



**THE ROLE AND RESPONSIBILITY OF
MANAGEMENT IN THE AMERICAN ECONOMY**

Mr. R. Conrad Cooper

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Reviewed by Col E. J. Ingmire, USA on 17 January 1964

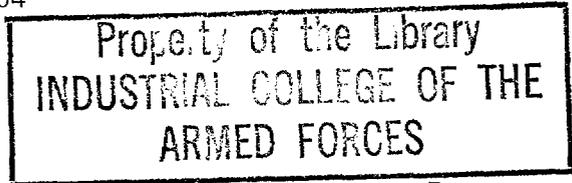
**INDUSTRIAL COLLEGE OF THE ARMED FORCES
WASHINGTON, D. C.**

1963 - 1964

The Role and Responsibility
of
Management in the American Economy

6 January 1964

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Reviewed by: Col E. J. Ingmire, USA Date: 17 January 1964

Reporter: Albert C. Helder

Publication No. L64-89

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Washington 25, D. C.

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ADMIRAL ROSE: Before we start looking at the details of the management process; personnel, money, R&D and all the rest of the things, we want to take a more general view. It's essential that today's managers face an environment of increased complexity which is caused by the technological change and the increased number of political, social and economic influences - some of them generated right here in Washington, of course. This has to be done by a man in a big company; any company, I guess, but certainly a big one.

We are fortunate, therefore, to have with us this morning, Mr. R. Conrad Cooper, the Executive Vice President for Personnel Services of the United States Steel Corporation, who certainly, as you know from his biography, has had wide experience in various managerial positions. Mr. Cooper will speak on "The Role and Responsibility of Management in the American Economy."

Mr. Cooper, it's a pleasure to welcome you here to the Industrial College.

MR. COOPER: Thank you Admiral Rose. Gentlemen of the Industrial College:

Truthfully I can say that the opportunity to address this fine group is a rare privilege. To say that I am entirely happy to be here, however, would be slightly less than truthful, and let me tell you why. Officially my assignment is to provide a discussion of the role and respon-

sibility of management in a free economy in support of national security objectives; to give an appraisal of the effect of government policies, legislation and defense needs on management functions - and to do this in 40 to 45 minutes. Now, that is an intriguing assignment of no mean proportions. My chance of ever discharging it comprehensively, much less in 45 minutes, is about on a par with my chance single-handedly to defeat the Chicago Bears. However, because no member of our management organization ever considers anything to be impossible, here I am.

The opportunity to talk to this great audience of Armed Forces management is not one to be missed by a member of industrial management in an industry so closely allied with government in national security matters, as is the steel industry. Never before in history, I believe, has there been a greater community of interests between the Armed Forces and industrial management, particularly in steel, the most basic of materials. The research and development of new materials capable of meeting the challenges of nuclear developments and outer space bring us into this great community of interests. The question is not whether we meet these challenges, but how.

As you will see, I believe the answer resides in a few tried and tested principles of government and free enterprise. I notice from the list of your lecture titles that you will have discussions on "Personnel Management in Industry;" "Labor-Management Relations in Industry;" and "The Federal Government in Labor-Management Relations."

Now, since my particular function in the United States Steel Corporation is directly concerned with personnel management and labor-management

relations, and in view of the fact that in by-gone years we of steel were the dubious and unwilling recipients of large doses of federal government in labor-management relations, any one of these three subjects would perhaps be ^{better} suited to my personal competence. But the finger of chance pointed in a more general direction and I will endeavor to stay within the boundaries of the prescribed assignment. Please note that I said "endeavor."

First let us get the playing field down to size. What you will hear from me will be the views of one member of industrial management, in one company, in one industry. But I will not approach the subject as did the politician who allegedly said, "I haven't yet made up my mind on the issue, but when I do I'll be damned mad." My mind is made up and at the moment, at least, I'm not mad at anyone.

Now without further delay what are some of the more important responsibilities of industrial management in a free economy in support of national security objectives? As a foundation for this examination I will assume that there is no room for debate among us on these propositions; that freedom is our most highly-prized possession, to be protected and preserved at whatever the cost, including, if necessary, the sacrifice of life itself; that the protections of our freedom are people, their lives, property and well-being, and the general welfare of our nation, are the national security objectives all of us have in mind and are obligated to support if we be worthy of citizenship; that responsibility to produce the goods and services required to equip our Armed Forces to meet our national security needs falls primarily upon industrial management; that

mankind has not yet devised a more effective system to meet these needs than our own competitive free enterprise system, imperfect as it may be; that this system constantly is under attack by forces both inside and outside our national boundaries; and that anything which weakens this system lessens our national capabilities and therefore weakens our national security.

Thus, I believe that the front-line defense of our national security is to protect the form of government created by our forefathers and thus protect our freedom and the competitive free enterprise system through which the American people built this wonderful nation.

