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## John R. Commons and the Wisconsin School on Industrial Relations Strategy and Policy

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# John R. Commons and the Wisconsin School on Industrial Relations Strategy and Policy\*

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## **Abstract**

The field of industrial relations in the United States is largely rooted in the early twentieth-century writings of John R. Commons and the Wisconsin School. The author documents and describes their strategy and recommended policy approach for improved industrial relations. The three core components of their strategy were stabilization of markets, equalization of bargaining power, and constitutional government in industrial enterprise. The author also shows that the thinking of Commons and his associates on the best way to achieve these three goals—and, in particular, their view of the appropriate mix of trade unionism, labor law, personnel management, and macroeconomic monetary/ fiscal policy—evolved through four distinct phases, starting about 1900 and ending in the late 1930s.

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\*The author acknowledges with appreciation the helpful comments of Richard Gonce and LSE seminar participants on an earlier draft of this paper.

# JOHN R. COMMONS AND THE WISCONSIN SCHOOL ON INDUSTRIAL RELATIONS STRATEGY AND POLICY

BRUCE E. KAUFMAN\*

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The field of industrial relations in the United States is largely rooted in the early twentieth-century writings of John R. Commons and the Wisconsin School. The author documents and describes their strategy and recommended policy approach for improved industrial relations. The three core components of their strategy were stabilization of markets, equalization of bargaining power, and constitutional government in industrial enterprise. The author also shows that the thinking of Commons and his associates on the best way to achieve these three goals—and, in particular, their view of the appropriate mix of trade unionism, labor law, personnel management, and macroeconomic monetary/fiscal policy—evolved through four distinct phases, starting about 1900 and ending in the late 1930s.

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A near-consensus exists that the intellectual and policy roots of American industrial relations (IR) are contained in the writings of the early twentieth-century institutional economists of the Wisconsin School, led by John R. Commons. Neither Commons nor other members of the Wisconsin School ever wrote down in one place, however, a summary statement of their “theory” of industrial relations or recommended program for industrial relations policy. Instead, their views on these matters are scattered across dozens of newspaper and journal articles, books, and government reports and Congressional testimonies published over a roughly forty-year

period, from the mid-1890s to the mid-1930s.

A summary description of the Wisconsin School’s perspective on industrial relations theory and policy is available in several places (Barbash 1967, 1976, 1994; Kochan 1980; Kochan, Katz, and McKersie 1986; Kaufman 1993; Lampman 1994). Other authors have also examined particular facets of the labor/IR writings of Commons and his colleagues, such as labor history (Isserman 1976; Fink 1994), theory of unions and the labor movement (Perlman 1958; Kaufman 2000a), social insurance (Chasse 1994; Moss 1996), contributions to Progressive-era reform (Ramirez 1978; Wunderlin 1992), contributions to the fields of personnel and human resource management (Kaufman 1998), and theory of labor markets (Cain 1994; Kaufman 1997). To the best of my knowledge, however, a relatively detailed, inclusive account of the IR strategy and policy program advocated by Commons and his associates has not heretofore been published.

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This article makes a first step in this direction. It is distinctive, I believe, in three respects: it provides the most complete statement available of the position of Commons and the Wisconsin School on industrial relations strategy and policy; it documents the marked evolution that occurred over time in Commons's strategy for improved industrial relations; and it highlights certain areas of the conventional wisdom regarding Commons and the Wisconsin School that need revision. The conclusion of the paper discusses the implications of these findings for the field of industrial relations today.

### **Labor Problems: Causes and Solutions**

The beginning point of the story is the concept of labor problems, for Commons and his associates viewed labor problems and industrial relations as largely opposite sides of the same coin. The concept of labor problems—particularly in the singular as “the Labor Problem”—gained currency in the early 1880s and was soon regarded by many observers as the most serious domestic social issue in the country. Commons shared this point of view. “If there is one issue that seems likely to overthrow our civilization,” he wrote in 1919, “it is this issue of capital and labor” (Commons 1919b:1).

Generically viewed, labor problems are the various behaviors and outcomes growing out of the employer-employee relationship that adversely affect economic efficiency and human well-being. Examples include poverty-level wages, low work effort, workplace accidents, excessive work hours, strikes and other forms of conflict, high employee turnover, and child labor. Industrial relations was seen by the institutionalists as the field of study and practice that seeks first to identify the causes of these labor problems and then to develop solutions to them.

Numerous causes of labor problems were identified, some of them imputed to structural or systemic features of the employment relationship or capitalism, others to special historical or American contextual

factors. Specific causes aside, the more general challenge facing Commons at the turn of the century was how to improve the conditions of labor in an environment marked by chronic economic instability and excess supply in labor markets, a system of work force governance that gave employers largely unfettered control over labor, a political and judicial system committed to freedom of contract and the defense of property rights, and a national culture steeped in individualism and distrust of government.

Confronting these problems, and forced to work within the political and social constraints of the American system, the early institutionalists sought to develop a comprehensive program to improve the conditions of labor and, more generally, achieve a more progressive and humanized system of industrial relations. Expressed in negative form, the institutional program of industrial relations represented a rejection of three then-prevalent doctrines: the commodity conception of labor, a laissez-faire approach to market/employment regulation, and the monarchial or “employer autocracy” model of work force governance. Expressed in positive form, the institutional industrial relations program rested on three key principles.

The first principle is *stabilization of product and labor markets*. The aim here is to smooth disruptive fluctuations in production and employment, prevent excess supply conditions from dragging down labor standards, provide workers with secure, full-time jobs, and eliminate what the institutionalists saw as the number one problem of capitalism—unemployment.

The second principle is to promote *equality of bargaining power between employers and workers*. Viewing the wage determination process as seriously tipped in favor of employers because of market imperfections, scarce jobs, and the skewed distribution of rights and resources, the institutionalists aimed to bring wages and labor conditions up to a more competitive and fair level by augmenting the bargaining power of workers so the two parties would compete on a level playing field. (For further elabora-

tion of this concept, see Kaufman [1989].)

The third principle is *constitutional government in industry* (or “industrial democracy”). The aim here is to bring into the industrial sphere basic democratic practices enjoyed by workers in the political sphere, such as a written agreement or constitution to ensure that “rule of law” replaces “rule by men,” opportunities for participation and representation (or “voice”) in the determination and enforcement of workplace rules, and the protection of due process in the resolution of disputes and administration of justice.

All of these industrial relations principles and reforms were guided, in turn, by commitment to four broad social/normative goals on the part of Commons and his colleagues. The first three goals relate directly to the labor market and workplace: achievement of *economic efficiency*; attainment of *equity and justice* in workplace relations/outcomes; and provision of enhanced opportunities for *personal growth and self-actualization* (Kaufman 1993, 1997). In effect, the institutionalists took the standard welfare goal of orthodox economics (efficiency) and added to it two distinctly humanistic goals. They recognized that in the short run the three goals may conflict, thus requiring a process of negotiation, consensus-building, and trade-off, but they believed that in the long run a progressive program of industrial relations makes possible a general advance in all three areas. In the background was a fourth, superordinate goal—to preserve the basic outlines of the American system, and its foundation on private property, a market economy, and representative political government, from overthrow on account of class struggle between Capital and Labor and the correlative appeal of Socialism, Fascism, and Communism. As Commons put it, his goal was “to save capitalism by making it good” (1934b:143).

### **Applying the Principles: Evolution of the Wisconsin IR Reform Strategy**

The principles enumerated above are general guidelines that provide the posi-

tive and normative foundation for the Wisconsin approach to industrial relations strategy and policy. In actual practice, the Wisconsin IR program evolved in four distinct but partially overlapping stages. I cover them chronologically. The focus is on Commons’s ideas and writings, but other members of the Wisconsin School are introduced at appropriate points.

#### **Phase I: Unions and the Trade Agreement**

Commons began his academic career at Wesleyan College in 1890 and for the remainder of the decade wrote on relatively broad issues related to economic and sociological theory (for example, *The Distribution of Wealth*, 1893, and *A Sociological View of Sovereignty*, 1900), as well as on a variety of specific economic and social reform topics. Among the latter were proportional representation, municipal employment, and the contribution of Christian religion to social progress. It was only during the period 1899–1904, when he was effectively exiled from academe and undertook labor-related investigations for the U.S. Industrial Commission, the National Civic Federation, and other groups, that his attention and focus turned squarely to matters of labor and industrial relations (Gonce 2002), leading to his articulation, from roughly 1900 to 1910, of what I call “Phase I” of his strategy for improved industrial relations.

Commons sought to change property rights and build new institutions to promote improved industrial relations, and in this early period trade unionism, collective bargaining, and the trade agreement (that era’s term for a written union contract) were the major instruments he envisioned for this purpose. His thinking on these matters was strongly affected by two events: the 1897 publication of the Webbs’ *Industrial Democracy* (Commons 1934b:71), and the advent of industry-wide collective bargaining and trade agreements in several industries, including stove foundries, longshoring on the Great Lakes, and bituminous coal mining. In their book, the Webbs described how trade unions could

improve the conditions of laboring people by using the "device of the common rule" and collective bargaining to stabilize labor markets and equalize bargaining power, while also using methods of collective voice to replace industrial autocracy with industrial democracy. Shortly after absorbing these ideas, Commons saw them being put into practice. He recalled in his autobiography that while attending the week-long joint conference of the Mine Workers union and coal operators' association in 1900,

I was struck by the resemblance to the origins of the British Parliament. On one side of the great hall were nearly a thousand delegates from the local unions, ... on the other side were about seventy employers.... It was evidently an industrial House of Commons and House of Lords, but without a King. (1934b:72)

Industry-wide trade agreements between an employers' association and a national union had been negotiated in several industries in the 1890s, and Commons was impressed by their ability to stabilize markets and provide decent wages and labor standards. Speaking of the coal industry, he observed,

So far as the union enforces the agreement every operator knows exactly what his competitor's coal is costing; there is no secret cutting; and the trade is not brought down to the level of the few unscrupulous and oppressive operators who grind down their laborers. For this reason the bulk of employers who have had experience with these joint agreements are heartily in favor of them. (1905:11)

The idea that unions can stabilize an industry by taking wages out of competition was further developed by Commons in one of his most influential articles, "American Shoemakers" (1909). In it he examined the development of the shoe industry from the mid-1600s to the late 1800s and showed how the geographic extension of the product market and the development of the factory system brought in successively lower-cost sources of production, thus putting downward pressure on established wages and labor conditions. Industry-wide collective bargaining can place a floor under wages and labor conditions and thus en-

sure that reasonable labor conditions are maintained.

