A NEWSLETTER FOR FRIENDS OF THE

IR NEWS

INSTITUTE OF INDUSTRIAL RELATIONS AT UCLA

IR NEWS is a publication of the Institute of Industrial Relations in cooperation with the Industrial Relations Alumni Association. Its purpose is to acquaint persons interested in industrial relations with current research and educational programs — with particular emphasis on those in Southern California.

NOVEMBER, 1957

A.E.A. PRESIDENT TO SPEAK ON "MANAGEMENT EDUCATION AND THE COMPETITIVE EDGE"

The Institute of Industrial Relations and the Industrial Relations Alumni Association will sponsor a dinner meeting on Monday evening, November 11, at which the principal address will be given by **Elbert W. Burr,** Manager of Personnel Development, Monsanto Chemical Company (St. Louis, Mo.). Mr. Burr, who is currently President of the Adult Education Association of the U.S.A., will speak on "Management Education and the Competitive Edge." All those interested in this important subject are cordially invited to attend.

Mr. Burr's background especially qualifies him for this topic. He did graduate work in the social sciences and education at Syracuse University and the University of Chicago. He taught at Chicago and Colgate, and in 1950 was named General Supervisor of Training for the International Harvester Company. Among his many other activities, Mr. Burr lists membership on a school board, participation in the American Society of Training Directors and adult education councils, and service in 1954 on a government-sponsored human relations training mission to Austria.

The occasion of Mr. Burr's address is the Fall Award Dinner at which the men and women who have completed the Industrial Relations Program of evening courses will receive their Certificates. A tentative list of graduates includes: **Jay Leonard Ashin, David Cecil Barr, Otto Berghofer, Robert V. Bossio, Colin C. Brown, Floyd A. Crane, Edward Cyester, Finley Robert Degen, Caesar Epherson, Everett C. Faber, Gerald X. Fitzgerald, Milton L. Freeman, Daniel C. Gilson, Rudolph J. Hadar, Charles E. Hawley, Harold M. Jacobs, Francis P. Jung, Henry S. Malm, John T. Martin, Richard A. Mathews, Jesse McClendon, Elmer D. Miller, Harvey Wm. Rasske, Charles Marsden Smith, Nella H. Steely, Charles E. Sutter, Ralph D. Tomasian, Daniel P. Van Kammen, Francis S. Villa,** and **William Edward Weber, Jr.**

The dinner will be held at the Carolina Pines, 7315 Melrose Avenue, at 7 p.m. on November 11. Reservations for dinner, the cost of which is $3.00, may be made by calling BRadshaw 2-6161, Ext. 425 not later than November 8.

NEW ADDITIONS TO INSTITUTE STAFF

The Institute of Industrial Relations is pleased to announce four fine additions to its staff: a new Administrator of Management Programs and three new part-time research appointments.

Glenn Bishop, the Administrator of Management Programs, comes to the Institute from Century Engineers where he served as Director of Industrial Relations. Glenn received his B.A. and did graduate work at the University of California and has held the following positions: Special Representative, U. S. Civil Service Commission; Labor Relations Director, U. S. Naval Air Station (Alameda); Assistant Director of Industrial Relations, Dole Hawaiian Pineapple Company. While in the last-named job, he served as President of the Hawaii Industrial Relations Association. Glenn replaces Bob Smith, who left the staff to complete his graduate work in Business Administration at UCLA under the auspices of a grant from the Fund for Adult Education.

The new research appointees include **Dr. Richard Barthol,** a faculty member of the Department of Psychology. He came to UCLA from an Associate Professorship at Pennsylvania State University. His previous positions have included: Training Supervisor, Marinship Corp.; Unemployment Insurance Advisor, California Department of Employment; and Consultant, Public Utilities Employers Institute. His present research is in the area of personnel testing.

Dr. Raymond Murphy, an Assistant Professor of Sociology, has taught previously at Lake Forest College and Vanderbilt. He has contributed extensively to the literature on the subject of social mobility and stratification. He is currently engaged in a comparative occupational study of salesmen, bankers, and engineers.

