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MANAGEMENT RESPONSIBILITIES IN LABOR RELATIONS

Mr. William G. Caples

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Reviewed by: Colonel J. H. M. Smith, USAF

Date: 11 January 1961

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18 November 1960

CONTENTS

	Page
INTRODUCTION--Mr. Samuel S. Hill, Jr., Member of the Faculty, ICAF	1
SPEAKER--Mr. William G. Caples, Vice President, Inland Steel Co., Chicago, Illinois	1
GENERAL DISCUSSION	21

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Reviewed By: Col J M Smith USAF Date 11 Jan 1961

Reporter: Grace R. O'Toole

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MR. HILL: Our speaker this morning is Mr. William G. Caples, who is Vice President of the Inland Steel Company in Chicago. As such he has charge of public industrial relations and, I am sure, a great many other activities as well.

I have known Mr. Caples for a number of years, and I can assure you that he will present the management point of view clearly and forcefully.

His job at Inland Steel, I am sure, requires him to fulfill the part of the hero of Kipling's poem. He must be all things to all men. He must talk to crowds and keep his virtue and walk with kings, nor lose the common touch. And I am sure he would also say, "and fill the unforgiving minute with 60 seconds worth of distance run."

It is my pleasure to present to you Mr. William G. Caples.

MR. CAPLES: Thank you, Mr. Hill. Gentlemen:

I assume that you know my biases toward business. I am a paid manager in a company that employs 30,000 people, which in business is large and in the military is not. Even in this day and year we'll do about $800 million of sales. We operate in some 36 States and in one province of Canada. And we have some minor operations in Britain and Holland.

I have been engaged in what John Lewis describes as being "locked in deadly embrace" with unions since the NIRA in 1933. So, with that

background you can evaluate what I say a little more fairly, I hope.

Now, if we are going to talk about labor, it is my understanding that Mr. Hill has given some of the story and background, but I would like to belabor you with a couple thoughts to bear in mind with what I say beyond them.

To my way of thinking, the labor movement in this country has been considerably influenced by a man of considerable ability, Mr. Samuel Gompers, and, if you read Mr. Gompers' writings and look into his history, you will find he was an immigrant from Britain, he was raised as a doctrinaire socialist, he saw the labor movement in Europe practically wrecked by sectarian views of economics and politics, and, when he came to this country and became quite active in the union movement here, he was determined that the union movement here was not going to make the same mistakes that it made in Europe of getting mixed up in ideology, and he decided to make it a pragmatic movement.

You will recall the famous story when he was once testifying before the Congress. Somebody asked, "What is it that labor ultimately wants?" He answered with one word, "More." This was Gompers' view. He wanted a little more money, a little less time, a little more privilege here. But there was never any ideology that bothered Gompers on his way. This set the background for the labor movement.

We did have a great upheaval in 1933, 1934, 1935, 1936, and 1937,

where we went into the large industrial unionization, and many people have termed that a revolution. At that time there were many intellectuals in the movement, and I will quote Crane Britten, who was a historian at Harvard. He said, "You can always tell the end of a revolution--when the intellectuals leave it." I submit that there are very few intellectuals left in the labor movement today.

It's a pragmatic movement, and I don't think it's an ideological movement. I have argued this with Arthur Goldberg at length. He obviously takes the opposite position.

With that as background, let's try and look at the type of organization a union is and the type of organization that a business is. First, the union is a political organization. The people who come to power in it get there because they are elected. Although you hear a lot of talk, and there was a great deal of testimony in the McClellan Committee, the select committee, about the dictatorial unions and the lack of democracy within unions, on the whole I think that in most unions--and percentage-wise, certainly, it's so--there is a high degree of democracy. Like political organizations everywhere, unions act as political organizations.

Let me give you a specific on that, if I may. If I am a business man and if I say to somebody, "I will do something," I boast that my word is my bond, and I do do it. Why do I do it? I do it for the simple reason that, over a period of time, I have found out that if I do not carry out my

commitments people cease to do business with me. So that, from a pure, selfish standpoint, I do what I say I am going to do. The union is in a different position. They come in and make an agreement with you and then they go out and find out that the agreement they have made is highly unpopular with their constituency, and they are then faced with the very practical problem, "Do I keep my word or do I do what my constituents want and get reelected?" I submit that politicians outside of the union movement sometimes do not carry out campaign promises, and for the very same reason. It is against their selfish interests to do it.

So when you hear people say that the unions should be responsible and what not, always bear in mind that the guys running them have a political problem to their constituencies.

The second thing about the organization is that it is a very flat structure. You will find that most unions go from the shop steward to the international representative, and almost from there into the international movement. It's about a 3-or-4-step structure at most. It's very flat. Communication is usually very good. This is the way it works.

One of the problems that this gives, as well as the political structure, is that you don't build succession in this type of organization. The reason is, if you start to build succession in a political movement, the first thing you know your successor has thrown you out of office. I could give you many examples in the Congress. But take for instance

Senator Smathers and Senator Pepper. That's a good example of a protege who is now sitting on the Hill and his predecessor and mentor is sitting in Florida. This can happen in unions. So the thing is it does not. They do not build succession. If you think that is not so, try and name, if you can, who the successor is going to be to the head of any major union in the United States. For instance, who is going to succeed Walther Reuther? Who is going to succeed David McDonald? Who is going to succeed Al Hayes? You cannot identify the individual. Obviously, they are someplace in the offing, but they are not sticking their necks out.

Now, to supplement this lack of succession, this lack of building of people to succession, where you need many skills, the unions have hired people of high skill in a variety of fields and put them on their staffs. I am talking about economists, lawyers, welfare experts, and industrial engineers. For instance, one of the best industrial engineers I know used to be the head of industrial engineering for the Lady Garment Workers' Union. He is now teaching at the University of Pennsylvania. He is of a type that you won't find with a higher skill anywhere outside of the union movement. This is true of their other people. They are extremely well trained technically and extremely able. These are the people who bear the technical burdens, not the elected people. If you think you have trouble with the line and staff in the military, you ought to see line and staff in the union. This is really something. And both

are very jealous of their prerogatives, I might point out.