Commons was equally enthusiastic about the ability of trade unions and the trade agreement to introduce constitutional government into industry. He observed of coal mining,

Here is an industry where, for many years, industrial war was chronic, bloodshed frequent, distrust, hatred, and poverty universal. To-day the leaders of the two sides come together for two weeks' parliament, face to face, with plain speaking, without politics, religion, or demagoguery; and there they legislate for an industry that sends upon the market annually \$200,000,000 of product.... The most important result of these trade agreements is the new feeling of equality and respect which springs up in both employer and employee. After all has been said in press and pulpit about the "dignity of labor," the only "dignity" that really commands respect is the bald necessity of dealing with labor on equal terms. (1905:2, 12)

Several other aspects of Commons's thought in this period deserve further brief elaboration. First, in this early stage he frequently represented the conflict of interest between labor and capital in terms of class and class struggle and suggested it was deep-seated and growing more intense (Commons 1913:72). Consistent with that perspective, Commons portrayed the goal of IR reform at this point as seeking to contain class conflict by building an "equilibrium" between capital and labor and resolving disputes "with progressive compromises as conflicts arise" (p. 140). Again, he looked to industry-wide collective bargaining and the trade agreement to accomplish this "progressive compromise."

Second, Commons was a proponent of "voluntarism" in collective bargaining. In line with the position of Samuel Gompers, he argued that the government and courts should give labor the same rights to combine and use economic weapons as were enjoyed by employers, but then they should step out of the picture and let the two sides work out the terms of union recognition and collective agreements (Commons 1908a; 1934b:72-73).

Third, Commons saw the trade agree-

ment system as a method to promote greater macroeconomic stability. He claimed that a decline of prices and wages during recessions and depressions only aggravates the economic slump by reducing purchasing power and fostering bankruptcy, so to the extent that trade agreements stabilize wages and prices, they help stabilize the economy. Further, at this point in his career he thought that redistributing income from profits to wages through collective bargaining would—by preventing over-saving and under-consumption—further maintain purchasing power and aggregate demand (Commons 1902b, 1903b; Gonce 1966). He later called this the “profit-share” theory of business cycles.

Fourth, at this period he also advocated the extension of industrial unionism (Commons 1899). He noted that the craft form of union structure is ill-suited to establishing an industry-wide trade agreement in most goods-producing industries, and thus advocated the establishment and spread of industrial unions along the lines of the Mine Workers. Later, when the prospects for industry-wide trade agreements waned, he shifted views and concluded that the craft union structure of the AFL was “environmentally fit” for American conditions (Commons 1918a, 1935a).

Fifth, Commons recognized that unions have a number of defects and in various ways harm economic efficiency, but nonetheless argued that in most cases their benefits to society outweigh their costs. Unions, he stated, are labor cartels that aim to use their market power to promote wealth redistribution, joint aggrandizement, and protection of labor standards (Commons 1913:121; Kaufman 2000a). Unions are also inherently restrictive and impede and restrict the employer’s efficient utilization of labor. Where they enjoy a marked power advantage over employers, unions can be as ruthless and exploitative as capital. In most cases, however, Commons believed that union power promotes the public interest by providing an offset to the power advantage typically enjoyed by the employer in both external labor markets and internal firm governance (1913:120–34). He also

noted that unions in their “youth” tend to be radical and opportunistic, but over time grow more conservative and responsible, and through collective bargaining indirectly spur management to be more efficient and adopt more advanced production methods (1913:135–48; Commons and Andrews 1916).

## **Phase II: Labor Law and Social Insurance**

From roughly 1907 to 1916 Commons entered a second (but overlapping) phase in his research and writing on labor and industrial relations strategy. During Phase II Commons continued to write on trade unionism and promote collective bargaining, but the center of gravity in his research and public policy statements shifted toward labor law and, in particular, the role of protective labor legislation and social insurance as alternative means to solve labor problems. The most visible and significant of his publications in this area was *Principles of Labor Legislation* (1916, with John Andrews).

In Phase I Commons had not entirely neglected labor/employment law—several chapters in *Trade Unionism and Labor Problems* (1905) were devoted to aspects of legal regulation of employment—but this subject occupied a distinctly secondary, almost peripheral place in his thinking. Three things happened, however, to shift his attention and interest toward labor law. The U.S. Supreme Court appeared to open the door for protective labor law, at least slightly, when in 1908 it upheld the constitutionality of an Oregon law that established maximum work hours for women (Commons and Andrews 1936:114). Second, the trade agreement movement peaked in 1904, and prospects for its extension receded thereafter due to the destabilizing effect of recession, the inability of unions to organize all the firms in the product market, and the increasingly hostile “open shop” campaign of employers. And, finally, Commons became increasingly involved in the drafting and formulation of labor law over this period. His involvement

began in 1906 when he participated with Ely in the founding of the American Association for Labor Legislation (AALL), an organization in which his student John Andrews served as president for over three decades. Later, he became involved in drafting a variety of labor laws in Wisconsin and other states and served in a number of labor-related administrative and regulatory bodies, including the Wisconsin Industrial Commission. For a number of years, Commons had two offices—one at the university and another at the state capital building.

The Wisconsin School economists and the AALL were the focal point for a three-decade effort to expand government regulation of employment standards, improve the operation of labor markets, and protect workers' security through social insurance programs. Examples include minimum wages, maximum hours, a ban on child labor, elimination of peonage (servitude to a creditor), minimum safety and health conditions, public employment offices, counter-cyclical public works programs, accident insurance (workmen's compensation), unemployment insurance, and old age and health insurance. All of these programs are now foundational elements of the modern welfare state.

Commons and his associates presented both a theoretical and practical rationale for making labor law a central part of their strategy for industrial relations reform. On the level of theory, Commons and Ely advanced two arguments. The first involves freedom of contract. In his presidential address to the first meeting of the AALL, Ely stated, "The economic grounds for labor legislation are revealed best when the subject is approached from the viewpoint of contract or the economic bargain" (Ely 1907:25). He went on to note that the courts traditionally struck down labor legislation because it interfered with freedom of contract, but that one has to look under the facade of freedom of contract to see whether contract promotes or restricts true human freedom. Thus, he said, "When economic forces make possible oppression and deprivation of liberty, oppression and

deprivation of liberty express themselves in contract."

The second theoretical argument advanced by Commons and other members of the Wisconsin School was that labor legislation promotes the public purpose and is thus a legitimate exercise of the government's police power. Commons and Andrews (1916) noted, for example, that the courts had long permitted government to regulate business practices that adversely affect the health or welfare of consumers or the public, and all that labor legislation does is extend this principle to the protection of workers—treating them as citizens and valuable "human resources" rather than commodities or factor inputs. In this vein, Ely wrote,

Efficiency must be an ever present test, but economics insists upon the long view rather than the short view. If for the sake of a strong and virile population child labor must be prohibited, we can well content ourselves with the greater production in the future and increased human welfare; and this is after all the end of all economic activity. (Ely 1907:31)

On a practical level, Commons came to realize that labor legislation was a valuable complement to trade unionism and, in some respects, superior to it. A drawback of trade unionism was that its market reach was limited and could thus establish a "common rule" of labor standards only for a small portion of the work force. Labor legislation provided a way to extend the common rule across all segments of the work force. Commons thus urged that protective labor legislation and social insurance programs be adopted for all work force groups, including able-bodied men. This position was in direct conflict with the voluntaristic philosophy of Gompers and the American Federation of Labor (AFL), who saw government provision of these services as competing with union provision, and brought about a significant cleavage between the two groups. Gompers finally resigned from the AALL in protest.

Employers also started to move into this field, offering pensions, unemployment compensation, and limited forms of acci-

dent and health insurance. Commons was supportive of these efforts but also saw shortcomings parallel to union-provision. He remarked (Commons 1918c:1), "The present tendency towards group insurance and establishment funds can never reach but a small proportion of the working population. The tendency will be to tie the worker to his job because by changing his employer he loses his insurance. The effect of this is to shift the cost upon the worker in lower wages or less rapid rise in wages." Commons's position thus irked both unions and employers, but he maintained (Commons 1918d:6, speaking of health insurance), "Compulsory health insurance accomplishes two things at the same time, it makes the system universal, and it liberates the workingman [from union or employer control]."

