

Labor monopoly
(1958)

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The Economic Analysis Of Labor Union Power

By

EDWARD H. CHAMBERLIN

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THE ECONOMIC ANALYSIS OF LABOR UNION POWER*

Introduction

THE POSITION OF LABOR in the American economy¹ has changed rapidly in the last twenty-five years and economic analysis has not kept up with it. During that period organized labor has grown from around three million to well over seventeen million, or to roughly a third of the nonagricultural working force. Fractions of such a large aggregate, however, hide the real extent of union power, for in many areas of the economy, such as retail and wholesale trade, services, finance and public service, for instance, organization is still relatively unimportant.² It is more significant to say that unions today in the United States unquestionably dominate the vital mass production industries, mining, construction, public utilities, communications, and rail and truck transportation.³

* This study was made possible by a fellowship grant from the Earhart Foundation and I am deeply indebted to them for their help. I am grateful also to several colleagues, especially to Professors Sumner Slichter, Lloyd Ulman and Alexander Gerschenkron, who read and criticised earlier versions of the manuscript; and for research assistance to Dr. Rita Ricardo Campbell and Charles Phillips. The final responsibility for the paper is, of course, entirely my own.

¹ The reader is asked to bear in mind that this paper is written with specific reference to the United States in 1957. Clearly labor union power will manifest itself in quite different ways and degrees in different countries, and at different periods of history.

² Organization is also relatively unimportant in certain geographical areas. In fact, well over half of total union membership is in the six states of New York, Pennsylvania, California, Illinois, Ohio, and Michigan. (See next footnote.)

³ For valuable detailed information on union membership by states and by industries, see Leo Troy, *Distribution of Union Membership Among the States, 1939 and 1953*, Occasional Paper 56, National Bureau of Economic Research.

The flow of union revenues from dues runs to 600 or 700 million dollars a year, and most of this is collected for the unions automatically through the "check-off" by employers. Roughly 60 percent is retained by the locals; the remaining 40 percent goes to the "international" union treasuries.⁴ The accumulated resources, mainly pension funds, for which union officers are now responsible, directly or indirectly, run into billions. With such sums of "other people's money" to be administered, it is not surprising that financial abuses in the labor field have been among the major revelations of the McClellan Committee.

Most important of all, perhaps, and beyond mere increase in numbers and the crisis in union government, are various accretions of market power, unrelated to collective bargaining as such. These rest in part on certain statutory immunities⁵ and in part on the fuller exploitation of old techniques such as picketing, intimidation and various forms of boycott (actual or threatened), but fundamentally on the basic complexity and interdependence of the economic system. From this point of view there could be nothing more ominous in the revolution than the explosive growth during this period of the Teamsters Union from a mere eighty-two thousand in 1932, to the recent figure of one million four hundred thousand, coupled with Mr. Hoffa's plans for forcing its rule into the South by the process so familiar in its growth to date of offering economic strangulation as the alternative to joining up. The received economic theory of labor unions has dealt mainly with "collective bargaining" and has not caught up with these developments.

⁴ The National Industrial Conference Board recently estimated dues income for the United States and Canada at \$620 million for 1957, with the breakdown here indicated. See *Management Record*, December 1957.

⁵ See Roscoe Pound, *Legal Immunities of Labor Unions*, American Enterprise Association, Washington, D. C., 1957.

The Intellectual Heritage

Let us look briefly at some leading features of the intellectual heritage in terms of which not only the man in the street but even the professional economist does most of his thinking about the labor problem. There are major elements of "folklore" in the legacy, as well as more technical features of the apparatus of economic theory. It will be found, however, that most of the folklore is not unrelated to the history of professional economic thinking. John Maynard Keynes has commented on the slavery of many to the intellectual influence of "some defunct economist,"⁶ and this seems to be a field where the observation is particularly *a propos*.

The condition of labor in America has steadily improved over the years until it is today without parallel either historically in the United States or in other countries in our own time. Organized labor is on the whole rather well up the income scale, yet the anachronism that labor is downtrodden and deserving of some special kind of public sympathy carries on. It derives in part, through a cultural lag, from truly shocking conditions in the early days of the factory system, which set the tone for Marxism and the early literature of social reform (and in terms of which Communist propaganda still describes the sad lot of the worker in capitalist America). It derives also from the doctrines of a defunct economist named Malthus. In the early nineteenth century, economics was known as the "dismal science," not because it was uninteresting, but because of its gloomy Malthusian predictions of the "absolute impossibility from the fixed laws of our nature, that the pressure of want can ever be completely removed from the lower classes of society."⁷ By Malthusian reasoning, Ricardo held that the fruits of "progress" went mainly to the landowner, while "the condition of the laborer will generally decline," pressing always against the means of

⁶ *General Theory of Employment, Interest and Money*, p. 383.

⁷ *An Essay on the Principles of Population*, London, 1798, p. 71.

subsistence.⁸ With Marx (for a different set of reasons) this became the "iron law of wages."

Ever since such dire predictions, generations of economists, consciously or unconsciously impressed by the classical tradition, have been concerned with the special problem of discovering the means whereby labor might be raised from its lowly state, although the predictions themselves were soon left far behind by historical developments. Actually the condition of laborers improved steadily during the nineteenth century and even spectacularly in the twentieth, thanks not to collective bargaining, but mainly to the constantly evolving revolution in technology and to ever higher standards of social legislation, culminating in recent years in the "welfare state."

Moreover, in considering the specific question of trade unions, it is relevant to distinguish between the condition of union labor and the condition of labor generally. It is well known that historically trade unions first became important among the more skilled and highly paid ranks of labor. Their purpose was very simply to maintain a differential advantage for their members above the common level.

Conclusive data as to where the incomes of union labor actually fall within the distribution for labor generally, and within the distribution of all incomes (labor and non-labor), are not available, but there are strong indications that generally speaking trade union members today fall within the middle-income rather than the low-income sector of our society.⁹ Indeed there can be no doubt that one effect of trade union policy, with respect both to wages and to non-wage fringe benefits, working

⁸ *Principles of Political Economy*, Gonner ed., p. 79.

⁹ Data given in the *Monthly Labor Review*, October 1957, estimating union membership, when compared with the regularly published figures of the Bureau of Labor Statistics on gross average hourly earnings by broad industrial categories, are at least indicative that union members are in those industries with substantially higher wage rates and nonunion labor in those with lower rates. *The Federal Reserve Bulletin*, August 1957, p. 893, indicates that of the lowest twenty percent of all spending units, less than half received some income in the form of wages and salaries.

rules, etc., which raise costs and thus prices, is to diminish still further the real income of the really low-income groups, including not only low-income wage receivers, but also such other elements of society as "self-employed" and small businessmen, students, old people and other unemployables, insurance beneficiaries, pensioners, etc., etc. Those who are *really* concerned with the lot of the underprivileged in our economy will hardly be impressed by the claims of the trade union sector. Today's underprivileged are to be found elsewhere.

Another element of folklore has to do with the general exaltation of labor and wages in comparison with other productive agents and incomes. Nobody today who is not a Marxist would wish to argue that labor is the sole productive agent in the economy, implying thus that all incomes other than labor incomes are exploitative. Yet the stress on labor is strong in the classical economics, beginning with the very first sentence of Adam Smith's *Wealth of Nations*: "The annual *labour* of every nation is the fund which originally supplies it with *all* the necessities and conveniences of life which it annually consumes . . ." (*italics supplied*). Ricardo, after him, presented a *labor* theory of value, from which Marx claimed to have got his own (very different) labor theory. Neither Smith nor Ricardo, of course, challenged the "legitimacy" of other than labor incomes, but the "labor theory" in the hands of Marx made property incomes a matter of pure exploitation, and labor was the sole "source of value." The whole literature of socialism, with its division of society into *classes*, and the "struggle" between the laboring and capitalist classes in which labor is the hero and capital the villain has had a strong though often unconscious impact upon the thinking of all of us, whether socialist or not.

Apart from this bias against entrepreneurial and property incomes derived from the intellectual tradition of socialism and social reform, I believe that the profits income specifically has been put on the intellectual defensive (and unintentionally) by certain definitional conventions in neo-classical economic theory, which have evolved mainly as a matter of analytical convenience. For instance, a few famous theories of profits have nar-

rowed the concept in such a way that in the absence of some particular activity with reference to which profits are *defined*, they would disappear. This narrowing down is typically accomplished by broadening the definitions of other incomes.

As a familiar example, theorists have in a variety of ways linked profits to dynamic change, so that there would be none *by definition* in a "static state." But in such a state there are still "wages of management" as a part of a broadened category of wages; and with the reintroduction of dynamic change, profits even in their narrower definition, reappear, linked with "risk-bearing," "innovation," or some other feature of the dynamic economy in which we live. I believe, however, that the development of a great part of the corpus of economic theory under assumptions which identify equilibrium with zero profits has acted as a powerful "hidden persuader" to cast doubt on the status of actual profits. To some, profits are always too high, and if when wages are increased, the businessman raises his prices at all, even if only to maintain the *same* profits, it is he and not labor who is criticized for the higher prices.

Such a view is fortified by the fact that profits are a market residual—what is left over after labor and other costs are met—so that as long as there is anything at all left over, it appears superficially that labor might receive more without any one but the employer receiving less. But from a social point of view, profits, properly defined, are also a cost, so that higher wages must on the whole be followed (if not immediately then very soon) by an upward price adjustment. Nothing could be more certain than that higher wages for any group of laborers raise the prices of the products they make,¹⁰ and thus are paid for by the general public as consumers of the product. But the folklore is otherwise.

