

# IR, Ire, and Mire: Kaufman on the Fate of Industrial Relations

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*Thou shalt not oppress a hired servant who is poor and needy, whether he be of thy strangers who are in thy land within thy gates. At his day thou shalt give him his hire, neither shall the sun go down upon it; for he is poor, and setteth his heart upon it; lest he cry unto the Lord, and it be sin unto thee.*

—Deuteronomy 24: 14–15

## I. Introduction

As long as there have been employees, there have been views and strictures concerning their appropriate treatment, as the Biblical injunction above illustrates. And as long as there have been authority structures, the issue of how to deal with what is now called the principal/agent problem—getting the help to do what you want—has been confronted. Often the means of solving that problem have been unpleasant. The word “decimate”—which most people would define as total destruction—actually refers to a Roman “incentive system” for soldiers. Should a group of soldiers rebel, one in ten would be killed at random. Thus, the destruction was not total, only 10 percent. And presumably the remaining 90 percent—and others in the ranks that might be thinking of mutinous behavior—would be henceforth deterred.

Kaufman’s new book (Kaufman, 2004) is nominally a history of the International Industrial Relations Association (IIRA), an affiliate of the International Labor Organization (ILO). That topic might not sound enticing—especially when the book in question runs almost 700 pages. I suspect that many readers of this journal will not have heard of the IIRA, or will confuse it with an American organization, the IRRA (Industrial Relations Research Association).<sup>1</sup> But in fact, Kaufman has written a history of “industrial relations” (IR) going back to the nineteenth century from an international perspective.

While there have been earlier books and papers on industrial relations in particular countries—with Kaufman prominent in the American literature—previous work has not pulled it all together in both space and time.<sup>2</sup> There are certainly books on comparative industrial relations. But these typically focus on cross-country contemporary comparisons without a deep history in any one location. The contribution of the new Kaufman volume is that it represents both location and history. And it prognosticates

about the future as well. As will be argued below, much hinges on the definition of "industrial relations," a phrase which is itself becoming dated. Kaufman notes at the outset that the "the phenomena of industrial relations are found in all countries where people work for others in paid employment." But he focuses his book on the "field of industrial relations," which he views as "one particular approach to studying these phenomena" (Kaufman, 2004: 1). This distinction—field vs. phenomena—is important since whether one is concerned about the decline Kaufman documents of the "particular approach" will depend on one's view about the importance of that approach as opposed to others.

Kaufman defines the field as composed of three elements: "science building, problem-solving, and ethical/ideological" (p. 94). The first element evolved out of institutionalism and is identified with John R. Commons and the "Wisconsin school." It entailed a multidisciplinary approach to such issues as employment, labor-management relations, and social insurance which was often at odds with evolving economic theory. The second element focused on solving practical problems at the micro level as well as more general public policy concerns. Not surprisingly, many identified with the Wisconsin school were social reformers, and some were eventually involved in framing and implementing New Deal policies. The third element involved normative thinking, probably best encapsulated in the idea that labor should not be viewed as just another "commodity." Cooperative labor-management relations and industrial democracy were not just approaches to efficient production but were ends in themselves.

This three-element view of industrial relations became linked to certain university centers and academic personalities in the United States. Kaufman argues that the IIRA played a significant role in spreading the industrial relations field from the United States, and to a lesser extent the United Kingdom, to other countries. Such efforts were aimed in part at tilting the employment relationship away from the harsh Roman approach—simple punishment and reward—and toward a modern version of the Biblical injunction. But despite the IIRA's success in its missionary work, Kaufman fears for the future of industrial relations. At points, he seems annoyed that the field of industrial relations is under threat, particularly if the threat is of the field's own making. At other points, he views the downward trajectory as part and parcel of union decline, something the field can really do little about.

Kaufman believes it is technically possible to have "industrial relations without unions" (p. 628), but is not sure such an evolution will come to pass in any smooth way. He argues that the harsh edges of capitalism are still with us, as they were when industrial relations was born. "Real life capitalism cannot survive without (industrial relations)," he tells us in his conclusion (p. 631). But that leaves the possibility that industrial relations will die and have to be born again, something he hopes won't be necessary.

By way of full disclosure, I should note that when this project was in its formative stage at the IIRA, a representative of that organization approached me concerning whether a book series I edited on workplace issues might be interested in publishing what became the Kaufman book. At the time (June 2002), it appeared that the volume

in question might be a 100+ page puff piece for the IIRA.<sup>3</sup> That type of volume would not appeal to a commercial publisher. Moreover, the original timeline involved having the book available for the September 2003 meeting of the IIRA in Berlin, a rush job in academic publishing. I expressed skepticism about the project from a market and timing perspective and indicated that a significant subsidy would have to be entailed. Ultimately, the ILO became the publisher, and the book took on a scope well beyond the original description that required an extra year. Although this book may never become a commercial success for the ILO, it is a monumental achievement in scholarship and breadth.

## II. *Readers' Digest Condensation*

Despite Kaufman's accomplishment in developing a deep history of industrial relations around the world, there may be more than a few readers who will not choose to read all 687 pages of it. Given that possibility, I will first provide a *Reader's Digest* summary of the plot. Mostly I will follow Kaufman's outline but I will also interject facts and my own observations and editorial comments. I will then return to select key issues raised in my summary.

I should note two elements in the book at the outset. First, the book has a Biblical attribute: Somewhere in it a reader can find support for almost all views. At points it is not always clear whether opinions expressed are Kaufman's or someone he has referenced. Thus, almost any comments I make below will be subject to the rebuttal that within the volume a counterpoint can be found and that (almost) nothing is truly omitted. With one exception that I will discuss later, points I make refer to matters of emphasis. I am saying that if I had written the book, I would have devoted more attention to a topic or would have interpreted it differently.

In making this first observation, I am drawing on the defense attorney's strategy of putting the weak points of a client's case before the jury before the prosecutor can do so. And if a rationale is needed for my strategy, I can at least point to the fact that Kaufman also used it. In his introduction, he notes that he was unable to read the relevant foreign language literature of the countries he covers and that the volume might be criticized as being overly U.S.-centric (p. xvii). I won't make those criticisms, however, because (a) I am less well-read than Kaufman, and (b) because I think he documents sufficiently that the spread of the field of industrial relations around the time the IIRA was formed *is* a U.S.-centric story, *at least as he defines industrial relations*. The latter point is perhaps not surprising since the spread of industrial relations took place at a moment in history when the United States was particularly dominant in the affairs of the Western world, commercial and otherwise. With industrial relations as defined by Kaufman now in retreat in the United States, and the United States as the world's only superpower, that retreat also seems to be spreading.

My second observation is that Kaufman is not neutral about the events described. As noted earlier, he is both upset at the decline of the field of industrial relations in many, but not all, parts of the world and—at the same time—not very confident that his recommendations could reverse the trend. Much of the decline is tied to the erosion

of unions—something that academics sympathetic to the institution of collective bargaining are powerless to reverse. This second observation accounts for the title of this article. The decline in industrial relations is a matter that raises Kaufman's ire—since he is sympathetic to the field—and yet the field seems to be mired in forces leading to further erosion. The book closes on a restrained note of hope for the field, as suggested above; capitalism needs industrial relations and so, somehow, will either retain it or reinvent it.

### III. *The Field of IR*

As noted, Kaufman begins by indicating that he is presenting a history of the “academic field” (his italics) of industrial relations as opposed to the practice (p. xvi). In truth, the volume tends to move back and forth between field and practice, since the two are inevitably related. Moreover, the “field” concept is itself somewhat murky, as it is actually used by Kaufman. Sometimes it means a set of topics. Sometimes it means a set of topics approached from a particular perspective, the three elements approach described earlier. Sometimes it means a field of study whose members are affiliated with certain research centers and schools. Sometimes it means a field whose members are affiliated with those centers and schools but who are not neoclassical economists.

The story Kaufman develops for the United States draws heavily on work he has previously published plus an interview with John T. Dunlop.<sup>4</sup> Dunlop, it might be noted, was a key figure in industrial relations from the 1930s through the 1970s. In the 1990s, he chaired the “Dunlop Commission,” a Clinton-era attempt to recreate a 1945 White House-sponsored conference on union-management relations (Mitchell and Zaidi, 1997). Yet although Kaufman feels that the field of industrial relations, as he defines it, seems to be playing a losing game, the volume steers clear of criticism of Dunlop despite his centrality. That restraint—which also applies to other noted figures in the book—appears to be a case of “*De mortuis nil nisi bonum.*”

In comments given to me on an earlier version of this review, Kaufman notes that naming Dunlop explicitly would have been “widely judged as rude and a breach of professional etiquette.”<sup>5</sup> Clearly, I feel less constrained. And he points to various points in the book where he criticized particular works and Dunlop himself (albeit in a footnote [p. 262]). Every reader can make a judgment. My sense is that avoiding the naming of names ultimately leaves the reader with the impression that whatever has gone wrong with industrial relations is nobody's fault, although Kaufman apparently believes otherwise.