Commons's work in labor law also led to a marked evolution in his opinion about the inevitability of conflict between capital and labor, and the best means to deal with it. One of the first practical aspects of labor law he dealt with was accident prevention and compensation. Workplace health and safety hazards were among the most serious labor problems of the era. Tens of thousands of workers were killed each year in workplace accidents, and many others suffered death or permanent impairment from exposure to unhealthy work conditions. Some observers nonetheless advocated a *laissez-faire* policy; consistent with Adam Smith's theory of compensating wage differentials, they argued that government need not regulate safety and health conditions in the workplace because market forces motivate employers to provide adequate protection and pay workers extra compensation for assumption of risk. Commons disputed this defense of inaction, noting that the theory "no longer fits the facts and is in truth nothing but a legal anachronism" because conditions of labor surplus and destructive competition undercut the pressure on employers to pay risk premia and invest in safer workplaces (Commons 1908b:458). Another line of thinking accepted the need for workplace regulation of health and safety, but advo-

cated accomplishing this by appointing government safety inspectors who would visit the employers' premises, look for safety violations, and seek remedy through fines and directives. To Commons, however, this also appeared ineffective and counter-productive, because it placed the safety inspectors and employers in an adversarial position, leading employers to resist and evade regulation and, often, to subvert the process by bribing the safety inspectors, pursuing extended litigation, or both (Commons 1934b:142).

The challenge, therefore, was how to enlist employer cooperation in improving safety and, at the same time, provide adequate compensation to victims. The method Commons came to favor, and for which he remained a life-long advocate, was government-mandated social insurance, in this case workmen's compensation (Moss 1996; Commons 1921b:9). With workmen's compensation, all employers make payments into an insurance fund, but the size of an employer's payments varies with the number and cost of accidents/claims originating from that employer's establishment. The experience-rating feature thus provides employers with an incentive to voluntarily seek ways to promote safer, healthier conditions. In his words, employers suddenly get the "safety spirit" (1919a:59). In addition, a comprehensive program places all firms on an equal competitive basis, thus taking this element of labor cost out of competition. Finally, the cost of paying for accidents and fixing unhealthy conditions is, socially viewed, a part of total production cost and should be borne by consumers—an outcome more nearly achieved with workmen's compensation (since firms pass along the insurance and claim cost in higher product prices) than with the traditional system, which tends to shift the cost to workers, families, and the community.

While collective bargaining depends on the exercise of economic coercion to induce employers to establish higher standards, Commons saw that labor legislation can turn a conflict of interest into a harmony of interest and persuade employers to improve work conditions voluntarily. The

challenge is to change the working rules facing employers so that promoting safety and health becomes more attractive than neglecting it. In this vein, Commons wrote,

There is no program of labor legislation now before the people which will tend, when properly worked out, so successfully to bring about a community of interests between capital and labor.... The result is we find the interest of the employer becomes that of the workingman, and he takes a part not only in preventing accidents, but in helping the workingman, the wage earner, through the hospitals, through the development of the curative agencies, in a prompt and quick recovery. (1916b:378)

As Commons began to place greater emphasis on labor law solutions to labor problems, experience quickly taught him that getting the laws enacted was only half the battle; the other half was getting them efficiently administered and enforced. He encountered numerous problems in the traditional administration of labor law: the laws contained costly, unrealistic provisions written in by legislators who had no practical knowledge of the situation; employers and unions often resisted the laws because they had no voice in their promulgation; officials charged with enforcing the laws were political appointees, often tainted with incompetence or corruption; and most laws had no provision for resolution of disputes over enforcement and interpretation other than legal action, thus leading to much litigation and attendant costs and time delays.

Commons's proposed solution to these difficulties—marking another significant broadening of his strategy for industrial relations policy—was to enact civil service reform and create an independent regulatory commission composed of expert staff and commissioners nominated by groups representing employers, labor, and the public. The virtues of such a commission, he contended, were numerous: it provides effective interest representation for all parties, insulates administration and enforcement from political pressure, leads to improved legislation and enforcement (because the affected parties have a voice in the process), and promotes consensus and

compromise throughout the process, thus reducing litigation and non-compliance (Commons 1913:382–94; 1934b:154–65). Rather than stipulating in legislation specific conditions or targets to be achieved, the commission is empowered to decide these matters subject only to the broad mandate that they be “reasonable”—the standard increasingly adopted by the courts at that time (for example, the “rule of reason,” as in Sherman Act anti-trust cases).

Wisconsin became the first state to adopt this procedure in labor regulation when it established the Industrial Commission of Wisconsin in 1911. The commission was initially charged with oversight of factory safety and sanitation, but its long-run objective, according to Commons, was “centering in one body all the relations of employers and employees, just as the Railroad Commission centers in one body all of the relations of the public utility corporations and the consumers” (1913:393). Commons was appointed as a commissioner representing the public. Perhaps of more importance to him, however, was that the commission enlarged and extended the application of three of his most cherished principles—that the determination of the “working rules” in industrial relations be the product of joint consultation and compromise by representatives of the affected interest groups; that bargaining be done by parties of roughly equal strength; and that the outcomes of the employment relationship meet the test of reasonableness. In Phase I Commons had been a strong advocate of trade unionism and collective bargaining because he thought unionism promoted these objectives; in Phase II he became an equally strong advocate of labor law and independent tripartite regulatory commissions because they extended the principle of interest representation and collective bargaining into the political realm. Thus, he said, “The system can not be interpreted as a mere statute administered by a bureaucratic commission. . . . It is as nearly a voluntary system of collective bargaining as the nature of our constitutional government will permit” (Commons 1934a:852).

From 1913 to 1915 Commons served as one of seven members of the presidential-appointed U.S. Commission on Industrial Relations. The charge of the commission was to discover the causes of conflict between labor and capital and recommend solutions thereto. Over these three years the commissioners traveled across the country investigating labor conditions and heard testimony from many dozens of employers, union leaders, workers, government officials, and social reformers. Appended to the Commission's final report to Congress was a dissenting opinion by Commons (and Commissioner Harriman), who believed that the majority report submitted by chairman Frank Walsh (a pro-union attorney) and the labor members placed too much blame on employers and proposed measures too radical and one-sided to gain public support. Commons's report provided the clearest and most detailed summary statement of his views on industrial relations policy, as they existed at the end of Phase II of his career (Commons 1916a). Pertinent points include the following.

(1) Indicative of his shift in emphasis from collective bargaining to labor law in Phase II, Commons began the report with a section on the latter. "Our statute books are encumbered by laws that are conflicting, ambiguous, and unenforceable," he wrote. "Here is probably the greatest cause of industrial unrest" (p. 171). In the next section, entitled "Industrial Commissions," he proposed that "State and Federal industrial commissions . . . be created for the administration of all labor laws" and that each commission have an advisory representative council with members from employers, labor, and the public (p. 173).

(2) Commons cited the incomplete organization of labor as a reason for extending labor law: "Modern trade agreements are, in fact, almost complete codes of law for a particular industry, and, if voluntary collective bargaining could become universal and effective for all employers and employees, then the State or Government might not need to enact many laws" (p. 188).

(3) Commons also reiterated his belief

in the existence of a fundamental conflict of interest between capital and labor, but stated that potential exists for creating a unity of interest in a range of areas. Thus, he said,

The struggle between capital and labor must be looked upon, so far as we can now see, as a permanent struggle.... But there are certain points where the interests of capital and labor are harmonious or can be made to be harmonious. In fact, this field where there is no real conflict between employers and employees is much wider than at first might be imagined. By recognizing these two facts of permanent opposition and progressive cooperation, it may be possible to devise methods ... which will reduce antagonism and promote cooperation. (p. 172)

(4) While he supported the extension of labor law, Commons remained firmly committed to protection and encouragement of collective bargaining. He stated in the report, "We believe that collective bargaining and joint agreements are preferable to individual bargaining, and we believe that the general public should support the unions in their efforts to secure collective agreements" (p. 212). Equality of bargaining power also remains a goal: "the individual worker is at a disadvantage with the employer ... [and thus] Congress or the legislatures and the industrial commissions should exercise adequate compulsory powers to equalize and protect the bargaining power of individual employees" (p. 211).

(5) Although he believed that state intervention was necessary to help equalize bargaining power, in most matters Commons continued to hold to the philosophy of voluntarism in collective bargaining. In the report, he opposed adoption of the Australian system of compulsory arbitration or the Canadian system of compulsory mediation of interest disputes, arguing that "where unions show themselves strong enough to protect individuals in these matters the function of government should, as far as possible, be limited to voluntary mediation" (p. 212). But he went further and opposed other fundamental aspects of state regulation of collective bargaining, including compulsory methods of union recognition (such as were later included in the

Wagner Act) and the prohibition of coercive economic weapons, such as the closed shop, blacklist, and secondary boycott (as was later done in the Taft-Hartley amendments to the Wagner Act). He justified his position in these words:

If the State recognizes any particular union by requiring the employer to recognize it, the State must necessarily guarantee the union to the extent that it must strip it of any abuses that it may practice.... If so, the whole question is transferred to politics, and the unions which attempt to use a friendly party to regulate the employer may find a hostile party regulating them. (p. 212)

He further noted that his proposal would help equalize bargaining power between employers and unions, since the courts had hitherto restricted the economic weapons available to labor far more than those available to capital.

(6) Commons recognized that a system of organized interest representation in industrial relations requires that employers, labor, and the public be organized into formal groups or associations:

It is apparent from all the preceding recommendations that ... success [depends] on the permanency of organizations of employers and organizations of laborers. It is only as we have organizations that we can have real representation.... Employers should organize 100 per cent just as the unions endeavor to reach that mark.... [My proposal] takes both employers' associations and unions from under the operation of the antitrust laws. (pp. 215, 220)

In response to the criticism that voluntarism allows employers and unions to misuse their power, he argued that "strong organizations of employers and employees are much more capable than the courts of holding each other in check and preventing abuses of the other side" (p. 215).