The common identification of a liberal and enlightened position with a strong labor bias, as a deterrent to any truly rational

¹⁰ Of course, higher wages may be offset by other factors, such as technological improvements, for instance, in which case prices which would otherwise have fallen with lower costs do not fall. Such matters of interpretation are elementary, and are not discussed further.

economic analysis of labor unions, has in recent years provoked many a bitter comment, beginning with Henry Simons' much-quoted comparison between criticizing unions and criticizing motherhood or the home. (Many unions are in fact called "brotherhoods"—even the Teamsters!—and who would wish to criticise brotherhood either?) Thus "forthright consideration of the monopolistic practices of labor unions" has been described as "a hazardous intellectual venture," which "invites the label of a mid-Victorian reactionary,"¹¹ and the London *Economist* has noted that in recent years, to say anything against trade unionism (in Britain) has been "the mark of a crank."¹² Yet the plain facts are that for anyone concerned with the preservation of free institutions the power position of labor has become truly ominous, that it has gone largely unrecognized, and that it cries out for analysis from a truly public, as distinct from a labor, point of view.¹³

Labor Interest vs. Public Interest

There seems to be a widespread conviction that a public and a labor point of view are the same thing—in other words that "what is good for labor is good for the country." But such a proposition is no more true for labor than for General Motors. In fact it is so absurd on the face of it that one can account for it only on the basis of the general state of mind already dis-

¹¹ Jesse Markham, "The Report of the Attorney General's Committee on Antitrust Laws," *Quarterly Journal of Economics*, May 1956, p. 199.

¹² *Economist*, August 17, 1957, p. 520.

¹³ Perhaps I may refer here to an earlier analysis of my own, "The Monopoly Power of Labor," in *The Impact of the Union*, David McCord Wright, ed., New York, 1951. It is reprinted as Essay 12 in my recent book, *Towards a More General Theory of Value*, New York, Oxford University Press, 1957.

cussed. Of course, it is an old story to have any group, whether agricultural, business or labor, maintain that its own interests are identical with those of the nation; and by an understandable myopia such a group may even believe sincerely that this is so. The peculiarity of the labor claim is that the forces working for its acceptance are so strong. Mr. Wilson's famous remark (*i.e.*, the newspaper version of it) may be met with hoots and jeers, but newspaper editorials daily proclaim that if only certain abuses such as racketeering, misuse of funds, etc., can be effectively dealt with (so as to protect laborers themselves from unscrupulous officers), the labor cause in itself is wholly good. So the matter cannot be dismissed as an obvious absurdity.

One argument rests on the fact that labor (if broadly enough defined, and including families) is a majority of the nation; and, seeming to confound this fact with the democratic principle of majority rule, it identifies the welfare of this majority with the general social welfare. But a redistribution of real income in favor of any group whether a majority or not, nonetheless reduces the share of the others. What more need be said?¹⁴

A more subtle line of argument (and one with a hoary history in economic literature) is that receivers of higher wages benefit the rest of the economy by spending them and thus spreading prosperity. Whatever the element of truth or falsity in this proposition, it need only be pointed out that it is equally true (or false) for income received by *any* element of society, and not merely by trade unionists. Whoever receives a higher money income gains relative to others who do not, and there is nothing in the argument to indicate why union laborers any more than

¹⁴ Although it is argued here that the majority is irrelevant, it might, nevertheless, be said in passing that wage receivers, as a subdivision of more broadly defined labor, may not even be a majority of the nation; and that *organized* labor is actually a minority of wage receivers, a still smaller minority of labor, and a yet still smaller minority of the nation.

anyone else should be chosen to have the agreeable privilege of mysteriously spreading prosperity in this way.¹⁵

The plain truth is fortunately very simple, and does not depend on any subtle lines of reasoning. It is that when any group of laborers receives higher money wages it is thus enabled to buy more goods, so that its real income is increased. Its own higher wages raise the cost and hence the price of the goods it produces, and thus others are able to buy fewer goods, so that the real incomes of others are diminished. (Similar propositions are evidently true for any element in society which receives a higher money income.)

If wage increases become general, each laborer gains by his own higher money wages and has his gains pared down by the higher money wages of others, as these raise the prices of what he buys. If *all* money incomes (including contractual) increased proportionately, clearly the rise in prices would roughly cancel the gains generally, and no one would have a higher *real* income. But since some laborers (and some other elements of society) have more power to raise their money incomes than others (some, such as receivers of contractual incomes, life insurance beneficiaries, pensioners, etc., have zero power), those who have more power gain at the expense of those who have less. The interest of those who gain is hardly to be identified with the whole, if the whole includes also those who lose.

The Theoretical Framework—Monopolistic Competition

To the ideas so far discussed should be added a word about the intellectual heritage in terms of technical economic analysis. Until fairly recent years it has been the practice of economic theory to analyze the economy as “approximately” one of (pure)

¹⁵ A powerful element of appeal which helped to launch Keynesian economics was the proposition that wages were preferable to other forms of income in that the laborer had a higher “propensity to consume.” But it would be generally recognized today that both the proposition itself and its significance are open to serious qualification.

competition, with some allowance to be sure for competition being superseded by monopoly here and there. The same procedure has naturally been followed for the "factors of production," including labor. Traditionally, wages have always been a competitive share. The term monopoly has been restricted to businessmen and to profits—so much so that it seems strange indeed even to speak of monopoly wages. Such a term, however, is in many circumstances technically correct, and monopoly power in the hands of labor is in fact beginning to be analyzed as such by theorists who are not enemies of labor at all, but merely interested in the pursuit of truth.

It is the purpose of what follows to lay out some of the issues which arise in adjusting economic theory to the fact of labor unions. Traditional theory has been criticized above, but it is not meant to imply that nothing has been done as yet by way of reorientation. There is for instance a growing literature, both pro and con, on "labor monopoly"; and the question of whether or not collective bargaining can raise wages in any important degree has been the subject of lively controversy. Something will be said about these matters, but I should like to turn attention especially to the framework within which labor unions in the economy should be analyzed. The problems envisaged are those of structure, as distinct from aggregate wages and aggregate employment, which latter would lead us into issues of monetary and fiscal policy and the business cycle. Even so limited, the subject is evidently a vast one, and no more can be presented here than some "reflections" on certain aspects of it.

The fact that traditional theory has run in terms of (pure) competition has already been mentioned. More recently it has come to be recognized that product markets are typically heterogeneous, i.e., that on the whole each firm sells a product different in some degree from those of others, and *in this sense* has a monopoly of its own product, although subject to more or less competition from substitutes. Clearly it is within this frame-

work that labor unions operate. The recognition that products are highly diverse has revealed, too, the possibility of a diversity of earnings far greater (both plus and minus) than could ever happen under "pure competition," a diversity explained in the last analysis by the elements of monopoly which attach to the individual firm.

As noted above, it has been customary to conceive these elements of monopoly in terms of the profits share alone, the capital, labor and land incomes being regarded as "costs," determined by competitive market forces outside the firm. So determined, they are "data" to the firm, and independent of its profits. But more properly the element of uniqueness in the firm must now be attributed not merely to its entrepreneur, but jointly to all the factors which compose it. It is the *firm*, which generates a *gross* "monopoly income"; its so-called "costs," among them labor, are sufficiently flexible in their determination so that the question must be raised, not of how much profits are left over after the competitive costs of labor, etc., are paid, but of how all those (including both labor and the entrepreneur) who contribute to the total gross income produced by the firm may share in it. This is a very different approach to the theory of wages.

Readers unfamiliar with the type of analysis involved in "monopolistic competition" will object that the gross income of most firms in the economy is highly subject to competition, so that it is a misnomer to call it "monopolistic." It should therefore be explained at once that no real contradiction is involved. Monopoly and competition are both relative terms and *all* monopolists are subject to competition in some degree. The gross income of a typical firm in the economy is highly subject to competition. Yet, it is *different* from what it would be under "pure" competition, and is a monopoly income in the sense that it is derived from the sale of a particular product different in some respects from those of any other firm. It is "sheltered" in some degree, and for this reason, even though its income be moderate in amount, its problems are different from those which would arise under conditions of "pure" competition.

"Heterogeneity" in the Labor Market

A major step beyond this analysis of the product market is the recognition that "heterogeneity" also characterizes the labor market itself. Although it may be possible to treat labor, or certain classes of labor, as homogeneous for certain limited types of analysis, their essential heterogeneity must soon be recognized if major problems are not to be totally misconceived—or passed over simply by being assumed out of existence. The actual heterogeneity of labor is evident from consideration of some of its most obvious attributes. More broadly, *all* human services are "heterogeneous" because human beings are not machines—they vary both by birth and training in such important economic attributes as energy, efficiency, skill and aptitude, reliability, capacity for working with others, etc., etc.

Only to envisage a scale or "hierarchy" with respect to such attributes is to raise vital questions of adjusting each individual to his place on the scale and of fitting to the scale a parallel hierarchy of wage payments. A consequence of this type of heterogeneity is that a firm may adopt a policy of paying generally high wages and attracting the most efficient workers, or it may pay lower wages and be satisfied with the less efficient. Workers are further differentiated by such factors as race, religion, sex and age, all of which may be major factors in their employment, and if employed, in the wage assigned to them. Such considerations are often decisive as to membership in a labor union, and hence under a union shop or closed shop, as to obtaining employment at all.

Within a plant, laborers are further differentiated with respect to acquired seniority, and a substantial restriction on labor mobility may arise from the sacrifice of seniority accompanying a change in employer. Further differentiation is in terms of acquired training and integration into a particular work force, with all the elements of loyalty and association which act normally to attach a man to a particular employer for long periods of time, perhaps even a life time.