### IV. *Early Roots*

Kaufman's history is largely an American tale until the 1960s, when the influences of the IIRA, the ILO, the Ford Foundation, and a small group of academics succeeded in spreading the IR gospel. As he tells the story, the U.S. industrial relations approach had some leakages to Canada, Britain, and elsewhere as early as the 1920s, but whatever seeds were planted found themselves in infertile soil. Nonetheless, the roots of indus-

trial relations start in the United Kingdom, which—as Kaufman sees it—missed the opportunity to become a center of academic IR. All industrial countries developed a “Labor Problem” as modern forms of employment began to evolve in the nineteenth and early twentieth centuries. The Labor Problem, a.k.a. the “Social Question,” was seen as a potential threat to the existing order; a threat that was graphically demonstrated during World War I and afterwards by the Russian revolution and the rise of the Soviet Union. Oppressed workers might revolt and overturn capitalism. Since Britain was the home of the first Industrial Revolution, it is natural that initially such concerns would find voice there.

These worries were sufficient in Britain to lead to a research literature and various palliative public policies aimed at accommodating growing pressures from workers and unions. The centerpieces of the British literature were developed by Sidney and Beatrice Webb and their studies of unions in the late nineteenth century. But Britain lacked a willing university structure to house such studies whereas the United States was more receptive to an applications-oriented curriculum as exemplified by its land-grant institutions.

U.S. scholars tended to look abroad for models of schools of thought. With regard to what would be the field of IR, they imported two conflicting approaches to economic thinking. There was German institutionalism—which in labor market analysis became what Kaufman refers to as Institutional Labor Economics—and more theoretical economics along the lines being developed by such figures as Alfred Marshall and Leon Walras.

It is here that definitions start to matter. Yes, Britain was home of the first Industrial Revolution in the late 1700s. But although Adam Smith is certainly referenced, Kaufman’s tale has its real beginnings in the late nineteenth and early twentieth centuries. By that time industrialization had spread to France, Germany, and many other countries. Germany, for example, had instituted its early social insurance regime by that period to deal with its Labor Problem. Australia was putting together its elaborate system of compulsory arbitration to settle labor disputes.

Someone had to think of these solutions to the Labor Problem and had to plan them. In the Australian case, for example, the planners were lawyers and law makers (Isaac and Macintyre, 2004). Within Kaufman’s framework such thinking and planning was at best related to IR. But the thinking and planning was not *the* academic field of industrial relations because, in Kaufman’s framework, it occurred outside a university, or didn’t feature his three elements (or for some other reason was disqualified from the definition of field).

By defining everything that occurred outside the United States as being not quite IR before IR reached its golden age in the post-World War II United States of America, he inevitably tilts the story to American origins rather than to a more nuanced global evolution. Particularly, if part of the IR idea—as suggested by its eventual New Deal connection—entails communitarian values and government regulation of the employment relationship, the United States was initially less receptive to such notions

than Europe or Japan (Jacoby, 2003). It moved toward such values in the 1930s but was shifting in the other direction by the late 1960s.

### V. *The Idea of Science*

The American approach to IR initially evolved in a climate of the wonders of science, which many believed would ultimately resolve the Labor Problem by creating an economic bounty for everyone. After all, the late nineteenth century saw such inventions as the telephone, the electric light, the phonograph, and the motion picture. By the early twentieth century, there were heavier-than-air flying machines. When the Titanic sank in 1912, the doomed ship was able to radio for assistance. And advances in production were making possible cheap Model T Fords for the masses.

Given these wonders, "science" invoked great respect and the notion of applying the scientific method to a host of problems outside the realm of physics, biology, and chemistry was very attractive. Thus, "scientific management" developed by Frederick Taylor would guide the administration of firms. Crimes would be solved by professional scientific methods (Monkkonen, 2002, Chapter 14). What seemed to be entailed in the "science" label was that experts would study problems by gathering and synthesizing information, just like real scientists. They would then apply their solutions. We would have urban planning to produce "the city scientific" (Ford, 1913). Imports would be taxed by "scientific tariffs" administered by an expert Tariff Commission. Even human reproduction could be guided by "eugenics."

Of course, science could be claimed by any ideology. The Taylor Society itself moved from a pure managerialist orientation to a more left-leaning, union-friendly, ILO-supporting organization in the 1920s and 1930s, and then reversed direction by the 1950s (Nyland, undated). Marxists and communists spoke of "scientific socialism" and claimed to have discovered inexorable laws of societal development that could be leveraged to expedite the coming utopia. And the Nazis later seized upon eugenics to rationalize their racial policies.

In fact, the idea of gathering information, interpreting it, and gearing policy to the results, had a long history, certainly predating Taylor and modern IR. For example, Florence Nightingale, usually viewed as the founder of the modern nursing profession, gathered data in the 1850s on the outcomes of alternative treatments of wounded soldiers in the Crimean War. She displayed her data in an early version of the pie chart that she had invented to convince the powers-that-be to improve medical care. All clever ideas take time to develop, and all can be misused. What seems to be the case is that the scientific appellation of the late nineteenth and early twentieth centuries spread both the uses and abuses of the idea of solving social problems—including the Labor Problem—through research and expertise.

In the United States, the idea of scientifically studying and resolving social problems through reform captured and energized the "progressive movement," a school of thinking and politics that could have received more attention in Kaufman's book. The Progressives are discussed by Kaufman (pp. 118–19), but their role in my judgment

merited more emphasis. Progressivism is important because its contradictions underlie contemporary conflicting views of the employment relationship.

On the one hand, Progressives thought that expertise (based on scientific study) was needed to resolve social issues and determine the one right way of doing things. On the other hand, in the political arena, ordinary people should be empowered by direct democracy (initiatives, referendums, recalls) to thwart corrupt and inept politicians. But ordinary people aren't experts. So, in the context of the employment relationship, which is it to be? Industrial democracy or top-down expert scientific management?<sup>6</sup>

Progressivism had a vaguely leftist orientation, despite being embraced by such figures as Theodore Roosevelt. California was a hotbed of progressive reform and, as historian Kevin Starr notes, Progressives and socialists seemed to intertwine (Starr, 1985: 207–18). There were many middle-class and upper-class reformers in the late nineteenth and early twentieth centuries who considered themselves socialists, although exactly what they meant by that word was not always clear. Progressives had various ideas about labor reforms to protect workers. Enactment of workers' compensation laws at the state level and the 1914 Clayton Act—with its ringing declaration that labor was not a commodity (Kaufman's ethical/ideological element of industrial relations)—were products of progressivism. Much of progressivism later morphed into New Deal policies. Thus, IR as an expression of progressivism tended to be seen by skeptics and opponents as left wing, even if propounded by a Rockefeller.

#### VI. *The Institutional Viewpoint*

Into the stew of German institutionalism and progressivism came John R. Commons who began studying the Labor Problem—and labor unions in particular—from both an historical and prescriptive perspective. According to Kaufman (pp. 75–76, 126–27), Commons was active in “a socially progressive form of Christianity,” which fostered “a middle course between laissez-faire and socialism.” At the University of Wisconsin he founded a school of thought whose political influence reached a high point in the New Deal of the 1930s. One of Commons students—Selig Perlman—in his *A Theory of the Labor Movement* went on to celebrate what is sometimes termed “business unionism,” a kind of pragmatic, nonideological approach in which incremental progress is made at the workplace through collective bargaining.

Perlman articulated a practice advocated by Samuel Gompers, a founder, dominant figure, and longtime president of the American Federation of Labor. Another Commons acolyte, William Leiserson, became first chair of the National Labor Relations Board in the 1930s, and later went into academia (Eisner, 1967). Wilbur Cohen, later termed “Mr. Social Security,” also came from the Commons school<sup>7</sup> (Berkowitz, 1995). Let me interject a personal note here. When I was a graduate student at MIT in the 1960s, we were *told* of Commons, but we *read* Perlman. (The industrial relations group at MIT—split between the economics department and the Sloan School of Management—was certainly in the core of the field of industrial relations at that time.)

Thus, while it is true that Commons was the founding father, one can argue that it was his students such as Perlman, Cohen, and Leiserson who had a significant impact on subsequent thinking and practice.

Meanwhile, in the business world, John D. Rockefeller, Jr. (the Kaufman book is dedicated to the Webbs, Commons, and Rockefeller) found himself pilloried in the press and in Congressional hearings because of a violent labor dispute at one of his enterprises. Rockefeller began consulting with experts and reformers in labor relations. He moved toward the idea of industrial democracy, albeit a controlled approach—later to be pejoratively termed “company unions” and more kindly termed employee representation.

The idea of formalizing the personnel function was also in the air at the time. Rockefeller gave money to found the Industrial Relations Section at Princeton. He also sponsored a consulting firm, Industrial Relations Counselors, to promote sound practice. Other business types were also providing funding for such activities and encouraging enlightened management practices. Kaufman mentions the family of Jacob Wertheim that sponsored a publication and lectureship program at Harvard. He notes the efforts of department store owner Edward Filene who helped found the Twentieth Century Fund (and whose own store featured a progressive employee representation system).

Unions grew in numbers and influence in the World War I era, only to lose ground to employer resistance and “Welfare Capitalism” in the 1920s. However, when the Great War ended, the International Labor Organization was created and the American view of AFL president Samuel Gompers was very influential in designing its structure. The ILO was to be based on tripartite representation of each member country, with representatives from unions, management, and government.

Gompers believed that such tripartite decision making—rather than mandates imposed by some international official entity—was a key approach to resolving the Labor Problem. The ILO would foster labor standards around the world, in a loose sense “taking wages out of (global) competition.” That idea, found in the Webbs and in Commons, was an important strategy of business unions in ordinary collective bargaining. Gompers felt that the ILO should be relatively weak, i.e., not in a position to mandate or legislate, since in keeping with his views on voluntarism, ultimately labor and management should be the active agents (Gompers, 1984 [1925]: 206–10).