### **Phase III: Personnel Management and Monetary Stabilization**

The publication of the final report of the Commission on Industrial Relations in 1916 effectively marked the end of Phase II in the evolution of Commons's thought. During 1916–17 Commons published very little,

in part because he suffered a nervous breakdown and had to take an extended leave from the university. In 1918 he resumed his research and writing, and also served as president of the American Economic Association. More important for our purposes, 1918 also marked the effective beginning of Phase III in the evolution of his industrial relations strategy.

In Phase III Commons added to his industrial relations program two more solutions to labor problems—personnel management by employers, and monetary stabilization by the Federal Reserve Bank. In this expanded strategy, Commons and his colleagues did not alter their conception of the role and purpose of protective labor law and social insurance, but the role and purpose given to trade unionism and collective bargaining changed appreciably.

In Commons's writings in Phase III, the subject of personnel management preceded his work on monetary stabilization, so I cover the two topics in this order.

Prior to 1918 employers and their personnel practices *per se* did not figure prominently in Commons's research and writing, reflecting in part the fact that the practice of personnel management—aside from certain industrial "welfare" activities—was largely nonexistent. The most notable exception in Commons's writings (1903b) was an article describing the new welfare program at the International Harvester Company. Commons portrayed employers' welfare work (for example, lunchrooms, company doctors) in a generally positive light, but with qualification: "Industrial betterment is not the solution of the labor question nor the substitute for labor organization. It is part of the labor movement for better treatment, better conditions, and greater opportunities" (p. 81).

Two decades later, his position had changed dramatically. Consider, for example, his assessment of industrial relations practices at Ford Motor:

The Ford scheme of industrial government has nothing of unionism, or shop committees, or collective bargaining, or "industrial democracy."

It is just old-fashioned autocracy.... [But] why should there be any industrial democracy or workmen's grievance committee, or labor organization, when nobody can be fired anyhow, and when this advisory committee of thirty is always on the job investigating trouble long before it ripens, and when the management always has a line on foremen who have too much trouble? It all goes back to faith in people and ends in a trouble department to make repairs where something goes wrong in the exercise of faith. (1920:190)

Commons's new perspective came from several sources. An early catalyst was the favorable impression he gained from the testimony of John D. Rockefeller, Jr. and William Lyon Mackenzie King to the Industrial Relations Commission on the newly created employee representation plan at the Colorado Fuel and Iron Company (Kaufman 2003a). He also went on plant tours with Frederick Taylor and saw the potential for a more scientific approach to management. Then, during the heated wartime economy of World War I, employers on a wide scale first began to set up personnel departments in an effort to cope with sky-high labor turnover, low work efficiency, and strikes (Jacoby 1985).

In keeping with his "go and see" philosophy toward research, Commons took a group of his students on a cross-country tour to visit thirty industrial establishments in 1919 to investigate methods of labor management and work force governance. Case study reports on nineteen of these companies were then published in 1921 in the book *Industrial Government*. Commons found a remarkable change under way in management's thinking about industrial relations. He wrote, "One interesting thing was found: the sudden or gradual moral conversion of an employer from business to humanity. Employees noted it, and could not at first believe it, . . . and so did the employer himself" (1921a:vii). Central themes of the new movement—to be known in the 1920s as Welfare Capitalism—were the importance of scientific principles in "man management" and "human engineering," the importance of taking into account the "human factor" in designing work and

managing people, the payoff to be gained by replacing adversarial relations with cooperative relations, the benefits of eliciting employee commitment and participation, and the necessity of ensuring both sides of the employment relationship some channel for voice in the enterprise and a "square deal" in the administration of justice. These concepts were put into practice by leading firms in the form of a personnel (or industrial relations) department; professional/scientific personnel practices (for example, hiring tests, written employee handbooks); introduction of various forms of employee benefits; training of supervisors and foremen in improved "human relations" (for example, a course in handling employees); and establishment of a works council, shop committee, or other form of nonunion employee representation plan (Jacoby 1985, 1997; Kaufman 2001b, 2003a).

These developments opened up an entirely new approach to the solution of labor problems, a subject on which Commons became the first major academic writer (Kaufman 1998). Indicative of the importance he attached to the new approach is the summary chapter in *Industrial Government*, "The Opportunity of Management," in which Commons said that employers now had the opportunity to take the initiative and promote a "self-cure" of the labor problem. A blueprint and philosophical manifesto for this self-cure was then spelled out in more detail by Commons in another book, *Industrial Goodwill*, published in 1919. The approach to managing labor described in this work was a radical departure from standard practice only a few years before. A *New York Evening Post* reviewer (April 26, 1919, p. 18) called *Industrial Goodwill* "probably the most valuable book for intelligent employers that has been written since Taylor's *Scientific Management*."

In *Industrial Goodwill*, Commons contrasted the traditional *commodity* and *autocracy* modes of work force governance with a new model built around four complementary ideas: labor is an asset or *human resource* (p. 130), productivity depends on labor's *goodwill*, workers are *citizens* in the industrial enterprise and thus deserve both

a voice in work force governance and the protection of due process, and efficiency is promoted by a *scientific* approach to work organization and administration—particularly if workers are made part of the decision-making process. Here, in embryonic form, were many of the basic tenets of what is today called a “high performance” or “high commitment” work system (Kaufman 2001b). The part of management that is responsible for creating and sustaining this new model of work, Commons said, is the personnel department:

The labor department is the school of personality that deals with labor. Through its entire personnel ... its standards of success are the interest, loyalty, goodwill, of labor.... We see this new profession forming itself about us and beginning to fill the gap between capital and labor. (p. 160–61)

Commons was attracted to the new “goodwill” employment model because it was consistent with most of his fundamental premises for improved industrial relations. Indeed, in several respects it outperforms trade unionism and labor legislation. This model, for example, uses working rules to foster a cooperative unity of interest, provides superior wages and employment conditions, emphasizes justice and fair dealing, replaces fear and coercion with goodwill and persuasion as motivators, and promotes voluntarism in industrial relations. But a crucial test of this new employment model is whether the employer provides meaningful representation of stakeholder interests and provision of due process in work force governance (1919a:121). On this score, Commons again broadened his conceptual framework, just as he had done earlier to encompass labor legislation within the scope of collective bargaining. Constitutional government in the firm, he now said, does not necessarily require union representation, a written collective bargaining contract, or a formal grievance system. “There is no conclusive reason,” he argued, “why constitutional democracy may not start with the employer as with the employees. It depends on his good faith and goodwill” (p. 113). What Commons was referring to

was the introduction by nonunion employers of new methods of employee participation and representation, such as production committees, shop councils, and formal plans of employee representation (Kaufman and Taras 2000). He was now willing to consider these employer-created organizations as a legitimate form of constitutional government, assuming they provide genuine opportunities for employee voice and influence on terms and conditions of employment and effective due process in terminations and the resolution of disputes (for example, Commons 1920b,c,d).

Although the possibility was now opened for progressive nonunion employers to pass the test of constitutional government in industry, two other key requirements in the institutionalists’ IR strategy remained—equality of bargaining power and stabilization of labor markets. Indeed, Commons (1919a:26; 1921a) recognized that these considerations remained crucial, since cyclical booms and busts and large-scale unemployment are a mortal threat to the success of a goodwill IR strategy. During recessions and depressions, for example, layoffs and wage cuts breed an adversarial relationship and undercut trust and commitment, while the presence of numerous unemployed job seekers gives firms a cheaper, often more effective method to motivate employees and maintain discipline. From the beginning to the end of his career (1893:80–83; 1934b:67), Commons pointed to unemployment as the single worst feature of capitalism, since it undermines the worker’s bargaining power, leads employers to take the “low road” in industrial relations, and leaves families demoralized and destitute. In 1893, taking a position that would be radical even today, Commons stated, “The right to work, for every man that is willing, is the next great human right to be defined and enforced by the law” (1893:80).

Commons and the institutionalists looked for a solution to the macroeconomic stabilization and bargaining power problems in three areas. First, attention was again focused on employers. With regard to stabilization, in the early 1920s employ-

ers woke up to the fact that high employee turnover was very costly and layoffs and wage cuts were inimical to productivity and harmonious relations. As a result, many firms sought to stabilize production and employment by smoothing seasonal swings in production, using work-sharing to avoid layoffs, putting idle employees to work on deferred maintenance projects during slow periods, and establishing company-financed dismissal pay and unemployment insurance programs. A book Commons and his colleague Don Lescohier co-authored in 1925 with two business executives, *Can Business Prevent Unemployment?* (Commons, Draper, Lescohier, and Lewisohn 1925), clearly expressed the hope that these progressive actions of management could help stabilize the labor market.

The institutionalists also saw that progressive employers, through their adoption of a goodwill employment strategy, were helping achieve a better balance of bargaining power in the labor market. Looking back on the 1920s, Sumner Slichter observed, for example, that “possibly the most important determinant of post-war labor policies . . . has been the growing realization by managers of the close relationship between industrial morale and efficiency” (Slichter 1929:397). In order to build and maintain worker morale, firms were led to adopt the goodwill IR strategy, including specific personnel practices such as above-market wages, employee benefits (for example, vacations and pensions), promises of job security, and employee participation. Because employee morale and commitment become important assets to firms, workers gain greater bargaining power: “The new policies have materially strengthened the bargaining position of labor . . . because they have made the efficiency of labor depend more than ever before upon the willingness of men to do their best” (Slichter 1929:421).

A second Phase III measure recommended by the institutionalists to achieve market stabilization was government-provided unemployment insurance programs (Commons 1921d). No state had yet adopted unemployment insurance, but

throughout the 1920s Commons campaigned unceasingly on its behalf. The goal was to “make it financially profitable to business to eliminate unemployment” (1921c:9). As long as only a minority of firms saw it as being in their self-interest to voluntarily stabilize employment, such an outcome could not be hoped for. A government-mandated system of unemployment insurance could, through the experience rating feature, provide incentives for all firms to economize on layoffs. An added benefit, according to the institutionalists, was that unemployment insurance helps cover the social “overhead” cost of labor (maintenance of labor during periods of idleness, analogous to firms’ maintenance of their capital stock) (Commons 1924:1; Stabile 1993).