Another aspect of "differentiation" in the labor market is that

of space, for laborers are located in particular places and normally seek employment nearby. There is, of course, movement in some degree, sometimes even for great distances, but empirical studies seem to indicate a surprising degree of friction, (or "spatial differentiation") in the labor market as compared to the assumption of high mobility in traditional economic theory. Mobility is much greater, of course, within any local area, as measured by commuting distance; but the attachments of an established home, including community associations, schools, etc., are not easily broken even in the face of severe economic penalties.¹⁶

Most of the above considerations could be adduced by general reasoning, from an ordinary knowledge of the facts of the American economy. But it is comforting to have and to cite the support of empirical workers in labor economics. One comment on the general impact of recent research in this field is that "the economist, from a pinnacle of self-assurance, has been forced to admit many 'imperfections' in his classical and neo-classical theory, and has received body blows from the field research of members of his own profession."¹⁷

More specifically, in discussing "the scope of 'the labor market'" Reynolds, after saying that "it is approximately correct to identify 'a labor market' with a locality small enough so that people can readily travel from homes in any part of the area to jobs in any other part," goes on to argue for considering even this area as a "honeycomb of submarkets," and concludes that "each company employment office is really a distinct market for labor."¹⁸ Similarly, Bloom and Northrup comment that "there

¹⁶ For an illuminating analysis of the many-sided problems of mobility, see Reynolds, *The Structure of Labor Markets*, (based on a case study carried out in a New England factory city during the years 1946-48); also Myers and Shultz, *The Dynamics of a Labor Market* (based on the study of a partial mill shutdown in a medium-sized New England community).

¹⁷ Myers and Shultz, *op.cit.*, p. 203.

¹⁸ *Op.cit.*, pp. 41-2.

are as many labor markets as there are employers of labor.”¹⁹

Without seeming to go quite so far, Kerr gives an illuminating analysis of the general problem under the heading of “The Balkanization of Labor Markets,”²⁰ pointing out that the original breaking down of the classical notion of a single labor market into “noncompeting groups,” by Cairnes, must be repeated again and again within each group, until we seem to arrive at a network of interrelated markets quite like the “chain relationship” so characteristic of product markets.²¹ Kerr stresses in particular the myriad “institutional rules” by which unions seek to protect and increase job sovereignty both of the union and of groups within it, rules which replace or add to the natural frictions present in any event. In this “enclosure movement,” “fraternity triumphs over liberty as ‘No Trespassing’ signs are posted in more and more job markets.”²²

Whatever may be said on the much discussed question of the effect of labor monopoly on *wages*, it seems clear that we have here a leading example of other impacts of unions on the economy which have not received the attention they deserve. There can be no doubt that, even though it could be shown that the influence of unions on wages was small, their influence in restricting the opportunities open to the individual worker is large; and that quite apart from the interests of the particular workers concerned, a substantial effect on the efficiency of the economy is involved. In short, the “Balkanization” of labor markets by unions increases the monopoly elements in the system, with

¹⁹ Gordon F. Bloom and Herbert R. Northrup, *Economics of Labor and Industrial Relations*, p. 265.

²⁰ In *Labor Mobility and Economic Opportunity*, the Technology Press of M.I.T. and John Wiley and Sons, New York, 1954.

²¹ See my *Monopolistic Competition*, pp. 102-04.

²² *Op.cit.*, p. 96.

adverse effects quite apart from the question of wages. But with or without unions, the labor "market" must be reconceived as a network of interrelated markets, with adequate recognition to the problems arising out of "heterogeneity" (a broad term which includes immobility) within the structure.

Monopoly Elements and Collective Bargaining ✓

This recognition of monopoly elements in the labor market is a major step in making sense out of collective bargaining within the firm. For in a purely competitive labor market all laborers (of the same kind) would *necessarily* be receiving the same wages throughout an industry, so that it would be pointless for the employees of any particular firm to organize in order to obtain these wages, and impossible for them through organization to get any more. A similar argument could be made for working conditions. It is only when monopoly elements are put into the picture that a range for bargaining appears at all.

A solid justification for collective bargaining within the firm emerges from this picture—and a refutation of those who would dispose of *any* joint action among laborers as indefensible because "monopolistic." Collective bargaining by the employees of an individual firm is indeed "monopolistic"—but no more so than bargaining by the employer himself, who already has the same degree of monopoly power in his own labor market.

The chief bargaining weakness of the individual laborer in dealing with his employer is that he is typically a very small part of a larger aggregate. This would make little or no difference if his access to equally attractive alternative employment were perfect in the sense that the process of shifting to such employment involved *zero* net sacrifice; and where this is in fact the case his bargaining power is not weak. But typically, this is not the case: he prefers his present job, and separation from it would involve some hardship, perhaps including that of no income at all for an extended period necessary to find alternative employment.

By contrast, the employer while bargaining with the individual laborer, at the worst retains all of his work force but this one.

If this one quits or is discharged, the employer loses to be sure, but only this small fraction of his total productive force; and by a reassignment of tasks so that the specific job done by this worker does not go undone he can reduce his loss still further. He still has his work force virtually intact, whereas the worker if he quits or is discharged has no job at all. In short, since the employer is a single unit on his side, there is clearly an overwhelming case for sanctioning collective action by his employees towards the establishment of a single unit to negotiate with him.

Such considerations seem clearly to hold, not only with respect to money wages, but, with respect to nonwage aspects of employment as well: working conditions, grievance procedures, pensions, vacations, etc., and details need not be elaborated here. Nonwage elements are an important part of the contract between the worker and his employer. From the worker's side, they are a part of the wage received either directly (as vacations with pay) or indirectly in their effect upon the attractiveness of the job; and from the employer's, they affect costs of production in the same direct way as do money wage payments.

With particular reference to working conditions, it should be recognized that the modern large-scale enterprise is a gigantic cooperative effort—a community which lives and works together for many hours a day, and which must be “governed” during this period like any other community. There is a strong *prima facie* case for substantial participation by workers in negotiating the rules and procedures under which they live and work. Professor Slichter has pointed out that such rules and procedures “introduce into industry the equivalent of civil rights, and they greatly enlarge the range of human activities which are governed by rule or law rather than by whim or caprice. All of this represents a major contribution toward building a better civilization—probably the greatest achievement of trade unions.”²³

Recognition of nonwage elements, however, raises major problems of the scope of management, and of the “invasion” by unions of the management field. Thus Hoxie as early as 1921,

²³ *Trade Unions in a Free Society*, p. 12.

could write that "Collective bargaining is not an instrument of peace primarily. It is a step in the process of control";²⁴ and Neil Chamberlain, citing Hoxie, comments that it is "the very mechanism by which organized workers may achieve control and exercise it jointly with management."²⁵

It has been pointed out above that under monopolistic competition wages may no longer be treated as data, so that the question must be raised of how the total gross income of the firm is shared among *all* those who contribute to it. This recognizes that there is diversity among firms not only with respect to profits, but in some degree with respect to other costs as well. It is a natural part of the attempt by labor to increase its income within any particular firm, not only to try to increase its fraction of the total but also to seek to influence the total itself. On both scores it may seek to control or influence matters which have long been considered the prerogative of management. Examples are: the employment and discharge of workers, planning and marketing the product itself, pricing, and perhaps even financing and dividend policy. No doubt the historic conceptions of prerogatives in some of these areas are subject to re-examination and will be re-examined in the years to come. The problems raised are alarming only in view of the striking extension of labor power far beyond that involved in mere collective bargaining with an individual employer, the concentration of this power, and the prevailing public attitude of indulgence towards labor unions generally.

Unions already do many things which directly "restrain trade" in the product market and which businessmen cannot do—merely because they are unions and exempt from the antitrust laws. They may be, and have been, used in effect as "agents" of employers to enforce collusive agreements with respect to product prices. And in cases where producers for some reason are

²⁴ *Trade Unionism in the United States*, p. 275.

²⁵ *The Union Challenge to Management Control*, p. 105.

unable to form or maintain a monopoly agreement, unions have a special incentive to exercise monopoly power in the product market for their own ends. Indirectly unions may already have more influence on raising costs and thus prices than do businessmen. It is more than a possibility that, especially with the drive for industry-wide uniformity, much that is vital to the competitive character of our economy, and which is responsible for its high efficiency, will be lost through a substantial invasion of the management area by labor, and that the public will awake one day to find that a degree of economic control, which it would never have tolerated in the hands of businessmen, has already passed into the hands of someone else.

The power envisaged here is not primarily that actually to disrupt the economy by calling strikes in essential industries, but the power—built up over time by a series of accretions, each one obtained because it was small in itself so that it was not worth a strike to oppose it—to control the conditions under which large segments of the economy *continuously operate*, and to control them in the selfish interest of the labor unions concerned and perhaps in the selfish interest of those who control the unions.

Freedom to Organize—and not to Organize

Collective action in dealing with employers has been defended above, but it should be clear that this is only *insofar as employees may desire it*. This obviously implies that workers individually and collectively should be protected in their right to organize. It also implies that workers who do not wish to form a union or to join one already formed should be protected in their right not to.