If you take this kind of organization, which is political, which is flat, and in which you don't build a succession, what kind of men does it produce? Well, I think that there are two characteristics that are fairly typical. One, I have never seen an inarticulate union man. They are all articulate because they rise through persuading people, generally in small or large groups. Their English may not be the best, but they are extremely effective in their talking. They also are fine practical psychologists. Sometimes I think they are better psychologists than those that we have who spend their whole time working at it and have been educated to be psychologists.

Here is your union that is made up this way and produces this type of person. He sits. Let's look at the company and see what it produces. Most companies are, to be very frank about it, fairly autocratic institutions. Organizationally, and if you will read many books on organization you will find that, most business organization falls back either on organization of the military or organization in the Roman Church, both of which are fairly autocratic, as they must be, one with dedication, and maybe both with dedication. The business system is the same thing. I can tell you two stories.

I used to have a boss named Clarence Randall. I was arguing with him about something about which he and I were not in accord. When I had gone about as far as he decided he was going to put up with me he

said, "Bill, let me tell you something. I have made a very successful career out of doing what my boss wants." I said, "Yes, sir," and left the office.

The other story is this. I remember once somebody said, "Well, I'm not going to take this. I am going in and tell the boss so and so." This other fellow said, "Well, if you want to graduate ahead of your class, go ahead and do it."

This is a practical fact. You can argue and discuss so long, but, when you have to have action, you have to have it. This is not a democratic method, in the sense that everybody gets a joint opinion. And probably it's just as well that it is so. It would be a shambles or a debating society, otherwise.

Another thing about an industrial organization is that it is generally fairly deep. For instance, take a company like mine, where a man would normally start as term foreman, become a general foreman, become an assistant superintendent, a superintendent, an assistant general superintendent, a general superintendent, and an officer of the company. These are a lot of steps, and this is a lot of depth. Normally they are put together in the belief that by doing one job you learn it and the jobs above it.

This system has worked out fairly well. It's very similar in many ways again to the military, and here men, when they get fairly well up in a business, generally speaking, know their business well. They may

not know anything else, but they do know their business well. And generally speaking they are not articulate people. If you start talking to business men generally--and I don't want to indict my colleagues but I think it's fairly true--with the exception of the subject of business, or the particular thing that they do, most of them are fairly inarticulate. Why this is I really don't know, but it happens to be.

So that here you get people who come from an autocratic structure where they have had training by succession and where succession is reasonably well known, maybe if not outside the company, generally within it. So, what kind of people does this produce? It produces a group of fairly able, fairly inarticulate people who are concerned primarily with running a business and trying to make some money with it.

When they get together with the people in the unions, as you might suspect, here are two extremely different backgrounds, with extremely different reactions to things, and with extremely different ambitions. A good production man really doesn't want to do anything else in the world but produce things. That's the reason he's a production man. And most of the time negotiation is something that is merely a bunch of people trying to put hurdles in his way to keep him from producing. When we sit down to bargain--and you can look at practically any negotiation--there are certain constants on both sides of the bargaining table.

I have never been in a negotiation where these were not present. There are other things, but, when we get to the question session, I will try to show, and I think I can show, that any time there is conflict one of these things is the cause of conflict.

The first thing that is always present is the preservation of the union as an institution. If you really want to start a branigan, just take off on the union as an institution in bargaining, and then you can adjourn for a couple of weeks while everybody cools off. Or you can take the preservation of the present officers in their positions. Now, this is job security of a high order. It is a very real thing, and when you are bargaining you always have to consider whether or not you want to preserve this man in office or whether you want to try to destroy him. If you want to try to destroy him, you had better be prepared for trouble. The third thing, and this is really probably the most complex of the bunch, is the control of jobs. When you stop to think about what the product is that the union has to sell its membership, the thing that it has to sell that is a value is a job. So the union naturally wants to control the jobs. In the crafts it's fairly easy. They have the apprenticeship programs. Once a man becomes a journeyman, he's given his journeyman ticket by the union. In the building trades and that sort of thing, you cannot get on a job without a ticket, so that's a fairly tight control, and it's fairly easy to do. You can even go to such absurdities

as the so-called closed union. In Chicago, for instance, you can't become a projection operator in a movie theater unless your father was one. This is a fairly tight control of jobs. You can understand why. Here is practically no skill required, and yet you'll find it's a matter of fact that in small theaters the projection operator usually makes more than the manager of the theater. It's because they have gotten such tight control of the projection room, and the unions have been strong enough that they have raised this thing up.

In the problems of the closed shop and the problems of the union shop, basically all you are talking about here is control of jobs. If the union has a closed shop in an industrial situation, as opposed to the craft situation, with men coming in and wanting to go to a particular industry, they control the jobs. These are the means of livelihood. When you start to argue about control of jobs, again you have a potential trouble source.

These three things are what the union is looking at--to preserve the union, to preserve an officer's place in it, and to control jobs.

The company people have entirely different objectives. This is odd, but I think it's so. When you go into negotiations, what you are trying to come out with, generally--although when you read the papers you wonder what you are trying to come out with—is a contract under which you can profitably operate a company. To do this you must keep control of the quantity and the quality of goods which you produce and the methods by

which you produce them, as well as the problem of the scheduling of men. When I talk about the scheduling of men I mean this in two ways. One is the times at which they are scheduled--in other words, how you work your shifts, the days he will work, whether he will work 24 hours around, whether he will work 7 days a week. In other words, it's how do you run your process. In a business like ours, in which part of the process is chemical and part is mechanical, obviously on the chemical processes we must and do operate them continuously. On the mechanical processes we have more leeway. But you have to control your quantity, your quality and your men scheduling.

Of course, the minute you get to this, this is where you have a constant rub, because you get into a job-control matter at this point. Crew size is a job control thing. All of your problems of featherbedding are basically who determines how many men are on a job.