The institutionalists’ third recommended strategy for achieving market stabilization and equality of bargaining power during Phase III was government counter-cyclical monetary and fiscal policy. Like John Maynard Keynes, Commons argued that the price system in a capitalist economy cannot always “self-correct” a recession or depression and, thus, full employment has to be a “managed equilibrium” (1934a:108). Playing the most significant role in this macroeconomic oversight is government, partly through discretionary spending on public works during cyclical downturns (1934a:589–90), but most particularly through counter-cyclical monetary policy. Early in his career Commons had written on the “currency issue,” but for the next two decades he gave it little explicit attention (Commons 1895). The monetary-induced inflation of 1919 and depression of 1920—and their disruptive effect on employee relations—renewed his interest in business cycles, and during the 1920s he became one of the nation’s leading experts on monetary policy. In 1920, for example, to promote the study of business cycles he helped found the National Bureau of Economic Research; in 1922 he served as president of the National Monetary Association; and in the latter part of the 1920s he testified several times in Congress in support of requiring the Federal Reserve to follow a

price stabilization rule in the conduct of monetary policy (Whalen 1993).

Commons concluded that the credit system is the foundation on which capitalism is built, and fluctuations in money, credit, and interest rates are the principal cause of business cycles as they operate through prices, costs, and the margin of profit. This led him (1934a) to abandon a “profit-share” theory of business cycles in favor of a “profit margin” theory. In his address to the National Association of Employment Managers in 1919 (reprinted in Commons 1921c), he said in this regard, “The fluctuation of the currency is the greatest of all the labor problems. It throws a red brick continually into capital and labor. The first great method of importance in bringing about industrial peace is the stabilizing of the dollar” (p. 4). Thus, in Phase III the banking system replaces the bilateral monopoly of large corporations and labor unions (a fixture of Phase I) as the principal means to stabilize the economy, while the problem of unequal bargaining power (arising in part from competition among numerous unemployed workers) is attacked by a new institution—the Federal Reserve—through its use of monetary policy to maintain full employment.

By the 1920s, therefore, Commons’s strategy for improved industrial relations had evolved and shifted in numerous ways. The fundamental goal was the same—to increase efficiency, equity, and opportunities for human development at the workplace—and the three prongs of the strategy also remained constant—stabilizing markets, equalizing bargaining power, and incorporating constitutional government in industry. But the institutional methods to achieve these goals had changed considerably.

No longer did Commons advocate as a blanket IR strategy replacement of the individual bargain with the collective bargain, or industry-wide trade agreements. The latter still had a role to play in certain sectors of the economy, particularly in highly competitive or “sick” industries such as coal mining, the needle trades, and construction, where small firm size and destructive competition made it difficult for

progressive employers to pursue a high-road employment strategy. But in the broader range of industry he now distinguished two approaches to employment relations, one a “high-road” strategy (in today’s terminology) using the goodwill/citizenship model, the other a “low-road” strategy using a commodity/autocracy model. He said, for example, “The open shop may be either a cloak to hide long hours, competitive wages, and voiceless workers, or it may be freedom for the management in furnishing reasonable hours and fair wages for manly workers” (Commons 1921a:265). Amplifying on this duality, Commons stated,

From 10 per cent to 25 per cent of American employers may be said to be so far ahead of the game that trade unions cannot reach them. Conditions are better, wages are better, security is better, than unions can actually deliver. The other 75 per cent to 90 per cent are backward, either on account of inefficiency, competition, or greed, and only the big stick of unionism or legislation can bring them up to the level of the 10 per cent or 25 per cent. (p. 263)

As now seen by Commons, it was the leading-edge of employers—typically the progressive nonunion employers associated with the Welfare Capitalism movement—that were blazing the way in employment relations with a “high performance/HRM” approach to work and employment. These firms were achieving competitive advantage by establishing a harmony of interest through mutual gain and fair dealing, or, in Commons’s words, by “creating the conviction in every man in that industry that this is *his* industry, that the future of that concern is *his* future” (1921c:11; emphasis in original). Unions, in this revised model, typically were not needed by these workers and, on net, retarded individual firm performance because of their restrictive practices, higher labor costs, and adversarial stance. (“A union’s purpose is necessarily and designedly restrictive. It is not designed to increase production—its purpose is to tie the employer’s hands” [1920a:124].) At a macroeconomic level, his new theory of business cycles also led to a more qualified perspective on the impact of unions on

long-run growth and employment. Commons had earlier pointed to various positive effects of unions, such as motivating management to improve efficiency, substitute capital for labor, and introduce technological change, but now in his new theory unions may also have negative effects on investment and employment to the extent that they raise business costs and reduce profit margins (Gonce 1966).

The purpose and social justification of unions and legislation, in Commons's view, is to deal with the second group of employers—those who practice a commodity/autocracy approach to employment relations and fail to provide reasonable wages and working conditions. "Labor has not come into existence at all to deal with that first class of employers [the high-road employers]," he wrote. "It has come in solely in order to use coercion with ... those who need it because they will not or cannot meet new conditions" (1921c:15). In a similar vein, Commons told the personnel managers at the 1920 annual meeting of the Industrial Relations Association of America, "You are but a small number, we know that the great majority of manufacturers of the country will not adopt these things [progressive personnel practices]. There is, therefore, a need for unionism to supplement management" (Commons 1920a:130).

Commons thus continued to be a strong supporter of trade unionism, but not in a blanket way as before. Also, he still regarded labor law and court opinions as one-sidedly favoring employers and too often denying workers' rights and liberties, and he still saw undue restrictions on the extent of trade unionism (Commons 1919a:48; 1922). Similarly, although he did not object to "company unions" *per se*, he did object when they were empty promises or union avoidance devices (1919a:121). Thus, in the 1920s he and some of his colleagues campaigned to limit court injunctions in labor disputes, ban yellow dog contracts, and obtain formal legal tolerance for the closed shop and other sources of union power (summarized in Witte 1932). Otherwise, he remained committed to

voluntarism and wanted labor to stay out of politics and government to stay out of collective bargaining (Commons 1929). Believing that "representative democracy in industry is representation of organized interests" (1919a:40), he also remained committed to tripartite interest representation. But the role of employers' associations among Welfare Capitalist firms changed, in his view, from serving as a collective bargaining agency to providing "great educational conferences on the methods, the purpose, and the spirit of shop organization" (1919a:116–17).

#### **Phase IV: The Depression and New Deal**

The fourth and final phase in the evolution of the Wisconsin view on IR strategy and policy commenced with the advent of the Great Depression in late 1929 and extended over the New Deal decade of the 1930s. Those years witnessed almost revolutionary progress toward the realization of the Wisconsin IR program. The crisis of the Great Depression, and the Roosevelt administration's political response to it, suddenly and unexpectedly opened the door for wide-scale reform of industrial relations.

The triumph of the Wisconsin School in the 1930s was qualified in several respects, however. First, it was accomplished only by substantial abandonment of the Phase III strategy and reversion to the Phase I and II strategies of the 1900–1917 period. Second, the philosophy of voluntarism in industrial relations and tripartism in the enforcement and administration of labor law were also significantly compromised.

Both at the time and afterward, the New Deal labor program was widely regarded as the crowning victory for Commons and the Wisconsin School. One newspaper of the period, for example, proclaimed in its headline that Commons was the "Prophet of the New Deal" (*Syracuse Herald*, January 17, 1935); another called him the "father of brain-trusting" and declared, "Commons' influence in the economic experiments of the U.S. government today is more pro-

found and more fundamental than that of any other living man” (*Madison Clarion Record*, August 25, 1935). Similar sentiments were echoed by Kenneth Boulding two decades later: “Commons was the intellectual origin of the New Deal, of labor legislation, of social security, of the whole movement in the country toward a welfare state” (Boulding 1957:7). More recently still, Kochan, Katz, and McKersie (1986) wrote,

A strategy had to be found [in the 1930s] for protecting workers’ rights, balancing power, and accommodating diverse interests in ongoing employment relationships. This view of the employment relationship evolved in the United States out of the research of economists and social reformers such as John R. Commons and his followers. (p. 23)

As generalizations, these statements are largely accurate. Like almost all thumbnail summaries of history, however, they omit interesting and unexpected twists and turns along the way—of which there were many in this case.

Until approximately 1931, members of the Wisconsin School continued to promote the Phase III industrial relations strategy articulated by Commons in the 1920s. But then their opinions began to shift under the weight of the calamitous events unleashed by the Great Depression. With regard to the situation up to 1931, two pieces of evidence are available.

The first evidence comes from the writings, newspaper interviews, and speeches of Commons. During this period he concentrated on formulating monetary policy and finishing his treatise *Institutional Economics* (1934a) and wrote relatively little on labor and industrial relations *per se*. After the onset of the Depression, however, he gave a number of newspaper interviews and speeches on the situation. I find nothing in these to suggest that he significantly modified his Phase III strategy, although two sub-themes emerge. The first is his increasing concern, as the Depression deepened, that the progress in industrial relations during the 1920s was being wrecked on the shoals of unemployment and bankruptcy (Commons 1931a,b). The second is a growing emphasis on the macroeconomic di-

mension of labor problems and, in particular, the crucial role of monetary stabilization (1934b:192). For example, Commons stated, “Employers cannot prevent the unemployment resulting from the great business deflations caused by our banking system.... It can be stopped only by the bankers who control our Federal Reserve system and all other central banks of the world” (1932b).