The practical issues which are raised by these two statements of general principle are endless and we shall not enter into them here, except to comment that *both* principles are important. We touch again upon the intellectual heritage of “class warfare” and the extent to which this idea of a basic clash of interests has entered into the thinking of all of us. It seems to be assumed by many, generalizing from a period when there was in fact an

intolerable interference by employers with the right of labor to organize, that if laborers do not in fact organize, they are either deluded or intimidated. The Wagner Act may be understandable humanly as a reaction to employer opposition, but few today would deny that both the Act itself and its early administration under the National Labor Relations Board went far beyond the legitimate goal of guaranteeing to laborers the right to organize if they wish to.²⁶ Indeed, its avowed purpose of "encouraging" collective bargaining appears to have been accomplished with a vengeance. The rise in unionism during roughly the ten years following the Wagner Act is probably without precedent in the history of the labor movement in any country.²⁷

²⁶ Theodore R. Iserman, *Industrial Peace and the Wagner Act*, (New York, McGraw Hill, 1947), documents exhaustively his contention that the National Labor Relations Board used its broad discretionary powers consistently to "make unions grow" rather than to provide "full freedom" for employees. "Against the will of employees, the Board by its manner under the Act of determining bargaining units or rooting out unions not connected with the big federations, and of framing its ballots, has subjected to control by unions not of their choice hundreds of thousands of workers who did not wish to bargain collectively or who wished to bargain collectively through other unions. Its elections in effect disfranchised many of these employees. Through its power to establish bargaining units, the Board could determine in advance how its elections would come out." (p. 4). On the choice of bargaining units so that the union would win whenever possible, see especially p. 26. This book contains much documented information on "how workers are unionized against their will," how independent unions were annihilated, how the powers of national unions expanded under the Board's interpretations, and in general on the history of the first eleven years of the Wagner Act, "the first law of its kind in any country."

²⁷ Leo Wolman, *Industry Wide Bargaining*, (New York, 1948) expresses the belief that, in addition to "support and protection . . . from the federal government," unions were also greatly aided during this period "by failure of local police and courts to protect non-union workers, non-strikers, and employers against intimidation and assault." (p. 47).

Certain it is that there are elements of both conflict and harmony in the relations within a firm between laborers and management. During work hours, they constitute together a type of human society, and it is not surprising that, as in the long history of human relationships, the greatest variety of organizational forms should develop, paralleling all the standard categories of political theory and each with infinite gradations. Indeed, the variations are such that it is not easy to arrange them in order between any two obvious extremes. To adapt from Aristotle, "good" forms of government in the firm might range from a "constitutional" type to a benevolent paternalism, "corrupted" forms from an extreme or debased democracy to tyranny.

One striking difference between the politics of states and those of economic enterprises in twentieth century America is that there is only a small possibility of getting through the barbed wire fence and escaping from political tyranny, whereas the possibility of escaping from a tyrannical employer is very high. Indeed, it is so high that many employers give a great deal of thought to maintaining conditions of employment such that workers will be reasonably happy to remain with them. To the extent that workers are mobile, this force at least works against striking abuse of the employer's position of superior bargaining power within the firm which was described earlier.

The point here is that there is no simple and obvious solution, no "optimum" organizational form, to be applied across the board to the highly diverse economic organisms which go under the general heading of the "firm," or "enterprise" in modern economic society. Nothing which was said earlier in defense of the freedom of workers to bargain collectively with their employers if they so desire is in the least qualified. It is held, however, that the greatest freedom for experimentation in industrial forms should be maintained. Clearly, there is increasing reason to doubt whether wise public policy lies in fostering without restraint the growth of labor unions as an obvious "good thing" for *all* economic units, large and small and without regard to the nature of their activity or to how they wish to carry it on.

Especially is this so if the "laborers" in all cases are not only to be forced into a mould of mass opposition to their employers, but also to be further amalgamated and consolidated over wide areas into the hands of a relatively few "leaders."

It is interesting in this connection to reflect that trade union membership for the United States, as a percentage of labor force, is now not far different from that for the major industrial countries of Europe.²⁸ Perhaps there is some rough limit beyond which labor organization does not normally develop in a "capitalist" economy, if laborers are reasonably free to choose; and as that limit is approached, there is more reason than ever to make sure that a fundamentally diverse economy is not forced further into a standardized mould of antagonistic blocs by failure adequately to protect the workers concerned from the expansionist pressures of unionism.

Employer opposition is a bitter memory, but only in recent years is it coming to be realized that the pressures used by unions to gain control over laborers may be as vicious as union-busting tactics of employers have ever been. The public is not very familiar with such pressures, perhaps because the man in the street thinks vaguely of a union as coming into being by a more or less spontaneous desire of a group of employees to organize. (One might say parenthetically that little is said to contradict this view in the average textbook on labor economics.) But it must be recognized that workers nowadays do not organize in this sense. However they may vote, once enrolled in a union, they *become* enrolled through the activities of organizers em-

²⁸ The *Directory of Labor Organizations, Europe*, Vol. I and II, U. S. Dept. of Labor, 1956, gives recent figures which yield the following round percentages of trade union members as a percentage of labor force: Great Britain, 37.1; France, 14.6; Italy, 23.4; West Germany, 26.3. Three small countries are somewhat higher: Sweden, 56.6; Norway, 39.4; Denmark, 38.7. The figure for Canada is 19.7, and for the aggregate of the eight countries mentioned, it is 26%. The comparable figure for the United States is about 25%. The statistical categories in the different countries, and therefore the percentages, are not comparable with precision, but their general meaning is clear.

ployed by already existing unions seeking to expand their power; or they may be handed over *en bloc* by an employer, perhaps forced by economic blackmail to sign a contract—and a *union shop* contract—with a union.

Apart from violence, threats, intimidation, etc., economic pressures in this area include boycotts (both secondary and primary), refusal to work with nonunion labor or with materials produced by nonunion labor, etc., and all interference with the free movement of men or goods, whether by the device of the picket line, by refusing to handle “hot cargo,” or in any other way by denying transportation to the firm upon which pressure is to be put. It is well known (or should be) that violence and pressures of these and other varieties have been major factors in the spectacular growth of the Teamsters Union in particular, where control of transport combined with public apathy makes blackmail the obvious tactic.²⁹

²⁹ Robert D. Leiter, *The Teamster's Union*, is a useful reference. A few quotations: “It was during this period (from 1933 on) that the IBT became the most powerful union in the country. By threatening to stop deliveries to and from employers who refused to come to terms, the teamsters were able to gain contracts not only in trucking but in related industries. In many instances the support offered by the IBT to other unions engaged in picketing or in bargaining negotiations was decisive . . . in other cases, when teamster support was not forthcoming, organizational drives collapsed.” (pp. 38-9). “Beginning in 1933 the (Minneapolis) local . . . began expanding beyond the confines of Minneapolis and organizing over-the-road drivers. The process was carried on by requiring all drivers coming into the Minneapolis terminals controlled by the local to be union members.” (p. 42). “Beck’s vigor was soon apparent . . . many of Beck’s successes depended on rough tactics . . . He seemed not to have been able to control all his men. During 1933, for example, when he was trying to organize a nonunion taxi company he told a mass rally of his members, ‘If you see any yellow cabs, don’t turn them over.’ That evening all yellow cabs that appeared on the streets were overturned.” (p. 48). It would seem that the term “union-busting” by employers should be

The Union Shop and other Intra-Firm Problems

The above analysis of pressures has not entered into the vexed problem which arises when in the same enterprise some laborers do and others do not wish to belong to a union. Should the union shop be permitted, so that a minority of laborers, even small, are obliged to join a union against their will, under penalty of losing their jobs if they do not? Or should they be protected by law in their "right to work," without a union affiliation?

This is too large an issue to be adequately discussed here.⁸⁰ The case for a union shop is certainly stronger where nonunion shops also exist, so that those who do not wish to belong have the alternative of finding employment in enterprises where it is not required. From this point of view the more widespread the union shop, the less defensible it becomes. Even the most sympathetic students of the labor movement seem to recognize that a fairly high degree of autocratic control in union government is almost inevitable. This means that the laborer does not escape from authority by joining a union, and there are strong reasons for allowing those who prefer the tyranny of an employer to the tyranny of an autocratic or possibly corrupt union official, to have their choice.

matched by "employee-busting," and especially "employer-busting," by unions.

Mr. Hoffa has been outspoken about organizing methods, and about his plans for the South. The writer once heard Mr. Hoffa speak, and finds the following among his notes: "Methods of organizing—carriers agreed by contract that they would only do business with those who had signed a contract . . . organization of the South will be worked by stages through interstate pressures, refusing to handle goods handled by nonunion trucks, etc." With regard to area contracts; "all the ends tying in with an employer's business must be tied up so that he will bargain."

⁸⁰ For an analysis of some of the issues involved, including the important "free rider" issue, see Philip D. Bradley, *Involuntary Participation in Unionism*, American Enterprise Association, Washington, D. C., 1956.

The case for a union shop is also stronger the greater the majority of employees who favor it. There is no doubt that a union which is "secure," and free from the necessity of constantly stirring up trouble in order to demonstrate its usefulness and hold its members in line, may make a more constructive contribution to industrial relations. Such an objective may justify overriding the objections of a small minority. The union shop, however, is a privilege which, by its very nature, invites abuses. The principle seems to be widely recognized, that it requires strong guarantees, probably legislative in order to be adequate, to protect the individual worker from its abuse. What remains is to implement this principle.

The discussion of collective bargaining so far has been tacitly in terms of a union representing all the employees of an enterprise; or if only a portion of them, at least without distinction as to occupation. This ignores the important area where organization, instead of being on an industry basis, is by trade or specialized activity. Where such is the case, a small fraction of the total employees in a firm may have power out of all proportion to their numbers. In particular, they may be able to strike or threaten to strike for their own purposes and force a general work stoppage of nonstriking employees as well, either because operation is technically impossible without them or because it is rendered impossible by the device of the picket line.

Let us take as a simple example a strike of 300 paper mailers in August 1957, which closed down for 20 days six Boston newspapers, employing about five thousand other workers. Ignoring questions of public inconvenience, and also of the economic impact of the strike beyond the six newspapers concerned, we have here a case where, what is in practical effect a strike of five thousand workers is brought about by the action of three hundred. One may well ask whether in such cases, explicit *ex ante* approval (*not ex post* by "honoring" a picket line) by a majority of the workers involved might not well be required as a condition to the strike's being permitted at all.

