

Behind the News

# Kennedy and Big Steel: A Study in Economics

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The action of the President of the United States in intervening in the steel industry's attempt to increase prices raises some serious questions with respect to, first, the economic analysis which lies behind this action and second, the effect such intervention has on the free collective bargaining process.

Underlying the response of the President are a number of assumptions with respect to the effect of unionism on wages, the impact of unions on prices and the influence of steel prices on the prices of products which utilize steel. It is reasonably safe to assert that there is no substantial evidence that unions have had a significant impact on wage rates, except possibly in a few industries or in a number of labor markets where employers have been able to depress wage rates because of their domination of the labor market.

### Unions' Effect on Wages

This is not to deny that some studies have tended to indicate otherwise, but there is sufficient evidence to give one pause before drawing significant conclusions on the role of unions in pushing up wages significantly beyond the point where the economic conditions of the industry would allow.

In a report prepared for the U.S. Department of Labor on "Collective Bargaining in the Basic Steel Industry" in January 1961, it is concluded that the settlements in the steel industry "have not been a dominant independent influence in establishing or modifying wage trends in the economy." It was also stated that the wage and price actions in the industry "have had a minimal effect upon the price level of the economy."

Apparently the more highly competitive nature of the steel using industries provides a brake on wage-price adjustments in the basic steel industry.

### Unhealthy Guide Lines

The attempt of the Administration to provide economic guide lines in collective bargaining situations by asserting that wage adjustments should be related to changes in the productivity of the economy as a whole could lead to some serious economic maladjustments. In the past, we have generally permitted wages to act as the pulling factor in moving workers from declining industries to growing industries.

The fact is that, despite the role of unions, wage changes generally have reflected the changes in the economic conditions of the various industries. It would seem that the parties to the bargaining session are in a better position to translate these economic forces into the final wage and price adjustment than any outside group, private or public.

### Results of Early Intervention

The report of the Department of Labor also asserted that too early intervention in collective bargaining disputes tends to hinder settlements and has shown little success in avoiding strikes or securing settlements.

There is a general misconception of the role of strikes in our private enterprise system which provides for a free collective bargaining process. In the words of the same report: "The freedom to strike is in our society the major deterrent to strikes."

Unfortunately, some persons fear the best weapon for long-run industrial peace—the freedom of a union to strike and the freedom of the employer to accept a strike.

### Administration's Haste

One should also be concerned over the hastiness with which the Administration acted.

Former President Truman attempted, some years ago, to draft railroad workers in the armed forces for the purpose of preventing a railroad strike.

Although the House of Representatives passed a bill along these lines in a great deal of haste, the Senate refused to be rushed. And after deliberate discussion of the issues and the implications involved in such action, the Senate never passed the bill.

It seems to me that it would have been preferable that the steel industry situation be handled in a similar manner rather than by executive action. I am impressed by the statement of Supreme Court Justice Douglas, who, in his concurring opinion in the steel seizure case, said:

"We pay a price for our system of checks and balances . . . Today a kindly President uses the seizure power to effect a wage increase . . . Yet tomorrow another President might use the same power to prevent a wage increase, to curb trade unionists, to regiment labor as oppressively as industry thinks it has been regimented by this seizure."

## 400 Seniors Join Alumni Association

Approximately 400 seniors have already joined or pledged to join the University Alumni Association, as reports begin to pour in from last week's Senior Week membership drive. Mrs. Neilly requested that all class agents who have not yet submitted their reports do so as soon as possible.

**GRADUATES OF**  
**Aug. '62 — Dec. '62**  
**Mar. '63 — June '63**  
**Whose Names Begin**  
**with 'K' or 'L' MUST**  
**HAVE PICTURES TAKEN**  
**Between May 18th and May 25th**  
**FOR**  
**LA VIE**  
**AT**  
**The Penn State Photo Shop**  
 214 E. COLLEGE AVE.



*Will you leave these freedoms  
to your children?*

Men have died to leave you these 4 symbols of freedom:

- A Holy Bible—symbol of your right to worship as you wish. (First Amendment, U. S. Constitution)
- A door key—your right to lock your door against illegal government force and prying. (Fourth Amendment, U. S. Constitution)
- A pencil—freedom to speak or write what you think, whether you agree with the government or not. (First Amendment, U. S. Constitution)
- And a free ballot—your right to choose the people who represent you in government—your protection against government tyranny. (Article I, U. S. Constitution)

In half the world today, these symbols and the things they stand for have been destroyed. And Khrushchev says it can happen here. He boasts that our children will live under socialism.

Unthinkable? Yes—but only so long as America guards its freedoms well. Against threats that come from inside our country, as well as from the outside.

In these critical times you would think that all of America's energies and financial resources should be concentrated on strengthening our country's defense.

But there are some people who would weaken this effort through needless government spending. For example, they want to use billions of your tax dollars to put government deeper into the electric power business. Such spending is unnecessary because the investor-owned electric light and power companies can supply all the additional power a growing America will need.

Each time the government moves further into business—any business—it is another step on the road to socialism. And socialism is one thing Americans do not mean to leave to their children—or grandchildren—despite what Khrushchev says.

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