SELECTED REFERENCES
INDUSTRIAL RELATIONS SECTION* PRINCETON UNIVERSITY
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THE WAGE-PRICE ISSUE**

I. Theoretical Analyses,


Professor Galbraith argues that discussions of wage-price relations and of stabilization policy in general have paid insufficient attention to types of market structure. He believes that the prevalence of highly concentrated industries helps explain recent price movements and limits the effectiveness of monetary fiscal policy.


Contains Hicks' famous assertion that today "... instead of being on a Gold Standard, we are on a Labour Standard." By this is meant that monetary policy now adjusts to the money wage level rather than vice versa. Hicks, however, is not overly pessimistic about the inflationary tendencies of his Labour Standard although he does discuss the possibility of wage inflation arising from high profits, a rising cost of living, and wage differential controversies.


Perhaps the most comprehensive statement of the alleged "disruptive consequences" of unionism."... The thesis of the book is that unionism and the private enterprise economy are incompatible; that once unions become strong, the attempt to maintain our economy as it now stands produces unemployment or inflation." Professor Lindblom examines restraints on union power, but finds them all weak or lacking.


* Compiled by William G. Bowen, Research Assistant.
** Items for this list should be ordered directly from the publisher. Addresses are given in connection with each reference.
An early discussion of the wage-price problem which is still of considerable interest in that: (1) it illustrates the earlier tendency not to think of wage-price relations as an independent cause of instability and (2) it raises some as yet unsolved questions about the formation of a wage-price policy—namely, the necessity of formulating standards for interest groups to follow and the need for more reliable economic forecasting.


Possibly the most thorough article-length discussion of the general question of the compatibility of full employment, trade unionism, and stable prices. Professor Morton evaluates the factual as well as theoretical assumptions on which this alleged incompatibility rests. The author does not regard unionism as an important inflationary force and advocates placing main responsibilities for price stability on the monetary authorities.


The author does not take a strongly doctrinaire position on the question of the inflationary impact of unionism. Instead he suggests the need for distinguishing among various “cases.” Professor Poole puts special emphasis on the implications of escalation for an inflationary spiral and on the need for careful delineation of “the limits of tolerable inflation.”


After a brief discussion of the lack of an economic limit to the wage-price level, Professor Reder presents a novel graphical and expositional analysis of the possibility of a political limit. He concludes that wage-price inflation is not inevitable and that the movement of the price level depends in large part on the strength of “Independent” voters desirous of price stability.


One of the first rigorous analyses of the wage-price problem. A graphical-verbal analysis is used to portray the dilemma facing the monetary-fiscal authorities. Of particular interest is the discussion of the problem
of achieving a “unified monetary authority” in a world of strong labor and employer organizations. Reaches the pessimistic conclusion that society faces either hyper-inflation or periodic depression.


Professor Rees generalizes and expands his earlier research (“Post-war wage determination in the basic steel industry,” *American Economic Review*, June, 1951, pp. 389-404) in arguing that there is a basic inconsistency between a state of excess demand and stable prices which cannot be blamed on organized labor. As a solution, an “appropriate” monetary-fiscal policy is favored—i.e., one which will accept a slightly higher level of unemployment than the Beveridge definition.


The author tends to agree with Morton and Rees that unions are not a serious threat to price stability. He argues that factors other than unions cause prices to rise at a time of high employment, that union leaders are responsive to the level of aggregate demand, that strong elements of price competition remain in most markets, and that monetary-fiscal authorities have shown increasing concern for price stability. Reynolds concludes that the wage level is more a consequence than a causal force, and that the price level is apt to rise only about one per cent per year over the next decades.


Professor Slichter disagrees with Rees and Morton and argues that “the wage-fixing arrangements in the American economy have a small inflationary bias—that they tend to put up wages fast enough to require a slow advance in our price level.” The argument is based on a careful statistical and general analysis of wage patterns and negotiations in the United States over the last century.


A compilation of some important Swedish contributions to the wage-price problem. Contains articles by four Swedish economists: Erik Lundberg, Rudolph Meidner, Gösta Rehn, and Krister Wickman. The articles by Meidner and Rehn present a comprehensive discussion of the viewpoint of the Swedish trade unions and of the dilemma facing
labor movements in general. Professor Lundberg’s article is a sharp
critique of Rehn’s fiscal policy approach to the problem.

