 10 years we've heard a great deal about refugees were those who were thrown out of work because of the advent of the machines? The first displaced people in the modern world were those who lost their livelihood because of the advent of machines. There was a time when production was geared by how many hands were in the process. When machines came along, it was the machine which determined how much there was to be made. Remember this: all of us as human beings are afraid of the unknown. It's a basic fact. If there is something we do not know, it is that that we are afraid of most times. For that reason, a great many workers are resistant to changes. Because they are afraid of changes; whether they realize that they are afraid or not, it's a basic human urge. It's something we're all born with. We have a problem of how to sympathetically help people, of how to understand what is happening when we have to make a change, and say, take 10 people out of one department, put them into another department, or split them up five and five and do something in a different way. Now, I know a great many plants that I've gone through where they have had troubles; now it isn't that we're always so bad, we don't always have horns--it's this inner fear; and we do have a problem.

Well, the modern labor organization is the device which was brought on to counteract the Industrial Revolution. Those of you who can remember back in the days when an individual worker made an entire piece, an entire product by his own hands, know that he was the master of that product; he made that with his two hands. He was the master^{or} of his soul. As we came into modern production methods--I don't know how many of you work on a belt system--it became more and more a matter of doing a small portion of the finished product. What we've done was to have the method and the machine take away more and more of the skill that we had in our two hands. The labor union is simply a device to bring all of the hands together again through that union. We have taken say 100 people in one plant who are in a production line; now all of them are doing just a small piece of the entire job, and we have, through that union, made them whole again - made one worker, because the union

then speaks for all of them. And we have gotten back some segments of what we used to have before when we were the master of our own souls. Now, you may think that that is something queer; it isn't. It's just a product of change, of progress. I don't know how many of you know that every time we have a new invention, every time we have more progress we have costs. It's part of the price that we pay for progress. I remember reading about Mahatma Ghandi saying that one of the big tenets that he had was, "Go back to the spinning wheel," because he realized that modern civilization, the mad tempo that we're living in was the cause of a lot of our troubles. It is impossible to go back, but it's foolhardy to think that new advances do not cause problems, create problems. We just created the atomic bomb. It certainly is a forward step. It's going to mean a great deal when wars are over. But just think of the problems that it has created. That isn't to say that you can stop progress or that you should. It is to say however that all progress brings problems. It's part of our modern world. Certainly there was a problem when the automobile was created and they knocked out all the people who made horseless carriages. It was a temporary problem. Now that's the sort of thing that all of us are faced with. Now the union was devised to help in that part of the change. We took the people whose skills were taken away from them, people who got to be a number, and we gave them a say. We gave them recognition. We gave them status. We made them feel that they belonged through their organization. Actually, in a sense, that's what a labor union is. It's a product of our civilization. We get a lot of things from it, but still it's hectic. We have more nervous breakdowns now than we have ever had in our history. We expect to have a great many more because of the fast tempo at which we live. We burn ourselves up.

Well, what are the problems? One of the things I have been trying to do is to explain to management what we are, the kind of animals we are, the reason we are created, the reason that we act the way that we do. I have been a business agent for about 8 years in the city of Chicago. Now I've had these experiences happen to me. I have walked through a plant and had Joe Blow who is a worker down one of the lines come up to me and say, "Hey, did you hear that management did this and

that and the other thing," and say, "What the heck are you going to do about it?" And I said, "By God, we're going to do something. Let's go in there and have a showdown." So we saunter right into the plant superintendent's office and we have a showdown. It's a very silly thing because all they had to do was to turn around and call in the union and say, "We're going to change and use this procedure," or "We're going to change and put a notice on the board and I want you to know it's going up at this and this time." Okay, I walk through the plant and instead of what happened before, Joe Blow comes up to me and he says, "Say, did you know that this and this happened in the plant," and I say, "Yes, I know, we talked it over before and it's okay." No need to get me burned up. I know all about it. I had an experience not too long ago where we were in contract negotiations with the plant and we had an excellent relationship and when we were in negotiations the committee who were asking for a wage increase spoke about 45 minutes and they worked awfully hard to convince management that they were entitled to an increase. When they were through the personnel man who, by the way, is a top personnel man for quite a large corporation having some 22 plants in the country said something like this. He said, "Look fellows. You're a bunch of nice guys. I don't believe a damn thing that you've been telling me, not a thing. However, you've been swell boys with this company. You're a bunch of nice buys. I'm going to give you ten cents an hour." Now some people may consider, well, they got the money they were asking for, they ought to have been satisfied. But I went to the membership meeting where they presented that amount of money back to the membership and this is what they said, in effect; "We met with management. Joe Blow was here, Pop so and so was here. here. We talked and we talked and when we got all through the company man said to us, 'You guys don't know what you're talking about, but I'm going to give you ten cents because you're good guys'." They had completely lost the feeling that they had gained something through honest work and effort. It was just thrown at them. It might interest you to know that six months later there was a strike there. Just small things because people don't understand that we want recognition and dignity. I had another plant where we continuously had trouble and it was one of the highest