Kaufman notes that fissures that would later become apparent in industrial relations were already present in the 1920s. Among them was the growth of a psychology-oriented field of personnel management and the above-mentioned split between institutionalism and theory in economics. But at the time these issues were largely submerged.

Britain did not have a University of Wisconsin. But it did have its Webbs, Sidney and Beatrice. Sidney Webb used some money inherited by the Fabian Society to found the London School of Economics and Political Science. LSE was not particularly focused on labor issues. On the other hand, British unions were generally more



influential at the time than American, both in terms of coverage and—with the founding of the Labour Party—politics. William Beveridge, the father of the British post-World War II welfare state, was director of LSE earlier in his career. Rockefeller money flowed into LSE. But Britain had some homegrown business patrons as well. Notably, clothing manufacturer Montague Burton created chairs in industrial relations at Cambridge, Cardiff, and Leeds in the 1930s. The chairs, however, did not produce full-fledged centers of research and teaching in the field. As Kaufman defines it, Britain did not have true IR, or much of it.

### VII. *The New Deal*

The Great Depression and the resultant New Deal in the United States kicked off the subsequent golden age of American IR. With the Depression came a dramatic escalation of the Labor Problem, triggered by mass unemployment. As in the case of the early Progressives, the New Deal movement contained contradictions. On one hand, the notion of economic planning was substantially strengthened, a rejuvenation of the Progressive idea of putting social problems in the hands of experts. On the other hand, much of the planning was left to business types (nonexperts) through the cartel-like structures encouraged by the New Deal's signature National Industrial Recovery Act (NIRA) of 1933.

Early thinking along the lines of economic planning was pushed by some industrialists, notably Gerard Swope, president of General Electric, whose Swope Plan called for coordinating production and consumption and for building confidence through social insurance (Loth, 1958: 201–15). Swope went on in the 1930s to establish relatively peaceful relations with the United Electrical Workers, one of the more radical CIO unions.<sup>8</sup> Financier Bernard Baruch also supported economic planning as a Depression remedy. Herbert Hoover had some sympathy with government intervention in the economy; he was, after all, rooted in the California Progressive tradition. His pre-New Deal Reconstruction Finance Corporation was an expression of that attitude. The RFC was headed by another financier, Eugene Meyer, later owner of the *Washington Post* and first president of the World Bank.

One factor in the confidence bestowed on economic planning was the perceived success of government intervention in the economy during World War I; both Baruch and Meyer had played important roles in that effort (Rockoff, 2004). However, more than economic planning was involved. In the labor relations' sphere, there was also business participation in administration of New Deal programs. Louis Kerstein, for example, a vice president in the Filene firm, was a member of the National Labor Board, a predecessor to the National Labor Relations Board.

There were notions in this period that the Depression had been caused by inadequate wages that fell still further as the Depression worsened, aggravating the problem of underconsumption. But there were also notions that prices needed to be raised to ease farm foreclosures and debt burdens. The distinction between real and nominal wages was fuzzy in the New Deal, since if both prices and wages were boosted, real wages might not rise at all.

Apart from cartel promotion, the early New Deal featured fiddling with the gold value of the dollar as a supposed means of producing price "reflation." The gold policy was based on odd theories promoted by a pair of Cornell agricultural economists. And as a sop to those in Congress with fond memories of William Jennings Bryan's "free silver" movement of the late 19th century, there were silver manipulations as well (Mitchell, 2000). Generally, looked at with hindsight, New Deal programs—and even just the New Deal *labor* policies—were less coherent than a reader of Kaufman's book would suspect.

Since the market system was apparently unstable, and since the Depression had killed off much of Welfare Capitalism, social insurance schemes such as Social Security pensions, unemployment benefits, and income supports for the indigent were created, with heavy input from Commons' Wisconsin school. On the wage side, unions were encouraged to push up pay. The result was a wave of strikes and a parallel wave of businesses defensively creating company unions. When the NIRA was declared unconstitutional in 1935, the Wagner Act was passed which more explicitly favored unions and outlawed company unions.

Within the union movement, the CIO split off from the AFL. CIO unions often had leftist and communist officials. But they also attracted young reformers and researchers to plot strategy. Kaufman notes that several of these union researchers—such as Jack Barbash and Everett Kassalow—later went into academia and played a significant role in steering the field of industrial relations. In short, IR and the New Deal became entangled. And with the outlawing of company unions, IR became linked to union-management relations and the fate of the labor movement, then in ascendancy.

From the Depression, the United States moved into World War II which involved an unprecedented level of government intervention. At the peak, over 40 percent of GDP was devoted to the military. The government needed uninterrupted war-related production and therefore mechanisms to settle or prevent strikes, even while wages and prices were controlled to prevent inflation. The resulting wage/price controls and growing use of arbitration and mediation produced a coterie of labor relations experts who would go on to be both practitioners and academics in the post-World War II era.

### VIII. *Postwar Developments*

Fears that, if left unchecked, the economy would tumble back into depression led to various planning exercises within government. Individuals such as Leon Keyserling, who had worked with Wagner and others in the Senate during the Depression, became influential in developing postwar economic policy. Keyserling, for example, eventually became chair of the Council of Economic Advisors under Truman. He continued the New Deal notion that economic stabilization would require some kind of balancing of wages, prices, and profits—ideas that fed into postwar anti-inflation "incomes policies" (Brazelton, 2001).

Ideas about managing the economy had become more plausible after World War II than before the Depression, partly because government itself had grown as an eco-

conomic actor and importantly because of new data sources. Thanks, for example, to the work of Simon Kuznets and others at the National Bureau of Economic Research (and later at the Department of Commerce), the nation now had a set of national income accounts. Paul Samuelson's new macro textbook, embodying postwar Keynesianism, used these accounts to demonstrate to generations of students how aggregate demand might be sustained.

But if full employment was attainable, the national economic dilemma would shift from depression and deflation to keeping the macro economy on course without excess inflation. Kaufman tends to underemphasize the macro side of the story, especially wage/price policies, as a sustaining force in industrial relations through the 1970s. Yet the postwar belief that full employment required avoiding wage-price spirals made unions—often seen as the active agent of wage-push—a topic of general research interest.

After World War II, there was a burst of creation of industrial relations schools, programs, and research institutes at American universities. Although not mentioned by Kaufman, there also arose a profession of labor journalists—such as Abe Raskin of the *New York Times* and Harry Bernstein of the *Los Angeles Times*—who kept the union sector in the public eye. Within academia, tensions between the institutionalists and theoretical economists came to the fore. Institutional labor economists, unhappy within the theoretical slant of the American Economic Association, formed the IRRA as a separate professional organization. In keeping with institutionalist principles, the IRRA's membership consisted of academics, management, and union types, and neutrals such as arbitrators and government officials. A professional journal was founded at Cornell and another later at Berkeley.

### IX. *Early Fissures*

But while this flowering of IR was occurring, economic theorists such as Milton Friedman were becoming more prominent with their criticisms of unions and New Deal-type interventions such as minimum wage laws. They extended their critique to postwar wage/price policies and controls. Libertarian economists with a more philosophical opposition to Big Government, partly because of their own experiences with European totalitarianism, added to the gathering opposition. Ludwig von Mises and Friedrich August von Hayek were prominent examples of these libertarian imports. And economists such as Gary Becker and Jacob Mincer pointed to the fact that there was more to the analysis of labor markets than just unions and collective bargaining. Their work in the budding fields of human capital and the analysis of employment discrimination illustrated this point.

Personnel types with a focus on psychology and behavioral science gradually began to move away from both groups of economists—theorists and institutionalists—and increasingly found homes in business schools. Scholars such as psychologist Abraham Maslow viewed the kinds of issues dealt with through collective bargaining, such as wages and benefits, as only the lower levels of a “hierarchy of needs.” That view was a literal put-down of both traditional industrial relations and traditional eco-

nomics. It suggested that the growth in postwar real incomes would shift worker motivation to loftier concerns beyond material welfare. Over time, "personnel" become the more elevated "human resources" and employees became "associates."

Generally, those academics interested in labor issues—but with noneconomic backgrounds—such as law, history, and sociology—began to go their own way within their own disciplines. In some cases, the methodologies favored by the various approaches were too diverse to be easily accommodated within university promotion systems—despite the abstract appeal of interdisciplinary research. There is the old joke that economics is the study of choice, and sociology is the study of why you don't have any choice. It is difficult to make fields with very different premises see virtue in the same candidates.

#### X. *Preconditions for International Influence*

John Dunlop, mentioned earlier, played an influential role in the field of industrial relations—as defined by Kaufman—and its spread to other nations. Dunlop started out his career trying to apply economic theory to unions. Indeed, in the high-profile "Ross-Dunlop" debate, he was more on the theory side with his opponent Arthur Ross as the institutionalist. But Dunlop seemed to want to play in both camps early in his career. As he aged, however, he became more and more critical of conventional economics and, indeed, virtually all young academics, particularly those who used modern econometrics and public data sets (Dunlop, 1988: 74). It may be unkind to note, but by the end of his career Dunlop seemed to believe that virtually nobody except John Dunlop—or at least nobody except those who followed his 1940s-era approach—could grasp the workings of the labor market. Former California governor and Chief Justice of the U.S. Supreme Court Earl Warren was once described as having "an egotism so great as to be heroic" (Starr, 2002: 266). That description fit Dunlop to the T in his middle name. I will return to this point below.