2. GENERAL DISCUSSION: UNITED STATES

Backman, Jules. *Steel prices, profits, productivity, and wages.* New
York 6. Public Relations Department, United States Steel Corpora-
tion (71 Broadway). 1957. 95 pp. On request.

Argues that “The steel industry . . . has been much more a victim
than a cause of inflation.” This conclusion is reached by examining
the diverse trends of general prices, steel prices, and costs during the
past eighteen years. Professor Backman suggests that steel price in-
creases have had little effect on general prices, that materials costs
have risen more than steel prices, that labor costs have outstripped
productivity gains, and that steel profits have not been excessive.

Chamber of Commerce of the United States. *Economic institute on
wage determination and the economics of liberalism.* Washington 6.
Economic Research Department, Chamber of Commerce of the

Contains reprints of addresses delivered by E. Wight Bakke, John
T. Dunlop, Fritz Machlup, Felix Morley, Jacob Viner, and Leo Wol-
man. Portions of the papers by Dunlop, Viner, and Machlup are
pertinent to the wage-price issue. Machlup, in particular, discusses
the incompatibility dilemma, “union responsibility,” and other pro-
posed solutions in considerable detail.

———. Committee on Economic Policy. *Wage-price spirals and eco-
1949. 24 pp. 25 cents.

A popularly written pamphlet presenting the Chamber of Commerce
viewpoint on the wage-price issue. Emphasizes the importance of
wage pressures in the inflationary process as a source of spending as
well as a pressure on costs. Also argues that those hurt by a wage-price
spiral are not either entirely employers or entirely employees, but
employers and employees in industries where prices and wages lag.

Conference on Economic Progress. *Consumption—key to full pros-
63 pp. 50 cents.

Denies the existence of the “wage price problem” in the usual sense
of the phrase. Suggests that we are “tilting at windmills of ‘inflation’”
rather than concentrating on our main problem—accentuating eco-
nomic growth. Argues that wages are too low rather than too high
and must be increased rapidly if a deficiency in consumption is to be
avoided.

*The Economist* (22 Ryder St., St. James’s, London), August 9, 1952,
322-323, 376-378, and 434-435. 3£ per year.
This series of three articles represents one of the clearest statements of the alleged incompatibility of full employment, stable prices, and free collective bargaining to be found anywhere. After carefully explaining the reasons for the dilemma and the alternatives facing free economies, The Economist concludes that some retreat from absolute adherence to each of the three goals is essential for reconciliation.


Argues that wage increases have not caused inflation. Shows that from January 1953 to May 1957 labor costs rose only 2%, while wholesale prices rose 11%, and the cost of living went up 5%. Suggests that it has been rising living costs that have pulled up unit labor costs—and not vice versa.


A lengthy evaluation of five typical solutions to the wage-inflation problem: (1) less or no industrywide collective bargaining, (2) federal wage-fixing board, (3) compulsory long-term contracts with escalator clauses and improvement-factor clauses, (4) development of "statesmanship," and (5) a national wage bargain. All of these suggested solutions are rejected, and the only hope seen by Professor Levitt is more reasonable union demands as a consequence of the fear of retaliatory government action.


Argues that "the tendency for wage rates to grow without any definite or normal relationship to market conditions" constitutes "a new force for inflation." The government is thus forced to choose between unemployment and inflation. The solution is seen to be a reduction in the monopoly power of unions and a restoration of bargaining at the local level.


Participants included the regular members of The Forum plus Ewan Clague and Hymni L. Lewis of the Bureau of Labor Statistics, Professor Albert E. Rees, and John S. Sinclair. Messrs. Clague and Lewis presented a detailed discussion of the factual background and Rees followed with a discussion of conceptual relationships. The remainder of the time was spent discussing the "uniqueness" of the current inflation, the short-term outlook, and the long-run problem of wage-price relationships.
News from the UAW (8000 E. Jefferson Ave., Detroit 14), August 18, 1957. 11 pp. On request:

Presents the UAW’s proposal that the Big Three of the automobile industry reduce prices on their 1958 models in exchange for a pledge by the union to shape its 1958 wage demands within the framework of the companies’ financial position after such an adjustment. Includes the full text of Mr. Reuther’s letter to the auto companies.