Our trouble last year, which was rather extensive, came almost entirely from this one particular source of difference. It was quite large.

Now, with these set objectives of both sides, there are a lot of other matters, but I have never seen any of them that weren't fairly easy of resolution. Wages, basically, safety, how you apply whatever money you are going to use--these things generally are not difficult. We may argue about the arithmetic, but generally speaking there is not too much argument about that any more. The accounting people

that the unions have, whom we call the sharp-pencil boys, are just as good as ours, and they do just about as good a job, and we come out with the figures about the same. To give you a specific on that: Under our present contract with the steel workers, we have a provision which says in effect that, if the cost of living increases up to three cents on a formula that's tied into the labor statistics index, we will pay it, unless the cost of the insurance has gone up three cents or less, and to the extent that the cost of insurance has gone up, that will be taken out of the three cents. The actuaries for the companies and for the union have agreed on the figure, which indicates that the men will get nothing on the cost of living. This is a politically unpopular thing. So that the union people, rather than accept their own actuaries' figures, are calling on a third fellow, as the contract provides, to settle this thing. He will obviously come up with the same figures. But then they have somebody to point at as the guy who caused them all their trouble, rather than their own boy.

As far as the figures are concerned, there is no quarrel whatsoever, nor should there be, unless you take different assumptions, as you can do in welfare things.

On practically any other matter that is between us, other than cost-quality control things, we have no trouble.

Now, it's perfectly obvious that we do get into troubles, because we have strikes. If we have strikes, what are we going to do about them?

Of course, there's obviously the fact that you can let both sides alone and let them fight this thing out and see who has the greater economic strength. That was the original concept with which the Wagner Act was passed. The worker had a chance, according to Senator Wagner, to open the door and just come in and be heard. I often wonder whether Senator Wagner, sitting on his cloud and observing the earthly scene, is a little surprised at how it actually did come out.

Also, I believe, it was not conceived at that time really the tremendous power that was ultimately going to lie in the hands of the union, which has come about through various things; whether for good or bad is debatable.

But, since they have acquired such power, you find yourself in this position: Mr. Kennedy now and Mr. Lewis formerly could stop the production cold if he saw fit, and Mr. McDonald obviously can do it with steel, Mr. Reuther with automobiles, and probably Mr. Reuther and Mr. Hayes together could stop missile production and aircraft production if they saw fit. Since this power lies--and let us not debate whether it is right or wrong at the moment--the fact it is there--in the union, and industry has gotten large to the extent that you have the problem of how much the managers are allowed to do something that may affect the public welfare or the public good, is it our right to say we won't produce because we can't raise the cost? The fact is, I believe, that both of us have gotten so big that the day has passed on which we could

say that the Government should not intervene or that the Government will not intervene. I believe the fact is that in large industry, if you in fact get to a point where you affect the national health and welfare--and I submit that we have not yet had a strike which in fact did--the public will not stand it. I recall in 1952, when Mr. Truman was President, he made quite a plea that if we stopped for so much as a day the war in Korea would collapse. I also recall that we had six weeks of strike and, so far as I know, there was never a failure to deliver weapons or ammunition to the Korean conflict. But there is a feeling that these things shouldn't be, and, of course, it is possible that there can be sufficient damage, and the point will come at which the public will not stand inconvenience. This is something that you gentlemen probably know more about than I do. But, when they will not stand inconvenience, then something must be done about it.

So, what are the techniques that are generally used to try to stop a strike? Heretofore there have been very few techniques used which tried to stop a strike before it started. This I think has been one of the mistakes in techniques. It's a truism in our business that it is much easier to pull a strike than it is to stop one. When I was at the mill and the boys used to come in and start beating the table and say, "We are going to pull the damn plant," I'd say, "O.K. Just tell me when you pull it, how are you going to get them back? If you don't know how you are going to get them back, don't pull them." This is the real

problem, and it is a problem. It's an amazing thing how easy it is to pull a man out, and once he's out how difficult it is to get him back. We've had no techniques yet, although in effect I have heard many proposed, to try to get the parties together before you have the actual time of conflict. All of the techniques now are after the conflict starts.

One of them, of course, is the thing of fact-finding. Fact-finding is a sort of odd situation, because the facts, if they are facts, are pretty well known to everybody. Everybody argues from printed data which are available to everyone. We use either United States Government data or American Iron and Steel Institute data. The union uses the same data. We get great differences of interpretation of what these facts mean. Productivity is a beaut. So that the fact-finders don't find any facts. What they try to do—and sometimes they have been startlingly successful at it--is try to find some place in the difference between the two parties in conflict, the union and the management, where the union can't afford not to take a deal because they can't take a strike for the difference, and where the company can't afford not to pay for it because they can't take a strike for the difference.

The trouble with that technique, if there is a trouble, is that the union will always get something, and those who argue against it are those who live in eternal hope that some day the management side can say no and make it stick. I have never seen it happen, but I suppose it could.

The second technique that's talked about a great deal is arbitration.

This is one that, oddly enough, both the unions and the managements are opposed to--compulsory arbitration. It has been tried. There's a law in Australia. Those of you who have served in Australia may have come to the same conslusion I did when I was in Australia. They ran Harry Bridges out because he was just too damn conservative. But even in Australia where you have this compulsory arbitration, it has not worked.

Another thing is, when you start controlling cost by government fiat, as you must under compulsory arbitration, where you can't come before a labor court or some other thing, the concomitant of that is that you've got to control price, and at that point you are in something of a mess, if you are still trying to run a free economy and a free society.

The third method is seizure. At the present time that's not legal. Mr. Truman, you will recall, seized our industry, and we had quite a court hassle about it, and the Supreme Court ruled that this is not one of the powers of the President under existing law. It certainly can be made a power if the Congress of the United States sees fit to make it so.

Here we've got all kinds of problems, because, if you seize you have to determine two things: What are you going to do insofar as the owners are concerned, because you still have a restriction on taking property without due process and without due compensation? So far as the union is concerned, how are you going to compensate these men or on what basis are you going to make them work? These are not simple problems

and they aren't ones that are easy of solution.