It is in fact a familiar and generally accepted principle in the analysis of this type of problem that a group of workers who have

the double advantage of being (1) essential and (2) relatively few in number, enjoys an unusually strong bargaining position. Since they can stop all operations, an unduly large share relative to the other workers of what the employer is willing to pay in order to avoid or to settle a strike may be diverted in their direction. This seems to have been generally the case from the beginning with the skilled *trade* unions as distinct from *industrial* unions. In a skilled craft the element of specialized training may be decisive in preventing the work of strikers from being done by other nonstriking employees, and thus in rendering them essential in the sense which is here important. But more modern developments in picketing, potential violence, etc. achieve the same result. Even the most unskilled worker's job becomes "essential" if no one else is allowed to do it.

The issue is raised here mainly to call attention to its existence, and to the way in which such factors may magnify the actual monopoly power of a particular union. (It is as if a few businessmen, representing some small percentage of an industry, say five percent; had the power to raise prices and thus profits throughout the industry *and* to divert all or most of the increased profit to themselves.)

The effect of such union power may be either (1) to increase the differential advantage of a skilled trade, or (2) to reduce the disadvantage of an unskilled one, depending on who has and uses the power. The paper mailers, who as I understand it, mostly wrap bundles, seem to afford a good example of the second of these possibilities. In any event, the quality of being essential *as a group* (or the purely synthetic power of creating essentiality by preventing others from performing the essential job during a strike) seems to be unrelated to any rational criterion for wage differentials.

There can be no doubt that broadening the basis for sanctioning strikes, or for bargaining generally, would diffuse the gains more widely, for the objectives of the various subgroups involved would have to be worked out by compromise in order to obtain group sanction. Such a broadening would also force

the *group* to decide how the total gains were to be divided up, and so introduce a strong "political" element into the decision.

So it is that in an industrial type union subject to democratic pressures, this type of power typically lies in the hands of the more numerous unskilled workers. It seems to be a recognized result of industrial unionism that the incomes of the unskilled are raised more than those of the less numerous skilled, with a consequent reduction in wage differentials.³¹ After all, pressure against income inequality is a familiar result of democratic voting, whether in the political state or in a labor union. This solution seems to have as little to commend it as does the power in the hands of a small group to bring to a halt the operations of an entire enterprise. The quality of being more numerous and hence more powerful in the internal politics of a union is surely unrelated to any rational criterion for wage differentials.

It is recognized that "in the long run" (although the "run" may be long indeed), other influences more rational than those just discussed will also come to bear on the hierarchy of wage differentials. The rectification of "inequities" is a familiar subject of union bargaining. Perhaps the most significant aspect of the forces just discussed is their use as a lever towards higher wages generally. A differential which is too small is corrected by raising the higher rate; a differential which is too large is corrected by raising the lower rate. A powerful influence, insufficiently recognized, is revealed for upward pressure on wages generally. Typically it will be easier first to gain a limited advantage and then to extend it by a series of "corrections," than to proceed directly on a broad front. The applications of the principle are multifarious in the labor field, as in any other where the methods of power are involved.

³¹ In *Business Week*, Dec. 22, 1956, there is an account of the tensions which have developed with the United Auto Workers between the skilled and unskilled on this account. The UAW has recently devised a technique by which they hope to meet the threat and try to enjoy the best of both worlds. Another example is given by the recent strike of motormen in the New York subway system.

Wage Maximization vs. Upward Pressure

The recognition of ubiquitous elements of monopoly in the economic system has brought with it a striking extension of the technique of profit maximization in economic analysis. And the recognition that labor unions fall into the category of monopolies has naturally led to a further extension of the maximizing technique into the field of labor income. Labor economists have therefore been at pains to point out, and quite rightly, that a labor union is not ordinarily a seller of labor in the same sense that a firm is the seller of a product. It negotiates a set of wage *rates*, but on the whole is probably not very much interested in the volume of sale of labor services at the wages negotiated. After all, the short run demand for most kinds of labor is fairly inelastic, especially in rising markets, and any who may not find employment at the higher wage will normally drift away into other occupations or areas. Total union wages cannot, like profits, be "pooled," and so the conventional monopoly goal of maximizing an aggregate of income is unrealistic.

Objectives, involving the notion of what is "fair" or reasonable should be mentioned, including what is sometimes brought under the heading of promoting the long run "welfare" of the union itself in the sense of its internal health, good relations with its employer, the community, etc. It has even been suggested that union leaders in negotiating may in some cases ask for less than they think could be had, if it is enough to satisfy their membership, since such a procedure reduces friction and makes for greater harmony all around.

On the whole the evidence is impressive that the simple theoretical model involving income maximization, if taken too seriously, may be quite misleading for the labor market. But it should not be overlooked that it has been criticized also for product markets. Indeed, a large literature has developed explaining and defending the principle that businessmen price their products according to computations of "full cost" including a "reasonable" profit margin, and that they know little or nothing of the more refined developments of the theory of profit maximization.

My own view is that some criticism of the economic theorist's propensity to fall back on profit maximization and let it go at that is justified in both cases. But this being said, it should be recognized that for many purposes it doesn't really matter whether or not a labor union (businessman) is trying to *maximize* wages (profits); what matters is that it is trying to get *more*. Unless a firm is completely "isolated" both in its product market and in its labor market, changes in either its prices or the wages it pays will have repercussions, most often in the form of roughly similar changes elsewhere. To illustrate for prices, this means that even though the price it adopts may be aimed at maximizing profits in terms of the *existing* situation, the move will normally change the situation itself so that profits are no longer maximized anyway. An adjustment which would merely *increase* profits without necessarily maximizing them would have precisely the same kind of effect.

Similarly, the question of whether unions are able to raise wages can be discussed as a problem of economic theory without the assumption of maximization. (Certainly it is not shown that unions cannot raise wages by establishing that the concept of maximization is inappropriate in the labor market!) The first question is whether *some* power to raise money wages exists in the initial setting, which it is advantageous to use, to be followed by the question of the repercussions through the wage and price structure, of the use of this power. A familiar example is that of a "round" of wage increases, where each increase in money, and hence real, income by one group of laborers calls for similar increases elsewhere. In the end, the general rise in wages, and hence in prices, brings the real income of the first group down again, and renews the pressure for "another round." The wage-price spiral does not depend on either wage or profit maximization; all that is needed is upward pressure.

Wage-push Inflation

So it is that a modern theory of wages, which recognizes the power in the hands of groups of laborers by direct action to raise

their money incomes permits recognition of the possible role played by organized labor in the inflationary process. "Wage-push inflation" is logically inconsistent with a purely competitive labor market, and it will naturally be denied by many, among whom will be those whose thinking continues to run in "competitive" terms. Such an account of inflation is "new" in the sense that it runs counter to the traditional view in which prices are *pulled* up by demand (either by monetary expansion or by increase in "spending"), rather than *pushed* up by costs. But both are possible and *neither excludes the other*.

There seems to be no reason to doubt that the upward pressures exerted by unions and transmitted to prices through the law of costs may well proceed (as they have recently) at a rate greater than the rate of increase in productivity for the economy *as a whole*, with a resulting general rise in prices. The existence of such pressures is familiar enough, and the result requires no explanation beyond that of the natural use by unions of economic power which they clearly have. The interest of the individual union, and especially of its leaders, lies in pressing for those gains which are possible, and there seems to be no reason whatever to expect a more moderate policy. What then can be done? To deal with a wage-push inflation by monetary or fiscal policies is certainly not to deal with causes; it is rather an attempt to create a counter push by squeezing businessmen so that they will in turn squeeze labor. It risks economic contraction, to say nothing of major industrial strife. An obvious alternative is to diminish in some measure the degree of economic power in the hands of unions, so that the pressure may be reduced at its source.

Collective Bargaining Beyond the Firm

Collective bargaining has been discussed up to this point as a matter of the relationship between employees and their employer *within a firm*. It has been found that within this framework a solid case can be made for it in principle. For the workers of a single enterprise to bargain as a unit with their

employer corrects a "natural" imbalance between them in a fundamental and very important sense. A simple "model" of the effect of such limited collective bargaining would view the gross income of the firm as a *given total* (presumably the maximum allowed by market conditions) to be divided by "power" principles among those contributing to it. Such a model is especially tempting because it represents the total which is taken from the public as the same in any event, so that the public would have no stake whatever, in the outcome of the labor bargain. It is, however, of such limited validity that it must be regarded as no more than an intermediate step in the analysis.

The reason is that firms are rarely "isolated" in the economic system in the sense and to the degree necessary for this model to apply. The prices they pay for their labor and raw materials, and the prices they charge for their products are a part of an elaborate system of interrelated costs and prices, in which some degree of competition is all-pervasive. It is for this reason that labor (like business) naturally seeks to suppress competition by acting collectively over a range extending far beyond the individual firm. And it is for this reason that the public has a vital stake in *any* collective action which takes place between firms, whether by businessmen to raise prices directly, or by laborers to raise labor costs and hence prices indirectly.

Just as bargaining power within a firm may be unevenly distributed between employer and employee, as analyzed earlier, so may it be too when the analysis is extended to a group of competing firms, which we shall call for convenience an industry.³² If collective action is on the labor side only, the individual employer is in a conspicuously weak bargaining position, for the union is master of the strategy and naturally seeks to gain its ends by playing one employer off against another, maneuvering a

³² What is involved is really a set of competitive relationships, and so the term group must be interpreted with great flexibility. The word industry is introduced at all here only as a concession to common usage, and is not to be interpreted necessarily in any one specific sense.

break in the employer front and using it to force others into line.