Dr. Melvin Rothbaum, an economist, was a member of the faculty at Harvard University before coming to UCLA this fall. He is the author of articles on wages and will be continuing research in this field with the Institute.

NEW PUBLICATIONS OF THE INSTITUTE OF INDUSTRIAL RELATIONS

The following publications are available at the prices indicated from the Institute of Industrial Relations, University of California, Los Angeles 24:

The Secular Outlook: Wages and Prices, by John T. Dunlop ($1.00).
In this easy-to-read analysis, one of America's most noted economists discusses the long-term inflationary pressures in this country.

Unemployment Insurance, by Margaret S. Gordon and Ralph W. Amerson ($.50).
This latest addition to the Institute's popular pamphlet series provides one of the very few up-to-date reviews of unemployment insurance programs in the United States. The pamphlet is devoid of excessive technical detail and yet does not oversimplify an inherently complex subject. It deals with the main features of existing programs and major issues associated with proposals for change.

Some Procedural Problems in Arbitration, by Benjamin Aaron (no charge for single copy).
In this reprint from the Vanderbilt Law Review, Mr. Aaron analyzes the major procedural differences between a hearing in an industrial arbitration case and a trial in a court of law. Distinctions are made with regard to problems of determining the issue, the order of presentation, the burden of proof, the amount of proof required, the method of introducing and evaluating evidence and of examining and cross-examining witnesses.

Research Developments in Personnel Management ($1.00).
This conference proceedings contains the manuscripts or resumes of addresses by a group of experts in various important areas of personnel management. The subject titles include: Imagination — Underdeveloped Resource, Automation's Impact on Future Personnel Policies, Liberal Education in a Business Civilization, Newer Applications of Group Creative Thinking, Employee Opinion Research, Sensitivity Training, Personnel Management Under a Labor Agreement, How Good Is Psychological Testing, Changing Personnel Practices in the Smaller Organization, Anticipating the Government's Role in the American Economy, Progress in Public Personnel Research, Legal Influences on Personnel Management and Industrial Relations.

INFLATIONARY PRESSURES EVALUATED BY TWO ECONOMISTS

Increasing concern is being expressed by management, labor, and public leaders over the continuing increase in prices. It is timely, therefore, to report on two recent lectures on inflation sponsored by the Institute of Industrial Relations. The first was a speech delivered at the Summer Management Conference by Professor John T. Dunlop of Harvard University; the second was an address at the September meeting of the Industrial Relations Alumni Association by Dr. Melvin Rothbaum, Assistant Professor of Economics at UCLA.

CAUSES OF INFLATION

Dr. Rothbaum emphasized the inflationary picture between 1947 and 1957. He pointed out that during much of this period the increases in prices could be attributed to an excess of demand over supply. In the years following World War II, consumers had a vast accumulation of savings and liquid assets which bid up the prices of the limited amount of goods available. In addition, the years following the outbreak of hostilities in Korea witnessed high expenditures for defense which reduced the supplies of consumer goods.

Today, however, in spite of the fact that demand no longer exceeds supply in most lines of goods and services, inflation is continuing. We now seem, according to Dr. Rothbaum, to be in a period where costs are pushing prices up, rather than demand pulling prices up. This has led many to seek a scapegoat. In appearances before the Kefauver Committee, some witnesses pointed to "administered pricing" and consequent high profits as being responsible; others put the blame on excessive wage payments due to union demands. According to Dr. Rothbaum, neither of these factors should bear the entire blame.

ADMINISTERED PRICES AND INFLATION

Administered prices can be defined as prices which remain constant over a period of time — without fluctuating with changes in supply and demand. It is true that a large percentage of prices today are administered, but the extent to which companies can effectively determine their own prices varies widely with the competitiveness of the markets in which they sell their products. A company need not have a monopoly to administer its prices. Even in an industry like steel where there are a number of competitors, a company realizes that even if it underbids its competitors, it will probably not increase its share of the market. Its price cut will only be followed by similar price reductions by competitors, with the result that all companies will end up with less profits.