A very extensive discussion of the wage-price issue in which both the industry and labor points of view are well represented. Contains statements by Leon H. Keyserling, Jules Backman, Otis Brubaker, Bradford Smith, George Hitchings, Nat Weinberg, Karl Fox, and Albert Rees, as well as lengthy discussions between the above men and the members of the Joint Economic Committee.


An important recent government publication which brings together all available statistical data on productivity, prices, and incomes for the economy as a whole, as well as more detailed data pertaining to the foods and metals industries. Contains 191 tables, 30 charts, and over 80 pages of explanatory text. The well-known Bureau of Labor Statistics study on productivity, costs, and prices is reprinted in the appendix. Policy conclusions are deliberately avoided.


Senator Kefauver’s Anti-trust Subcommittee of the Senate Judiciary Committee is at present investigating “administered pricing” as a cause of inflation. Thus far five economists have testified: John R. Moore, J. K. Galbraith, Richard Ruggles, and Edwin G. Nourse, and industrialists are also scheduled to appear before the committee. The hearings have been briefly reviewed in the Daily Labor Report and in Business Week.

3. General Discussion: Foreign Countries


A summary of wage movements and wage policy in Britain since 1945. Particular attention is devoted to the wage policies of the Labor
and Conservative governments and the cooperation of the British labor movement with each. Mr. Flanders also emphasizes the extent to which balance of payments considerations complicate the British problem and the internal complexity of the "wage-price spiral."


Investigates wage-price relations in Australia from 1939 through 1953 with special emphasis on the impact of the Australian system of cost-of-living adjustments. Professor Laffer differs from most writers on this subject in that he argues that Australian cost-of-living adjustments have been mainly deflationary rather than inflationary.


A review of wage developments and policies in Sweden from 1939 to 1956. The author discusses the willingness of unions to exercise self-restraint, the continued wage-drift and wage-explosions, and the various anti-inflationary policies adopted by the government. The Swedish experience complements the British in suggesting the universality of the wage-price problem and the difficulties of halting inflation by wage restraint, even when accompanied by centralized bargaining and a labor party in power.


A detailed analysis of the centralized system of wage determination employed by the Netherlands in the postwar period. The author is not so enthusiastic about the accomplishments of the Dutch National Wages Policy as many of its supporters. He questions the assertion that the slightly better control of inflation achieved by the Netherlands can be attributed to the system of wage fixing.


Mr. Roberts compares the success of the national wages policies adopted by Holland, Sweden, and the United States. His most significant conclusion is that none of these wage policies have prevented inflation. He suggests that the slower rate of inflation in the United States is explainable in terms of our higher level of unemployment.

Perhaps the strongest available criticism of a "unified wages policy" as the solution to the wage-price problem. Mr. Singer doubts that a unified wages policy would: (1) inject more "reason" into wage determination; (2) prevent employers from bidding up wages; (3) give employers as much incentive to resist wage demands; and (4) avoid internal political tensions within unions.


An analysis of the success of wage restraints as an anti-inflationary policy in Western European countries from 1951 to the present. Countries covered by this study are Norway, Sweden, Denmark, Finland, West Germany, Austria, the Netherlands, and the United Kingdom. The author applauds the success of wage restraint, but also points to growing worker restiveness in the past year.

Turner, H. A. "Wages; industry rates, workplace rates and the wage-drift." The *Manchester School of Economic and Social Studies* (Economics Department, Manchester School, The University, Manchester 13, England), May, 1956. pp. 95-123. $1.00.

A detailed analysis of British wage-movements in the period since 1939 with particular emphasis on the "wage-drift"—i.e., the tendency of earnings to increase faster than rates. The central point is that the wage-drift is systematic in character as a consequence of the interaction of industry and workplace rates and that this characteristic of the wage structure makes a policy of wage restraint less likely to succeed.


A general discussion of the problem of wage inflation in Western Europe. Three types of wage inflation are distinguished, and it is argued that the connection between the level of employment and wage increases is not so close as is often thought. Also contains much statistical data and a good discussion of wage policy with emphasis on the Swedish approach.

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**Note:** An additional annotated list of references on this same subject may be ordered from the Industrial Relations Section, P. O. Box 248, Princeton, New Jersey, for 25 cents a copy.