The second piece of evidence comes from the writings of other members of the Wisconsin School. The two most recognized authorities on industrial relations were William Leiserson and Sumner Slichter. Through the 1920s their writings followed the same Phase III IR strategy promulgated by Commons. Like Commons, these men were explicit in their sympathies for the organized labor movement (Eisner 1967; Kaufman 2000b). Yet as time went on they came to see that the most innovative advances in employment relations were coming from employers, and that Welfare Capitalism appeared to be doing more to solve the labor problem than was the trade union movement. Slichter, for example, referred to employers’ personnel practices as “one of the most ambitious social experiments of the age” and “a tremendously ambitious and tremendously significant thing” (1929:432; Kaufman 2003c), and Leiserson concluded that “when the contributions of Personnel Management are recapitulated in some such fashion as we have attempted, the result is bound to be an imposing sum” (1929:164). Regarding the status of trade unionism, Leiserson wrote,

The weakening of trade unionism that has resulted is an undesirable consequence, but who will say that we should go back to the days when management neglected its social responsibilities toward its employees, merely that trade unionism may be strengthened by fighting evils which have been removed? The labor movement must have a mission beyond the program which personnel management has shown itself willing to adopt. If it is weakened by the activities of personnel management, it needs to look to its larger program. (p. 146)

These quotations suggest that as of the summer of 1929 the members of the Wis-

consin School were united behind what I have identified as the Phase III industrial relations strategy. Only a few months later, however, the nation's economy fell into the abyss of the Great Depression. This event, in ways completely unforeseen at the time, led to a veritable revolution in the nation's labor policy. Had the Depression ended by the summer of 1931, it is likely that the Welfare Capitalism movement and the Wisconsin Phase III strategy not only would have survived intact but quite possibly would have emerged with enhanced credibility (Brody 1980). For the first two years of the Depression, the Welfare Capitalist employers struggled to preserve their mutual-gain employment policy and substantial dollar investment in employee goodwill (Bernstein 1960; Jacoby 1997). Despite a collapse in revenue and mounting red ink (the steel industry was operating at less than 20% capacity), they held the line on wage rates, adopted share-the-work programs to keep their work forces intact, and provided various relief and welfare programs to employees and the unemployed (for example, food and fuel provided at cost).

The dam broke in the fall of 1931, however, and most of Welfare Capitalism and the Wisconsin Phase III industrial relations strategy were swept away. The turning point was the decision of the major steel firms to cut wages. Soon leading firms across other industries followed, setting off a process of "destructive competition" and a downward spiral of wages and labor conditions (Bernstein 1960; the concept of "destructive competition" is explained in Kaufman 1997). Not only was the ability of employers to provide stability and security in employment discredited, but a variety of their actions and pronouncements increasingly came across as self-serving, hypocritical, and retrograde. Among the most resented actions, for example, were "speed-ups" and the re-emergence of arbitrary, authoritarian rule by foremen (Asher and Edford 1995; Jacoby 1985).

The corrosive effect of these events on public and academic opinion is evident in the writings of both Leiserson and Slichter. Both men published articles in 1931 that

took a much more critical view of employers than they had previously expressed (Leiserson 1931; Slichter 1931). They deplored, for example, the injustice of maintaining stock dividends while cutting wages, and throwing workers out on the street while keeping up maintenance expenditures for plant and equipment. Leiserson also noted employers' double standard when they advocated suspension of the anti-trust laws so business firms could form cartels to limit destructive competition in product markets, yet stoutly resisted the efforts of workers to stanch destructive competition in labor markets through trade union cartels or minimum wage laws. Also noted at the time was the spread of insensitive, harsh management methods and the evident hypocrisy in employers' loudly proclaimed commitment to American democracy and the virtue of high wages when at the same time they fought an all-out battle to prevent their workers from having representation, voice, and higher wages through collective bargaining. (Many employers in the 1920s espoused the virtue of high wages [called the "doctrine of high wages"] based on the idea that high wages create greater purchasing power, sales, declining costs through economies of scale, and higher profit [Williams 1927]. Employers were hoisted on their own petard when the New Deal used this doctrine to justify expanded collective bargaining.)

The spread of harsh conditions and abject poverty among the mass of American workers set the stage for the incoming of the Roosevelt administration and a fundamental shift in national labor policy. The first stirrings of change came even before the Roosevelt administration assumed office, when the Norris-LaGuardia Act was passed in 1931. Members of the Wisconsin School—particularly Edwin Witte (1932)—had long campaigned to end the abuses associated with court injunctions and yellow dog contracts, and the Norris-LaGuardia Act was thus considered a signal first step toward a more progressive national labor policy. Also in that year, Congress enacted the Davis-Bacon Act, intended to stabilize wage rates in the construction industry

through “prevailing wage” provisions. These laws were then followed in 1932 by enactment in Wisconsin of the nation’s first unemployment compensation statute—a measure that Commons had tirelessly promoted for over a decade and had taken a personal hand in drafting (with fellow Wisconsinite Elizabeth Brandeis).

Momentum then picked up when Roosevelt came to office. The four big pieces of labor legislation that were enacted during his first two terms were the National Industrial Recovery Act (NIRA), National Labor Relations Act (NLRA), Social Security Act (SSA), and Fair Labor Standards Act (FLSA).

The NIRA was in many respects the most radical and far-reaching of the four pieces of legislation, and also the one that represented in purest form the Wisconsin IR strategy as articulated during Phases I and II. Since monetary policy and Welfare Capitalist employers had evidently failed to stop the downward spiral of depression, members of the Wisconsin School and the nation’s policy-makers started to look elsewhere. The cause of the Depression was widely disputed at the time, but President Roosevelt, Senator Wagner, and most of the Wisconsin School focused on a two-part explanation (Fusfeld 1956; Kaufman 1996). First, they located the root cause of the Depression in inadequate purchasing power, caused primarily by the trend toward greater income inequality as profits grew faster than wages over the 1920s (thus allowing aggregate supply to expand faster than aggregate demand). This under-consumption “profit-share” explanation of business cycles had earlier been abandoned by Commons and, as far as I can tell, he never came back to it during the Depression years. But he was the odd-man-out on this matter, as Roosevelt, Wagner, Leiserson (1930), and the others swung over to this view (a view popularized by various heterodox economists, such as Englishman John Hobson and the American duo of Waddill Catchings and William Foster; see Bleaney 1976).

The second part of the explanation for the Depression—shared by everyone, in-

cluding Commons—was that its severity and duration were measurably worsened by the macroeconomic process of destructive competition. It was widely held that competition had become excessive or “cutthroat” due to persistent excess supply conditions in product and labor markets (aggravated by the relative immobility of capital and labor and the pressure on input suppliers to lower prices to generate revenue to cover fixed costs, such as food and shelter for families)—a condition visible in various “sick industries” during the 1920s, such as coal mining and the needle trades, and then widespread across American industry in the early 1930s. Although in standard economic theory price and wage cuts should cure a situation of excess supply, the New Dealers and institutionalists believed the opposite—that price and wage cuts in a depression only exacerbate the downturn by further shrinking purchasing power and spending, leading to further increases in unemployment and a “race to the bottom” in labor conditions (Commons 1932b).

Given this diagnosis of the causes of the Depression, the Roosevelt administration brought forward the NIRA as its solution. In large measure the NIRA represented a return to the institutionalists’ Phase I and Phase II industrial relations policy, albeit with strains of European corporatism and cartel policy added. The act’s drafters sought to stanch destructive competition by cartelizing product and labor markets. The former was achieved by allowing firms to set prices and production quotas—formalized in written “codes of fair competition” negotiated in Washington, D.C. by representatives of companies, unions, consumers, and the government and coordinated and supervised by industry associations; the latter, by encouraging the spread of trade unionism and collective bargaining and the stipulation of minimum wage and maximum hour provisions in the codes of fair competition. To encourage the spread of unionism, the NIRA included the famous Section 7a that prohibited employers from interfering with workers’ rights to organize and engage in collective bargaining.

In addition to ending destructive competition, the NIRA sought to spur spending and production by redistributing income from capital to labor, equalizing the income distribution, increasing household purchasing power, and expanding aggregate demand (Mitchell 1986; Kaufman 1996). The expansion of trade unionism was the primary instrument for this purpose, supplemented by the minimum wage provisions and a modest amount of public works spending.

The net effect of all of these NIRA policies was to encourage the formation of bilateral monopoly in product and labor markets through an institutional arrangement involving tripartite “self-government” of industry—in other words, the IR models of Phase I and II (but without a social insurance component). Commons alluded to this lineage of the NIRA more than once: “New Deal policies were really new, perhaps two decades ago” (1935c:1); “Forty-five years after the first bituminous conference in 1898, the federal government under the National Industrial Recovery Act, began to encourage the procedure of collective bargaining in all the industries of the nation” (1935a:xiv).

The Roosevelt New Deal economic program and the Wisconsin industrial relations strategy both appeared to suffer a defeat when, in the spring of 1935, the Supreme Court declared the NIRA unconstitutional. But the NIRA’s demise was only a temporary setback, for within months the fundamental parts, complemented by a social insurance component, were put into separate pieces of legislation and soon enacted into law. The three major bills were the National Labor Relations Act, Social Security Act, and Fair Labor Standards Act.

