

## BOOK REVIEWS

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**Unions and Capitalism.** By Charles E. Lindblom. New Haven: Yale University Press, 1949. Pp. xi, 267. \$3.75.

Economists have generally been sympathetic with the hopes and aspirations of labor. The vulgar impression that they were hard-boiled apologists for the "vested interests" will not stand examination.<sup>1</sup> In fact economists have all too often permitted their sentiments to dominate and distort their analysis, and in consequence there has grown up a confused tradition about the nature of the market for labor services and a general tendency to look upon trade unions as supplying some deficiency in the market mechanism. Supply and demand conditions as determinants of market price are replaced with differences in bargaining power, financial reserves, and perishability of the service<sup>2</sup>—considerations which are also present in the market for all services but which are recognized as largely irrelevant.

It is, therefore, gratifying to have a book in which unionism is analyzed as a problem of monopoly and consequently is recognized as incompatible with the competitive order rather than as a supplement to the market mechanism.<sup>3</sup> Professor Lindblom makes much of the technical difference between union and enterprise monopoly. The latter or product monopoly establishes noncompetitive prices by restricting supply, while the former establishes noncompetitive

<sup>1</sup> The tone was in fact set by Adam Smith: "Servants, labourers and workmen of different kinds, make up the far greater part of every great political society. But what improves the circumstances of the greater part can never be regarded as an inconveniency to the whole. No society can surely be flourishing and happy, of which the far greater part of the members are poor and miserable. It is but equity, besides, that they who feed, cloath and lodge the whole body of the people, should have such a share of the produce of their own labour as to be themselves tolerably well fed, cloathed and lodged." *The Wealth of Nations*, Vol. I, p. 80 (Cannan ed.).

<sup>2</sup> The confusion about the nature of the market for labor services is very old, and recent writers have done little more than repeat Adam Smith. Cf. *ibid.*, pp. 68-69.

<sup>3</sup> There has been no excuse for any other conclusion at least since Professor Hutt published his excellent book, *The Theory of Collective Bargaining* (London, 1930), not to mention *Reflections on Syndicalism*, by Henry Simons, reprinted in his *Economic Policy for a Free Society* (1948). I must add, however, that Professor Hutt has not sufficiently emancipated himself from the older tradition with respect to hours and conditions of work, holding that group action is required. I would contend that in an economy as varied as ours is, an individual worker can have almost any hours and conditions of work—providing he is willing to pay the cost. I don't know where Professor Lindblom stands on this issue—he can be quoted on both sides.

wage rates by restricting the demand for labor services. This distinction is formally correct and has the great merit of directing attention to the wage rate as the heart of the problem. Successful unions do not have to take measures to restrict the supply of workers and rely on competition among enterprises to raise the rate of remuneration. If they do enforce a noncompetitive rate the supply will take care of itself. Failure to recognize this essential point often results in preoccupation with the "bad practices" of unionism—in condemnation of "bad" i.e., weak unions, and praise for "good" i.e., successful unions. (Some preoccupation may serve a useful purpose in keeping alive the issue of union monopoly in an environment hostile to competition, but too much concentration on incidental features may well keep the main issue permanently out of sight.) At the same time Professor Lindblom misses the real point of some of the nonwage practices, as in his assertion that "rules of apprenticeship, entrance restriction, permit cards, and the like . . . are actually either of little importance or useful primarily as supplementary devices for the coercion of the employer" (p. 64). In many areas these restrictive devices, especially where governmental sanction is forthcoming as in licensing systems and building and sanitary codes, are principally useful as restrictions of the supply of labor. In other areas their principal use is to ration a supply of workers too large to be employed at the higher than competitive wage rates.

The chief objection to Professor Lindblom's formal distinction between union and enterprise monopoly stems from the consequent overemphasis of the strength, progress and inevitability of the former. Enterprise monopoly is evidently held in check by entry of new firms while union monopoly is inexorably followed by "unemployment" or "inflation" or both. Why unemployment? The chief effect of both types of monopoly is to create further inequalities in rates of remuneration, although in an economy unstable for other reasons both types accentuate the unemployment problem. But both types are subject to the same corroding influence of competition. Enterprise monopoly cannot permanently rely on restriction of its own supply. If it is to endure it must find means of preventing additions to supply by other sources. Union monopoly likewise must face continuous contraction of its sphere of effectiveness unless it finds means of preventing additions to supply of union-made products, including substitute and nonunion methods of making the same product, and substitute products. How strong would American unions have become under neutral rules of public policy—mere prevention of force—let alone under continued enforcement of the anti-trust acts? How effective in the long run would unions be if employers and workers willing to work under nonunion rates were protected in this elementary right?