In the 1950s, whatever its later limitations, the Dunlop influence on IR was great and positive. He produced *Industrial Relations Systems* (1958), a book which he felt was a full-fledged theory of industrial relations. Most later observers came to view the Dunlop approach as a useful taxonomy when making international comparisons, not a grand theory.<sup>9</sup> Nonetheless, the phrase "industrial relations system" remains in use today, although it is not clear that all who use that phrase have read the Dunlop book.

In 1960, another influential book—*Industrialism and Industrial Man*—was co-authored by Dunlop, Clark Kerr, Frederick Harbison, and Charles Myers. (Myers, who served on my thesis committee, was a very modest man—a reverse image of the Dunlop persona.) The new multi-authored volume also emphasized the comparative international approach. It had a non-Marxist message that resonated at the heart of the cold war era. Basically, the argument was that all modern economies faced similar problems with regard to labor and enterprise management. Thus, the logic of industrial development would cause a convergence to something other than a totalitarian state. This reassuring message came along when alarmists were predicting that the Soviet Union,

on a rapid growth path and first in space satellites, would eventually out-produce the United States (which was experiencing economic sluggishness in the late 1950s).

The idea of convergence rather than disadvantageous divergence was attractive enough to attract considerable financial support from the Ford Foundation and other sources. Again, the eventual criticism of this second influential volume was that it provided a useful taxonomy for looking at different countries and their development paths rather than true theory. With deep hindsight, it is doubtful that any of the authors foresaw convergence by means of an abrupt collapse of the Soviet Union. But then neither did expert Sovietologists, even on the eve of that collapse. Perhaps if the authors were still alive, they would point to the development of a market economy in China in their defense. But discussion of the countries in Asia that eventually did exhibit rapid growth is generally lacking in both the Dunlop book and the co-authored volume.

When the two volumes appeared, the notion of looking abroad at foreign systems of labor relations was not new; it was common practice before the Great Depression for American proponents of labor law reform and social insurance to cite more advanced foreign developments. But the sudden changes in the United States during the Depression and World War II tended to suck the air out of comparative studies; there was so much action to analyze at home. The return to internationalism, apart from its cold war incentives, was encouraged in the 1950s by the influx of refugee scholars before, during, and after World War II that were now housed in American universities. Nevertheless, Dunlop and his co-authors gave substantial impetus to revived comparative research. And this outward-looking agenda created favorable conditions for the spread of IR to other countries under the auspices of the ILO and the IIRA.

There is an odd quality about the need felt by Dunlop in the first book—and Dunlop and his co-authors in the second book—to develop a unified theory of industrial relations. The employment relationship is carried out at the micro level between employer and employee, possibly represented by a union. As such, the task of managing that relationship can be viewed as a functional area within the firm, along with such other areas as marketing, finance, etc. Other functional areas do not necessarily have a unique theory. Marketing, for example, draws some elements from economics and some from psychology. Even finance has, of late, looked beyond economics to try and deal with seemingly irrational behavior (bubbles, momentum traders). Once you admit a multidisciplinary approach to a broad topic, it is doubtful that some simple, unified theory will emerge. With hindsight it is possible to ask: So what?

### XI. *Going International*

Once Kaufman arrived at the point in his narrative where the IIRA was conceived, he faced two challenges. The first was documenting exactly what happened: how the IIRA was formed, how it encouraged foreign counterparts of organizations such as the American IRRA, and what those organizations and their academic members subsequently did. The second challenge was to explain why the various countries and regions discussed didn't have IR before, or much of it. As has been repeatedly stressed,

industrial relations here generally (not always) means academics who study employment in a particular way using the three elements identified by Kaufman. It does not (generally) mean the industrial relations system *à la* John Dunlop, which exists in some form wherever there are employers and employees. And it (usually) omits lawyers, policy makers, and others who had developed the various national arrangements, albeit outside university centers labeled "industrial relations" and who did not necessarily embody the three elements. At this point I will be relatively brief about the first challenge and devote more attention to the second.

In the British case, there was a small coterie of industrial relations academics at the end of World War II. By the early 1960s, there was an academic journal and a masters program at LSE. Oxford had people with labor market interests such as Otto Kahn-Freund. This expansion in the 1960s coincided, it might be noted, with concerns about wage-push inflation in Britain and interest in having a formal anti-inflation incomes policy. Similarly, Kaufman finds that in Canada—while development in the field lagged the United States—there was a rising group of scholars and activities; by the late 1960s, concerns about inflation sparked an acceleration of the Canadian field.<sup>10</sup> In Australia and New Zealand, there was also expansion in the 1960s and 1970s along with the rise of macro concerns. Compulsory arbitration systems naturally suggested themselves for use as a wage-control mechanism aimed at anti-inflation goals.

Continental Europe (essentially France, Germany, and Italy) was hostile to the field of IR—American style—because of a greater Marxist orientation in academia. This hostility was aggravated by suspicion that the CIA was supporting AFL-CIO efforts to promote noncommunist unions. Unions led by communists or other radicals were not sure they even cared to deal with employers in the sense of formal negotiations, contracts, and the like, even in an adversarial framework. A cooperative labor-management relationship was even more of a taboo. Suspicions that the fostering of noncommunism in unions was being done in a covert fashion had a basis in fact. Under Jay Lovestone and Irving Brown, there were efforts underway through the AFL and later the AFL-CIO—with varying degrees of cooperation from the CIA—to remake the union landscape in Europe and elsewhere<sup>11</sup> (Morgan, 1999).

Kaufman apparently found no evidence of some direct tie between those activities and the founding of the IIRA. But apart from such political issues, European academics interested in the general topic of employment were likely to come from law or sociology backgrounds, disciplines that did not match the economics tilt, albeit institutional, of the U.S. approach. Kaufman mentions in particular early work by sociologists Emile Durkheim and George Friedmann in France as important parts of the pre-history of industrial relations in that country. But again, Kaufman tends to downplay work outside institutional labor economics as integral to his definition of IR.

The IIRA itself was ultimately established at the ILO in 1966. Although the ILO was originally created in 1919, it was essentially reorganized towards the end of World War II with the notion of promoting growth, full employment, and labor rights, a kind of New Deal agenda for the world. In 1948, David Morse, an American, was appointed its Director-General. Morse had to accommodate a complicated relationship with the

Soviet Bloc countries in which Gompers' tripartite division between labor, management, and government had no real meaning. But he was under pressure from the American side, including the AFL-CIO, to foster American style labor-management relations abroad.

Kaufman describes how Morse and others at the ILO worked with various American academics (such as Everett Kassalow, Jack Stieber, Gerald Somers, Arthur Ross, and George Shultz) and sympathetic British academics, such as Ben Roberts and Otto Kahn-Freund, to create the IIRA. The IIRA, once formed, sponsored or encouraged formation of national industrial relations associations of academics in many parts of the world, including countries other than the English-speaking nations that were the original core. Japan was an early participant. According to Kaufman, an American academic—Solomon Levine—helped import U.S. concepts of industrial relations into Japanese academia. Levine believed that Japanese notions of “uniqueness” were much overblown so his role as importer from the United States should not be surprising (Janssens and Gordon, undated).

Kaufman's narrative does not take account of a somewhat different European perspective on the creation of the IIRA. A lengthy working paper by Nils Elvander (2002: 37) goes over some of the same history as Kaufman. But in the Elvander version, there had been a series of professional organizations created in Europe to offset American dominance in social science in the 1960s. Elvander sees the creation of the IIRA as part of that effort and credits Ben Roberts of LSE as the “driving force.” As a reviewer, I am not in a position to mediate between the Kaufman view of the IIRA as an exporter of U.S. industrial relations to Europe versus a European view that puts more emphasis on what was already there. Kaufman does make a convincing case that more was sent from the United States than was received through the IIRA.

In any event, the IIRA still continues to host conferences on an international and regional basis, to sponsor publications (including the Kaufman book), and to spread the field of IR into the developing world. However, there were other channels of academic communication opening up across international borders. I would be remiss if I did not note Kaufman's omission of the work of my UCLA colleague Benjamin Aaron in fostering the comparative dialog. Aaron's work with other European legal scholars in the 1960s led to important books (e.g., Aaron, 1971) and to the establishment of what is now the *Comparative Labor Law & Policy Journal*. As has been noted, the field of law is underplayed in the Kaufman volume. Nevertheless, Aaron was director of the UCLA Institute of Industrial Relations and a past president of the IIRA. He was (and remains) hard core industrial relations in any reasonable sense, and thus his omission is regrettable.

## XII. *Erosion*

A variety of forces are seen by Kaufman to be undermining the field of industrial relations in the United States and abroad, albeit at different paces. Already cited was the decline of unions throughout the developed world. Neoclassical (labor) economics is depicted as a competing discipline which tends toward the old “labor-as-commodity” view. That view was abhorred by institutional economists and reformers in the early

twentieth century. Not all high-profile economists take the commodity view—Kaufman mentions Nobelist Joseph Stiglitz as an exception—but many do.