Now, as is true of any worthy endeavor this, of course, is easier said than done. So, what are the responsibilities of industrial management in this great defense? It seems to me that the many facets of these responsibilities separate into three general areas; namely, as managers, to see that the company managed is both competitive and profitable. Second, as leaders of business, to see that the competitive free enterprise system is protected against needless obstruction or governmental regulation so that the system may operate as it should in the national interest. And third, as citizens, to discharge citizenship obligations in support of the political parties and candidates of one's choice, as judged best able to preserve our form of government and to provide sound administration of the affairs of state.

Before turning to some case examples of responsibilities which fall within these three general areas I would like to say a few words about the specific duties of industrial management.

In one stage of my career as an avowed fugitive from hard work it was my good fortune to participate in an exhaustive effort to spell out the bona fide functions of management in our corporation. It may provide perspective and help our discussion for you to have some impression as to the results of that study. We found at least 11 basic functions subdividing into upwards of 100 and ultimately concluded that possibly it is easier to do the managing not to describe it comprehensively.

The 11 basic functions in broad terms were: 1. To market and supply the product required by the customer. 2. Provide, maintain and effectively utilize the required equipment and facilities. 3. Provide, maintain and effectively utilize the necessary supplies, materials and services. 4. Provide, maintain and effectively utilize the required force of qualified employees. 5. Provide and maintain safe and sanitary working conditions. 6. Establish and maintain equitable compensation rates, procedures and practices. 7. Establish, determine and enforce compliance with the required standards, controls, instructions and specifications. 8. Plan and direct the operations, effectively coordinating all related activities. 9. Maintain effective discipline and harmonious employee relations. 10. Develop and improve products, processes, methods and procedures. 11. Manage, control and protect the assets, finances and accounts of the company.

In arriving at these basic duties we have proceeded from an analysis of what brings about and constitutes the management organization. And we found in substance that the chief executive of the company plans, establishes, authorizes and staffs the company's executive management struc-

ture. Within the framework of the structure so established the chief executive of each division of the company's management plans, establishes, authorizes and staffs a sub-section of the management structure for his respective area of authority and responsibility. The inter-relationship of these functions and sub-sections of the management structure must be of such nature that in the exercise of their authorities and the discharge of their responsibilities the occupants thereof may perform as a team of managers with the single dominant purpose of attaining the company's objectives.

With all of this in mind you may now ask what is our objective in relation to national security and what is our primary responsibility in this connection. Truthfully and proudly I can say it is to serve the nation to our utmost in time of peace and war. And happily I can say that we can do this best by discharging our primary obligation to those who are direct participants in the United States Steel Corporation. I believe this is true in industry generally. Let me illustrate.

You know and I know that a sick or under-nourished man cannot fight his best in such condition; neither can a nation that is economically or morally sick; nor can an industrial company. All of us know that the economic strength of a nation can be no greater than that of its citizenry, and that the sinews of this industrial strength reside in the industrial might of this country. The payment for all government, including national defense, must come from somewhere, namely from the earnings of business and people. Thus, it seems clear that the first obligation of industrial management, an obligation which runs to the employees and

owners of the company, to the suppliers and customers of the company, to the community or communities in which the company operates, and to the national defense, is to so manage the affairs of the company that it is both competitive and profitable.

This is why the stated/^{general}Business objective of the United States Steel Corporation is, and I quote: "To make and sell quality products competitively, and to perform those functions at the lowest attainable cost consistent with sound management policies, so as to return an adequate profit after taxes, for services rendered."

Whether stated or not, the economic facts of industrial life in this great country of ours, under our competitive system impose this kind of basic business objective. Why? Because low-cost production of quality products is the essence of competition. Profit, or the prospect of profit, is the incentive to compete. And competition is the great well-spring of initiative, invention and drive from whence comes our economic strength and constantly improving standards of living; also our constantly improving materials of defense and warfare.

I believe the simple facts of industrial life are that the company which cannot compete is an unsound company not long for this world. The company that can compete today has no guarantee that it will be competitive tomorrow. To be competitive tomorrow requires the company to initiate change today or meet change of some kind tomorrow, and meaningful change can neither be initiated nor met for long in the absence of profit.

Thus, to repeat, it seems clear to me that the first obligation of industrial management in a free economy, in support of national security

objectives, is to so direct the affairs of a given enterprise so that it is both competitive and profitable. Now, some of the problems to be faced by industrial management in meeting this objective bring us into the second area of responsibility mentioned a few moments ago, namely as leaders of business, to see that the free enterprise system is protected against needless obstruction or government regulation, so that the system may operate as it should in the national interest.