If bargaining on both sides is "collective," say on an "industry-wide" basis, bargaining power would *appear* to be again equalized. But here we must not imagine that the employer bargains as he would if he were a single firm, surrounded by competitive pressures and so unable to adjust his prices at all (assuming them to be set already at the most advantageous figure.⁸³) Since the rise in costs is general so that *everyone's* costs are higher and by roughly the same amount, the normal competitive check on a price increase is sharply diminished. Increases in wages will not be borne by the employer, but will be passed on to the public in higher prices, if not immediately and obviously, then with the next general price adjustment.

Even with bargaining on an individual-firm basis, if a number of competing firms independently grant wage increases so that costs generally for the group are higher, prices must sooner or later reflect the increase in costs. The "isolated" firm in the sense necessary to the absorption of a wage increase without a price adjustment is a comparative rarity, and the conclusion must be that the public has a broad and vital interest in the outcome of labor negotiations. Failure to understand this must result from a failure to recognize how the labor market and the product market are tied together, and this matter must now be looked into more in detail.

Labor Market and Product Market

It is fundamental to distinguish between the labor market and the product market, but it is also common to place far too much emphasis on the distinction. As markets they are clearly not the

⁸³ If an entrepreneur is not already exploiting his competitive situation to the full, a major qualification appears even at this stage. If his price policy is set with reference to what he regards as "reasonable" instead of maximum profits, a rise in wage costs would normally lead directly to a corresponding rise in prices in order to maintain such profits. Such adjustments would be possible so long as his market situation was not exploited to its maximum.

same: the former deals with the purchase and sale of labor services, the latter with the purchase and sale of the company's product. The link between them, however, is simple and vital—that the buyer in the first market and the seller in the second are one and the same, viz. the entrepreneur. Another way to state the relationship is that the entrepreneur buys labor in the first market for the obvious purpose of reselling it, incorporated into a product, in the second. The economic law which links the two markets, the “law of cost,” is as venerable and respectable among economists as the more famous “law of supply and demand.” In simplest form it states that the price of a commodity tends to equal its cost of production.

A great deal of the theory of value consists in the refinement, elaboration and qualification of this central principle. And a great many of the most elementary misconceptions about wages derive from ignoring it—from supposing, for instance, that because the contracting parties in the labor market do not, as in the market for consumers' goods, include the public, a contract mutually agreeable to employer and employee is without public concern. Yet this seems to be by far the prevailing view, not only among the public and among policy makers, but frequently even among economists, who should be the first to point out the “unseen” link between labor market and product market through the law of cost.

It would not be possible, even if it were thought desirable, to restrict the influence of unions to the labor market, and the reason is the same law of cost. And for this very reason it is not possible adequately to protect the public against monopoly prices in the product market without a direct concern with what goes on in the labor market.

There has been a great deal of discussion as to whether the antitrust laws should be applied to labor. To the writer the main issue seems to be one of their appropriateness to deal with problems of a market for which they were not primarily intended. Some partial application is surely possible, but the particular body of law associated with antitrust has actually been developed with reference to product markets, and it would seem on

the face of it that the structure and functioning of product markets on the one hand and of labor markets on the other, differ in so many ways that a fresh start may be called for to meet the problems of the latter. One need only cite some of the major problems of labor markets, such as strikes, picketing, labor-management relations and internal union organization, for instance, to indicate the different subject matter involved. Questions of detail cannot be examined here. Our objective is limited to making the point that monopolistic practices of labor unions do not spend themselves in the labor market, but are merely covered over and transferred through the cost mechanism to the product market. Our analysis would indicate that if the public is to be protected from unreasonable monopoly power, a body of law *appropriate to the labor market* has an importance at least equal to that which (in the United States) is generally taken for granted in the product market.

Organized labor is, of course, able to influence the product market in a variety of ways directly, as well as indirectly through the cost mechanism. Putting aside the strike itself against the employer concerned as an aspect of bargaining, there remain organizational and jurisdictional strikes and all manner of pressures against other individuals and firms not parties to a dispute; restriction of output for the purpose of controlling market prices; exclusion from the product market; direct participation in price-fixing agreements, etc., etc. There are also, of course, the cases of labor unions dealing directly with the public, as barbers who set the local monopoly price of haircuts, and of small entrepreneurs who may form themselves into a labor union in order to circumvent the antitrust laws. As soon as such a list is presented, the problem of borderline cases is at once apparent. Here let it be said only (1) that certain of the activities of labor unions would normally come under legislation, such as antitrust, designed to "preserve competition" in the product market and (2) that when this has been allowed for, it should not be imagined that what remains is merely a matter of labor-management relations and without relevance to the problem of protecting the public from monopoly. Just as surely as the public pays a higher

price for automobiles if the price of the steel which goes into them is monopoly-controlled, so it does too if the wages of the labor which goes into them, whether in the steel, auto or transport industries, is monopoly-controlled.

The Law of Cost and Profits

It is impossible in this brief outline to go far by way of refinement in the law of cost, but one obvious issue must be raised. It is the proper place of profits in relation to the concept of "cost." Of course the businessman regards his profits as what is left over after costs have been met, and in this sense not a part of his costs at all. But more fundamental is the fact that, granted good and bad years, unless he makes a reasonable profit over a period of time it is not worth his while to remain in business. In this sense a certain profit must be added to his explicit costs as a part of the total cost *to society* of getting his product.

The precise definition of this amount is without doubt one of the most baffling problems of economic theory. Yet the recognition of its existence as a necessary element of cost is (if we pass over the Marxian exploitation theories) well-nigh universal.

The notion is common that a wage increase impinges mainly on profits and hence need have no effect on prices at all. Of course this may happen in certain cases and to a limited extent, but such an effect is typically only a short-run phenomenon, and the run may be very short indeed. Profits are no more available than are other cost outlays as a source from which increased labor income may be met without affecting prices.³⁴

³⁴ Professor Slichter has frequently pointed out that pressure by wages on profits may be a powerful force working to accelerate improvements in management and technological change, thus raising the total real income of the economy. This is certainly a theoretical possibility, and it may well be true in fact. But in passing judgment on the argument as a defense of what might be called the "exploitation" of management by labor, it is important to note its exact nature, and the possibility of generalizing it. What it seems to come to is that if management income is reduced, management may respond by working

It should be noted that the frequent claim by labor that profits are "adequate" to afford a wage increase without raising prices contains within itself the seeds of a vicious price spiral. It may be a factor in winning an actual wage increase, perhaps by gaining a measure of public support in one form or another for the labor side. But since labor cannot deny to the employer his natural defensive move of a price adjustment if market conditions make it possible, the original condition of profits supposedly "adequate" for a wage increase is likely soon to be restored, and the cycle begins again. The flaw in the argument is to suppose that the businessman (or labor or anyone else) will not normally conduct his affairs with full reference to the advantages (and limitations) which are set for him by the competitive situation in which he finds himself.

Although most economists would admit the truth in these observations about profits their full recognition in economic theory would, I think, yield some surprising results. What is needed is to give *parallel* treatment to profits and wages, both as costs on the one hand, and on the other, as possibly containing elements of surplus. An example of what is meant by parallel treatment would be to invert the familiar analysis of the theory of the firm wherein wages are treated as a cost and profits as a residual to be maximized, by treating (some definition of minimum) profits as a cost and examining the "maximization" of wage income. In this connection it must be remembered, as pointed out earlier, that we are not necessarily concerned with "maximization" in a literal sense, but perhaps only with a *movement* in this direction, with an attempt merely to get "more," or with a *series* of such attempts, each move following naturally after the consolidation of the previous one.

harder in order to restore it, and in so doing raise the national income. But it is equally true as a theoretical possibility that if wage rates were reduced, labor might respond by working harder or longer hours, and in so doing raise the national income. This possibility is in fact a familiar proposition in wage theory. The general conclusion for policy is no longer so clear.

The analogy between industry-wide price agreements in the product market and industry-wide wage agreements in the labor market now becomes clearer than ever. A price agreement may be regarded analytically as simply an attempt to increase the profit income (in the "profit market") by increasing the gross revenues of the industry while costs (such as labor) are held down by competitive forces in the markets wherein they are determined. But now let the process be inverted. Consider an industry where the same possibility as before for increasing gross revenue exists, but where competition in the product market keeps profits at a moderate level. A succession of industry-wide wage increases (in the "labor market") will raise costs for all and hence prices. The end result is quite parallel to that of a price agreement in the product market, except that the monopoly income generated by the industry is drained off in the form of wages instead of profits.

This seems to be a run-of-the-mill type of case, with no reason whatever for thinking it to be exceptional.³⁵ It is overlooked on a large scale only by reason of the continuing tradition in general economic theory that wages are ("on the whole") competitively determined, so that the monopoly positions which abound in the system with respect to the gross incomes of firms, and groups of firms, may be exploited only by entrepreneurs. In fact, their exploitation by labor is made vastly easier by the fact that the higher income involved is soon buried in the cost structure, while monopoly continues to be conceived as something which happens only in the product (or "profit") market, after "costs" have been deducted. What I am proposing is to introduce the necessary corrective by considering a "model" in which the cost aspects of profits on the one hand, as well as the obvious power of unions to affect wages on the other, are *both* fully recognized.

³⁵ It is evident that if labor in an industry is only partially organized, competition from the nonunion sector may limit the power of the union sector. This is a generalization which holds equally well for price agreements, and for collective action generally among businessmen.

Intermediate possibilities too must be recognized. The fundamental situation appears to be the possibility of gross monopoly income; and the question which must then be asked is how, if the possibility is exploited, the income in question is shared among those who are in a power position to lay claim to some of it.