Human resource management—an outgrowth of “personnel”—gained traction particularly in business schools—and did not focus on unions and bargaining. The old personnel field often was not seen as sufficiently highbrow at universities because of its how-to-do-it focus. As the human resource approach took a more academic approach, grounded in behavioral science, it became a more attractive field for American business schools to house. The lack of a focus in human resource management on unions had an appeal within business schools once a respectable academic base in behavioral science was established. Unions were associated with uncomfortable leftist notions and ideas that employees and managers were in an adversarial position. Outside business schools, academics in disciplines such as history, political science, and sociology with an interest in employment have generally tended to go their own ways and may not be linked, in Kaufman’s definition, to the field of IR.

All of this is Bad News for the field. Kaufman doesn’t want to write a premature obituary for industrial relations. He thinks it might be possible to have IR without unions but he is dubious that it will happen. Words such as “crisis” are used to describe the current situation. “As we peer into the future . . . we must conclude that it looks less than bright” (p. 627). But if the end does come, it would be a Bad Thing because of five fundamental propositions Kaufman raises in his concluding chapter (p. 630): (1) treating labor as a commodity will lead to “serious social repercussions,” (2) economic efficiency must be accompanied by social justice and individual security, (3) labor markets are “imperfect and incapable of self-regulation,” (4) unemployment is “capitalism’s gravest defect,” and (5) social welfare requires “decent wages and good jobs,” not just cheap goods. It is here that the *de facto* blending of the field of IR and actual economic outcomes—present throughout the volume—explicitly comes to the fore.

### XIII. *Issues of Emphasis*

As noted early on, the Kaufman book is both encyclopedic and Biblical in its approach, covering material in far more detail than has been done before, certainly in a single volume, and giving voice to a wide range of viewpoints. Thus, as stressed earlier, I am largely taking issue with the coverage and emphasis on particular topics: field definition, macro concerns, globalism, competition from HRM, competition from economics, and the issue of blame. I will then point to a major omission in Kaufman’s history.

### XIV. *Defining the Field*

Ostensibly, Kaufman is writing a history of the academic *field* of industrial relations, defined in terms of his three elements. Inevitably, the field—so defined—becomes intertwined in the book with actual practice. As Kaufman notes, industrial relations scholars have tended to view the field as covering all aspects of the employment relationship from societal on down to the micro level of the enterprise, although in practice it gradually focused on union-management issues. He sees the field of industrial relations as in decline in most regions of the world or threatened with decline.



The question of definition is crucial. In comments to me on an earlier version of this review, Kaufman argued that the growing focus of IR on labor-management relations is a central theme in his book. Put another way, if IR had kept to a broader perspective—with the three elements approach he identified with Commons et al. but not the excessive focus on unions—it wouldn't be in the difficulty that it finds itself in today.

While that point can be debated, there is no evidence of a decline in academic attention to the employment relationship if it is defined still more broadly to be the study of employment and related arrangements such as social insurance, with or without the three elements. Birds do it; bees do it; even neoclassical economic devotees do it. There are sociologists, historians, legal scholars, and political scientists in the broad topical area. Indeed, if the field includes such benefits as health insurance (whether provided by government or individual employers), there are academics in medicine and public health that could be included. If occupational safety is part of the field, there are still more scholars in medicine, public health, and even engineering that are within the broad IR net.

If we move away from abstract definitions and move to personalities, we can ask whether particular researchers are in the club, as seen by Kaufman. Richard Freeman and James Medoff produced the much-cited volume *What Do Unions Do?* in the mid-1980s. But neither Freeman nor Medoff are members of the American IRRA, according to that organization's online membership directory. Are they outside the field as nonmembers?<sup>12</sup> Orley Ashenfelter, who headed the Industrial Relations Section at Princeton for many years, is also not an IRRA member.

The Industrial Relations Section is featured in Kaufman's volume as one of the pioneering academic programs in the field of IR. Other prominent Section faculty who are not IRRA members include Henry Farber and Alan Krueger. Elsewhere in academia, George Akerlof of Berkeley is not a member, but he has done much cited work on the employment relationship. As noted, Kaufman applauds the views of Nobelist Joseph Stiglitz on global labor issues, but he is not an IRRA member. Finally, Truman Bewley of Yale, whose survey work regarding wage rigidity in the 1990s was much in the tradition of what Kaufman would regard as institutional industrial relations, is not an IRRA member. Elsewhere, Kaufman has wrestled more fully with the issue of where to draw the line between neoclassical and institutional, but I am not sure that he has succeeded in defining the boundaries (Kaufman, 2004a).

When the focus is outside economics, the question of who is in or out of IR becomes more prominent. University of Pennsylvania political scientist Marie Gottschalk (2000) published a history and analysis of employer-based health insurance under the ILR Press imprint.<sup>13</sup> Yale historian Jennifer Klein's dissertation on the same topic was written under senior academics who were clearly in the industrial relations tradition. Klein's book was later published by Princeton University Press (Klein, 2003). But neither Klein nor Gottschalk are IRRA members. Princeton sociologist Paul Starr (1982) wrote an award-winning history of American medicine and the issue of public vs. private health insurance. He is also not an IRRA member. The issues of employer-provided benefits and social insurance were of great interest to the original

Commons group. But would Kaufman put these contemporary noneconomists as within industrial relations despite their lack of association with the IRRA? Would they self-identify as IR types?

In the Commons period, the primary example of social insurance was at the state level in the form of workers' compensation. John Burton, a past president of the IRRA, remains one of the nation's foremost experts on that topic. But state responsibility for health-related insurance has expanded well beyond workers' comp, thanks to Medicaid and other programs. By the 1990s, it was already apparent that state finances were under strain because of such responsibilities. When the Urban Institute sponsored a conference and publication on this topic in the mid-1990s, a variety of public policy experts participated and wrote chapters, including Theodore Marmor of Yale (Rich and White, 1996). None of these participants is associated with the IRRA. Are they in or out of industrial relations? What would they say? What would Kaufman say?

Even apart from the membership question, where should we put Leo Troy of Rutgers-Newark? His work on union membership trends is focused on a traditional IR topic but, at the same time, not favorable to unions (Troy, 1999, 2004). Troy explains the long-term decline in union representation as largely the result of disinterest by workers; he was profiled by *Forbes* as "Driving the AFL-CIO Crazy" with his projections (Seligman, 1999). Where do we put Morgan Reynolds of Texas A&M, who has written much about unions, but also is very critical of them from a libertarian perspective (Reynolds, 1984, 1987)? And what about Ed Lazear of Stanford and Hoover, who has interpreted standard personnel practices through an economic lens, but who would probably not be especially union-friendly (Lazear, 1993)?

Of course, one could define the field of industrial relations as requiring membership in a national organization such as the IRRA, or academic appointment in some designated set of university programs, or even just membership in the IIRA. One could define it in its contemporary form as focused on unions. Or in theory we could test scholars to see if they believed in Kaufman's three elements. There is no doubt that under such definitions, the field is endangered and that the decline of unions is a key correlate, if not the key factor. As unions have become a niche in the private sector labor market, the study of their activities also becomes a niche, as it was in the pre-New Deal era. I doubt readers will find that observation controversial by itself, regardless of how they feel about the union decline.

#### XV. *Macro Concerns*

In the pre-history of industrial relations, Kaufman tells us that the Labor Problem loomed large. It was partly a societal issue; oppressed workers might rise up and overthrow the existing order. And it was a micro-level concern, perhaps to be addressed with scientific management or with unions or with nonunion employee representation systems or (later) with human relations. During the Great Depression, such concerns—which had receded in the 1920s—came to the fore again due to mass unemployment. Episodes such as the veterans' bonus march on Washington in 1932 and the wave of strikes that accompanied the New Deal raised the threat to the social order again. And

at the micro level, employers had to cope with growing labor militancy that resulted from the Depression.

Macroeconomic concerns were prominent in the 1930s, as seen in the Wagner Act and other New Deal attempts to raise wages as a way of stimulating consumption, whether misguided or not. Conventional economics back then had little to say about the Depression, other than it would pass if left alone, or if wages would only fall. If one examines the textbooks available to students of economics in the 1930s, it is difficult not to be appalled by the (lack of) content. Students might learn about the difference between a partnership and a corporation from such textbooks, but they would come away with little insight about the major economic problem of the period (Mitchell, 1986).

After World War II, the notion of a threat to the existing order again receded. Unionized firms learned to live with collective bargaining through devices such as long-duration contracts and grievance and arbitration systems. Although Kaufman tends to link Keynesianism and IR—as have others—Keynesian economics, with its emphasis on fiscal policy as the route to economic stabilization, pushed attention *away* from wage raising for economic stabilization. Nor did Keynesian economics give support to the wage-to-underconsumption linkage found in the Wagner Act and New Deal thinking.

In the Keynesian approach, the volatile component was investment, not consumption. By the post-World War II period, the national income accounts were readily available. Anyone who doubted the Keynesian focus on investment would have to explain why the accounts showed that it was investment that had collapsed in the United States during 1929–1932, while the share of consumption in GDP had grown. Fiddling with wages (up or down) was not a Keynesian remedy.

The postwar macroeconomic problem was perceived to be wage-push and wage-price spirals, not repressed wages and underconsumption. As noted previously, the remedy in various countries, including the United States, became income policies and programs to encourage wage restraint. *Union bargaining became the Labor Problem, not the Depression solution.* But as such, the academic field of industrial relations was enhanced; it was presumed that academic experts in industrial relations would know something about how to obtain union cooperation in wage restraint.