Perhaps the best way to get at this is to describe a problem regarding which I have some first-hand knowledge. In the steel industry as in the nation at large, employment cost is the largest element of all costs, it being nationally about 3/4 of all costs. Thus, one of the major industrial, national and even international problems, resides in the forces that have been causing steeply and steadily-rising employment costs. Among these forces in our country are the great concentrations of economic power now in the hands of labor union leaders. This is a problem for management, for government, and for the people at large.

The application of this force is seen through the exercise of so-called "free collective bargaining," a function of such great importance in our country these days. Let us look a moment at this term free collective bargaining. It's a curious combination of words often heard these days, but I suspect too little understood. In the first place, one may wonder how the word "free" gets into it at all. Somehow or other, the arrival at a settlement always seems to involve a price tag of some kind or other.

As to whether there is reasonable freedom in collective bargaining

to agree or disagree, to disagree and make it stick, there is considerable room for doubt, as we have seen at various times, for example, in steel, railroads, airlines, docks and elsewhere. From the standpoint of the individual workers, whether to be a participant in collective bargaining, by joining, or not be a participant, by not joining, the word "free" is considerably out of place in most industries today, a condition that will exist as long as our present legal framework for collective bargaining remains unchanged. Millions of industrial workers have no choice now but to be members.

Even the term "collective" needs examination. It is one thing if thought of in terms of a group of people on each side of the table; one group chosen by the management of the company, the other group voluntarily chosen by the employees of that company, both in position of equal bargaining strength, and both as a matter of enlightened self-interest required to bargain within boundaries of the competitive factors applicable to that company. Perhaps this is the kind of collective bargaining envisioned by the Congress when it enacted the Wagner Act in the mid-1930s, presumably to establish a balance of bargaining strength between employer and employee, and to encourage collective bargaining.

Unhappily, this is not what emerged. The massive union forces now in existence, as all too often used, are altogether incompatible with the solution of labor disputes in terms of the problems of the separate companies which are the heart of the free enterprise system. The term collective in all too many cases is more apt to reflect a handful of labor union leaders on one side of the table legally in position to bargain for

the employees of competing companies, using either of two typical approaches; namely, one, bargain simultaneously for the employees of most, or all of the companies in the entire industry. Or two, single out one or a few companies in the industry. Pit the massive force of an industry-wide union against the inferior force of a company or group of companies. Establish a pattern settlement and with this in hand move on to other companies in the industry or even competing industries, and either enforce the pattern or extract a better pattern for return use in the next round.

Either of these approaches ignores the competitive problems of the individual companies, hence the best interests of the people in such individual companies, and this is self-evident, from the simple fact that no two companies have precisely the same competitive problem; and the fact that the industry approach carries with it the ability at will to create a national emergency and precipitate governmental intervention is fully documented by the record of the past.

So, we now have in this country, great concentrations of economic power in the hands of labor union leaders. The future course of collective bargaining, the actions of labor union leaders in the use of their massive concentrations of power may well determine whether we can continue to compete successfully on a worldwide basis and whether we shall remain free to operate under the competitive free enterprise system. The public has been sickened by major strikes and the dislocations which they incur. But, there is a deeper concern. It is clear that the United States is no longer an island in the world, either political or economic.

The wage-price spiral of the past has no room in our future if we are to have stability and growth in today's highly competitive world. A

growing national concern with this problem has produced many suggestions as to its solution. There have been suggestions; even actions in Congress, with respect to railroads, running to compulsory arbitration; settlement of disputes by an assortment of mechanics, which would mean dictation of wages and possibly ultimately of prices. This idea bespeaks the all-powerful state and freedom-loving people should want none of it. After all, if our struggle with dictatorships is to be worth a candle our problem is, and must be, how to have an efficiently-operating free enterprise system, not how to depart from it in the direction of government control.

And, as seen so starkly in the recent railroad issue, this is exactly the direction in which the concentrations of power in the hands of labor union leaders have been pushing us. Not only are there questions of freedom and the free enterprise system involved, economic questions of national and international import are at stake. By way of example let us look at the experiences and results in steel. From 1940 through 1958 the total steel industry/^{employment}cost per manhour rose at the average rate of about 8% per year, compounded annually, and total cost per manhour rose at about the same rate.

During this same period, however, the investment of billions of dollars to improve steel-making facilities, together with all management efforts to improve the efficiency of operations, increased steel shipments less than 2% per year, compounded annually. Necessarily, steel prices rose steadily, though not as much as costs, and so, profits declined. And even today, profits in steel are below satisfactory levels.

These results accrued largely from the extensive use of labor union power, including six industry-wide steel strikes and numerous instances of government intervention in various forms, including illegal Presidential seizure of the steel mills on one occasion. A determined industry aided by unprecedented customer and public support sought in 1959 to stop the ruinous trend in employment cost increases, and a devastating steel strike of 116 days ensued. Government intervention again developed, the strike was terminated by injunction, and during the injunction period a compromise settlement was evolved.