Actually, most companies can administer prices only within a limited range. At one end, prices cannot long be lower than the cost of production. At the other end, prices cannot long exceed the point where new competitors will enter the market, imports will take over more of the market, or consumers will switch their demand to new products.

Although abuses of the power to set price must be limited by anti-trust action, Dr. Rothbaum doubted that we would want to abolish all administered pricing. While we want competition, we want it to be restrained and orderly, not chaotic. In the long run, prices in a healthy economy must reflect supply and demand, but short-run fluctuations in price make planning difficult, create instability, and deter growth. In addition, administered pricing doesn't necessarily contribute to inflation, since companies may delay price increases that would have come quicker under free competition.

WAGES AND PRICES

One of the main examples of an administered price is that which the employer must pay for labor. An objective of collective bargaining is to bring stability to the worker's income by keeping labor from being treated as a commodity whose price is subject to wide fluctuations. This leads to the question whether labor has sufficient power to obtain excessive increases that force increases in prices.

In discussing this question, Dr. Rothbaum referred to a recent study by the U. S. Bureau of Labor Statistics entitled **Productivity, Earnings, Costs and Prices in the Private Nonagricultural Sector of the Economy, 1947-56.** This survey found that during the ten-year period, the cost of living (as measured by the Consumer Price Index) increased by about 22 percent, real earnings (money wages adjusted for increases in prices) increased about 30 percent, and output per employee man-hour (productivity) increased about 26 percent. Thus, it is true that real wages exceeded productivity by a small amount. However, the report also points out that

> "between 1947 and 1952 real product per man-hour increased more than real hourly earnings (excluding supplements). By 1953, real earnings had nearly caught up with the increase in productivity, they remained in line through 1955, and it was not until 1956 that real earnings appeared to have definitely exceeded productivity. Real earnings, including supplements, overtook productivity somewhat earlier and have remained ahead since 1954."

On the other hand, a comparison of the increases in labor costs and non-labor costs with the inflation in prices between 1947 and 1956 shows that:

> "The index for unit labor costs was lower than the price index for every year prior to 1956, although the difference was very slight and probably insignificant, in 1953 and 1954. Conversely, the index of non-labor costs (depreciation, profits before taxes, entrepreneurial income, etc.) was higher than the price index for every year prior to 1956, with only slight differences in 1953 and 1954."

Dr. Rothbaum concluded that, on the basis of the above, it is difficult to make a case for wages as the basic cause of inflation for any year except 1956. In that year the main problem was an unusually low increase in productivity of .05 percent, while wages went up at a considerably higher rate.

THE OUTLOOK FOR THE FUTURE

Dr. Dunlop's lecture primarily emphasized the long-term prospects for inflation. He listed a number of factors in our economy which will tend either to accelerate or restrain inflationary pressures during the next two decades. In balancing off these opposing forces, he concluded that "the inflationary forces outweigh the moderating factors." With regard to the extent of the inflation, he expressed the view that

> "If by 1975 price increases over current levels are confined to 30 percent, I believe the record should be marked as excellent. If price levels are more than 70 percent higher than at present, I would now regard that record as quite unsatisfactory."

Professor Dunlop suggested that whether the increase is to be moderate or excessive will depend primarily upon public policy. He listed four basic areas in which "the community has some hard choices to make." In each case there is the question of how high a price the community is willing to pay for stability in terms of:

1. **More labor strife** (A lesser rate of wage increase — and a lesser rate of price increase — probably requires more strikes.)
2. **More unemployment** (It is technically possible to enhance wage and price stability by creating a higher average level of unemployment.)
3. **A wider range and greater use of government controls** (While direct wage and price controls are likely to be most effective in stopping a sharp upward movement, the community most distrusts this device.)
4. **Foregoing a combination of shorter hours and higher rates of pay** (If further leisure is rated highly, resulting in shorter hours at higher rates of pay, inflationary pressures will be increased under high-level employment conditions projected ahead.)

Dr. Dunlop concluded that "there is not much evidence to indicate that the community is now willing to barter for more stability." (Professor Dunlop's address has been published by the Institute in a pamphlet entitled **The Secular Outlook: Wages and Prices.**)

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