Meanwhile, macroeconomics evolved such concepts as the Phillips curve and later the NAIRU out of concerns about wage-push. Work on implicit contracting, such as Arthur Okun's invisible handshake, were also by-products of these concerns. Although not specifically focused on unions, Martin Weitzman's share economy model (1984) was developed as a proposal for overcoming wage rigidity and resulting "stagflation." And the various episodes of wage/price guidelines and controls produced an empirical literature evaluating their impact.

Kaufman tends to under-stress the importance of postwar macro concerns about inflation and wage-push, despite the fact that such matters were major policy objectives in many countries. Indeed, the early discussion of incomes policy in the United States was based on a flow of information by scholars evaluating foreign programs such as Edelman and Fleming's 1965 volume. If Kaufman had put more focus on incomes

policies, the idea that Europe was largely devoid of the field of IR before the IIRA came along would have been called into question. When it came to such policies, the United States was at least as much an importer of ideas as it was an exporter.

### XVI. *Globalism*

The ILO's creation in the aftermath of World War I was a response to what is now called globalism. However, while some U.S. unions felt threatened by import competition, the shift of organized labor toward protectionism did not develop until the late 1960s and early 1970s. The Democratic Party—to which labor was tied—was historically the party of free trade, going back to its southern base and the fact that the South was export-oriented. Republicans were the party of protection, representing manufacturing business interests that feared competition from Britain and later Germany. Thus, for example, it was official policy of the New Deal administration to roll back the Republicans' Smoot-Hawley Tariff of 1930 through reciprocal trade agreements embodying most-favored nation clauses.

President Truman was unable to obtain Senate approval for creation of an International Trade Organization, due to Republican opposition. But he managed to turn the earlier, temporary GATT agreement into a permanent quasi-ITO. Unions generally supported President Kennedy's efforts at multinational tariff reduction in the early 1960s, once an agreement was reached to provide trade adjustment assistance to displaced workers. Those efforts turned into the "Kennedy Round" multilateral trade negotiations after his assassination.

There was not much concern about such matters in the field of IR as Kaufman defines it, however, during the post-World War II period and through the era of the IIRA's creation. Yet here is where greater awareness of the potential for globalization to influence domestic labor markets—an understanding long incorporated into trade theory—might have informed industrial relations. The original theory of comparative advantage of David Ricardo suggested to economists that all nations would benefit from trade and that the benefits would flow to everyone within the trading nations. However, by the 1920s, theorizing by the Swedish economists Eli Hecksher and Bertil Ohlin began to suggest an alternative outcome. In the Heckscher-Ohlin framework, factor markets are seen to be in indirect competition internationally through the world product markets of exports and imports. By the early 1940s, Wolfgang Stolper and Paul Samuelson showed that protection in developed countries might in fact raise real wages there. Samuelson's postwar papers on factor-price equalization sharpened this implication (Stolper and Samuelson, 1941; Samuelson, 1948, 1949).

The fact that the potential impact of globalization on domestic labor markets was not much emphasized or analyzed by institutionalists suggests that lack of theory could create blind spots for them that those outside the field of IR could more easily see. Economic theory predicted a type of convergence across international labor markets. Absent theory, Kaufman's three elements of IR would not detect that potential. And, indeed, Samuelson-type convergence was not the kind of convergence predicted in books such as *Industrialism and Industrial Man*.

Globalization also affected the practice of industrial relations because it added an element of uncertainty into product markets through the mechanism of flexible exchange rates. The Bretton Woods system of fixed exchange rates came under increasing strain in the 1960s and was effectively killed unilaterally by President Nixon in 1971. Once exchange rates could fluctuate, national competitiveness could change quickly. Firms could be rendered uncompetitive or super-competitive for reasons unrelated to their management decisions or to the tenor of their labor relations and personnel practices. In such a world, it became costly for employers to make long-term commitments to employees of the type associated with collective bargaining contracts. The kind of job security arrangements that had been at the heart of IR going back to welfare capitalism become difficult to maintain in an unstable world.

There was debate in the international economics literature about the potential effects of flexible exchange rates during the Bretton Woods period. But the IR literature of that era largely ignored the issue, just as it had largely ignored trade theory. The tradition of under-attention to matters of exchange rates and international finance continues. Thus, a clear focus on the exchange rate issue was not prominent in the more recent European industrial relations discussion of EU integration and creation of the euro zone. On the one hand, a common currency eliminates exchange rate fluctuations within the euro zone, a potentially a stabilizing effect on industrial relations. But absent independent monetary policies, the euro-zone countries have reduced their economic sovereignty. They have less ability to control their own economic destinies.

Indeed, euro-zone countries have put themselves in the position of individual states with the United States who must manage their fiscal affairs within the national dollar zone. Unlike the 50 American states, however, the members of the euro zone have very substantial national social insurance and other obligations. Will they be able to continue their welfare states when constrained to balance budgets? When policy decisions were made to join the euro zone, there was not much contribution from the field of IR as Kaufman defines it. Yet the social insurance question was historically a major part of the field.

There is discussion of globalism in Kaufman's volume, particularly with regard to creation of the ILO and the issue of world labor standards. But he fails to recognize globalism as a subject in which insights long available outside IR did not penetrate the field, perhaps because of its institutionalist tendency and aversion toward economic theory. Milton Friedman's seminal paper on the case for flexible exchange rates goes back to 1953. Heckscher and Ohlin wrote long before that.

#### XVII. *Competition from HRM*

Kaufman notes that personnel management—which later became human resource management (HRM)—tended to be fitted into academic industrial relations centers and school well into the post-World War II period. Textbooks from that era (e.g., Strauss and Sayles, 1960; Sayles and Strauss, 1966)—while written from a managerial perspective—did not shrink from discussing the issues in terms of dealing with ordinary

employees. Roles are laid out for supervisors including factory foremen. After reading such books, readers would be familiar with approaches to recruitment, training, evaluation, incentives, job safety, etc.

Contemporary human resource textbooks (e.g., Dessler, 2005) still focus on nuts-and-bolts issues. Even those written for general managers pick up standard themes, such as pay for performance (incentives) and job design. And they pick up modern concepts such as internal labor markets, agency theory, specific vs. general human capital, etc. (Baron and Kreps, 1999). So the competitive threat from HRM to industrial relations is not so much a matter of content but of location.

Those who specialize in HRM are likely to be found outside academic industrial relations centers and probably belong to professional associations other than the IRRA (or IIRA). So it is only when IR is defined as membership in particular associations or centers that there is a competitive threat. Otherwise, in broad terms HRM folks are doing pretty much what they did in the past, although with newer methodologies. Whether the median HRM academic would subscribe to Kaufman's three elements is anyone's guess. Generally, however, such academics tend to be micro oriented in research, i.e., concerned with problems at the firm or interpersonal levels, rather than with stabilizing the economy, Social Security, or NLRB policy.

There is an issue not developed by Kaufman but perhaps of concern to him when he considered what he saw as a displacement of industrial relations by HRM. American business schools by the last decades of the twentieth century, for reasons suggested earlier, generally had problems confronting the employment of ordinary employees that still revolve around pay, benefits, and conditions. Of course, some B-school students are enrolled in courses focused on nuts-and-bolts personnel. But for others, the "people issues" they learn about are more likely to involve managers interacting with other managers rather than the kinds of concerns that once motivated Frederick Taylor. Often there is a focus on the leadership abilities of top executives, individuals whose contact with non-supervisory workers is generally limited.

This American blind spot is likely less prevalent abroad. But it is also likely that since the American B-school has been a model for business schools being created abroad, the U.S. approach to people issues may spread. An MBA student can be forgiven for presuming that if a topic isn't discussed, it can't be very important. In a sense, not discussing labor issues is a return to labor-as-a-commodity as a default. B-school students do not take courses dealing with the use of oil, electricity, or paper. It is simply assumed that you can buy those inputs to production if you need them. You do not have a relationship with oil, electricity, or paper. And as in the case of oil or electricity or paper, absent explicit discussion, the assumption has to be that you can always buy labor if you need it.

### XVIII. *Competition from Economics*

If the focus is on journals in the labor economics area, or largely in that area, there is no shortage of published research. There is certainly a greater annual flow of labor mar-

ket research than existed in the post-World War II American golden age of IR. With regard to student interest, the National Bureau of Economic Research website provides links to economics departments advertising new PhDs. In the 2004–2005 academic year, I counted about three dozen candidates listing labor as a primary or secondary field just from Chicago, Harvard, Stanford, Yale, Berkeley, and MIT. And the NBER has its own labor studies program headed by Richard Freeman.

A similar case can be made beyond the borders of the United States, as Kaufman would acknowledge. Of course, it is clear that much of this activity falls outside Kaufman's view of the field, since PhD programs in economics are not likely to feature his three elements. On the other hand, economics has produced individuals who have made contributions that Kaufman would likely consider as relevant to the field, if not directly in it. There are the above-mentioned contributions of Okun and Weitzman. Going back in time, Keynes' view of wage rigidity was based on a decentralized bargaining model where wage comparisons led to a wage floor. And the strike model of John Hicks is still included in standard labor economics textbooks, including one co-authored by Kaufman (Kaufman and Hotchkiss, 1999: 555, 586).

The division that Kaufman describes between institutional labor economists and theorists occurred in an era when theory was relatively simple. A simple competitive demand = supply model of the labor market, propelled by simple notions of rationality and maximization of utility, tends to produce definite answers and gravitates toward laissez-faire as the optimum approach. However, the growing mathematical and methodological sophistication of economics has tended to make that discipline more receptive to deviation from the simple approach. That is why individuals such as Herbert Simon (bounded rationality) and Daniel Kahneman (PhD in psychology) could win the Nobel Prize in economics.