The fourth method, which is being more and more suggested, is to give the President of the United States a selection of methods by which he can make his choice, depending on what he believes will be most effective at the time and in the particular situation. It has been suggested that this applies to two types of trouble: One, that which will affect the national health and welfare; and the other, as I said earlier, that which will inconvenience the public and which politically they won't want to stand for, and in which the national health and welfare are not affected.

In the former, where we have a real national problem, of course, your remedies could include seizure, bearing in mind that there is still the problem of what to do with both sides. On the side where it is merely unpleasantness to the general public, they are talking about some kind of prior mediation and fact-finding. Now, mediation in the United States has never been used very effectively or very extensively, and yet to my mind it is probably the most effective method that we are going to find. Our problems have been heretofore that the mediators we have used have not been very effective mediators, in the sense that they were not men of sufficient stature and of sufficient ability to really get the parties together. I think it is a true thing in human nature that, where you get men who are proud and stubborn and who have considerable

authority and who have got themselves locked into a position—and this is what happens—you get locked into a position and then you don't know how to unlock yourselves--often an artful mediator can get into the thing and work out a solution which the men themselves, because of their positions, cannot work out without the intervention of a third party.

Again to allude to my own industry and the problems we had last year, I think there is a fairly good example of that. You will recall, or maybe you won't recall, that, when we got our troubles, originally Mr. Finnegan, who was the head of the Mediation and Conciliation Service, tried this. He was totally unsuccessful. Dr. Taylor of the University of Pennsylvania, who was the head of the Fact-Finding Board on the Taft-Hartley law, believed that he could do it. He is a very artful mediator, incidentally, and a very able fellow. I believe that his estimate of the situation was right but his timing was bad. He was just a little ahead of us then, and he was unsuccessful.

The fact is that the Vice President of the United States did mediate it and he was successful, for two reasons, I think, or three, really. And I say this as a Democrat, I might point out. I have no political feeling in this matter. His timing was right, he had the stature, both parties had to listen to him, and he was, as a matter of fact, extremely artful in the way he handled the matter to bring the parties who were fairly locked in their positions together.

Now, my hope is that we get to the point that this kind of technique is used more. Whether it will be or not, I don't know. At the present time we have the one law which, you will recall, says that the President, if he thinks there is a national emergency, can call a fact-finding board. They find that there is or there is not an emergency. If they say there is, the President then asks the Attorney General to get an injunction, and the Attorney General does.

In our case this was taken to the Supreme Court of the United States last year. The interesting thing about that is that people argue about the slowness of judicial process. We went from a district court to a ruling of the Supreme Court of the United States in less than a month. I'll admit that everything was being greased along the way, but actually this was a case heard by a district court, a district court of appeals, and the Supreme Court. An injunction was issued. The men worked under the injunction. The law was declared constitutional, incidentally. While we were under the injunction the thing was settled. The oddity of that is that people argue all over the place that the present law has been a failure. And yet, in the case of steel, at least, where it accomplished what it was pointed out to do, where is the failure? The failure seems to be that nobody likes the fact that it worked.

An interesting sidelight on that, for what it's worth, is that Mr. McDonald made great statements, as he can make great statements.

He said the men were being driven back to work with a black snake whip on their backs. The day that they went back to work, which was November 7 (the 7th of the months seem to have great significance, for some reason) this was on the news, and McDonald, in his great, sonorous tones was talking about the snake whip on the backs of the men. I don't know whether this was done on purpose or not, but it was wonderful timing—the news broadcast would end with this, and then they would say, "This is a paid announcement of United States Steel. Please do not report at the mill. You are just delaying getting back to work. Wait until we call you. Please do not report at the mill." These were the men being whipped.

The other odd thing is that every production record on steel in the United States, daily, weekly, and monthly was broken under an injunction. So, whether injunctions work or not, I don't know. They are obviously distasteful to the union but whether they are distasteful to the public generally I don't know.

I have tried to give a real, fast galop through these things, knowing that with an audience such as this you can only try to point to the people's areas of interest, with the hope that what you miss the first time around you can bring up in the question period.

I think I will stop here as to a set structure. Is it in order to start the questions now?

MR. HILL: I think we will take a 10-minute break and come

back for questions.

MR. HILL: Mr. Caples is ready, gentlemen.

QUESTION: Do you care to comment on the settlement of the GE strike?

MR. CAPLES: Yes, sir. I'll be happy to. General Electric decided about 15 years ago, I guess, to try to determine two things: One, the climate in which to do business, and the other, how to talk directly to their people. Bear in mind that at the same time they started cutting down these tremendously large units that they had, such as the one at Schenectady and the one at Lynn, and starting putting smaller units around the United States.

Another thing is that about half of their people are organized with Mr. Carey and the IUE. Mr. Pegler once wrote an article the theme of which was, when Mr. Ickes was Secretary of the Interior, that every man has some other man that he can take. Pegler said the guy he could take any time was Ickes. I think the guy that Boulware can take any time is Carey. He knows it and Carey knows it.

They started out and they did a very intelligent job. They have had this theory of doing the best they can. They say, "Here's an offer. We won't change from it." They've got a union organized in about half their plants. They can operate, and fairly effectively, while they are struck, with Mr. Carey. Mr. Carey is not a popular man in the union

movement. He's a very vain man. He speaks with the voice of God and thinks he has it. He tried to get a coalition from the union. Bear in mind that in the UEW, the IM, and many other unions that deal with General Electric, he thought he had a council. To show how little influence he has with his peers, the council never worked and it fell apart.

Another thing is, General Electric looked at the whole situation, at the problems of General Electric, and they made a very sensible and a very intelligent offer. They took the two things--one was money--and they offered 3 percent or 3-1/2 percent on two 18-month bases, and, if my arithmetic is correct, when you put 18 months together twice you get 36 months, or 3 years, and you take 7 percent over a 3-year basis, it's 2 percent a year. So they brought this down within what apparently the increase in productivity of the Nation is.