paid in the area and there was a question of why. We were asked this. Well, let me say this. This was a large plant of about 1000 people, a very large corporation in the chemical industry which traditionally paid high wages and had good conditions. About 4 years ago the union people got together and they organized and they got quite a substantial amount of money, a few extra things in their union contract. And they had a very fine union contract. About 6 months later trouble flared up again and the company was hard put to figure out what had happened. But let me give you the background of what was happening. 1000 people in the plant elected some 5 or 6 men as union officers. These union officers for the first time after they organized the union were able to sit on an equal status at the same table with the management. They became pretty big men in their own eyes and in the eyes of their fellow workers. They felt they had arrived. They had dignity. They had status. They were in. They felt awfully good about it. They sat there and they bargained on equal terms with management. When they got through management completely forgot them. They took the position, "Okay, we've paid the guys off. Now let them stay out of our hair."

I've had this sort of a thing happen to me. I've gone into a plant after being told that the plant superintendent was all kinds of a so and so. Coming in there and walking up the walk I've heard a lot of yelling. It was in a farm territory in the state of Illinois about 150 miles south of Chicago. I remember when I came in there that we had a chap was about 5'5" who was the local union president and he was shaking his finger in the nose of the plant superintendent and yelling and pounding to beat the band. It had something to do with seniority. Well, he stopped for a few minutes and then introduced me and then went on yelling and pounding again. It was the first time I had come into the plant and so I decided I had to find out what was going on. Well, we were making dynamite there in that plant. It was one of the X chemical plants. I turned around and I spoke to the plant superintendent who was a man about 64 or 65 years old, grey hair, who appeared to be quite a nice person and we started talking about the beauties of nature. That is, I started talking about the beauties of nature as I drove down the road. I tried to talk

about a number of other things that I thought he would have some interest in, about philosophy, etc. It took about 3 minutes before he warmed up. Then we had a pretty nice conversation.

Meanwhile our boys were just looking at me, wondering what the heck I was talking about. Well, I had gotten him to the point where he was talking. Then I turned around and I started talking about the importance of dynamite to everyone, to the world, to civilization, the hospitals it helped build, schools, then libraries. I got them feeling that dynamite and the work they were doing was the most important thing on this earth and they were all puffed up and they felt fine and then I stopped and asked them what their problem was that had something to do with seniority. Well, then an obvious thing happened. We had a chap who is the local union president who is abnormally short for a man and he was a tough little character and he had to get recognition or status by yelling, and boy, he yelled and he used to call a halt and you know how that is. He could yell and the plant superintendent who, as it turned out, was a graduate of Harvard, and who during the war managed a plant in the East for X Chemical Company of some 30,000 and this was a plant of 400, just sat there and resented the way this man went about it. We talked about seniority and in order to show that the boys were taking the wrong attitude he turned around and he let me get the credit for gaining something which X Chemical Company had never given. They went out of their way. That was to show these boys that if they took a different attitude they could get something and to show me that he wasn't as bad as he knew he had been painted by the committee. And the upshot of that was that 4 months later I was invited by both groups to help negotiate the contract in a plant where we had always had a great deal of trouble. And I did only one thing. I asked to be able to explain why the union wanted certain things and again I used management terms and instead of economic words I spoke of social reasons and there wasn't a loud voice in 4 days when we went into negotiation. There was pretty good understanding in what was supposed to have been one of the toughest committees that management had had to deal with in quite some time. Well,

the interesting thing about that was that a few months later the local union elections took place and the local union turned around and they elected into office an entire new group, what was called the moderate group because they were able to get things in a moderate way and so they were able to work with the company in a moderate way. So many times we have the situation where labor is expected to do things which they cannot do because we have our control from the bottom. Management has it from the top down. Unless we can please the group of people that we have to work with we are not going to be able to sell management to them. Actually we can be the best publicity agents for management within our meetings or the worst enemies depending upon how management treats us, the status that we can get.

Let me say this. It's easy to talk about these things at great length for quite some time. After all it is true that labor and management aims are the same. We want a high standard of living. We want to leave our children with a high honorable American heritage. We only argue about how much we get back, but we must recognize, particularly management, that there are human beings who have a desire to be somebody. Within our industrial system they are being something within their unions. Now you have to watch that whether we like it or not, human relations, the dignity with which we treat each individual is important. Real facts are important.

