LABOR MARKETS AND
THE NATIONAL ECONOMY**

1. Efficiency and Income Distribution


Professor Friedman argues that "laymen and economists alike tend ... to exaggerate greatly the extent to which labor unions affect the structure and level of wage rates." But this is not to say that unions have no effect, and, from a policy standpoint, he concludes that "it is highly important to have labor monopoly covered by the Sherman Anti-trust Act..."


This essay was written by Justice Goldberg when he was General Counsel for the Industrial Union Department of the AFL-CIO. Goldberg disagrees with persons such as Friedman, who urge that unions be put under the anti-trust laws, and argues that to do so would be to weaken unions to such an extent that they would no longer be able to perform their socially desirable functions.


Since this essay was written, the federal minimum has been raised many times; however, the fundamental policy issues remain much the same. Indeed, Stigler's charge that minimum wage legislation is not an effective way of combating poverty is, if anything, more topical now in the context of President Johnson's anti-poverty program.

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** The essays included in this Selected Reference deal with the diverse ways in which labor market happenings enter into issues of general economic policy. They are scheduled for publication in January 1965 in a volume entitled "Labor and the National Economy," edited with an introduction by William G. Bowen. Thus the entire set can be ordered from W. W. Norton & Co., 55 Fifth Ave., New York, N.Y. (hardcover, $4.00; paperback, $1.50). Individual items from the list should be ordered directly from the respective publishers. Addresses are given in connection with each reference.

Critizes Stigler's attack on minimum wage legislation, emphasizes the specialized objectives of minimum wage legislation, and asserts that in the imperfect labor market of the real world minimum wages do not have the harmful effects alleged by those who take "perfect" markets as their standard of reference.


A careful discussion of the concept of a "shortage" as applied to the labor market for scientists and engineers. Ross argues that there is no absolute shortage, but that we may be misallocating some of these highly trained persons.


Takes the position that to answer the question of the effect of trade unionism on distributive shares in a meaningful way it is necessary to distinguish among several types of unionism. His conclusion is that the actual impact in the United States has been minimal.

2. Inflation, Unemployment, Hours of Work


Attempts to clarify the conceptual basis of the cost inflation controversy and to present empirical evidence which can be used to judge the seriousness of the problem. Evidence for the period from 1948 through 1963 is cited as indicating that unit labor costs in the United States have tended to rise when unemployment has been as high as six percent.


Here we have the famous "guideposts" as originally stated by the Council. These guideposts describe in considerable detail the criteria which the Council would like to see applied in individual wage and price decisions.

Argues that the seriousness of the cost inflation problem has been greatly exaggerated and that the Council's guideposts are unnecessary. Furthermore, Rees suggests that implementation of the guideposts would be undesirable because it might inhibit reallocations of resources and redistributions of income.


Reuther expresses the viewpoint of many labor leaders when he criticizes the Council, in its guideposts statements, of taking an entirely negative view toward wage policy. He calls for a "positive wage policy" which would recognize the contribution which he thinks rising money wages can make to consumer demand. He also denies that wages have risen too rapidly and points to rising profits as a source of further noninflationary wage gains.


In this essay, the Administrative Vice President—Labor Relations of U.S. Steel explains some of the reasons for the uneasiness among many businessmen about the Council's guidelines. In practice, Larry feels that the guideposts give little guidance. Furthermore, it is argued that in some instances the guideposts encourage, rather than discourage, excessive wage increases.


The author of this statement, one of the most articulate spokesmen for the so-called "structuralist" point of view, argues that much of the high unemployment of recent years is due to automation and a widespread mismatch between the kinds of skills now in demand and the kinds of skills possessed by a large part of the labor force. The policy inference drawn from this analysis is that the Council of Economic Advisers has put too much stress on the job-creating potential of the tax cut and not enough stress on the need for greater investments in education and training.

Disagreeing with Killingsworth, from the standpoint of both analysis and policy. While agreeing that structural unemployment exists and is a serious problem, the Council's analysis of the statistics on the incidence of unemployment among special groups (including the unskilled) leads it to conclude that increases in aggregate demand can reduce the overall level of unemployment to four percent with no greater difficulty now than in 1955-56. It would be a travesty, in the view of the Council, to retain people for jobs which do not exist because of inadequate demand.


This pamphlet is forthright in saying that labor's campaign for a shorter work-week is based wholly on the need to do something about the unemployment problem. Included is a chronology of the trend toward shorter hours, a discussion of the employment effects of shorter hours and of the costs involved in taking this step, and an attempt to put the "moonlighting" issue in perspective.


Agrees with the AFL-CIO that there is some merit in the share-the-work approach, especially if the reduction in hours is to be temporary. However, Professor Dankert argues vigorously that a permanent reduction in hours would impose too high an economic cost on society as a whole.


A criticism of the recent proposal by the Johnson Administration to take another type of action involving hours of work, the proposal being to increase the overtime rate in selected industries in order to encourage employers to hire new workers instead of giving more overtime to the existing work force. Professor Finegan argues that this would be economically unwise, on the grounds that such a proposal could be expected to lead to a decline in the total number of man hours worked and to an increase in the general price level.