Growing availability of computers enabled the rise of econometrics as a practical field for testing hypotheses by the 1960s. Often, even with simple models, the abstract answer is qualitative or directional. Finding out *how much* something matters—as opposed to a theoretical prediction that it would matter—can be eye opening with regard to public policy issues. Kaufman views neoclassical economics as dogmatic. But even if that were the case in the past, or is the case now, will it be true in the future? Perhaps economics will become a more generalized exercise in social science modeling where institutional influences will be measured without a predisposition.

Finally, it should be noted that the early history of IR, up through the period of the enactment of the Wagner Act, emphasized the inequality of bargaining power of ordinary workers. Workers had to take jobs—or not take them—on terms set by management. In economic terms, the assumption implicit in that view was that a nonunion labor market was monopsonistic, not competitive in the demand = supply sense. The monopsony assumption was critical to the field, even if that terminology was not used, since it provided a rationale to offset nonunion monopsony with union monopoly or government regulation. But the actual analysis of monopsony went into hibernation and did not awaken until the 1990s. Perhaps if the field of IR had been more open to

economic theory, it could have developed the monopsony idea much earlier (Mitchell and Erickson, 2005).

### XIX. *Whose Fault Is It?*

If the field of industrial relations is under siege from economics, behavioral science, and HRM, and is losing potential scholars in other disciplines such as law, political science, and sociology, is anyone to blame? Or is the field just the victim of blind forces that no one could foresee? Kaufman, as noted, does not go heavily into the blame game. At points, Kaufman suggests that industrial relations might have drawn more actively from currents of thinking other than the views expressed in *Industrialism and Industrial Man*. He notes views critical of benign worldwide convergence to something like the U.S. model, mainly on the left, although in the end he is not convinced that adopting such alternative views would have done the trick for IR. Apparently, at least through omission, he doesn't believe that proponents of workers' influence through various cooperative ownership schemes or employee stock ownership plans (ESOPs) or other forms of worker ownership can rescue the field of IR (Melman, 2001; Blasi and Kruse, 1991).

Given a definition of industrial relations that often appears linked to particular academic programs and professional associations, and given the fact that the employment relationship is not understudied, the question arises of whether there was openness in those programs and associations to new members with alternative views and methods. There may have been resistance to new members in the club on the part of some senior members. Certainly, there may have been a perception of less than a full welcome to new ideas and younger scholars. I have already noted the harsh view of young, empirically-oriented economists expressed by John Dunlop in the latter part of his career.

In the old medieval guilds, apprentices learned to duplicate what their masters already knew. That model, however, is not a recipe for success in modern academia. First, academia rewards new thinking. Sometimes that thinking may lead researchers astray. Thus, I have not personally been taken with models that view downturns in the business cycle as a technical regress or consider mass unemployment as a form of leisure. But it is entirely appropriate for researchers to pose alternative models for debate, even models that don't appeal to me. Dunlop did not share the view that approaches other than his own were useful.

Second, as pointed out by Adam Smith, there are advantages to be had in division of labor. Not every researcher who contributes to an understanding of the labor market need use the same approach, let alone think the same way. Dunlop's scorn of economists using large public data sets was misplaced, to say the least. To the extent that those researchers misconstrue evidence, there are others who can present alternative interpretations. A field is not well served if its senior members are unwilling to allow contrary viewpoints.

If industrial relations is defined narrowly to mean academics who affiliate with the IRRA or IIRA, the question can be asked as to whether the (end-of-career) Dunlop



view was sufficiently widespread that it repelled researchers who did not fit the mold. Who was invited to give papers at professional meetings? Whose work appeared in sponsored publications? And if there was not sufficient receptivity to a broad range of views and methods, who was responsible? Kaufman gives credit for advances in the field to specific individuals, as noted earlier, shied away for reasons of politeness from naming those who contributed to decline.

## XX. *Religion in the Field*

As noted, Kaufman attributes part of the motivation of the early American reformers that produced industrial relations as social Christianity. He is not alone in this observation. Jacoby, for example, notes the early role of the YMCA in “welfare work” (1985: 56–59). Others, including those who did not especially approve of the results of such religious motivation, have made similar arguments (Rothbard, 1996). In contrast, work on the contemporary period has found weak evidence of a possible inverse relationship between church attendance and unionization (Gomez et al., 2001). But, in any event, readers who have been attentive to the names of many of the individuals mentioned so far may wonder about the social Christianity of such figures as Samuel Gompers, Selig Perlman, the Wertheim family, Wilbur Cohen, Bernard Baruch, Eugene Meyer, Louis Kerstein, and Abe Raskin, to name a few. All of these persons were Jewish.

Names won’t tell you everything. Edward Filene, whose Boston department store created the first major American company union in 1905, was Jewish (Jacoby, 1997: 15). Gerard Swope of GE, David Morse of the ILO, William Leiserson of the NLRB, and Leon Keyserling of Truman’s Council of Economic Advisors were also Jewish. Nor is this phenomenon confined to the United States. Montague Burton, who financed the industrial relations chairs at LSE, was Jewish, as is Joe Isaac, a leading figure in Australia. Kaufman reports that Solomon Levine spread American industrial relations ideas to Japan (p. 509). Lovestone and Brown, in partial collaboration with the CIA, pushed for noncommunist unions in Europe and elsewhere. Less covertly, David Morse (before going to the ILO) created the Trade Union Advisory Committee after World War II within the U.S. Department of Labor to foster noncommunist unions abroad. Philip Kaiser inherited the Committee from Morse and continued its activities in the Truman administration.

Durkheim and Friedmann are reported by Kaufman to be part of what he terms the pre-history of industrial relations in France. Otto Kahn-Freund helped found the IIRA from the British side. In short, the list goes on and on and on in industrial relations. But interestingly, many of those who figure prominently in intellectual currents that have tended to *undermine* IR—as Kaufman sees it—also are or were Jewish.

Kaufman mentions Milton Friedman as a figure moving economics away from Keynesianism, government intervention, and the New Deal approach (pp. 362–63). Earlier libertarian-type economists such as Ludwig von Mises—and maybe even Ayn Rand—can also be cited. One can point to Gary Becker and Jacob Mincer as labor

economists who pushed the field of labor economics in new directions (human capital, etc.) and away from a concentration on unions and bargaining.

Abraham Maslow might be cited as an important researcher who helped foster the personnel/HRM branch of analyzing the employment relationship that seems to have eclipsed traditional IR, at least in the United States. Kurt Lewin of MIT produced important work on leadership and group dynamics and later was an early T-group practitioner. In some respects, such work focused on managers interacting with other managers, a previously mentioned tendency in U.S. business schools that tilts attention away from the employment relationship with ordinary workers. Although quality of working life research was not antithetical to traditional industrial relations, many in the field of IR were suspicious of a form of employee voice other than collective bargaining. Thus, quality of working life research was not always welcomed. A major importer of British work on quality of working life, as well as a key researcher in his own right, was Louis Davis.

There is a story here, and one that Kaufman either missed or omitted. The reasons can only be guessed at, but my surmise is that the phenomenon of noting Jewish contributions was seen as dangerous to discuss in the past, and may not be quite politically correct even now. Thus, a researcher going through archives and histories might well not come across an explicit reference to the Jewish component of Kaufman's IR topic in respectable literature.

Anti-Semitism in the economics field in the United States and abroad was widespread in the first half of the twentieth century (Reder, 2000). And that was true in other areas of higher education from admissions to hiring. Anti-Semitism was also prevalent in political discussions. Opponents of the New Deal referred to it as the "Jew Deal." Henry Ford published anti-Semitic tracts in the 1920s. Father Charles Coughlin had a national radio audience for his anti-Semitic broadcasts in the 1930s. And famed aviator Charles Lindbergh blamed the Jews for pushing the United States into World War II on the eve of that war.

Of course, notions of Jewish conspiracies continue to exist on the fringe, as a quick Internet cruise will reveal. But they became less acceptable in the mainstream during the second half of the twentieth century, especially after the revelations of the Holocaust. Still, in the early post-World War II period, there were sensitivities about Jewish association with communism. The Rosenbergs were executed as Soviet spies in the early 1950s. Former Treasury official Harry Dexter White, who was really the father of the International Monetary Fund, was similarly accused. J. Robert Oppenheimer, co-director of the Manhattan Project lost his security clearance. So even after World War II, the less said about Jews in prominent positions, the better. And in the early twenty-first century, this tendency continues. In the Harvard Business School's online profiles of "great American business leaders," the "ethnicity" of individuals such as Swope is simply "white."<sup>14</sup>

But since Kaufman put religion into the story in the form of social Christianity, yet omitted the Jewish angle, readers of his book are left to speculate about the rea-

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sons Jews played a prominent role in the history of industrial relations as well as countercurrents in thinking and practice. And despite the fringe conspiracy theories on the Internet, it is useful to ask why Jews played an important role in the rise and decline of industrial relations as Kaufman defines the field. I will offer some conjectures since Kaufman didn't.

One explanation that has been offered—at least for the early years of the twentieth century through the New Deal—has to do with the Jewish religion itself and the argument that providing assistance to the needy is an important requirement. Related to that is a tradition of communal organizations to provide charitable assistance within the community. The argument here is that when the Depression overwhelmed private charitable organizations, it was only a modest step to endorse the government as the substitute communal provider (Dollinger, 2000). A tendency toward communalism would also account for a tendency to support unions, organizations that deal with problems on a collective rather than individual basis.