I've had this situation happen too, where we've had an economy drive within a plant and management has had and kept on some 20 to 25 vice-presidents--never reduced any of them. Workers were being laid off. If their bunch is being cut down and some of the overhead is not being cut down workers are going to resent and resist those changes.

I want to finish with saying that probably the next year is going to be a year of decision. Either we're going to get our productive machine working in this country to the point where we are going to be a real factor in the world or we are going to be in serious trouble. Management is going to have to learn the technique of living with our labor unions. We're going to have to learn the technique of living with management. They're all not as bad as some people crack them up to be, just the same as we're not as bad as some of them have been led to believe. It is

really a joint problem. Thank you.

Professor Fleming:

Before we go into the question period I'd like to take this opportunity to introduce to you the man who has been sitting up here behind the platform all this time running the recording machine. Mr. Garfield opened up an ideal opportunity to introduce him and I think you ought to get to know him anyway because he's going to be moving around the state a lot. This is Professor Ed Young of the Department of Economics. He has recently been named by the Regents as Director of the School for Workers, succeeding Ernest Schwarztrauber who died last fall. You people in the labor movement particularly knew Mr. Schwarztrauber and I know that you will want to take the opportunity afterwards to drop by and say hello to Ed. I don't know whether he has any profound remarks that he would like to deliver himself of before we turn over to questions or not. Ed, how about it?

Professor Edwin Young, Director, School for Workers:

I have no profound remarks but I did observe that I was the worker this evening!

Seriously, I do want to say one or two things. One of the fine things about the American system, is that it is possible to win recognition, to get respect and dignity in a number of different ways. One of the groups which has risen most prominently and the fastest is the labor group and the mark of its success and respect is the fact that some 80 universities are now offering courses in workers' education. I am proud that Wisconsin was the first--for over a quarter of a century such work has been given at Wisconsin. I think the Regents and the administration at the university believe that all the groups in society, farm groups, the management groups, and the Workers' group have special problems as groups which the University can help them solve. We at the Workers' School can't tell workers how to do their job better. Most of us couldn't lay bricks or build a machine or do anything which some people would call useful, but we can do a certain type of thing. We can help a group, whether it's a management group or a farm group or a labor group, know something about the over-all economy and know something about the techniques that

such groups may use to win their own aims--whatever those aims are. We can't tell them what their aims should be, but we can tell them that other people have made mistakes and we can tell them something about the history of their own organization and other organizations. Trade unions and other groups should know something about the techniques, the law, and the government.

Well, my lectures usually run 50 minutes. I'll stop now, however, and say that I'm most anxious to get to know everyone--management and labor people--I'll be working mostly with labor people, but I can assure you that the School for Workers will carry on as Ernest intended it should be carried on.

Professor Fleming:

Now I hope you will open up on some questions for these people.

Mr. Lawrence:

Can I ask a question of the labor representative?

Professor Fleming:

I think we might let you.

Mr. Garfield:

Surely, if I have the same privilege.

Mr. Lawrence:

I've been concerned. We've had, since World War II, the first round, the second round, the third round, the fourth round and now the men are talking about the fifth round. We're in the fifth round now.

And as near as I can figure out it's about a 50% increase in labor rates since the end of World War II. Our increase in productivity in manufacturing organizations averages about 2% a year, about 3% a year, maybe that's taken place. I don't think it actually took place in the year after the war, but suppose we give the credit for 15% increase in productivity and a 50% increase in labor costs--what is happening to our economy as a result of this?

Mr. Garfield:

OK. Of course you would ask that!

Well, let me say this. During wartime we usually get results in scientific

development and inventions at a great deal faster pace than is possible during peacetime. There is great stimulus to do this. The labor union in this country has acted on many occasions as a goad to management. We have forced, we have pushed pretty hard for money, for conditions, it is perfectly true. We have since the war gotten almost 50% in increases. We can probably get a great deal more. It doesn't really matter how much we get in money. It really matters what the unit cost is going to be. Now I can agree with you that the time may come when we may not be able to get it back out of increased production through new machines, new methods, and then we will be in trouble. However, let us look at the fact that we have gained 50% in wages--not real wages because the dollar has gone down through inflation, but we've gained 50% in wages. You might say that that is a terrible situation but at the same time management has kept up to it very well because the profit picture is at the highest it's ever been which is good. As long as we can develop methods, techniques, new machinery and use research so that the unit cost remains low it doesn't matter how much money is given and it is to the benefit of society as a whole that we do get fairly high wages. If we are able to get an average of \$2.00 an hour in this country over-all and keep our unit cost at what they are now we will be extremely prosperous. However, if we get \$2.00 an hour and we are not able to reduce the unit cost we're going to be in trouble. Let me say that this country is made up of--our economic system--a system of check and balance. Any time that labor goes and takes too much, too big a share we're going to endanger the entire economic system, but the same is true that if the day comes that management makes exorbitant profits without an adequate return to the worker so that we can buy back the goods which we produce we're going to have the same problem-- actually we're exactly in the same boat. If we can hold our unit cost down and keep paying more so that the profits will continue and wages will go up this country will be in fine shape. Today if either side gets out of balance all of us are going to pay for it.