The NLRA, enacted in the summer of 1935, was a much expanded and strengthened version of the NIRA’s Section 7a (Keyserling 1945; Kaufman 1996). In many ways it exemplified the Wisconsin program to achieve market stability, equality of bargaining power, and constitutional government in industry. The purpose of the Act, as stated in the Preamble, was to “encourage and protect the procedure and practice

of collective bargaining and [to] protect the exercise by workers of full freedom of association, self-organization, and designation of representatives of their own choosing.” Speaking more directly to the economic goals of the Act, the Preamble also stated,

The inequality of bargaining power between employees who do not possess full freedom of association or actual liberty of contract, and employers who are organized in the corporate or other forms of ownership association substantially burdens and affects the flow of commerce, and tends to aggravate recurrent business depressions, by depressing wage rates and the purchasing power of wage earners in industry and by preventing the stabilization of competitive wage rates and working conditions within and between industries.

Commons did not testify before Congress on the NLRA (or NIRA), and nowhere else in print did he offer a detailed appraisal. Certainly in general terms, however, he supported the intent of the Act and, indeed, the entire New Deal program. For example, he said that both the New Deal and his book *Institutional Economics* were drawn from the school of thought he labeled “collective democracy” (Commons 1935b:220). Likewise, when asked in 1935 of his opinion of the New Deal labor policy, Commons remarked, “Collective bargaining has been one of the fundamentals of my economic beliefs for many years. I’ve tried to introduce that procedure into every social setup I’ve ever been connected with” (1935c:1). Other members of the Wisconsin School (Leiserson, Witte, Slichter) did appear at the Congressional hearings on the NLRA, and they unanimously supported it. Leiserson stated, for example (linking the purpose of the NLRA to the economic goals of the NIRA),

The whole theory of the N.R.A. [National Recovery Act], it seems to me, rests on the idea that what we need is collective organization of the people who do business in industry, whether they do business as laborers, or as business men.... We have discovered that if we let each individual business man do business on his own, regardless of the interests of the industry as a whole, then all sorts of unfair practices creep in.

We find that if laborers compete alone, wages go down to \$4 a week. (NLRB 1985:2260)

He later shifted to the theme of industrial democracy, and justified the NLRA with this observation: “If the employees are to be free, they have a right to make local shop organizations or branches of a shop, in any appropriate unit, or company as a whole.... That is their business” (NLRB 1985:2267).

The other two major pieces of New Deal labor legislation were the Social Security Act and the Fair Labor Standards Act. Both represented the realization of over two decades of research and lobbying by Commons and his Wisconsin colleagues.

The SSA enacted two programs of social insurance: old age insurance and unemployment insurance. Edwin Witte, of Wisconsin, served as major draftsman (Witte 1962). Unemployment insurance was designed to stabilize employment through the experience rating feature, strengthen workers’ bargaining power by providing income support during periods of joblessness, promote aggregate demand by augmenting household purchasing power, force firms to pay for a portion of the social cost of unemployment, and prevent human suffering. The then-revolutionary idea (in America) of government-provided old age insurance was justified on similar grounds (Graebner 1980).

The FLSA, enacted in 1937, was the last of the major pieces of New Deal labor legislation. Like the NLRA, it was a carry-over from the NIRA and expanded and strengthened the wage and hour provisions of the latter. It also prohibited child labor. Today the minimum wage provisions of the FLSA are commonly portrayed as an anti-poverty device, and the law’s ability to serve this mission is hotly debated on these grounds. As Linder (1990) and Craypo (1997) correctly observed, the public interest rationale for the FLSA, as advanced by its Congressional supporters, was earlier developed by the institutional economists, and the arguments of Commons and his associates for minimum wages and maximum hours went considerably beyond the poverty aspect.

In their 4<sup>th</sup> edition of *Principles of Labor Legislation* (1936), Commons and Andrews discussed the economic case for minimum wage, maximum hour, and child labor legislation. The necessity for these laws, they stated, rests on both economic and ethical grounds. Economically, society must put a floor under competition in labor markets so that wages and labor standards are not dragged down below competitive (full employment) levels due to workers’ weakness of bargaining power, destructive competition, and various forms of market failure (for example, externalities and employer collusion). Proponents of the “profit share” theory of business cycles also saw the minimum wage, and hikes thereof, as a complement with union-led wage increases in what later was called a “Social Keynesian” program of aggregate demand stimulation (Linder 1990; Renshaw 1985). Ethically, a minimum wage is needed so that all workers receive a wage sufficient for the minimum necessities of life—often referred to at that time as a “living wage” (Commons and Andrews 1936:63)—and child labor should be prohibited on grounds that it is injurious to the health and development of people too young to adequately recognize and protect their interests. Thus, these forms of protective labor law are similar in purpose to collective bargaining, but differ in that the workers are unorganized so a government agency, rather than a trade union, is used to “level the playing field.”

From the vantage point of the late 1930s, the core parts of the Wisconsin IR strategy—formulated and developed over the course of the three preceding decades—had largely been put in place. Collective bargaining was now protected and encouraged by the federal government and had spread across many of the nation’s major industries, and minimum wage and maximum hour provisions covered most of the nonagricultural work force, as did provision for old age pensions and unemployment insurance. These accomplishments, while fundamental, were not viewed as a complete package or final product—they were a foundation to build on. Yet to be added were a host of other measures, such

as health insurance, strengthened safety and health protection, and a federal commitment to full employment, while existing programs required expanded benefits, coverage, and enforcement. Emblematic of the distance covered, however, was the fact that in 1943 the American Association for Labor Legislation—the chief lobbying and research vehicle of the Wisconsin School and like-minded cadres of progressive labor reformers—quietly went out of business, its mission largely accomplished.

While the 1930s witnessed the fulfillment of the Wisconsin IR strategy in broad outline, a closer examination also reveals some problematic compromises and conundrums that have to date received scant mention or attention. Commons, for example, believed that administrative efficiency and enforcement effectiveness were promoted by housing responsibility for labor law in one centralized department or agency, such as an industrial commission. Due, however, to the vagaries of politics and the American aversion to centralization of government control, the key pieces of New Deal legislation were instead assigned to separate units of government—the NLRA was given to a newly created National Labor Relations Board, the SSA came under the purview of a new Social Security Administration, and the Department of Labor was given responsibility for the FLSA (Brandeis 1957; Witte 1962).

Two other problematic developments in labor law administration and enforcement that grew out of the New Deal concern, respectively, voluntarism and tripartism. As described earlier, in his 1915 report to the Commission on Industrial Relations Commons advocated a course of “voluntarism” with respect to government regulation of unions and collective bargaining, arguing that government legislation aimed at helping labor organize and bargain would only call forth additional regulation aimed at regulating and controlling unions and the conduct and outcomes of bargaining. Also, Commons observed that the U.S. government historically favored the interests of capital over labor, leading him to believe the union movement was on safer ground

to stay with voluntarism than to accept favorable government intervention in the short run, since the government might later reverse course and shift policy to favor employers.

Whether Commons subsequently abandoned or significantly revised his support of voluntarism in the 1930s is not revealed in the written record. What is clear, however, is that other members of the Wisconsin School—along with the leadership of the AFL—did abandon voluntarism in response to the crisis of the 1930s and the opportunities presented by the New Deal (Perlman 1957). The outcome, at least in the judgment of Fleming (1957), vindicated Commons’s earlier instincts: “Over the long pull,” he wrote, “Professor Commons’ 1915 prediction has proven accurate” (p. 141). Evidence includes the successive pieces of legislation, court decisions, and administrative agency rulings—such as the Taft-Hartley and Landrum-Griffin Acts—that have placed numerous constraints on the internal activities of unions and their exercise of bargaining power.

Commons also advocated tripartism in labor law, believing that active involvement of representatives of employers, workers, and the public—in, say, an industrial commission set-up—leads to better-formulated and better-enforced legislation and less *ex-post* litigation. The New Deal largely went in the other direction, however. According to Leon Keyserling (Casebeer 1987), the drafters of the NLRA initially considered a tripartite form of oversight agency but later shifted to political appointees (in practice often nominated from the ranks of attorneys). Likewise, in the early drafting stage of the SSA a tripartite advisory board was established to provide input, but according to Witte (1962) it played a marginal role, and administration and enforcement of the Act were subsequently placed in the hands of political appointees and career civil servants and technical experts.

Only in the FLSA was tripartism included in a substantive role. The Act created Industry Committees made up of tripartite representatives who had discretion to set minimum wages on an industry-by-industry

basis—a direct carry-over from the NIRA. But amendments to the FLSA in 1949 eliminated the committees in favor of a uniform wage mandated by legislation (Brandeis 1957).

Thus, the labor law that grew out of the New Deal tended to eschew tripartism, at least in a formal way, in favor of administration and enforcement through a more overtly political and bureaucratic process. At least in the eyes of some experienced observers (Dunlop 1987), the results again vindicated Commons's expectation that such a system would suffer from poor design, ineffective implementation, political manipulation, and excessive litigation.

A final aspect of the Wisconsin industrial relations strategy affected by the New Deal concerns the role of nonunion employers and personnel management in the industrial relations system. In Commons's Phase III (1920s) strategy, trade unions, labor legislation, and progressive employers are *complements*—unions and legislation push up labor standards from the bottom, and employers (most of them nonunion) push the envelope on best practice at the top, while government acting through the Federal Reserve Board preserves full employment, roughly equal bargaining power, and freedom from destructive competition. The events of the Great Depression caused Commons and his associates to largely abandon this strategy, however, as both monetary policy and progressive Welfare Capitalist employers appeared impotent to stop the downward spiral of wages and labor standards. Seeking some method to stabilize labor markets and restore equality of bargaining power, they reverted back to a Phase II industrial relations strategy built on the idea of taking wages out of competition through a combination of market-wide collective bargaining and labor legislation. In effect, *American Shoemakers* (1909) displaced *Industrial Goodwill* (1919) as the guiding light for IR strategy.