The settlement involved an employment cost increase per manhour at the annual rate of $3\frac{1}{2}$ to $3\frac{3}{4}$ percent per year for the agreement period running to mid-1962. True, this rate of increase was less than half the prior 8%, but still about twice the long-term increase in output per manhour.

Now, happily the results of steel-labor negotiations since that time have been in more constructive directions and we have reason to hope that this trend will continue. You may wonder, therefore, why I bring this subject up at this particular date, especially in the light of some signs that matter in the labor-management area generally seem for the moment at least to be on a more stabilized basis than at times in the past. The answer is that no matter what the situation may be at the moment, nationally all of us must still face the fact of this massive power and the problem of whether labor union leaders will use it to push us further in the direction of government control. Or will they cooperate and turn our course back in the direction of the free enterprise system we cherish?

And can it be done by the voluntary actions of management and labor, or must it come by legislative action? As I see it, we are at the crossroads between continuation in the direction of government control, or return in the direction of freedom and the free enterprise system. I believe the avenues of return are either voluntary action on the part of labor union leaders, or legislative action to reduce and limit their power, or combinations of both.

Now, contemplation of the few instances in history when people of power have voluntarily given it up or have failed to exploit it leaves one quite dubious as to the voluntary route. And Congressional clamor to perform major legislative surgery on the overgrown body of union power is somewhat less than uproarious at the moment. But the time may come, and if it does, it will come because the voting people of this country will have concluded that the labor union leaders have too long abused their great power. But the people in this country will not reach this conclusion unless they know and understand the facts, and someone must bring these facts to them.

Certainly, industrial management has an obligation in this direction, the discharge of which runs to protection of the free enterprise system, our freedom, our form of government, and our national security. And let no one underestimate the importance of this problem. In resisting these forces in steel as in withstanding the long strike in '59, what was industrial management doing? First and foremost we were endeavoring to discharge our primary responsibilities to defend the competitive position and profitability of the companies we were representing. In so doing we

were endeavoring to make the competitive system operate as it should, namely in the national interest. And in bringing this power problem to your attention by way of example, I am, in part, discharging an industrial management obligation to speak out regarding a force which threatens our system, our national capabilities, and hence our national security.

We turn now to another kind of problem which requires industrial management to perform not only in the first two areas but also in the third major area of responsibility previously mentioned; namely, as citizens to discharge a citizenship responsibility. There are many such problems, but the one I have in mind as being particularly important to national security objectives is the matter of taxation.

Specifically I want to talk for a moment about the problem of our not always silent, but ever present business partner who may lay claim to more than half of the before tax earnings of the enterprise managed, and the varying degrees of earnings of the managed.

At the outset I mentioned not being mad at anyone. In order to maintain this composure I find it necessary not to dwell too long on our federal tax system. Being human I deplore the inequities imposed by this nightmare of federal regulation. Be that as it may, however, any one of us can bear it gracefully if convinced that so doing is for the good of our country. But if convinced that the system not only is not good for our country, but is operating to its detriment, then as citizens we have an obligation to speak out and do something about it. There is widespread recognition of this obligation by members of industrial management.

For example, the National Association of Manufacturers, representing almost 16,000 industrial companies, accounting for more than 75% of the country's production of manufactured goods has been and is advancing a position stated in part as follows:

"The taxing power should be used for fiscal purposes only. The federal tax system should be broadly based with moderate rates at all points. Reform of federal tax rates is urgently needed in order to assure adequate supplies of venture capital, to maintain an expanding economy, and provide job opportunities for the continuously increasing labor force; and to release incentives for risk-taking in a fully competitive economy. Such reform of tax rates should be achieved by pre-empting the revenue gains for economic growth for this purpose instead of using the money to support higher spending."

Now, in supporting such views by the discharge of every proper citizenship responsibility each member of industrial management is endeavoring to protect the incentive and ability to compete; to make this country more competitive; to bring about increased economic growth in our country; to increase our national capabilities; to strengthen our national security.

In the United States Steel Corporation we think tax matters are particularly important for a number of reasons. They bear heavily on our ability to meet the competitive challenge ahead. We subscribe to views stated by the American Iron and Steel Institute, in part as follows:

"Steel is facing intensive competition at home from other materials and from foreign steel producers. At the same time it is confronted with

increased competition from foreign steel producers in the rapidly expanding markets elsewhere in the world. The American industry has real potential for growth because of increasing population and consumption around the world. But full participation by United States' companies in this growth is not assured. It depends upon continuing innovation in three important areas; research and development of new and improved profits to penetrate new markets; to retain old markets; and to anticipate customer needs.