Professor Fleming:

Let me toss this one in because I think the public viewpoint ought to be thrown

in here somewhere. When you discuss a question like that--how about those of us who constitute the public insofar as the public can be separated from either labor or management. Would you be better off in your increased productivity if, rather than increasing profits or increasing wages, you cut prices? Is that also in the picture? When you talk about wages going up, unit costs going down, etc., I can see how that is satisfactory to both of you. Now I wonder if it's as satisfactory to those of us who are going to purchase things. I'd like to toss that out to both of you.

Mr. Lawrence:

It's a management prerogative to speak first.

Mr. Garfield:

He's got the management prerogative now.

Mr. Lawrence:

Well, I don't think labor is 50% better off than it was during the war. I know the consumer, the public, the individual who's on a fixed basis of earnings whether he be retired or whether his income is fixed in some way by salary--a teacher perhaps, is not. It seems to me that we would be better off if the increased productivity could be passed on to the consuming public rather than either going to management or labor. Do you want to take a crack at that, Mr. Garfield?

Mr. Garfield:

Sure, I'll take a crack at anything. Well, theoretically you might be right. I didn't say that we received in real dollars 50%. Unfortunately, that wasn't true. Sure, we got 50% in wages, but with the cost of living and the inflation eating it up we didn't get a great deal back. Actually, there is (I don't know whether you can call it the forgotten public or not), but there is a substantial group of people who do not get the benefits of organization as quickly as the labor organization does. You must remember that a labor organization is a pressure group. That's completely true and yet we, being a pressure group, are never able to keep up with the increase in the cost of living. We're always one round behind and it's pretty difficult, very frankly, for white collar groups, for people on a fixed income to be

able to keep up. It's the same darn problem that we've had recently where labor went out to get pensions. They started out with a figure of \$100.00 and as soon as they get through with the \$100.00 they began to realize it would be -- with the increase in the cost-of-living--\$100 in 20 years probably might not be adequate at all. And so they asked for \$125. I don't know where it is going to stop. The only thing that I can say to the public as such -- and that constitutes mostly white collar workers -- is that they'd better hurry up and join a union so they will have someone to talk for them and for the other forgotten people who happen to be in either foreman or supervisory positions! I notice that they have taken the hint and of late they have joined organizations. We're in a pressure society and in a pressure society you're going to have these kinds of ups and downs. Eventually you're going to be able to straighten them out. But, by the way, it's one of the weaknesses of our democratic system, of our individual enterprise system - the fact that we cannot immediately compensate and make all segments of society get the same amount immediately. It just doesn't work that way. Now it's very easy to do it. All we have to do is just call in the Dictator of Communist Russia and he will immediately see that we all get the same, depending on what you do. But you see there is a defect, or we shouldn't call it a defect--there are weaknesses in our economic system. It does take time for some segments of the economy to catch up, but with all that it is still the best system and I have no ready answer about what to do with the public except to some way become part of a pressure group also.

Mr. Lawrence:

I'd like to add one thought here. In this little booklet there is a triangle and the triangle is composed of labor, of capital, and the public--the consumer. And management is in the middle. Management has to try and satisfy labor, it has to try to satisfy the customer who buys the product they produce so it is a three-way proposition. It isn't just a question of the pressure group. It's a question of serving 3 segments of the economy: the worker, the investor, and the consuming public.

Professor Fleming:

Could you put it in a littl different way? Are you likely to ever reach a time, do you think, when management as a pressure group, or labor as a pressure group, would be inclined to pressure for decreased prices rather than increased profits or increased wages with the idea that both of them would be better off in the long run?

Mr. Lawrence:

I think that time may come. There have been some evidences of that. I know that General Electric Company tried very hard to hold the line on prices.

Mr. Garfield:

So did Ford for about a month.