On their welfare thing they are having to displace people, as everybody else is. They looked at the problem from the standpoint of the worker and what they could do for him on retraining, pay extensions, and what not, and they made a very intelligent offer on that. On the retirement and on their retired people, they looked at what inflation has done to the dollar, and they brought all their pensioners up. On their service prior to 1946 they made adjustments. And they took care of the older people on the hospital thing.

This is a very real problem for retired civilians. I don't know about retired military, whether they are entitled to use of medical

facilities of the military or not. But in civil life with retired people this is a very real problem. We have just gotten through doing a survey of all our retired people, who are about 4,000 at this point. This is the one thing that bothers them the most. Whether it is an actual fact or not, it is an actual fear.

And General Electric handled that. They took all the things together and took a calculated risk, and they were willing to take Mr. Carey on, and Mr. Carey knew it.

Another thing they played, and played it very well, was, Mr. Jandrow at Schenectady, who heads that union, and who has ambitions within the union, they figured would walk at some point, because this strike was not popular with the people in Schenectady. He's the head of that union and he wants to stay. This was his play for power.

General Electric just figured the whole thing out just about right and went ahead with it and were successful in it. Boulwarism, of course, is a term that the unions apply, because they do not like managements talking directly to their workers. The union says, "If you want to talk to the workers, talk to them through us." I won't say that this is the best way to communicate, and General Electric hasn't thought so. They communicated directly and successfully.

About a week after the strike started I saw Virgil Day and Bill Merrihue, who were willing to bet at that time 10 to 1 that they'd win the strike. Nobody would take them, though everybody pretty well agreed

with them. They did a good job. The interesting thing about this is they have hurt nobody in the company and they haven't hurt the union. They may have killed off Carey. Of course Lem Boulware is not running it now. A man named Parker is running it for General Electric. If I were Mr. Parker I'd pray every night that Mr. Carey stayed healthy, believe me.

QUESTION: In the early years of the present Administration there was a generally good feeling about the fact that negotiations or interference with labor-management difficulties had been taken out of the White House. There was a lot of disparaging of the Steelman activities in the previous Administration. We seem to have departed from that conspicuously in the case of the steel company subject that you cited. I would therefore like you to comment on the proper role of the White House or the top Executive Branch of the Government as against that of the Federal Mediation and Conciliation Service.

MR. CAPLES: I doubt if I am competent to comment on what the White House should do or not do. I think I said earlier, or at least I tried to say earlier, that there is a definite role of government as a referee. I mean, we are given our power by a corporate charter. We are protected by law. The unions are protected by law. Their power comes from that. Now, if, with the power, we fail to discharge properly the responsibility that goes with it--I am talking about either side or both--then the Government that conveyed that power must intervene.

You cannot ignore the good of the general public just because of somebody's ambition or somebody's bias or somebody's whim.

How that role should be performed, I don't know. Mr. Truman did it one way. He did it several ways, as a matter of fact. General Eisenhower as President has consistently refrained, although at one time last year he did have people down to talk to them. In that particular talk he made no threats and made no promises. He merely said that this was something that people ought to settle and they ought to look to the public concern and the public regard. I assume that is what he said to the union. He did not have the groups in together. He had them separately. This, of course, was totally unsuccessful.

What the proper role is I don't know. This is something far beyond me. I think it is something the Congress has to determine, and I think the Congress will determine it. I do not think that the Government can stay out of these things when too many people are affected by them.

QUESTION: Do you think that a national federation of employers within any industry would be a stronger bargaining agency against the national union?

MR. CAPLES: Well, we have all kinds of problems. When you start to federate employers, bear in mind that we are restricted by the Anti-Trust Law. Personally, I have always thought that the most effective thing, if you could organize them, would be the consumers.

They are the fellows ultimately in interest here, and they are the guys who are totally ignored in the whole business.

One of our problems, and it's a very real problem, is, for instance, last year we were convinced, each company individually, that the thing we could not do was something that would cause us to raise the price of our product. Oddly enough, under the Anti-Trust Law, when we are preparing for bargaining, we can discuss everything but price and unit cost. If we discuss either we are in violation of the law. So these discussions get very funny. Here is a subject that really is the main thing we are worried about, which is the cost of our product. We've got problems in foreign competition, we've got problems here with competing products. So we felt we could not do anything that would cause us to raise the price of our product. Yet we could not say this to the public, jointly. We did say it to the public as individual companies. We can't say it in the bargaining. If we start discussing it in the bargaining the courts have said this is a violation of the Anti-Trust Law, because we are combining with the union. If the union combines with us to affect price it is illegal. If they by their own power affect it, this is legal.

So a federation of employers must of necessity be a very loose thing. They talk about the National Association of Manufacturers. They talk about the U. S. Chamber of Commerce. These are associations of employers. But they of necessity must be and are very loose, much looser than the American Federation of Labor-CIO.

Another thing about this is that you've always got to remember that the results that come out of any federation of employers are usually the least common denominator. You have to temper everything down to a point where it really has no strength nor substance.

But if the consumers ever get mad enough, then we've got real problems, and we are going to have to behave.

QUESTION: Would you please comment on the possible potential effect of computer-operated steel plants in your management relationship with labor? In other words, in Business Week I read where potentially, in fact, some certain industries are computer operated--oil plants, milk and ice-cream making plants, and so forth--and that the steel industry was another potential area for this type of operation.

MR. CAPLES: Yes, sir. I'll be happy to comment on that. As a matter of fact, we have a slabbing mill now, and you see everything in it but people. All you do is feed a tape into it and it picks the ingot out of the soaking pit and goes on from there. You get a much more uniform product. Obviously, where you can mechanically control things, whether they be chemical or mechanical processes, the probabilities are that you are going to get a better result in the sense of quality.

