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Contemporary Trends in American Labor

The Labor Policy of the Free Society, by Sylvester Petro. (New York: The Ronald Press Company, 1957. 339 pp.)

Why Wages Rise, By F. A. Harper. (New York: The Foundation for Economic Education, Inc., 1957. 124 pp.)

Labor Unions and Public Policy, by Gerard D. Reilly, Roscoe Pound, Philip Bradley, and Edward Chamberlin. (Washington, D.C.: American Enterprise Association, Inc., 1957.)

REVIEWED BY JOHN V. VAN SICKLE *Chairman, Department of Economics, Wabash College*

The National Book Foundation's tenth offering of books to college and university libraries consists of Sylvester Petro's *The Labor Policy of the Free Society*, F. A. Harper's *Why Wages Rise*, and *Labor Unions and Public Policy*, a collection of essays by Gerard D. Reilly, Roscoe Pound, Philip Bradley, and Edward Chamberlin on various aspects of the labor problem. These essays appeared originally in the "National Economic Problems" series of studies issued by the American Enterprise association.

These authors, all men of integrity and competence, take the conservative side in an area in which emotion runs high, but the discussion is conducted on a high plane and with complete absence of the provocative words and phrases that render clear thinking so difficult. Sylvester Petro is professor of law in the New York University School of Law. F.A. Harper, formerly Professor of Economics at Cornell University, is now on the research and writing staff of the Foundation for Economic Education. Gerard D. Reilly is a practicing lawyer and currently the President of the Labor Law Section of the American Bar Association. Roscoe Pound, Dean Emeritus of Harvard Law School, is one of the country's really great constitutional lawyers. Philip Bradley, formerly on the Harvard Economics Department staff, is now in private consultant practice. Edward Chamberlin is one of the senior members of the Harvard Economics

Department. His 1927 doctoral thesis, later published under the title *The Theory of Monopolistic Competition*, has had a profound influence on economic analysis and on policy making.

Professor Petro, with his trade union background and his familiarity with economic doctrine, presents an admirably clear account of the evolution of American labor law and persuasive recommendations for bringing this law and its administration into conformity with the operation requirements of competitive capitalism. Among other things he “debunks” the popular conception that the common law, as interpreted by the great common law judges of the 19th Century, was heavily biased against unions. He does here very much what Ashton and Hutt, in their essays in *Capitalism and the Historians* (F.A. Hayek, Editor), have done to the myth that the Industrial Revolution in England involved 40 years of labor exploitation. This is a book on labor law which economists can read with profit and a book on wage theory with which lawyers should be familiar.

Dr. Harper’s *Why Wages Rise* is really a primer of economics for the general reader written with great clarity and economy of words. The chapter headings reveal the scope of the book: “Labor Unions,” “Productivity,” “Dividing the Pie,” “Tools to Harness Energy,” “Doing What You Can Do Best,” “The Lubricant for Exchange,” “Contracting For Progress,” “The Cost of Being Governed,” “Losing Pay Through Fringe Benefits,” “Leisure And The Better Life,” “Pricing an Hour of Work,” and “Riding the Waves of Business.” I would introduce some qualifications, were I doing the same job, but largely to protect myself against the charge of oversimplification. His conclusions follow logically from his premises, and on the whole they strike me as correct. Harper punctures a number of popular illusions, among them the illusion that trade unions have contributed significantly to the enormous increase in real wages in this country over the last 100 years.

In his essay on “Involuntary Participation in Unionism,” Philip Bradley argues that the “free rider” argument in support of the union shop rests on an unsupportable dictum. The issue is important because, as Bradley points out, Congressional approval and the Supreme Court’s endorsement of the union shop both rest heavily on the assumption that nonunion men do benefit materially from collective bargaining and that they *should* accept membership in and contribute to the support of the union. He further argues that, while the union shop is not necessary for union survival, its prohibition may be necessary if the individual’s historic economic freedoms are not to be seriously diminished.

In “Legal Immunities of Labor Unions,” Roscoe Pound shows a wealth of historical and legal detail how much time, patience and sacrifice were required to divest the sovereign, his retainers, and various categories of citizens (the clergy, the aristocracy, land owners, hospitals and charitable institutions, husbands and fathers) of special privileges and immunities and how rapidly and thoughtlessly we have accorded special immunities to unions and their leaders. “Immunities,” writes Dean Pound, “have been regarded from of old as odious,” yet “the labor

leader and labor union now stand where the king and government and land owner and charity and husband and father stood at common law.” Here is a most persuasive case in favor of the principle of equality before the law.

Chamberlin’s “Labor Unions in Economic Analysis” is particularly welcome since his earlier pioneering work in the field of theory has been widely used to prove that collective bargaining can both raise wages and increase employment by altering the shape of the supply curve for labor. Chamberlin here accepts this conclusion, or, more precisely accepts the conclusion that at the firm level collective bargaining need not have any adverse employment effects in the short run since practically every firm possesses some degree of monopoly power, as he uses the term, and hence some surplus. Given the bargaining weakness of the individual worker “there is clearly an overwhelming case,” he writes, “for the substitution of collective for individual bargaining,” and he sees no reason in principle why the bargaining should not extend to issues that are at present regarded as the exclusive prerogatives of management.

The remainder of his article is devoted to proving that the conclusions reached from an analysis of collective bargaining at the firm level do not apply to what now passes as collective bargaining. “No counterpart,” he tells us, “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” and “an economic theory of wages under unionism” which disregards this privilege “fails in its obvious function of explaining wages.”

Chamberlin concludes that the public interest now requires the imposition of major restrictions on the monopoly power of labor just as at an earlier day it called for similar restrictions on the power of business corporations.

To sum up, here are three books that nay college or university library should welcome.

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