ilante groups and the expeditionary army in Northern Ireland readying itself for making order at home), from Italy (some officers whispering with right-wing groups about a *coup*). But this is about all; the last time in the West that an army could have moved in the national interest, the Algerian crisis in France, it allowed itself to be disarmed by one man, DeGaulle. It seems, then, that in the Western heartland countries the military has suffered the same fate as the government, the churches, the schools, the courts, and the families: an internal demobilization and loss of spirit. For Western ideals Western-type armies seem to be able to fight on the peripheries only: in Rhodesia, in Israel in Vietnam. It is true, in these countries the army is one with the nation, it is a nation in arms. In the rest of the Western countries, the armies are fast degenerating into tolerated parasites, compelled to defend their *raison d'etre* in parliamentary commissions, in the press—and even in advertisements.

This is, however, not the last word about Western armies. Some writers who know history predict the phenomenon of caesarism to spread far and wide, and caesars are inconceivable without armies. If we suppose that socialism is a new kind of militancy, a crossbreed of an industrial frame of mind and military discipline, we should not be astonished if, independently of civilizational background, the left-wing but nationalistic military man becomes the dominant type east, west, and south in the not-too distant future.□

**The Business of America**

**by Jerome M. Rosow**

## The Human Side of Productivity

Just as it takes two to tango, there are two sides to the inflation equation—too much money chasing too few goods and services. This means that efforts to limit government spending and the supply of credit alone cannot solve the price problem. Indeed, fiscal and monetary restraint create grave risks of triggering cuts in production and causing an increase in unemployment and recession. Of equal importance in fighting inflation are steps to increase total production. One of the best ways is to increase productivity—the amount of goods and services produced by an hour of work.

Even when prices do not rise with each visit to the grocery store, our high and rising standard of living depends on our ability to produce efficiently. A recent *Wall Street Journal* editorial (September 16, 1974) stated: "If labor and management could spend the next forty years, even four years, on ways and means to fuel supply instead of demand we wouldn't have too many dollars chasing too few goods. We wouldn't have surplus labor either."

The United States' need to improve its productivity performance developed well before double-digit inflation. From 1967 to 1973, output per man-hour in the private nonfarm economy rose only about 2 percent a year. If agriculture is included, the rate was slightly better—2.2 percent. This year output has actually fallen as it usually does in an economic downturn because output falls faster than hours worked.

Some of the reasons for the productivity slowdown are short-term. Others are not. The U.S., and indeed the entire world, face long-term factors that will make increases in productivity more difficult to achieve in the future than in the past. Worldwide, a growing population presses on limited resources. The only resources that seem unlimited are people.

Since the mid-1960s U.S. manufacturing productivity increases have lagged behind those of other major industrial powers, though the lag was greater from 1965 to 1970 than since. Some of the recent slowdown reflects a slowdown in agricultural productivity gains; the consolidation of farms into larger units has passed its peak and increasing food needs have brought more and more marginal land into use.

Some of the slowdown reflects concentration of U. S. employment growth in industries where productivity has traditionally been low. These are the labor-intensive trade and service industries in which the methods we have relied on to raise productivity—increased use of machinery and equipment—have had limited application. (In the six years from 1967 to 1973, manufacturing employment fell to 26.2 percent of employment, from 29.5 percent, while employment in government and other services and in retail trade rose from 53.3 percent to 57.1 percent.)

Part of the productivity slowdown has been attributed to a belated effort to reduce pollution and conserve irreplaceable natural resources—in itself a reflection of the growing pressure of population on resources. The damage which concern for the environment inflicts on productivity can be exaggerated, however, especially to the extent that attention to the environment is substituted for emphasis on style changes.

Our slackened increase in manufacturing productivity compared with other countries reflects in part the fact that these countries recently have had proportionately greater increases in capital investment; a related fact is that some of their equipment is newer and reflects later technology than ours.

American management believes increased productivity depends upon technology. Decision-makers often take the human factor for granted. They weaken, rather than strengthen, the influence of people on the production process. Despite this, experts estimate that labor quality contributes up to 30 percent of production increases. In labor-intensive service industries the factor may exceed 70 percent.

Recent developments provide strong evidence that we must pay more attention to the human factor:

1. Changed worker expectations and rising levels of education increase the potential impact of people on the production process. A production strategy that emphasizes automation and excludes human factors cannot take full advantage of this improved potential of people.

2. Workers still support the work ethic. But with increased job security, they are less likely to accept authoritarian control in the workplace and more likely to demand more satisfying work.

3. Even where the workers' contribution to productivity is limited, we must make sure poor morale does not adversely affect product quality, or lead to the waste of time, energy, and materials.

4. The inflation of wages and benefits has increased the unit cost of manpower at all levels, so that the need to increase productivity is greater than ever. At current levels of double-digit wage and benefit increases manpower utilization is a necessity, not a luxury. →

5. Today's growth industries—for example, trade, health care, education, and other services—are labor-intensive. Human factors are the key to increased productivity, better service, and lower cost.

6. Traditional approaches are not paying off as well as in the past; U.S. manufacturing productivity growth is lagging behind that of other countries—our gains are even less than the United Kingdom's; and only about one-third those of Japan.