Let me go back a little bit and take an analogy of the coal industry. In 1924 Mr. Lewis had 800,000 coal miners. At that time he had to make a decision. Was he going to allow the mines to mechanize to get

more money per man, knowing that ultimately this would mean fewer miners? Or was he going to try to keep the miners there and fight the efficient production of coal? Lewis, who has a great deal of ability--in my opinion probably the ablest man in the labor movement--although he is now retired I still think he is the ablest--met this problem and made a political accommodation to it within his own union, and fought it up and down. And we have had practically no trouble in the mechanization of the production of coal since that time, with the result that today Mr. Lewis has 200,000 miners in his union, about 140,000 of whom dig coal. And we produce more coal now with those than we used to produce with 800,000.

Now, this is coal. Bring it over to steel. There are fewer production and maintenance workers in steel today than there were in 1937 when the industry was organized. Today we can produce about 148 million tons of steel. We are capable of it. In 1937 when the industry was organized we were capable of producing about 80,000 ingot tons.

So the problem that faces Mr. McDonald is a very real one. That is, is he going to make a political accommodation to what is a hard, cold fact, that there are probably as many people or more people employed in steel today than ever will be employed again, because we are getting better at it?

Now, this poses some problems on our side. These are very real problems. Where you eliminate a process entirely, as you did in the

old hand sheet mills, and as you did in the hand galvanize mills, those processes are relatively simple. But they require one or two very high skills. In the old hand sheet mill the roller had a very high skill, for which he was well paid. We eliminate those hand mills. Here is a man with long service, high skilled, and he is not usable or transferable. You build up seniority systems in the mills, and these are very jealously guarded. They are guarded jealously for this reason—there is rarely a man in a big industrial concern who doesnot know, whether he will admit it or not, that the capital investment in the machine upon which he works is giving him a hell of a lot of income that he is not capable of getting otherwise. Therefore, he wants to tie himself to the machine, and rightly so. So when somebody comes over and asks to have super-seniority, or something, this is opposed very much within the union. So that you end up with people who, for seniority reasons, are troublesome to transfer, who need retraining. And the worst thing about it is that usually the longer-service, higher-paid people have the nontransferable skill, and when you do give them another job they take the greatest pay cut.

I'll give you a specific on that. Our last hand mill went out in 1954. We had in that mill 184 people. The oldest in service had 41 years of service and was a man then 62 or 63 years of age. At that time we couldn't retire a man until he was 65. So there were a couple years he had to play the string out. Another thing is, our pensions are set on

your last ten years' earnings. So what you earn in each of the last ten years has a hell of a lot of difference, because it is an average of your last 120 months.

We went to the union with six variables on ways to handle these 184 people, and the union would touch none of them. I came down to Washington to see the powers that be in the union, to see if they wouldn't intervene, and the answer I got was, "The arithmetic is against you." Fifteen thousand people in that plant who are in the union are not going to give up rights to 184 people, and you can't ask them to. If anybody gave rights over them, they'd get thrown out of office. Therefore they say, "Forget about these guys." This is the union talking. I am the humanitarian in this picture.

So in regard to those people--we have a right under our contract to management transfer them, and we did. But we had to start them at the bottom of the sequences.

This man I referred to as a roller had his pay cut from $22,000 a year to less than $5,000. Believe me, that's a real pay cut. He had to start in a labor pool at the bottom of the sequence, and he had been a roller in the other. This man was cut, and cut real deep. There wasn't a darn thing we could do for him other than keep him working until he could get a pension. And in that pension he had 8 years at this high salary and 2 at the low. You see what it will do to the average. It will affect him as long as he lives.

The answers to these things have not come. This is something McDonald has to understand. When a guy goes through a steel mill gate, there's $32 walking right through that gate, every day he walks through it. You can buy a fair amount of engineering for $32 and you pay for that once. You pay this guy every day. So obviously, everything you do is try to eliminate people, because people cost money.

It doesn't work out quite that easily. As you undoubtedly know, when you start to use computers and what not, you start getting such an accumulation of data that you start increasing on your white-collar side to find out how to properly use the data. The white-collar people in steel since 1937 increased something like 80 percent.

Just to boil it down--this is an unsolved problem to which no one at this point, in my opinion, knows the proper solution. To my mind the packing-house people started in one way that makes a lot of sense. They took and put aside a fund which is accumulating on the basis of hours worked. As people are displaced, they take the individual to see whether he is retrainable. Most people, incidentally, are trainable at any age. As a matter of fact, for some reason or another, you get a learning spurt at age 70, which I am looking forward to. This old canard that you can't train people when they get old is just not so. You can train people at any age for about anything, depending on what their intelligence level is.

Then you've got to make some kind of a pay arrangement, so that the man doesn't have a tremendous economic shock. This is what this fund contemplates. This is what GE did, too, incidentally, in a lesser degree than the packing-house people.

We are going to have to find some way for people to go from the factory, because the factory is going to become, in my opinion, eventually almost fully automated.

The other thing that people talk about is when you are going to need higher skills. Actually, you don't. You may need more maintenance people. And when you get into things like electronically controlled devices and that sort of thing, you've got to retrain your electricians, because you lose most of them now on these things.

The number of people is going to be smaller, and our type of society is going to have to find other ways to use them. The thing that nobody wants to face is the reason that our type of industrial society has been so good. It's very ruthless in the sense that it eliminates those who are not needed. This is something nobody really wants to face up to. But they've got to face up to it.

My own guess is that it will happen on more and more things. For instance we are doing it on the blast furnace, which is a chemical process, in the feeding and control of it. You could do it much better on the feeding and control with mechanical devices and electronic devices

than you can with men. We haven't found a way to tap them yet but we'll lick that one, too, eventually.

Where we go from there, I don't know, but you can put it in the book. There will never be as many people employed in steel again as there are today. And I would say this: If we went back to 100 percent of capacity we wouldn't need them. McDonald says he's got 50,000 unemployed. My guess is that 25,000 of them will never see the inside of a steel mill again. And he doesn't like that viewpoint.

QUESTION: I have read that the steel mills are now operating at 57 percent of capacity.