Speaking generally, there can be no doubt that the monopoly power of labor is greatly increased by extending its collective action beyond the limits of the single firm. (Surely no one would think of questioning a parallel proposition for entrepreneurs!) Competition in product markets puts pressure not only upon profits but also upon labor and other costs, and collective action by laborers on an "industry-wide" basis to raise their incomes at the expense of the rest of the economy is logically indistinguishable from the collective action by entrepreneurs for the same purpose which is forbidden by the antitrust laws. It should not be necessary to argue this proposition. Can there be any doubt that a proposal to limit collective bargaining to the firm, and to bar all "collusion" between laborers in different firms would be regarded by labor leaders and by all friends of labor as virtually a proposal to "destroy" the labor movement? If so, what better proof could there be of the sweeping importance of the monopoly powers which are here discussed?

It should be perfectly clear that no proposal to limit collective bargaining to the firm is in fact made here. The optimum size union, or "bargaining unit," either from a private (labor) or from a public point of view, will certainly, like the optimum size firm, be different in different industries and under different circumstances. And there are good reasons to think that it may not necessarily coincide with the optimum size firm. But the subject is virtually unexplored, for the reason that such an approach, at least from a *public* point of view, has not been envisaged. When one thinks of the vast literature of industrial concentration and monopoly, including legal hairsplitting as to the percentage control necessary to "constitute a monopoly" of an industry, it is truly amazing that the existence of precisely the same economic problems in the labor field has gone virtually unnoticed.

Collective "Bargaining" vs. Accretions of Power

Collective bargaining has been explained in the literature of economic theory, and on the whole defended in the face of a general condemnation of monopoly, mainly on the ground that the individual laborer is weak, and that collective action is necessary as a corrective in order to put him on something like a par with his employer. Such an objective would clearly be achieved if the collective action extended no further than the particular labor market of the employer concerned. The fact that a labor union, once formed, will, like any other unit in the economy, naturally seek to extend its power, the processes (and methods) by which this may be done and the consequences of its achievement, seem to have been generally overlooked in the analysis.

The process is the familiar and many-sided one of absorbing both competing and connecting activities,³⁶ and since here again we find the familiar principle that competition is a matter of degree, it extends more or less indefinitely. "Absorption" must be understood to include not merely extending the actual area of the union itself both within the plant, and in competing and connecting plants, but the development of alliances, agreements and power positions with respect to other unions, to competing enterprises, etc., which will make union action as disastrous, and hence the threat of it as ominous, as possible.³⁷

³⁶ Sometimes the activities are neither, and expansion seems to be motivated mainly by the thirst for dues revenue and the power and prestige in the labor movement that go with large membership. One is reminded of the era of headlong public utility holding company expansion and of the subsequent attempt in the Public Utility Holding Company Act to establish "integrated companies."

³⁷ A slogan of the teamsters that "if you got it, a truck brought it," is of poignant economic significance, indicating conclusively, as it does, that unless a truck brings it, you don't have it. The decision as to whether you shall have it or not is, in New York City, in the hands of the Teamsters Joint Council, which has the power to grant or withhold strike sanction to the fifty-seven teamster locals. Equally important, it decides on the validity of requests from other unions, not teamsters,

It is strange indeed that this phenomenon of "bigness" and power, regarded generally as of prime importance at the "profit" or enterprise level, should have attracted virtually no attention whatever at the level of labor organization, although as a proportion of total costs, and so of prices paid by the public, labor cost is vastly more important than profits. In fact, the struggles for power in the labor field seem to be quite comparable to anything witnessed in the most violent periods of consolidation in the railroad and industrial areas.⁸⁸

The power that goes with size does not need detailed elaboration. But some aspects of it may be overlooked. In addition to the control over a wider range of market situations, both competing and connecting, it brings correspondingly larger financial revenues and resources, which may now be *concentrated at any particular point*, and so constitute an actual threat of economic destruction to the individual employer. The parallel is suggested of "local price cutting" in the industrial field, whereby a large enterprise may concentrate its resources at some particular point in the sense of taking temporary losses there in order to eliminate a competitor—a practice forbidden by the antitrust laws. Another aspect of size is that it puts the boycott, even the (legal) primary boycott, in a completely different light. For instance, a boycott effectively conducted on a nationwide basis could be a deadly weapon—and one unrelated to collective bargaining as such.⁸⁹

for recognition of their picket lines. It is hard to imagine such a power in the United States being put in the hands of anyone but a labor leader.

⁸⁸ As a single example, a study of the expansion of the Teamsters Union on the West Coast concludes with the observation that "The most sweeping uses of economic power by the Teamsters Union . . . during the past 20 years have occurred not in connection with employers of teamsters but against other unions." (John B. Gillingham, *The Teamsters Union on the West Coast*, p. 88. Quoted by Robert D. Leiter, *op. cit.* p. 104).

⁸⁹ The nationwide boycott presently attempted by the U.A.W. against the Kohler Co. is a perfect example.

In addition to size, other accretions of power which go beyond mere collective bargaining may be summarized. The strike has not been discussed in this paper, but its true nature should not go unmentioned. It is not at all a mere stoppage of work, as it seems to be generally regarded when the "right to strike" is discussed in terms of the "right" of the laborer, either individually or collectively, not to work if he doesn't want to and if he cannot agree on terms with his employer. It is in fact this *plus* the right to prevent his employer from hiring anyone else who is willing to take the job. Practically speaking, it has developed into a property right in a job even though one is not working at it. No counterpart to this privilege of preventing the person with whom one is bargaining from making an alternative contract which is mutually agreeable, with another party, exists in "bargaining" anywhere else in the economic system.

Still other accretions include a multitude of pressures, economic and other: boycotts, primary and secondary;⁴⁰ picketing; and all other devices employed both against nonstriking workers and against the employer himself to isolate him from his normal economic connections. The use of violence, both actual and potential, should also be mentioned. Of course violence is "illegal." But for a variety of reasons it may not be effectively prevented, and it is rarely punished. Hence the threat of it is very real, and so paradoxically, its influence may be greatest when it doesn't happen at all. Similarly *mass* picketing is generally speaking illegal, but it is a common occurrence. It can always be begun, and much time may elapse before counter measures can be taken. In the meantime, it may have its effect, and a part of the "settlement" will be to forgive all illegal conduct in order to promote "harmonious relationships."

Such accretions of power in the hands of labor unions have literally nothing to do with collective "bargaining," *as this term*

⁴⁰ The prohibition of secondary boycotts in the Taft-Hartley Act is largely ineffective by reason of several loopholes which remain to be closed.

would be applied to any segment of the economy other than the labor field. Indeed, the widespread view that the labor cause is an especially meritorious one, and therefore should not be hampered in any way has already led to developments which make "collective bargaining" an antiquated and wholly misleading phrase in terms of which to describe the nature and activities of the modern labor union.

Accretions Augment Bargaining Power Indirectly

It is true of course that *any* accretion of power is *indirectly* related to bargaining in the sense that it strengthens the hand of the party who enjoys it. Therefore, *if* the social objective is indeed to strengthen the hand of labor in some indefinitely large degree, or at least "enough to win," then there is no case whatever for limiting in any respect the power enjoyed by any particular union. Certain it is that without the imposition of limits by organized society, there is no reason to suppose that labor unions would be any more hesitant either about "absorbing competitors" or about exploiting all available means of putting pressure on those who would interfere with the growth and exercise of their power, than would business firms in the absence of effective antitrust and other legislation.

It is therefore not to be expected that the exercise of union power should stop at mere (collective) "bargaining" in the ordinary connotation of this word either in economic literature or in general usage. Some perspective may be had on what is involved by imagining an application of the techniques of the labor market in some other field. If A is bargaining with B over the sale of his house, and if A were given the privileges of a modern labor union, he would be able (1) to conspire with all other owners of houses not to make any alternative offer to B, using violence or the threat of violence if necessary to prevent them, (2) to deprive B himself of access to any alternative offers, (3) to surround the house of B and cut off all deliveries, including food (except by parcel post⁴¹), (4) to stop all move-

⁴¹ An actual case recently in Massachusetts.

ment from B's house, so that if he were for instance a doctor he could not sell his services and make a living, and (5) to institute a boycott of B's business. All of these privileges, if he were capable of carrying them out, would no doubt strengthen A's position. But they would not be regarded by anyone as a part of "bargaining"—unless A were a labor union.

What is needed for a clear picture of union power is to disentangle analytically the accretions of power from collective bargaining *per se*. It may be found that if all the accretions were removed or effectively controlled, the residuum derived merely from collective bargaining would be small; but whether removed or not, the first step is to analyze correctly the nature of the powers possessed in order that an intelligent decision may be reached as to how much, and which, of them may properly be sanctioned by society. Certainly such a decision will never be possible as long as all union activities are indiscriminately lumped together under the general and completely misleading rubric of "collective bargaining."

The booklet on *Legal Immunities of Labor Unions* by Dean Pound has been mentioned above, and it may be commented here that each of the *legal* immunities has its direct *economic* impact. An economic theory of wages under unionism which assumes away these immunities so far misconceives the operation of the labor market that it fails in its obvious function of explaining wages. Indeed, the usefulness of such a theory for problems of public policy might well be compared to the usefulness for such a purpose of a theory of prohibition in the 1920's which assumed that the law was 100% enforced.