7. Scarcities of natural resources and other capital are becoming serious, making the value of human resources critical.

8. Productivity bargaining represents a special aspect of collective agreements. These can involve workers and unions together with management in agreeing to major changes in methods and organization to advance efficiency with sharing of the gains.

The human factor in economic performance often holds the key to costs, productivity, prices, and profits. At the same time American workers in all occupational classes seek better work conditions. We must serve the fundamental economic objectives with adequate attention to the quality of life at work. The work ethic in America is alive and well—if anything it is seeking broader and better outlets for its fulfillment. America's productivity challenge is basically a challenge to decision makers—to leaders in business, government, and the universities to engage people in a more effective and meaningful way at the workplace to break down productivity barriers. □

**Robert M. Bleiberg**

# Return to Controls?

Among the spate of bills dropped into the hopper in the waning days of the Ninety-third Congress was one labeled S. 4174, otherwise known as the "Economic Stabilization Act of 1974. "Introduced by Sen. Mike Mansfield (D.-Mont.), the proposed measure among other things authorizes the President of the United States "to issue such orders and regulations as he may deem appropriate to stabilize prices, rents, wages, salaries, profits, dividends, interest rates, and other comparable economic transfers at levels not less than those prevailing on April 30, 1974."

The Chief Executive is also empowered to make "such adjustments as may be necessary to prevent gross inequities"; to allow increases in wages and salaries, "based on the application of cost-of-living and productivity formulas"; and to grant increases in prices, rents, interest rates, profits, or dividends "attributable to higher productivity, efficiency, or sales or revenues." Those who violate any order or regulation under the Act "shall be fined not more than $5,000"; the measure itself is scheduled to expire at midnight on September 30, 1977.

While S. 4174 (along with hundreds of other bills) died stillborn, so to speak, when Congress adjourned in December, more will surely be heard of it in coming months. Peacetime wage and price controls in this country officially expired at midnight on April 30, 1974, but they refuse to rest peacefully in well-deserved limbo. Nor did they die without a struggle. On the contrary, late in April perhaps appalled at the looming prospect of a return to free markets, the Senate Democratic Caucus abruptly called for legislation endowing the Nixon Administration with standby controls authority. On May 1, twelve hours after curbs officially expired, the Senate, while rejecting the Caucus' proposal, voted 44-41 to keep the Cost-of-Living Council in business permanently. Seven days later it reversed its position.

In August, however, Congress made yet another 180-degree turn in policy. Specifically, it approved creation of the Council on Wage and Price Stability, which, though commanding neither subpoena powers nor the rest of the customary bureaucratic arsenal of weapons, is supposed to monitor wages, prices, profits, dividends, interest rates, and "concentration of business power and antitrust practices." The Council has been shrugged off by Sen. Hubert Humphrey (D.-Minn.) as a "toothless tiger in an economic jungle of commodity speculators, oil country wheeler-dealers, and Latin American sugar barons." All it has done so far is to hold inconclusive hearings on sugar. Nonetheless, it may well be the forerunner of an agency with fang and claw.

For in recent weeks, cries for controls have been raised anew in many quarters, political, academic, and (albeit with a touch of embarrassment) business alike. Early in December, at the first midterm convention in party history, the Democrats approved an eight-point economic program which included a call for across-the-board control of prices, wages, executive compensation, profits, and rents, as well as a provision for wage catchups and price rollbacks. They were cheered on by such dedicated statists as Barbara Ward, president of the International Institute for Environment and Development in London, and John Kenneth Galbraith, the avowedly socialist professor at Harvard, who, at a seminar for institutional investors (ironically sponsored by a Wall Street brokerage firm) agreed that controls were "absolutely necessary within the next six months to lower the rate of inflation and stabilize the economy."

Miss Ward went on to urge a long-term wage-price freeze, as well as an "agreed incomes policy that would represent a consensus of democratic society [and] could serve as a possible model for a permanent feature of a market economy." Galbraith, himself a veteran of the Office of Price Administration, observed: "the next time we do this we must be serious about it. Controls must be administered fairly by an organization seriously set up for the purpose which has to be quite large and organized for enforcement."

Perhaps most ominous, spokesmen for private enterprise, many of whom embraced the New Economic Program unveiled by former President Nixon on August 15, 1971, apparently are getting ready to "live with" (as the obscene phrase goes) a revival of controls. At the recent annual meeting of the National Association of Manufacturers in New York City, several corporate executives voiced resigned acceptance of the idea. The Bureau of National Affairs, which interviewed a number of businessmen on an off-the-record basis, uncovered considerable sentiment in favor of such curbs.

For example, BNA quoted a top official of the Marine Midland Bank as follows: "Controls are like the stopper on a pitching staff. You bring them in to stop a losing streak. Used that way, when the timing is right, controls can work." Again, here is what "a partner with an extensive stabilization-related practice at one of Washington's largest law firms" remarked: "Contrary to what they're saying publicly, my clients' business planning is being done on the assumption that we're going to have controls." Another lawyer put it this way: "My clients," he said, "have little faith in controls, but they are getting to the point where they're saying we can't stand any more of this, let's try the controls way again."

Such views, we submit, constitute a triumph of despair over experience. As Louis Rukeyser, who conducts the well-known television program "Wall Street Week," recently quipped in a speech to the National Press Club: "It