As for inflation it is probably unreasonable to criticize Professor Lindblom for following the current fashion of discussing monetary issues without mentioning monetary policy. So far the evidence all points to monetary mismanagement as the main cause of inflation, i.e., to demand rather than to union policy.

The war and postwar experience is no exception and it would be difficult to prove that the level of wages and prices would have been significantly different in the past decade had unions been absent from the scene. If any thing, unions may well have dampened the rise of the general level of wage rates.<sup>4</sup> Of course it is conceivable that if the present tendency to neglect monetary arrangement persists, and the full employment program becomes a program of increased government expenditures every time a worker is thrown out of employment union policy will lead to inflation. But this would certainly not be the case with a full employment program disciplined by monetary stabilization (which Professor Lindblom dismisses as not "practical"). In any event if the present bias for government expenditures persists the union influence will be lost in the plethora of influences and may well serve mainly to dampen the rise of wage rates in the unionized industries.

Professor Lindblom also makes a brief excursion into the field of public policy with disappointing results. He has no love for syndicalism as a method of organization, he sees little possibility in government regulation of wage rates, and is quite sceptical of "responsible" or statesmanlike unionism except on the last two pages when he suddenly realizes the dismal character of his position and the need for a happy ending. The restoration and maintenance of competition is of course not politically feasible.

Why is trade union monopoly inevitable? I have already indicated the one element in the argument which results from the technical distinction between enterprise and union monopoly, from the consequent overemphasis of the effectiveness of the latter, and from the failure to grasp the effective tendency of the market system to destroy all types of monopoly. The other element is also implicit in the distinction drawn between enterprise and union monopoly. Workers are supposed to be attracted to unions because of their moral distastes for competition, their feeling of isolation, their search for status, and the democratic urge to participate in community affairs. It is at least as difficult to disprove as to prove the validity of these psychological inferences. I can only express my scepticism and assert that there is no difference between enterprises and workers in their love for, or desire to get away from, the rigors of competition. There are always conflicting tendencies and they do not appear to be correlated with income or with membership in any group in society. So far in the absence of government aid and encouragement the competitive tendencies have triumphed over the exclusive or restrictive tendencies. The attraction of the market system is its impersonal character; it makes it possible for people to co-operate and to be "isolated." And this is also the attraction of urban centers. Even if the psychological drives are what they are said to be, it is still difficult to see what role national unions have to play. It is even difficult to see what role local unions play in view of the well-known fact that but a negligible number

<sup>4</sup> On this point I prefer Professor Morton's recent statement in W. A. Morton, *Trade Unionism, Full Employment and Inflation*, 40 *Am. Econ. Rev.* 13-39 (1950).

of workers actively participate in their affairs. And with the multiplicity of organizations which pervades our society there are adequate outlets for these drives even in the absence of trade union organizations.

In any event I am allergic to forecasters, particularly forecasters of the inevitable, and most particularly to forecasters of the inevitable demise of competition who start with the premise that "competition is not even potentially the best of all possible worlds."

AARON DIRECTOR\*

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**Law of Search and Seizure, The.** By John J. Cogan, Jr. Chicago: Office of the State's Attorney of Cook County, Illinois, 1950. Pp. 48.

In these days when "police state" has become one of our ugliest epithets, even so modest a pamphlet as this seems a remarkable and heartwarming phenomenon. For it is an instance of the state instructing its officers on the limits of the state's powers.

The good sense of excluding illegally obtained evidence as the sanction for illegal search and seizure has, of course, long been debated, and the debate perhaps climaxed in the varied and intense opinions in *Wolf v. Colorado*.<sup>1</sup> In his dissent in that case, Justice Murphy dwelt in some detail on the differences in training of police officials depending on whether their jurisdiction followed the federal rule of exclusion. "If proof of the efficacy of the federal rule were needed," he said, "there is testimony in abundance in the recruit training programs and in-service courses provided the police in states which follow the federal rule."<sup>2</sup> The present pamphlet, designed we are told, for peace officers of Illinois, adds some small measure of support for his view, for Mr. Cogan makes clear throughout that crucial evidence may be suppressed and the case lost if the etiquette of search and seizure is not followed.

Mr. Cogan has presented in a flat simple concise form a summary of the law in this area, but despite his efforts to outline and simplify, one cannot but wonder what the normal police officer would make of the complexity that remains. The reader-policeman might be somewhat puzzled by the author's oft repeated caution that cases are to be limited to their facts. Mr. Cogan is not overstating the difficulties of fitting together the precedents of this field into a coherent pattern. But it is difficult to believe that a set of simple and expedient rules for the police to follow could not be carved out from the welter of precedents, if only the prosecution were not insistent on exhausting to the fullest degree its constitutional power of search and seizure. In this sense, the rule of law in this area remains simple and clear.

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<sup>1</sup> 338 U.S. 25 (1948).

<sup>2</sup> *Ibid.*, at 44.

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