Professor Fleming:

Doesn't the wage level depend then on what the employment market is? Is that what happened in connection with the so-called "voluntary" increases recently? Were they voluntary? Were they increases which came about because management wanted to hold its employees at a time like this?

Mr. Garfield:

To a great extent we have gotten increases since June. I just finished negotiating a contract where we got eleven cents now and four cents next year in a plant which until June of this year was in horrible shape. They make industrial alcohol and there was no market whatsoever for industrial alcohol until this June and all of a sudden it began to boom. Last year we didn't get an increase there because it was so bad; the picture in industrial alcohol had been terrible. It's been a market which has been simply glutted. The employer gave an increase first because of the fact that he had to compete for labor with a lot of plants which were going into war work and which had vital products to produce. He had to hold them. We got our next year's because he felt that there would be a wage freeze and the four cents would be insurance for them in case they started giving out war contracts and he had to have his rate in line. Actually most of the increases to a certain extent were because of the cost of living and a lot of them were in anticipation of competition

with other firms for labor. That's actually what has happened.

Professor Young:

Mr. Fleming, may I say something here?

Professor Fleming:

I think we might let you.

Professor Young:

I wasn't supposed to speak twice, but this is such an important thing that somebody ought to say something about it. You can't blame management and you can't blame labor for inflation. Inflation came about because of the war, World War II. We didn't tax enough. We printed money and put money into circulation when everybody had a job, when every factory was going, people had money in their pockets and they could go out and get good jobs. The President of the United States said to management, "Don't raise prices. Be patriotic." But as the saying goes, "Some people said to others: 'You be good and keep your prices down. Other people raise theirs. You may go out of business, but it's patriotic.'" That kind of thing doesn't work. Neither management nor labor has a decent chance to keep prices down and to keep wages down. I don't think there's any point in spending time in trying to decide who was responsible, which Congressman, which Administration, which President. I just wanted to tell you that I think we ought to take a warning from this. We're going into another defense period and we don't want a lot of loose money lying around. We don't want to kid ourselves that we're getting \$100 when actually we're getting \$50 a week because the other \$50 is going into munitions which we can't use and will never be able to do us any good. In other words we've got to realize what's going on. We can print more money and we can raise prices, but in spite of all this we can't have the goods so it isn't doing us any good.

Mr. Lawrence:

May I ask the economist something? Wouldn't we be better off from the standpoint of inflation if we followed a policy of paying as we go?

Professor Young:

Yes, I think so. That would be my plea.

Mr. Garfield:

Let's put it another way. We've been operating under deficits for so long. Every year we have a deficit to contribute towards inflation.

Professor Fleming:

Maybe we'd better drop the deficit right now while we've got everybody agreeing that there is a deficit! I've been expecting someone to shoot this question at them which they both touched on a little. Maybe you haven't shot it because there isn't any answer to it. You noticed the statistics which show the terrific increase in the machine power and the decrease in the importance of manpower. And maybe you've noticed lately the stories coming out of one of the steel plants where now in one of the rolling mills they have an almost automatic rolling mill so that the manpower in that particular mill is decreasing and decreasing all the time. And you may have noticed that one of the best-seller books right now is written by an engineer from M.I.T., in which (though I haven't read it, I pass this on by hearsay) he says that it is theoretically possible by machine power in a great many industries and certainly in a good deal of white collar work to replace manpower almost completely. You can make calculations quicker, more accurately and you can simply replace them. Now it seems to me that one of the questions which certainly is occurring to an awful lot of people these days is that if that day comes about where does that leave all of us? Are we simply going to become a society of machines? And if so, where does that leave those of us who would like to have some source of living? Mr. Lawrence, do you want to say anything about that?

Mr. Lawrence:

Well, I suppose when we get to that point we will just come to work in the morning, punch a time clock, get our check, and then we'll punch out and go home and raise orchids or peonies or something of that nature!

Professor Fleming:

I wonder if your company is a fair illustration of what can happen. Now before the war in 1940 you were a company of what -- 2400 or thereabouts -- and you're now what?

Mr. Lawrence: About 10,000.

Professor Fleming:

And to what extent are you still producing products that you produced before? Is it the same operation? Are you simply producing more now?

Mr. Lawrence:

Well, our company has never lost its appetite. We have ambitious technical people who want to discover something or improve something or come out with some new product and we have a large research staff which I think helps to keep us on our toes. We have come out with additional lines of products that in some manner may have been related to some other line of products we had, but we haven't lost our appetite for growth.

Professor Fleming:

In the course of your operation have machines come to replace more and more of your people? Or have you simply expanded into new products? Is that the reason you have more employees?