Religion might also account for gravitation toward higher education. Traditional Judaism values religious scholarship and learning. Translated into more secular terms, that inclination would lead to a quest for advanced education and positions in higher education institutions, despite barriers. Thus, Selig Perlman could become a protégé of Commons at Wisconsin, despite the view of the latter that an influx of Jews and other groups into the United States led to destructive wage competition. “The Jewish sweatshop is the tragic penalty paid by that ambitious race” (Commons, 1911: 148; Leonard, 2004). In those days, the phrase “race to the bottom,” had it been invented, would probably have used “race” with a double meaning.<sup>15</sup> Perlman was certainly not singular as a member of the Commons group. As an example, economist Elizabeth Brandeis—daughter of famed Supreme Court Justice Louis Brandeis—was also a member.

There is also the fact that the big waves of Jewish immigration imported concepts from Europe including socialism, another communal idea. Such notions—leavened by less radical notions in the United States—might well have led to an attraction by many Jews to New Dealism, which entailed more government control of the economy but not full-fledged socialism. For those who had made it in the American capitalist system such as Filene and Swope, the idea of doing right by the employee might devolve from such an orientation. And for those individuals whose notions were not leavened by the surrounding community or capitalist success, there would have been a continuing pull of the left, including the Communist Party.

These explanations are undoubtedly part of the story. Some observers might add various Biblical and Talmudic injunctions about the treatment of laborers to the list (Garai, 2004). But they cannot account for a tendency for Jews to be prominent in areas that are not directly linked to social welfare concerns. The interest in macroeconomic stabilization, evidenced by the pre-New Deal Swope Plan, can be found still earlier in the person of Paul Warburg, a leading figure in the creation of the Federal Reserve System.<sup>16</sup> Prominent importers of Keynesian ideas about macro stabilization included Paul Samuelson and Abba Lerner. And these early macroeconomists needed to have the

national income accounts to do useful analysis, accounts that had been pioneered by such figures as Simon Kuznets. Once these accounts were available, empirically oriented economists such as Moses Abramovitz could develop evidence on destabilizing factors such as inventory fluctuations in business cycles.

But as noted earlier, Jews were also prominent in the *critique* of the New Deal, Keynesianism, unions, and the field of IR. Here, I think, what is at work is “marginalism,” where the term refers not to the economic concept of incremental costs and benefits, but to being on the margin—outside really—of the mainstream society. When consultants are called into an organization to find remedies for perceived internal problems, it is assumed that their outsider status will provide a perspective that being an insider obscures. One who is an outsider is likely to engage in new thinking. In contrast, insiders stay with the prevailing view and can be victims of group-think.

Thus, it should not be surprising that Jews had a tendency to be importers or conceivers of new ideas in industrial relations. They did so for the same reason that Einstein could perceive flaws in nineteenth-century physics, Hollywood entrepreneurs such as Goldwyn and Mayer could see that early motion pictures were not a passing fad, and mobster Bugsy Siegel could appreciate the postwar commercial potential of Las Vegas. Kaufman reports that Hélio Zylberstajn co-authored the first textbook on Brazilian industrial relations (p. 541). Noah Meltz is said by Kaufman to have been a major importer of the Dunlop systems idea into Canada (p. 417). And although he gives prominence to Joe Isaac in Australia, Kaufman doesn't mention the work of Myer Kangan, who is credited with the first book (in 1958) on personnel management in that country.<sup>17</sup>

## XXI. *The Bottom Line*

Kaufman's history of industrial relations is undoubtedly the crowning achievement of his career and is unlikely to be equaled by other scholars. It is a history in time and space unlike earlier literature which tends to focus on one country or which provides a snapshot cross-country view. The book also highlights the potential benefit of doing archival work on academic and professional institutions, in this case the IIRA.

My comments on Kaufman's book primarily revolve around three points. First, his definition of the field of industrial relations tilted the conclusion toward a finding that the field spread from the United States abroad. He defines the field so that it existed only (or mainly) in the United States until after World War II. Since it now exists elsewhere, the conclusion that it must have spread from the United States was almost inevitable. His definition—highlighting the Wisconsin school's three elements—was more centered in the United States than elsewhere.

Whether a broader definition to encompass any research or policy planning with regard to employment and related social issues would have led to a different conclusion, I cannot say for sure. But my sense is that since, as Kaufman acknowledges, the *phenomena* of IR exist everywhere, it is the *field* definition that is crucial. Certainly, even in the pre-New Deal era, those who constituted the field of industrial relations as

Kaufman defines it were quite interested in foreign developments, whether these were European social insurance schemes or Australian union-management arbitration arrangements or protective labor laws from virtually anywhere.

Second, and related to the first point, Kaufman has underemphasized the role of certain players—particularly legal scholars—and certain pressures, notably the macro-economic concern about inflation control after World War II. In the case of anti-inflation wage/price controls and incomes policy, the United States was an importer of ideas as well as an exporter. Indeed, in that area, the United States probably ran an intellectual trade deficit.

Third, Kaufman's discussion of religion pointed to one tendency that influenced the field of industrial relations, but left the more obvious story untouched, perhaps out of some concern about political correctness. No one doubts that social Christianity played a role in the attitudes and careers of certain key players in the development of IR. But the Jewish contribution to the rise *and fall* of industrial relations is not discussed in the Kaufman book and seems far more interesting.

These points of criticism are important, but in no sense should be viewed as condemnation. Even if you are put off by the thought of tackling a book of almost 700 pages, you will benefit greatly from making the effort. Certainly, your university library should obtain a copy since the Kaufman book will undoubtedly be the standard reference on the intellectual history of IR for years to come.

## NOTES

\*I thank Sanford M. Jacoby for helpful comments on an earlier draft. Bruce E. Kaufman provided a commentary on that draft as well and disagreed with various points. I suggested he might want to write a formal reply, but he preferred simply to provide the comments, some of which are reflected in this version. I thank him also for his comments. Ultimately, opinions in this review are mine alone.

<sup>1</sup>The Industrial Relations Research Association (IRRA) changed its name in 2004 to the Labor and Employment Relations Association. In this paper, however, I use the old name and abbreviation since Kaufman does.

<sup>2</sup>Kaufman lists 34 of his own works in the reference section of his book (pp. 658–60), most of which are linked to aspects of the U.S. history of industrial relations.

<sup>3</sup>According to Kaufman in an e-mailed commentary sent to me on an earlier version of this review received April 6, 2005, he had already been selected as the author when the IIRA approached me. But this fact was not made known to me by the IIRA representative.

<sup>4</sup>Kaufman's book contains a major bibliography of references which, as noted above, includes his own prior work. In the interests of economy, I will limit my own references to items not referenced by Kaufman or that are important to my narrative.

<sup>5</sup>E-mailed comments from Kaufman to Mitchell received April 6, 2005.

<sup>6</sup>Progressive reformers did not necessarily see the conflict. Some believed that professional managers would be receptive to unions and employee voice (Jacoby, 1985: 126–32).

<sup>7</sup>Cohen himself was too young to be in on the beginning of Social Security and considered another Commons associate (and eventual president of the American Economic Association), Edwin E. Witte, to be the "father" of the program.

<sup>8</sup>It was only in the post-World War II period—after Swope was no longer on the scene—that GE became associated with aggressive tactics in collective bargaining (known as “Boulwarism”) and with conservative politics.

<sup>9</sup>The book was reprinted in the 1990s, but with the chapter on Yugoslavia removed. In the original edition, Dunlop had positive things to say about Yugoslavian worker cooperation and participation. By the 1990s, Yugoslavia did not look at all as a place where anyone wanted to cooperate.

<sup>10</sup>Kaufman notes that francophone Canada experienced an earlier development of the field than its Anglophone counterpart, partly because the Quebec labor movement had a nationalist component.

<sup>11</sup>Lovestone, Brown, and their associates appear to have primarily operated within the union movements in various countries rather than in academia.

<sup>12</sup>In his previously noted comments to me on an earlier version of this review, Kaufman states that whether Freeman and Medoff “are in IR depends on the ‘three faces’ criteria. . . .” (He uses the word “faces” in his comment and book whereas I have used “elements.”) But he did not say whether by those criteria Freeman and Medoff were in or out.

<sup>13</sup>The ILR Press imprint—issued by Cornell University Press—is associated with the Cornell School of Industrial and Labor Relations, an institution clearly within the industrial relations world.

<sup>14</sup>See <[www.hbs.edu/leadership/database/ethnicity/](http://www.hbs.edu/leadership/database/ethnicity/)>.

<sup>15</sup>Commons, in keeping with his time, identified Jews and virtually every nationality as a “race” and attributed various racial traits to them. Thus, Commons thought that Jews crowded into cities such as New York because of a “racial distaste for agriculture” (Commons, 1911: 166). On the other hand, although some races were inherently superior or inferior to others, he thought that much of the discrepancy could be modified through assimilation (Americanization).

<sup>16</sup>Warburg’s involvement led to the usual suspicions of that time about Jewish finance and conspiracies.

<sup>17</sup>“Great Australian Educators: Myer Kangan, OBE, AO 1917–1991.” Available at <[www.austcolled.com.au/rand.php?id=218](http://www.austcolled.com.au/rand.php?id=218)>.

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