There can be no doubt that the public becomes aware of the economic power in the hands of unions almost exclusively through the comparatively rare explicit manifestation of this power in the form of a strike. Paradoxically it goes unrecognized for the most part just because it is so extreme that the mere possibility of its use typically suffices. Periodic concessions by the employer of an increment of gain which is soon buried in costs and passed on to the public, is generally the easier way out. Thus, the New York Times reports: "Early yesterday morning the

economic power of the truckers was brought to bear in the first New York trucking strike in six years. By late afternoon a major segment of the struck owners had settled on the union's terms . . . it appears that a potentially catastrophic tie-up has been averted."⁴²

As another example there may be cited a study by Herbert R. Northrup of railway labor disputes between 1941 and 1945 under the Railway Labor Act.⁴³ This Act had been commonly held up as a "model" law, apparently by the sole criterion that industrial peace was "observed" in the railway industry during this period. Northrup shows, however, that the "peace" was in fact achieved by repeated capitulations to the railway unions under threats of strike (in wartime)—capitulations in which the Act was in fact frequently overridden, and better settlements obtained through direct pressures upon both the President and Congress.

Racketeering; Institutional Changes

A final word may be said on "racketeering." Here again a theory of wages which ignores this particular type of "profit opportunity" in the labor field will be inadequate to an understanding of the place of unions in the economic system. It seems clear that little is known "officially" as to its extent. Organized labor is articulate mainly through its leaders, and its leaders are naturally opposed to revelations, however true, which would be damaging to the labor movement. On the other hand, anyone seeking to know and state the whole truth, is certain to be widely accused of seeking to "destroy the unions." In spite of this highly emotional atmosphere, it is to be hoped that the full truth may be known. One thinks at once of earlier revelations of abuses in the field of corporate organization and finance, which have properly led to corrective legislation.

⁴² October 17, 1954.

⁴³ Herbert R. Northrup, "The Railway Labor Act and Railway Labor Disputes in Wartime," *American Economic Review*, June 1946, p. 324.

Surely *all* the possibilities for economic gain which are presented to individuals in the unfolding of union activity, should take their proper place in the theory of wages under collective bargaining. It is certainly not enough to say merely that this is a legal problem, and that the remedy is for the law to apprehend and punish the offenders. The fundamental question is: to what extent has the general public indifference towards the growth of union power led to an economic structural development in the labor area which positively invites abuses—within unions and on *both* sides of the labor management relationship?

Clearly relevant is the whole subject of union government. There seems to be agreement among labor economists that sweeping institutional changes have taken place in the nature of labor unions. As one writer has put it, “with the decline of socialist faith, labor is left without a conscience, without a moral dynamic, and thus without protection against the impersonal mechanism of organization and the human lust for power.”⁴⁴ A popular cure for the abuses of union government is more democracy. But this seems to have only limited possibilities. “As long as things go well, the average union member doesn’t want self-government, and is amazed and resentful when an attempt is made to force its responsibilities upon him. What he wants is protection and service, his money’s worth for his dues.”⁴⁵ To the extent that unions have really become businesses, selling their services for a fee in the form of dues, their “leaders” are not at all what this term connoted in earlier days, but merely businessmen dealing in labor. Some union officials have in fact described themselves in exactly these terms. The labor movement is no longer what it was, and any analysis of labor problems today must put aside the folklore and take such institutional changes fully into account.

⁴⁴ Will Herberg, “Bureaucracy and Democracy in Labor Unions,” *Antioch Review*, Fall 1943, p. 417.

⁴⁵ *Ibid*, p. 412.

Summary and Conclusions

It has not been the purpose of this paper to lead up to a set of specific recommendations as to public policy in the labor area. It is a piece of economic analysis, and as such is aimed principally (and hopefully) at improved understanding of the subject with which it deals. Its early pages expressed the conviction that the received theory of wages, and in particular the role of unions in the theory, is in need of overhauling. Since the chief deficiencies of the theory, as seen by the writer, involve inadequate recognition of the economic power actually enjoyed by labor, the corrections naturally call for the recognition of such power. The paper itself has tried to sketch its nature and so to indicate lines for further investigation. It has also attempted to indicate the public aspects of such power in order that it may be more effectively evaluated.

Only two very general conclusions as to policy will be stated:

(1) That appropriate legislation should be enacted to deal vigorously with the abuses revealed by the McClellan committee.

(2) That this is only a beginning. If the above analysis has shown anything at all, it is that the public interest requires the imposition of major restrictions on the monopoly power of labor. It is the writer's belief that the public aspects of such power have so far been conceived only in such a fragmentary way that they can hardly be said to be recognized at all.¹¹ What is needed is a thoroughgoing survey of the various avenues through which the economic power of unions (and of their leaders) may be most effectively restrained, a survey which will give adequate recognition to the peculiarities of the labor market itself and of its relationship to the product market.¹²

One of the surprising discoveries about the attitude of the public towards labor is the existence of a general feeling of helplessness—almost fatalism—in the face of labor power. A common attitude is one of resignation—after all, what can you do about it? Restricting labor in any way seems, for reasons some of which were developed in the early portion of this paper, to be little short of turning traitor to the labor cause and revealing a

hidden desire to abolish unions. But surely one should abandon the clichés of “pro-labor” and “anti-labor,” and make an earnest attempt to move on to a more fruitful level of thought. There are so many ways and degrees in which restraints could be applied to unions (as to business enterprises) that it is absurd to talk about “abolishing” them. The writer believes that unions, like business corporations, are “here to stay.” But also, like business corporations, they can be subjected to social control.

At one time laborers did not have the freedom to which they were entitled to form unions and to bargain collectively; and the economic power of those unions which existed, although important, did not on the whole menace the economy. But, this situation no longer obtains. There is abundant evidence that unions today do have too much economic power. When this is the case, the public interest requires that steps be taken to reduce it.

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The Economic Analysis of Labor Union Power

BY EDWARD H. CHAMBERLIN

Major restrictions must be placed on the monopoly powers of labor unions in the public interest just as they are on the monopoly powers of business corporations. This is the main theme of the *Economic Analysis of Labor Union Power* by Professor Edward H. Chamberlin.

Dr. Chamberlin, David A. Wells Professor of Political Economy at Harvard University and Editor of the *Quarterly Journal of Economics*, is best known for his book "The Theory of Monopolistic Competition". A member of the Department of Economics at Harvard for over 30 years, he has served as Chairman of the Department and as an officer of both the American Economic Association and the Catholic Economic Association.

The premise from which Professor Chamberlin proceeds is that the position of labor in the American economy has changed rapidly in the last 25 years and economic analysis has not kept up with this. The author states that "the plain facts are that for anyone concerned with the preservation of free institutions the power position of labor has become truly ominous, that it has gone largely unrecognized, and that it cries out for analysis from a truly public, as distinct from a labor, point of view."

Further, we "should abandon the clichés of 'pro-labor' and 'anti-labor,' and make an earnest attempt to move on to a more fruitful level of thought. There are so many ways and degrees in which restraints could be applied to unions (as to business enterprises) that it is absurd to talk about 'abolishing' them. The writer believes that unions, like business corporations, are 'here to stay.' But also, like business corporations, they can be subjected to social control."

In discussing the intellectual heritage which limits the thinking not only of the man in the street but even of the professional economist, Dr. Chamberlin stresses the point that "those who are *really* concerned with the lot of the underprivileged in our economy will hardly be impressed by the claims of the trade union sector. Today's underprivileged are to be found elsewhere."

Another element of the prevailing folklore is the notion "that a wage increase impinges mainly on profits and hence need have no effect on prices at all. Of course this may happen in certain cases and to a limited extent, but such an effect is typically only a short-run phenomenon, and the run may be very short indeed. Profits are no more available than are other cost outlays as a source from which increased labor income may be met without affecting prices."

Because the "unseen" link between labor market and product market through the law of cost is so often ignored, the author points out that "it would not be possible, even if it were thought desirable, to restrict the influence of unions to the labor market, and the reason is the same law of cost. And for this very reason it is not possible adequately to protect the public against monopoly prices in the product market without a

direct concern with what goes on in the labor market."

To deal with these problems, Dr. Chamberlin goes on to say that "if the public is to be protected from unreasonable monopoly power, a body of law *appropriate to the labor market* has an importance at least equal to that which (in the United States) is generally taken for granted in the product market."

Referring to specific monopoly practices of labor, the author cited, among others, restriction of output for the purpose of controlling market prices, exclusion from the product market, direct participation in price fixing as well as organizational and jurisdictional strikes and all manner of pressures against other individuals and firms not parties to a dispute.

Prof. Chamberlin calls attention to the fact that like any other unit in the economy, a labor union, once formed, will naturally seek to extend its power but that the processes and methods by which this may be done and the consequences of its achievement seem to have been generally overlooked. The struggles for power in the labor field are quite comparable to anything witnessed in the most violent periods of consolidation in the railroad and industrial areas.

The author recommends that "What is needed for a clear picture of union power is to disentangle analytically the accretions of power from collective bargaining *per se*. It may be found that if all the accretions were removed or effectively controlled, the residuum derived merely from collective bargaining would be small; but whether removed or not, the first step is to analyze correctly the nature of the powers possessed in order that an intelligent decision may be reached as to how much, and which, of them may properly be sanctioned by society. Certainly such a decision will never be possible as long as all union activities are indiscriminately lumped together under the general and completely misleading rubric of 'collective bargaining'."

Recently announced union demands for a voice in determining company policy on profit distribution lend particular significance to the author's discussion of management prerogatives. "It is more than a possibility that, especially with the drive for industry-wide uniformity, much that is vital to the competitive character of our economy, and which is responsible for its high efficiency, will be lost through a substantial invasion of the management area by labor, and that the public will awake one day to find that a degree of economic control, which it would never have tolerated in the hands of businessmen, has already passed into the hands of someone else."

The author concludes, "At one time laborers did not have the freedom to which they were entitled to form unions and to bargain collectively; and the economic power of those unions which existed, although important, did not on the whole menace the economy. But, this situation no longer obtains. There is abundant evidence that unions today do have too much economic power. When this is the case, the public interest requires that steps be taken to reduce it."