Mr. Lawrence:

We have more employees in those lines where we modernized our equipment too. Our Abrasives Division is a great deal more modern today than it was 20 or 25 years ago, but it is far more expensive in technically controlled equipment. However, there are many more employees in that division than there were before we had that equipment because it's enabled us to produce a better product and more for the money and expand the market, the use for that type of product.

Professor Fleming:

You certainly hear a lot today about the fear of machines. Do you run into that, Mr. Garfield?

Mr. Garfield:

We run into that every day. As you know, I work for the Chemical Workers Union. The chemical industry in this country is still an expanding industry, but every day we run into plants which are obsolete in a matter of a few years. You may have a company, for instance, which started making penicillin. I know of one

company which started making penicillin, but the first one in the field was a part of American Cyanamid. They made penicillin for a few years and then they got out of the field. It was no longer profitable. Everybody else learned how to make it. Chemicals have a number of different formulas and you come to the same end result, as you know. And what is today a good machine may two years from now be obsolete. We will lose people. This has happened, but the chemical industry has grown every year for the last 20 years. We haven't yet reached the limit. Let me give you a very brief illustration. A few years ago someone came up with a substitute for soap. Companies started making detergents which are chemicals. The result was that a large number of soap workers were laid off. But within a very short time they were all brought back and we put them to work on detergents. You take a company like Lever Brothers, or Proctor and Gamble, or Colgate-Palmolive Peet. About 60 per cent of their workers and their production is on chemical detergents, all through that line: Surf and Tide and all that stuff. They're still making soap and we have a few more employees than we used to have. Now that isn't saying that we will not have the problem of unemployment. The chemical industry happens to be one of the fortunate industries that can branch out and make new uses for something else, new products, etc. I remember when I was working in a plant I came into this plant and we were on piece work. There was no union, but we had just a certain amount of work to be done because that was all they could sell. This was in the depression days. We had an unwritten agreement among ourselves, that we would produce just so much. The company happened to be making almost a Christmas product. We were silly to produce more because we would be laid off the next week. Well, about 4 months before Christmas they could sell all they could make. Unfortunately this company wasn't big enough to be able to stockpile during the year. They just didn't have the money and so 4 months before Christmas, boy, we went like the dickens. We produced and made as much money as we possibly could. Then we started all over again after the first of the year because we had to cut down. We did have a problem. I don't know in what industries it is going to hit but certainly when you count there are certain industries which have reached either their zenith or they can't go into

another product and when we do cut back it means men are out of work, but progress is such that we're hopeful that with our expanding economy that they can go into something else. They will temporarily lose out. It is a real problem. We're all afraid of it. One of the reasons that we came to an 8 hour work day was because of that. One of the reasons in the railroad industry that you have what you referred to is that fear that maybe because of machines there would be cutting down. And it is a real problem. I only hope that we can continue to discover new products and new ideas to make things and take up the slack where we do lose out. We very definitely can lose out and we hope they can go somewhere else. Nobody yet has that answer.

Mr. Lawrence:

We were discussing at the dinner table the situation just shortly after the war when people were pretty well loaded up with abrasives. Our abrasive business did fall off and I remember about that same time our sound recording business was just coming into its own and I remember we transferred 30 girls from the packaging of abrasives into the wrapping of rolls of recording tape. That new product took up the slack of the old one, and although that wasn't the reason we brought that new product out, that is what happened. When you have a variety of lines within one company, which we do, that's helpful. What it really amounts to, it seems to me, is that we are both in a fortunate position in that respect. You're in a union where you're able to branch out. I am in a company where we have always been able to do the same. The real pinch, it seems to me, may come when you are in an industry where that is not so and then you face this problem. You have the situation of holding down production not because men prefer to work slower but because they're afraid they'll work themselves out of work. That takes a great amount of understanding, and is partly a matter of education.

Professor Fleming:

I'm not sure but that it takes more than education. I remember hearing a talk one night in which an economist gave the audience the straight line about mechanization always being much better in the long run. He showed statistically and

historucally that industry expands and from the figures he concluded that employment had been expanding. After he got all through I remember one fellow came up one of some union where they were having difficulty and said, "That's all very well and fine, only I can't eat the figures". So, I'm not sure that education is the only answer. A fellow likes to eat while he's being educated! That's the core of the problem. There is this proposal which Mr. Lawrence suggested, namely that if you run into technological unemployment on any mass scale you may have to retrain men under unemployment compensation or some program of that kind which will take care of it--of the day to day aspect of it.