"Research and development to find methods for making steel at lower costs and development of new and improved techniques of selling. All this requires continued capital improvement so that American steel-making facilities will be the most modern in the world. This, in turn, requires improved profitability through improved performances in all phases of the business. These things are essential if steel companies are to enlarge their markets at home and to participate in the enlarging markets abroad, and in the process, to provide growing employment opportunities in the steel industry."

Now, as among the many words just quoted, the words "innovation, research and development, continued capital improvements, and improved profitability," are particularly relevant to our discussion. All are involved in our tax structure which reduces the incentive to compete both from the standpoint of the investor and on the part of the individual person, and inhibits progress and growth.

In this age of woeful danger and wonderful opportunity we can ill afford to place any deadening hand on the driving urge of individual

people to strive for outstanding excellence and growth. Men are not born for mediocrity, nor should they be lulled into it. Security resides in strength; not vice versa. It is with trepidation now that I venture any further words about my assignment to provide an appraisal of the effect of government policies, legislation and defense needs on management function.

In discussing the labor power situation and the federal tax matter I have, of course, touched in a way on the impact of government upon the functions of industrial management. And perhaps it will be sufficient to add only these words from the American Iron and Steel Institute 1963 edition, on the competitive challenge to steel regarding the role of government in economic growth. And again I quote:

"The nation's economic history has been one of substantial economic growth. That growth has been motivated by the incentive for profit rather than by government direction. It should not be assumed, however, that growth is inevitable. On the contrary, it can be impaired all too easily. The part that government can constructively play in promoting the growth process in a free enterprise system is stridly limited. It can regulate or compel the performance of prescribed acts, but it cannot by command render people enterprising and creative in the development of the tools, products and markets that spell progress."

Of course, any attempt briefly to appraise the effects of defense needs upon the functions of management would be about as effective as firing at a warship with a 20-gauge shotgun. Therefore, I'm going to content myself by simply mentioning a few thoughts in this connection.

Surely, no one can underestimate the importance of our defense needs in this perilous time. The members of the Armed Forces and the responsible people of our government must plan to meet these needs. Industrial management must, and will support these determinations and rise to the occasion no matter what the demands. The managerial brains, courage and drive in this country are unequalled by any country in the world, thanks to our competitive free enterprise system and our form of government which made it possible for our people to create the greatest nation on earth. Through the preservation of our form of government and competitive free enterprise system we can together meet the challenges of research, development and production required to attain our national objectives, and let us cooperate and go forward together.

Thank you.

QUESTION: Mr. Cooper, we have heard a lot about tax cuts. Would you venture a comment on the notion of abolishing federal corporate income taxes?

MR. COOPER: Well, I'm not a tax expert. I really don't understand what your point is.

QUESTION: Well, the effect on the federal revenue I believe is only 25% in corporate taxes, and the remainder, of course, comes from you and I. If we're going to get a tax cut as the present Administration has proposed, some conservatives are kicking around the idea of what might happen if we abolished entirely the federal income tax. Do you see anything in it?

MR. COOPER: Well, I wouldn't have an opinion on that. I would only make this point; I believe that our tax system has in it the elements introduced at the time we were in World War II, that were not introduced for fiscal purposes but were introduced for various and sundry other purposes. Some, I think, are not in keeping with our intentions in this country, and they have a very serious and damaging effect of destroying incentives of people and of businesses. So, I rest my case on the wisdom of the tax-makers, if they meet what is necessary for fiscal purposes but eliminate the elements that destroy incentives of people in business.

QUESTION: Sir, at an AFL-CIO meeting in November Mr. Meany replied to a speech made by Governor Rockefeller, stating that there was no blessing in automation. Mr. Meany suggested a campaign for a 35-hour workweek with no reduction in pay. You did not specifically mention automation. Would you comment on the responsibility of management in meeting the unemployment problem resulting from automation in industry?

MR. COOPER: I'll be happy to try. I don't mind attempting any questions I have no fear of being able to say that I don't know the answer or to decline to try to make one. I don't think I can give away my signals. I'm about in the same position I was one time a long time ago when we were at Minnesota, going to play Wisconsin in football. Just before the game, old Doc Spear, our coach, brought us into a quick huddle much to our surprise because he didn't usually do that. He said, "Boys, I understand some of you are afraid that Wisconsin will get your signals. Don't worry about that; they won't get your signals; you don't

know them well enough to give them away."

Well, on the 35-hour week at the same pay it seems to me so patently a wrong suggestion that I'm constantly amazed to hear this espoused. It is merely a means of increasing costs - hourly costs - and of spreading scarcity, as someone has said, instead of taking steps to create more. I think it is a completely wrong move.

As to automation; we have wonderful developments. We hear much of the subject today, and one would think that we haven't been moving in areas of technological improvement all these years. Now, I can only talk with some first-hand knowledge in this respect, about our own industry. I'd like to say first I subscribe wholeheartedly to the statement made by, I believe it was Ulon Claig (phonetic) who said, "The real tragedy of automation" - or these are approximately his words - "is the company that fails to automate and ultimately becomes non-competitive and out of business."