As the Wisconsin School and the nation's policy-making elite abandoned the Phase III industrial relations strategy in favor of a Phase II strategy, their position on and attitude toward nonunion employers and

the practice of personnel management shifted as well. Only a few years earlier, Welfare Capitalist employers were lauded as the dynamic and progressive element in American industrial relations, and Leiserson and Slichter were writing glowing words about personnel management and employee representation. Now, in the midst of the Great Depression, Welfare Capitalism was increasingly viewed as a hollow promise, and personnel management and employee representation were seen as tools of union avoidance and sham vehicles of industrial democracy (Jacoby 1997; Kaufman 2000b).

Although this shift in perspectives was widespread during the early 1930s, it was particularly pronounced among those members of the Wisconsin School and policy-making elite (for example, Leiserson and Wagner) who adopted the "profit-share" explanation of the Depression, since they saw nonunion employers as a direct threat to the wage-led recovery program envisaged in the NIRA. For this reason, collective bargaining, labor law, and personnel management went from being complementary instruments for improved industrial relations in the 1920s to (largely) *substitutes* in the 1930s, with clear preference going to the former two. This change in philosophy was most clearly revealed in the NLRA. Its Preamble states that it is national policy to *encourage* the practice of collective bargaining, and Sections 8(a)(2) and 2(5) effectively outlaw most forms of nonunion employee representation.

Among the Wisconsin School, Leiserson most clearly illustrates this "flip-flop" in attitudes toward personnel management versus collective bargaining, since he had earlier extolled employee representation plans as the "crown jewel" of personnel management (Leiserson 1929) but in 1935 testified before Congress in support of the NLRA's ban on all such organizations. The shift in Leiserson's view of trade unionism and collective bargaining's role vis-à-vis personnel management—from complement to preferred alternative—is also plain from passages in his *Right and Wrong in Labor Relations*, published three years later:

“Popular judgment now favors collective bargaining. . . . The organization of labor and collective bargaining [are] necessary and inevitable” (Leiserson 1938:40, 43).

As earlier noted, Commons was also strongly supportive of the encouragement and expansion of collective bargaining during the New Deal years, but it appears that he maintained a more neutral stance toward employers and the potential contributions of personnel/HRM. Viewing the situation in 1934, for example, Commons stated, “I could not blame the capitalists. They, too, were victims” (1934b:192). He went on to say about the events of the Depression, “I had learned in my Syracuse and Indiana days [the 1890s] to look upon the money question as the most important of all labor problems” (p. 189). It seems probable, therefore, that Commons ended his scholarly career feeling a mixture of triumph and sadness/frustration: triumph because many of his long-cherished industrial relations reforms were finally enacted into law; sadness/frustration because this triumph was built on the human and economic wreckage caused by the return of the “money question”—a scourge he had identified five decades earlier and had worked tirelessly to overcome, but that once again appeared like a plague to visit ruin on both labor and capital.

### Conclusions

As reconstructed in this paper, the Wisconsin industrial relations strategy involves three core components: stabilization of labor markets, equality of bargaining power, and constitutional government in industry. Also important are limited government intervention, representation of interests, voluntary cooperation in place of coercion, and pragmatic problem-solving. In keeping with the ethos of “progressive individualism” propounded by Commons (1895), the Wisconsin strategy looks to use institutions such as trade unions, government, and corporations to establish a set of “working rules” that lead to stable, full employment conditions in labor markets, a level playing field in wage determination, and

democratic mechanisms for due process and voice in the firm. Once this environment is achieved, the Wisconsin approach seeks to give workers and employers the maximum room for individual freedom, initiative, and exercise of private property rights. All institutions and outcomes in the industrial relations sphere are judged by their efficacy in promoting economic efficiency, justice and fair-dealing, and opportunities for human development and self-actualization.

Without question, the Wisconsin approach sees unions and collective bargaining as vital components of a progressive, effective industrial relations strategy and policy. Unions exercise market power and seek to redistribute wealth, increase the wage bill going to workers, and protect workers from negative consequences of competition and employer actions. Commons and his colleagues recognized that the unions’ quest for “more” can sometimes be carried to excess, but concluded that in the context of the imperfect markets and chronic labor-surplus situation of the early twentieth century, they on net played a constructive, socially useful role in the economy. In the realm of work force governance, unions introduce industrial democracy into the workplace, replacing autocracy with joint decision-making, due process, and worker voice. In the Wisconsin view, free choice of a representative agent should be one of workers’ basic rights.

No other aspect of Commons and the Wisconsin School is more misunderstood than their position concerning employers. The conventional wisdom is that they largely ignored the management side of industrial relations and, as a general principle, preferred that firms be unionized and practice collective bargaining (Kochan 1980:8). This view is largely true in Phase I and II of Commons’s writings, but is seriously inaccurate in Phase III. Closer examination reveals that Commons and his associates wrote major works on the management of industrial relations and Commons, in *Industrial Goodwill*, identified in embryonic form many of the core principles that define today’s “high performance” work sys-

tem. Commons and his associates recognized that the employment relationship has an inherent conflict of interest, but believed that through appropriate incentives and practices employers can establish a significant harmony of interest with workers. Although some current-day industrial relations scholars look on HRM practices and “unitarist” employment strategies with suspicion (for example, Godard and Delaney 2000), Commons and his associates welcomed this approach—as long as it was built on a base of (approximately) balanced bargaining power, was not an overt union avoidance device, and incorporated a form of constitutional government with meaningful voice and due process (Kaufman 2003b).

In the Wisconsin industrial relations strategy, government has a strategic but limited role to play. Serious, endemic labor problems arise because the working rules governing the industrial relations system are in some respect dysfunctional. Since these working rules are a form of property right, they can only be changed by a sovereign power. Since political government has the ultimate sovereignty in the nation-state, the responsibility for establishing efficient and fair “rules of the game” falls on government. But Commons and his colleagues also believed, in the spirit of voluntarism, that once fair and balanced rules of the game are established, private economic agents should be given as much decision-making autonomy and responsibility as possible, provided the outcomes meet minimal social standards and promote worthy social ends. Thus, the Wisconsin School favored a variety of protective labor laws and social insurance programs (for example, minimum wages and unemployment compensation) as a means to establish a floor on labor standards and ensure economic security for workers and their families. Finally, a crucial role of government is to use monetary and fiscal policies to maintain macroeconomic stability and full employment. Wherever government regulation is necessary, the Wisconsin strategy calls for it to be administered and enforced with significant tripartite input from the

affected parties (management, labor, and the public).

Given these principles, the Wisconsin strategy for improved industrial relations involves in its application a pragmatic blending of the roles of unions, employers, and government. Government changes property rights to balance bargaining power, protect workers in the exercise of collective bargaining, and ensure equitable employment conditions in nonunion firms; uses monetary and fiscal policy to maintain stable, full-employment labor markets; and encourages employers through tax incentives and social insurance programs to stabilize employment and pursue “high road” employment practices. In the Phase III version of the Wisconsin strategy, improved industrial relations is obtained by using labor legislation and unions to establish and then slowly raise a floor of minimum employment practices, while employers (typically nonunion ones) pioneer and promote the leading edge of industrial relations practice through progressive application of personnel management and employee representation/involvement. Their incentive to do so stems partly from the greater productivity and profits that come from establishing a “harmony of interest/goodwill” employment relationship and partly from the threat effect of unions and government. The viability of the Phase III IR strategy critically depends, however, on the existence of a relatively stable, full-employment economy. If the economy is subject to considerable instability and unemployment, then labor markets and employers’ IR practices take on a more dysfunctional and anti-social character, necessitating more extensive use of collective bargaining and protective legislation along the lines of the Phase IV strategy of the 1930s.

I believe that the analysis contained in this paper has significant implications not only for our understanding of industrial relations history but also for the way the modern-day field of industrial relations is conceptualized and practiced. In particular, considerable debate continues to focus on the intellectual boundaries, core sub-

ject matter, and positive and normative principles of industrial relations; the place and treatment of nonunion employers; and human resource management (Strauss and Whitfield 1998; Godard and Delaney 2000; Kochan 2000). People looking for guidance on these matters in the writings of Commons and the Wisconsin School can be easily led astray if they focus on only a subset of this literature. As demonstrated here, the industrial relations strategy and policy program of the Wisconsin School evolved in significant ways over time—and would most likely have continued to evolve had Commons and his colleagues remained alive and active. The more reliable approach is to examine their writing as a totality and try to distill the underlying lessons for the field.

One lesson, it appears to me, is that industrial relations should be defined broadly and inclusively. As conceived by Commons and his colleagues, industrial relations spans employment relationships of every nature and the causes of and solutions to all types of labor problems. The field thus includes private and public, union and nonunion, and “pluralist” and “unitarist” employment relationships, as well as the solution of labor problems through all available means, including col-

lective bargaining, human resource management, government regulation, and macroeconomic policy.

A second lesson is that industrial relations should likewise take a broad and relatively inclusive normative stance on workplace issues. As demonstrated here, the normative commitment of the Wisconsin School was less to any one particular type of employment relation or approach to solving labor problems than to the more general cause of advancing efficiency, equity, and human well-being in the workplace (in the context of a democratic, market-oriented social order), and toward this end they were willing to consider whatever policies and programs appeared most effective in the particular time and place. In this spirit, Commons’s student John Fitch remarked, “It is not legislation as such that we desire, but social advance” (Fitch 1927:243), and Commons said, “The problem is one, not of ideals, but of alternatives” (1919a:185). This pragmatic standard of reform gives industrial relations scholars ample leeway to chart new approaches to solving labor problems in the early 2000s in a way that is inclusive, builds on sound concepts and practices from the past, but opens the way for fresh thinking and ideas.

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