MR. CAPLES: At 51.4 percent, this morning.

STUDENT: Will you discuss the seriousness of this, sir? Is this due and can you trace this back to the strike? Is it due to overexpansion on the part of industry? Or just what?

MR. CAPLES: Well, it's due in the first place to the fact that we publish our production capacities, which I am inclined to believe is foolish. There is no other industry I know that does. What's petroleum operating at? What's automobile production? What's normal? The fact is that after the war, you will recall, in at least of Mr. Truman's State of the Nation speeches, he was castigating our industry for the reason that we were not foresighted enough, we were not expanding enough, and that we didn't believe in the future of America, and proposing that the Congress set aside funds to start government mills. I also

recall the TNEC hearings about that mature economy in the thirties and that we were responsible for that mess.

The fact that we are operating at 50 percent of capacity is not good in one way and in another way it is good. You've got to have a certain margin in your business to take your ups and downs. I don't think you are ever going to have a constant economy. And you certainly don't want shortages. If I am a user of a product I want it delivered when I need it. One of the tougher things after the war and during the Korean War was had to ration stuff, and people who could expand and didn't have prior business, but couldn't get a priority, were cut down.

We obviously have sufficient capacity now to take care of us for a while. It looks as though we have enough capacity to take care of us until about 1970, with population growth and everything else.

On the other hand, everybody wants a bigger share of the market. If you have a management that doesn't want a bigger share of the market, it's really not a very good management. I mean, everybody is fighting for it. So you are constantly going to have more ~~than~~ capacity than you need, or you should have. Whether it should be twice as much as you need is another question. In the twenties and thirties the industry operated at around 75 to 80 percent of capacity, and this was considered normal. But we worked during the war and after for a period of almost 20 years at 100 percent of capacity, and this becomes normal. I don't

know what normal is.

I agree with Mr. Kennedy. I am not any happier than he is about the industry operating at 51 percent. This is a tough way to make money. Industry is geared now at where you can't make dividends at that rate. We've got problems of getting a foreign market back that we lost. If you are going to really make money in our business, you've got to have a tremendous size of assets and resources. I'm not unhappy about the fact that you have them. I am not unhappy that we have double the capacity now.

I am sure that before I retire the capacity that we have in the United States will be inadequate for this economy. So that this is a lull and every is unhappy about it. I don't know why they should be, because we've had these things before, and we'll have them again.

I think that where I would really begin to worry, in a recession such as we have now, or a roll-back, or whatever the Congress wants to call this one, is, if you were operating at capacity with business this way, fairly much in the doldrums. Then I would really worry.

I think this is a great source of strength. It's something that is not going to last. My guess is that with this production a year from now we'll be operating at 75 or 80 percent of capacity.

QUESTION: Could you tell us what effort is being made, both by management and by labor, in educating the worker to the world situation in steel?

MR. CAPLES: I would say, sir, none.

STUDENT: By either side?

MR. CAPLES: By either side. Maybe that's an overstatement, but I don't think it is much. Talking now about Inland, we have just had a fellow spend some time in Europe. He has come back. We are trying to show our people what they have to compete with in German steel, in the Low Countries, and in Britain, and in the Scandinavian countries. We will probably do the same thing with the Japanese. We have not yet. We will try to illustrate that what we are working in is a world market, that our people are competing against other people who have different requirements, and who have different costs, and what not.

Generally speaking, there has been not too much done, and in the world political situation I would say there has been nothing done.

QUESTION: Mr. Caples, one side benefit I think we've got in labor--I hold the wrong point of view on that, anti-labor--

MR. CAPLES: I hold a card, I might point out.

STUDENT--is that because of your heavy industrialization and unionization some of your companies, notably your electronics and electrical companies, have split into small units for international resistance. Sylvania has come to these small units. Do you see a trend in this from which we could get a benefit, from the decentralization of our industry for military purposes?

MR. CAPLES: Do you mean the steel industry?

STUDENT: No, just industry in general.

MR. CAPLES: In talking about industry in general, that's a fairly big package. I think that when you have the type of production that lends itself to smaller units you are much better off all the way around, for the simple reason that they are less complex and easier to handle.

I have a rule of thumb that, as you increase the number of employees at any location, the problems increase in geometric progression. Take an industry like ours--two things are very vital. One is, the tonnages are high and the geographic location from an economic standpoint depends very much on how near the reducing part is to the raw material supply. In a plant like ours, even with conditions as they are now, we are using about 5,000 tons of coal a day. We are using about 9,000 tons of ore and a couple thousand tons of stone. You get into fairly big tonnages, and where you do that you've got to have rather sizable operations or your costs drive you crazy. The reason we sell steel for 7 cents a pound is the fact that we can bring these tremendous tonnages down, as we do, by boat--the coal, stone, and ore. We can reduce it in big operations. We come out at the end with an inexpensive product.

But if you try to do that with steel you'll have problems. The automobile companies have apparently come to the conclusion that they can break up their big units, and they are doing it. The electrical companies

are doing it.

I would say, where your business lends itself to Balkanizing it, if you will, it probably is a wise thing. You have much less labor trouble. When you've got a plant of 500 people you have no trouble. Any guy who gets in trouble in a plant with 500 people ought to have his head examined. You can get out in that plant, if you are the manager. You know the people in it. I know this is true. I've managed plants of that size. It's the best way in the world to find out what the trouble is, if you are a good listener. Because people, rather than have grievances, if the old man walks around the plant, will tell him. This way you can keep a good control.

As far as your material control is concerned, and that sort of thing, it's much easier. So that I would say, where you can do it with smaller plants, so much the better. I think this is fairly much a general view. On the other hand there are some things that just don't lend themselves to smallness.

QUESTION: Sir, you have made frequent references to labor's desire for more, and usually this more is tied with more money, more leisure, and so forth. Would you comment on the relationship of this to inflation and to productivity?