Now, in the steel industry, through all the forms of technological improvement - and that is a much broader area in my mind than what most people think of in terms of automation - through all of the billions of dollars that have been spent to improve the technology of the industry. As I said in my talk, our long-term trend, increase in output per man-hour has been slightly under 2% per year. We have a turnover from death and retirement alone in excess of 2%; I think it's about 3% just from those two elements alone.

So, taking the total industry it's perfectly clear in my mind that automation, the inability to have sufficient funds, to go so rapidly with

technological improvement, brings us to the point that it hasn't happened, and I don't foresee that it can happen; that technological improvement can cause great unemployment in total in the steel business. Now, having said that, however, it is not to say that we do not have, or, to put it affirmatively, we do have many cases where the automation or the improvement of a facility throws out of employment people who have had long years of service. They may have limited abilities to be trained for other work. In other words, it creates a great and human problem.

We consider it our obligation to do everything we possibly can for the employment of our own people. We plan these operations as far in advance as we can. We take people out of the unit that will be displaced, and spend sums of money and long periods of time training them to fit in the new operations if they are trainable, or place them to the best advantage we possibly can elsewhere in our operations. And we consider we have an obligation in that direction and we work at it. We don't always succeed. We have some cases where, no matter what efforts have been made, there are people who simply are not trainable for what is available, and we have unemployment. But we spend tremendous sums of money in the steel business. And I give credit where credit is due, to our United Steel Workers' Union.

They have worked with us and we have negotiated with them in benefit programs that operate in that direction within the limits of our ability. We have negotiated with them, programs that give people in one plant prior consideration in other plants in the area, or even in other areas where companies have widespread operations. We have negotiated with them and

it's going to be interesting to watch develop an extended vacation plan which, from the union's standpoint is designed, hopefully, to create more employment and for whom I hope it does create some more employment. I'm not sure how it will work out.

QUESTION: Mr. Cooper, in your estimation, is there, or will there be a shortage of engineers in industry, or particularly the steel industry?

MR. COOPER: I think that's quite possible. It's a matter of considerable concern to us now.

QUESTION: Mr. Cooper, I'd appreciate it very much if you would give us a thumbnail sketch of two or three of our more prominent labor leaders, how industry sizes them up in their motives and just what kind of people they are.

MR. COOPER: I'll limit myself to one man. I have had the experience of going from a period of time in speaking very harshly and critically of one David J. MacDonald, when I thought it was deserved; when I thought he was sponsoring a program that was ruinous to the industry and to his memory. I've had the pleasure since 1960 of spending great amounts of time in periods between negotiations where we could sit and talk - he and his associates; we and ours - not under the pressure of a deadline. And you have seen two constructive results; settlements in 1962 and 1963 notably without a strike deadline; notably without even the threat of a strike deadline. And the economic consequences of those settlements were much more in keeping with the welfare of the companies and the people the union represents, and I think more constructive in behalf of the employees.

Now, in that I have seen, I believe, the desire of a man to do what is best for his membership, the industry and the country. I think he recognizes that what we have been doing in the past is not the right thing to do; it's long-term injurious, and therefore I have had great pleasure in working with him in more constructive directions. Now, I may regret all of this within the next six months, and if I do I'll have to do it. But in the meantime I am encouraged that he and his group are as much concerned with the direction in which the power pressure has been moving us in the perhaps possible loss of freedom; the loss of the ability to bargain as we know it. I'll stop with him; I don't know the others.

QUESTION: Mr. Cooper, the Kaiser Steel Company has a contract with its workers which provides them with incentives when costs are reduced. Would you please give us your comment on this wage contract?

MR. COOPER: I haven't spent much time since 1959 talking with the people of Kaiser. We were at one time in that great fracas - 12 companies operating together - and before we got through we were 11. So, I haven't spent a great deal of time dealing first-hand with Kaiser. But I do have some appreciation of the so-called incentive plan that they negotiated, and I think there are all different kinds and varieties of incentives.

They, apparently, with their union and their employees have struck on something that they believe will be constructive for all parties by doing a better job; by being able to reduce costs and share the benefits. I think that is a grand thing. I think it's a wonderful thing that comes about when you have a group of employees and their employer in that com-

pany to find solutions to their own competitive problems.

Now, having said that, the system that they've adopted for their own use in my book if picked up by the steelworkers' union in an effort to put it across the board in all of the competing companies would be a very damaging and injurious thing because then it ceases to be a thing that is operated within the competitive factors of each of the companies, and it becomes obstructive with actions by an international union dealing with the employees of competing companies that on the face of it forecloses on the ability to do things that are the best for each individual company in one massive action.