Mr. Lawrence:

I'm not so sure every business can't diversify. One plant I used to call on in Wausau had a slack season in the summertime, so they started making fishing tackle for a couple of months in the summer. And another mill up in our area during the war made mechanical devices for the government and after the war they switched over to flatirons and waffle irons and they seemed to go very well with their food products. I think that where there's a certain amount of effort devoted to that research phase that any business will create some avenues of diversification which will be beneficial both to profits and to employment.

Professor Fleming:

Of course you've always got the increasing population to consider. Just before the Korean thing began we were maintaining full employment in the sense of total numbers of employed but as the population increased we were not absorbing the increase.

Mr. Garfield:

Back about February of this year there were somewhere close to $4\frac{1}{2}$ million people unemployed. We have 700 thousand people a year going into the labor force. Because of our complex system we have also expanded our non-productive group in this country. Well, unless industry is able consistently to keep up with that 7 hundred thousand in peacetime you are surely going to run into trouble. All of you remember here was great talk in Washington back in about March of this year as to what we

were going to do. We had 4-1/2 million people out of work already in this year before the Korean crisis. It's going to be a ticklish problem. The Communists were betting that we were going into a depression. They said that we would destroy ourselves by a depression given enough rope. I don't know whether it is true or not, but by God, we came darn close to the start of something which looked like a gradual decline; I don't know the answer to it. Very frankly, it may be that we may have to go to a 30 hour week if industry cannot consistently absorb that 700 thousand people who come out of school every year. Ten years from now you can have 65 million people employed and still be going down the road to a small scale depression because every year you get 700 thousand people and more as your population goes up and maybe there'll be no job. So you have a real problem and nobody yet knows the answer. It may be that if industry cannot come up with either new industry, new ideas, or give employment to these people each year that you might have to come to a 30 hour week. I don't know, but certainly it's something to think about.

Mr. Lawrence:

We now produce in forty hours three times as much in the way of production per person as we did a hundred years ago in 70 hours, and we have three times as good a standard of living as we had. We earn and produce 5 times as much per hour. We don't work as many hours and the net result is we have three times as good a standard of living as we had a hundred years ago. When we learn to produce as much in 30 hours or twice as much in 30 hours as we now do in 40 hours we can work 30 hours and still have a better standard of living. How do we get to that point and how do we get the production. Well, it's by reinvesting part of the earnings. Every worker should be part owner or part investor in some phase of free enterprise so that we can go further forward in productivity.

One more question. We hear a lot about the corporation profits. A thing that's frequently forgotten is that with the higher level of total business you need a higher amount of working capital and in a high level period you're going to replace equipment that is worn out or buy new equipment. Some of the equipment and buildings that we carry on our books at cost today if we were replacing them they

would cost us 2-1/2 times their book value. In other words the profit dollar is depreciated just as much as the earning dollar so that I think those things have to be considered when you're talking about what is a proper level of profit. I don't think the level of profits today, while it is greater in total dollars, is very much greater in percentage of total sales and by the time you set aside a part of that for reinvesting it for expansion and for this increase in productivity you haven't got very much more than you had before this inflation.

Question:

I understand that in 1940 corporation profits were 4 billion dollars and in 1950 they were estimated at 23 billion. It is true that a working man's wages have gone up, but he has lost a good share of it because the cost of living has increased.

Professor Fleming:

Well, of course, the counterpart of that, on management's side, is that the dollar with which they will expand the plant, etc. is also not worth what it was before. I suppose your real question is whether the disparity is becoming too great on either side. That's the heart of the question, and I don't think that any one can answer a question of that kind except from their own particular point of view.

Mr. Lawrence:

I could answer that for our company. I think our company is a fairly successful company as companies go. In 1940 we had sales of \$20,000,000 dollars. Our profit after taxes was \$4,000,000. Our pay rolls were \$6,000,000. The stockholder got about \$2,000,000 and about \$2,000,000 was reinvested in the business and that has been our policy through the years from 1940 up to the present time. Last year our sales were about \$100,000,000; our profits were about \$11,000,000; reinvested was about \$7,000,000 and the stockholder got \$4,000,000 or twice what he got in 1940. Our wages and salary payroll was about \$30,000,000 or 5 times what it was in 1940. So I don't see that the stockholder has profitted at the expense of the employee. The consumer benefitted by being able to obtain many new and useful products and a much greater volume of goods.

Professor Fleming:

It's getting late and it's getting hot in here. I don't want to hold you too long. Is there anybody who would like to ask a question?

Question:

I would like to ask a question from the floor. I'd like to go back to something that was mentioned before tonight. Somewhere in this economic question there is the human being involved. Mr. Garfield pointed out that man produced, or shall we say, was a unit and then somewhere through the years became a fixture of mass production. The employee has lost some incentive, he has lost some pride and he has become a machine. The skill is not necessary, that is, like the oldtime craftsman.