MR. CAPLES: Yes, sir. First let me make one statement about "more." I think all of us want more. The question is, we've got to produce it first. As to productivity, we've got a lot of problems. Let

me take my own industry as an example. If we take the figures that Mr. Mitchell put out last year, and I will take them, because they are official government figures, he estimated that in our industry we have been increasing our productivity at about 2.4 percent per year. This probably is about right.

But, when you start talking about productivity, you are talking about all the things that go into making this output possible. You are talking about the labor per man himself, you are talking about the capital investment, you are talking about the ingenuity of the engineer who designs, and with all of these factors put together you produce more goods.

The union talks about productivity on the basis of output per man hour, which is a very different thing. For instance, if I am operating a punch press, which I hand feed, I can feed so many pieces of sheet into that press, and, whether it trips itself automatically or I do it with a foot lever, I can just bang out so many formed pieces of metal in a certain period of time. For easy arithmetic let's say I can do 100 an hour. Now, if somebody puts an automatic feed on that thing and steps up the speed with an automatic trip, you may get 300 an hour out of it.

The union will say that the productivity of the man has been increased three-fold, therefore his income should be increased three-fold. Actually if he is there at all he has an easier job. He just sists and all he has to

do is when this machine breaks down he blows the whistle for a maintenance man. So this is the difference in the view of the union toward productivity and the view of the management.

In our particular case, from the end of World War II until last year, the labor cost has gone up 8 percent per year, compounded. The productivity has been at 2.4. Someplace in that there is 5.5 percent difference. The fact is that prices went up 5.5 percent. In other words, something had to give. What gave was price, because at some point you have to run a business with a profit or you go out. So that what happened was you inflated your prices to the extent of 5.5 percent.

As long as labor can force, by whatever power they have, a cost that's got to be taken up in price and is not taken up in productivity, you're going to have inflation. And I think that the so-called cost-push inflation in the United States has been a fairly strong factor.

Obviously, your money inflation which comes from government policy is one thing and probably has been bigger. But this has not been inconsequential and there has been an inflation in the United States, and it has been caused by this means.

Whether or not you can ever talk the unions out of that, I don't know. They adopt the theory of Dr. Schlichter, who died about a year ago, the economist at Harvard. Schlichter's thesis was, although he never, to my mind at least, gave very good reasons for it, that a mild

inflation in our type of society was a good thing because it adversely affected fewer people in the society than any other type of money management. From the union standpoint this is a perfect theory. It means that every year you ask for more, and if you add a little inflation, what the hell is the difference, because everybody is better off for it.

They have really married this one. We argued this one all over New York City, Washington, and Pittsburgh last year. It is not up to me to doubt their sincerity, but it's a very convenient theory to have. If they continue to hold that and have the power to make the thing, I think we are going to continue to have inflation by wage pushing, and I don't like it any better than you do.

QUESTION: Do you foresee a trend in labor management which would upgrade the quality of people we have in the top positions there so that eventually we perhaps could look forward to no more Jimmie Hoffas and Dave Becks and people of this ilk?

MR. CAPLES: Of course Dave Beck just happened to be a little dishonest. We are always going to have that. I think one of the problems that people don't realize is that when you went into the welfare fund end of this business you really put tremendous sums of money in the reach of people who were not used to handling money. For instance, take GE's pension fund. It runs about $1.5 billion . This is fair money even here. When you get into that kind of money, it's inevitable that some of it is going to be stolen. People have been stealing money

since the beginning of time or since money was invented. So that I don't think that we are going to get an increase in morality other than we've had historically. I wish it were so but as a pragmatist I don't think it is so. So there's going to be money stolen.

Now, whether we get a better type of man than Beck, everyone hopes so, but you've got to always realize that in a political organization people get about what they want. Whether this is a commendation or a criticism of the people themselves, oddly enough, the teamsters like Jimmie Hoffa. And Jimmie is a nasty little man, believe me, and is without moral one. But the teamsters think Jimmie represents them well. I don't care what kind of election they hold in the teamsters, my guess is that you could have court monitors and everything else, and Jimmie would be elected, and by an overwhelming vote. This is what the drivers of trucks want. He fits their view of what a union man should be.

If you can't increase the general morality of the population--and this, I suppose, has been hoped from the beginning of time--then you are not going to get better union leaders. People who lead unions are going to be what the people in unions want. You aren't going to get any more nor any less than that. I look at the guy who leads the steel workers' union and I shudder. But he seems to be what the steel workers want. If we destroy him, what do we get? We get another of the same type, cut out of the same die, probably. So are you better off?

I think the fair answer to this is that you've got to have a general increase in understanding of morality or you are going to get precisely what you are getting.

STUDENT: Could I follow up on that with one theme? I read a great deal about the people in the unions not really expressing themselves, in this manner. In other words, they are clubbed, they are attacked, their homes are invaded, and that sort of thing, to the extent that they don't really express themselves the way they would like to. Do you feel that this is so, that the union member at large really votes the way he wants to vote?

MR. CAPLES: At large, I would say yes. Of course there are exceptions. There are times when people get their heads busted with a lead pipe. There are people who do that business and there is organization of that type. On the other hand, these offenses are two-way. When the CIO merged with the AFofL Arthur Goldberg had a sort of wake for his client, I guess. He invited the lawyers in who had represented the CIO and he invited some people from business. I happened to be one of them. We went to this meeting and at the meeting these lawyers were telling their experiences. They all happened to be from the South, and what they were talking about was the trouble in organizing the South. If I interpreted what they said correctly, the reason that they could not organize the South was that the public officials were against them and they couldn't get the law enforced, and the police wouldn't give

comes here you will find that Al Hayes is as high a type man as you will find anywhere. Certainly he represents the machinists well. They listen, because, if they don't listen, they get thrown out.

MR. HILL: Gentlemen, as you can see, our speaker has a wonderful objectivity in his subject. Because he has, and because he is a student and a scholar in this important subject of industrial relations, we are greatly in his debt for having given us a very fine lecture. On behalf of the Commandant, the students, and especially the faculty, thank you, sir, very much.

MR. CAPLES: Thank you.