Does that confuse you? It does me. May I just say one more word; I'm sure I have confused you. I think we all recognize - and nobody here has yet mentioned the anti-trust laws; I thought sure somebody would. I don't deplore the anti-trust laws; I think they are designed to preserve competition. We all recognize that it is destructive of competition and it is contrary to the public interest for competing companies to agree to fix prices. I think in due course we must necessarily come to recognize publicly that for a labor union to bargain for the employees of competing companies on the biggest element of ^{all} cost, namely employment cost, in the long haul is as much against public interest as for the companies to agree to fix prices. It minimizes competition to that extent and it puts some companies out of business.

You have a pattern settlement. The steelworkers in the past have gone out to smaller and other companies, "Here it is; take it or leave it." And if they take it it may be at the price of going out of business.

A classic example of that was one of their district directors after the 1949 settlement, I think it was, on pensions; the first settlement was made with Bethlehem Steel. The union had a meeting and instructed all of their district directors to go out and negotiate this same thing with other companies. And this one district director said, "Do you know what I'm going to do? I'm going to go over to this company and I'm going to say 'Here is the Bethlehem pattern; sign it. They're going to say, 'What is the Bethlehem pattern?' 'And I'm going to say, 'What are you trying to do, bust the union?'" That was his answer.

QUESTION: Mr. Cooper, there is some trend toward the possibility of a percentage of disarmament over the next five or ten years. Has your company made any plans in this regard as to what you would do with a change of markets or any change in your operations? Have you got any future plans?

MR. COOPER: I can't answer that question as to whether we've done any planning with that particular thought in mind. I know that we're constantly planning to do everything we possibly can. We sell every pound of steel we can at any place, and if it isn't going to be used here we're constantly striving to find outlets that would be at hand. So, I can't answer that.

QUESTION: Sir, what percentage of your production in your business goes to Defense?

MR. COOPER: Again I can't answer because our direct dealing in materials by contract to the government I think is far less than our supplying of other people who are the prime builders and prime contractors.

The supply of steel goes into that. So, I don't have the answer. It's fairly small so far as direct dealing is concerned. I think in our corporation it's a fairly small percentage of our tonnage.

QUESTION: Mr. Cooper, inasmuch as you used the phrase in your formal presentation, "economically or morally sick," and inasmuch, further, that you deal with large numbers of people and their purposes, what is your estimate of the current moral climate or any trend there?

MR. COOPER: Of our country?

QUESTION: Of our country.

MR. COOPER: Maybe those are a couple of words I shouldn't have used. Morally I think our country is in great shape. Economically I think we are sick in the sense that we do not have under our tax situation the condition and the climate best suited to enable and encourage economic growth to the extent that we should have, and therefore I think we could be a lot healthier economically.

Morally I have no fault to find.

QUESTION: You mentioned profitability as a fourth item. What do you consider a fair after-tax profit for steel, and how do you develop that this is a fair rate?

MR. COOPER: I was almost certain that somebody would ask that question. We do not have any prescribed number on the shelf that says it's adequate. We look at it in terms of do we have enough profit to do the things that we ought to do at a given time that can be done only through the fact of profit. And it may be different today than it would have been five years ago or ten years hence. We don't spell it out in terms

of a fixed number. It's a question at any given time. Are earnings sufficient to enable us to do the job that ought to be done at that time? Right now, or in the last two or three years it seems to me there was quite a little discussion about steel prices; or a year or so ago.

The real problem - we have it now; we had it then - is that the industry is not generating enough profit to enable it to do enough in the way of improving facilities; improving technologies, to enable it to move fast enough to keep ahead of the competitive challenge from foreign steel producers. And those needs today would bespeak a certain margin of profit that might be different at another time. So, we do not look at it in terms of a fixed number.

Do you gentlemen - I'm sure you have - in mind, for example, that in 1950 this country produced 46% of the total world's steel production. In 1960 it produced 26%; not because of any shrinkage in this country. The 1960 production was substantially higher in this country than in 1950. But steel production in the rest of the world grew that much more rapidly. Our country produced 26% in 1960 and 46% in 1950.

QUESTION: Mr. Cooper, you have emphasized the need for continual planned programs. Over a year ago a 7½% trial was made so that industry could organize their plants. This developed in less than the anticipated increase in the supplying program. Why did this not work? What additional was needed in giving industry the right to be able to increase the requisition of equipment from any source other than your long-range plan?

MR. COOPER: You've stated a conclusion or two that I don't know to be true. But I'll try to answer you assuming that your conclusion is

correct. In the first place I think it operated in the direction intended. I think maybe the fact that some people thought it would produce a much bigger result than it did, and others argued that it wasn't going to have very much effect, is what you're now seeing. Now, you stated, "Why didn't it produce what was intended?" Well, I'm not sure that it didn't produce what a lot of people thought it would. But it didn't produce as much as a lot of other people thought it would. It is a move in the right direction.