He has become a timecard. In these employer-employee relations a man may be content to pull a button. He may be better equipped to walk a short distance than to lift up and down and in that picture, Mr. Garfield pointed out, that we have come in and taken over these various individual units and made them as one unit. I was just wondering what has been done by management and by labor to show or give back to this individual human being the part ownership from his production. Probably in profit-sharing lies the answer but somewhere in between there what is management doing on this question? What have management and labor done to show this individual that he is not only working for money? He is working for part of the job and he is not only taking home money but he's got something in the know-how.

Mr. Garfield:

Management does have a responsibility to make the individual--whatever his job is--have a feeling that he belongs. One way to do it, I think, is to help him understand what the product on which he works is used for, that dynamite is important, help him to know what goes on in other departments, teach him more about the company and his relationship to the company and to the product which he makes. You have to have him have a feeling that he is not just a cog on a gear but he is a very important part of a very important whole. During the last war we had quite a good deal of trouble in this country when we were producing big units which were part of

a larger overall picture. For instance, we had a plant which was producing airplane wing covers which in themselves were a very drab item, tremendously long--for B'24's, B-17's, and a great many other planes. But we had a group of people of about 600 in this one particular plant who absolutely had no enjoyment for the job. It was just a job. We found that the reason--and the Army Air Forces came into this picture--the reason that they didn't get any enjoyment or feeling for the job was that it was just a piece of something. They couldn't visualize what that piece of something was going to do for the war effort. We had to turn around and in conjunction with the Air Forces put a picture of airplanes on which the wing cover was being used first. We had to put a number of illustrations on where, when, and why the wing covers were used on an airplane. We had to make the people feel that they were important, that the job that they were doing was important to the nation's overall effort in the war. It was rather difficult. We had to continue to give it dignity. We had to tell them that they were part of the war effort. We have that problem all the time. The bigger a plant gets, the more difficult it is to realize for the individual worker that he is producing anything of value. He knows he works for Ford, but if he is turning a little screw, as they do in an assembly line, it is rather difficult for him to get a picture or feeling of satisfaction at just turning a screw. That's one of the reasons that the union has come in. We have to make him feel that he has a job there. That's one of the reasons that management has gone out of its way to make him feel that he is part of an overall picture. It's a difficult problem to take a detached little operation and to say of that little operation by that little individual--"You're part of the overall picture." You have to do so many things in our complex society to make him really feel that he belongs and that's part of our job in the union. It's pretty hard to do it otherwise but both working together can and have done a pretty fair job.

Let me tell you a story that happened not far from here. We had a situation of a plant that after the war had most of its machinery obsolete. They knew that they had to go ahead and modernize their equipment, set up a new system, and do a good job, so they brought in a firm of industrial engineers and they did a swell technical

job. They did a real fine job. They made only one mistake. They forgot to tell the people involved what it was all about and they had this happen. We had one individual worker who came up to the foreman and asked the foreman why the industrial engineer changed the machine to do something on the lefthand side instead of the right and the foreman bawled the living daylights out of him--told him it was none of his damn business. Well, the reason the foreman bawled him out--and this was a terrible oversight--was because the industrial engineers had forgotten to brief the management people on why it was done. The top vice-president who hired this industrial engineering firm knew that they were to do a certain job, but they had not spent any time with anything but the machinery. The human equipment was completely forgotten and so we had a terrible reaction in that one plant and we had that reaction until the industrial engineers were called in by management to hold a series of classes for the foremen who then didn't feel that they were forgotten. They could ask questions and they were called in by management to hold a series of classes for the foremen who then didn't feel that they were forgotten. They could ask questions and they were then able to impart that knowledge of why it was changed to the worker, but until that happened we had quite a terrific situation there. Actually, the human equipment is even a little bit more important, or as important as the capital equipment, and we have a lot of engineers who can do a lot of work with mechanical equipment, but some of them either forget or are not equipped to take care of the human element.

Professor Fleming:

Now I'm going to adjourn because it's so hot in here. I'm sure these gentlemen will be here for a few minutes. If any of you would like to come up and ask questions we would be delighted to have you.

May I say to you that we appreciate very much all of you coming out on a night like this. I want also to express our appreciation to the local committee: Mr. Rork, Mr. Hoepfner, Mr. Franey, Mr. Winrich, Mr. Elliott, and Mr. Voll who worked with us on this.

We invite your comments on this meeting, and we hope that we may return on another occasion.