It's different in different industries. It's a much different problem in an industry that has very heavy capital investment, as against one that doesn't. And under our depreciation provisions of the Internal Revenue Act steel is a prime example of a great deficiency. I don't want to be held to these numbers precisely, but let's take an open-hearth furnace. I saw some figures in this direction at one point. Assume that it cost a million dollars on a 25-year depreciation basis. Under the existing law in 25 years you would have, presumably, allowed \$1 million for the replacement of that facility.

But you come to the point where apparently it was built 25 years ago for \$1 million and it's now obsolete. You come now to the point of replacing it; it may cost \$10, \$12, or \$14 million. That's the margin of deficiency that exists in the present depreciation situation.

Now, the improvement that was made last year helped in the right direction, but I think, completely unethical.

QUESTION: Mr. Cooper, over the years John L. Lewis of the United Mine Workers got an increase in benefits for themselves from the coal

industry. As a result of this the coal industry has not benefited very greatly. Do you presently see any possibility for the United Steel Workers over the future years?

MR. COOPER: I see a possible degree of trend in that direction; I don't think it will materialize to that extent.

QUESTION: Mr. Cooper, ⁱⁿ the trend of management-labor relations over the last few years we have been going more and more toward recapture of management rights. There are some who feel that the 1962 settlements, namely Beth Steel, was a sort of counter-estimates? club. Now, without giving away your industry's position on the deadlines that will be coming up, can you picture for us in what areas you feel the negotiations will evolve and what we might expect?

MR. COOPER: No, I can't make a guess as to any specific thing. I'll only make this observation. We have seen with our own experience - and I think you see some element of this generally - the more you are in the position and able to bring about reason in the economic side of the negotiations, the more burden it puts upon the union leaders to establish something to justify their existence. And the trend is in the direction of wanting to encroach and want to have a bigger and bigger voice in the functions of management. I think it's a very undesirable trend; it's one that management I think must steadfastly oppose.

QUESTION: Mr. Cooper, would you comment on how the United States steel industry has been effected by the American manufacturers' subsidiaries abroad, with particular reference to the automobile industry abroad supported by the United States at the present time?

MR. COOPER: How the United States steel industry has been effected by the manufacturing by Americans abroad?

QUESTION: Yes.

MR. COOPER: I really can't draw a bead on that accurately enough to attempt an answer. I would digress, if you will permit, into an element of our real problem we believe. Although the foreign steel producers have in many cases - the equipment is as modern as anything in this country, and a bigger percent of it is modern, it being constructed after being destroyed during World War II, and although they have much lower margins of, or much lower labor costs, I have the impression that if we were assured of fair competition, that we can compete.

We are convinced that we are now experiencing inroads by foreign steel-makers on an unfair competitive basis, being contrary to our anti-dumping law passed in the 1920s, the essence of which, as I understand it, is that it's unfair competition; it's the dumping of a foreign producer's sales in this country and receives a lower mill net than he receives from products sold in his own country. We are convinced that that is going on in large numbers of dollars per ton. We have been working with the various agencies of government trying to disclose the facts and get the truth in the situation.

We believe that that is the most injurious element that we have. So far as the American steel producers are concerned, that is, competing with foreign steel producers.

QUESTION: Mr. Cooper, you mentioned some of the major factors effecting shaping management today, namely the rise of the labor leaders, in-

creased government intervention; also the problem of automation and unemployment. Can you give us some idea of how management in the United States Steel is facing these factors and what it may lead to in management's structure?

MR. COOPER: Well, I think we recognize in United States Steel that the biggest, most important problem we have in the whole of our operation is in the people that we have; in the organization of our people; in the acquisition of the best that can be had and in the best training and development that we can engage in. Having said that, I'm sometimes quite convinced that we talk a much better game than we play. That's true of a lot of people.

Organizationally, perhaps you've noticed through the press that we have been going through, this last year - and effecting the first of the year - moved in a major reorganization internally, designed to improve the ability in the marketplace to compete, designed to make our organization more streamlined, more effective, better performing in total; and in the process, to reduce some of the what we believe is duplication of and overlapping of management efforts.

So, I'd say that our main direction is trying constantly to have as good and up-to-date organizational structure as we can have; to have the people in the spots of that structure doing as nearly as possible the job that's specified, although we know sometimes the actualities are a lot different from the blueprint; and to be constantly developing people in broader capabilities for advancement. And it's amazing how much opportunity there is. A lot of people have the impression that maybe you're

lost in a big corporation.

But I've gone to our annual meetings of officers and directors, and noticed that every time I go one year there's a substantial number of new faces, and a substantial number who have retired and moved on.

LT COLONEL McELWEE: Mr. Cooper, on behalf of the Commandant, thank you very much for a very, very informative morning.