Relations industrielles

Joan Robinson and Unions, Distribution and Inflation
La pensée de Joan Robinson sur les syndicats, la répartition des biens et l'inflation

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Article abstract
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The role of labor unions in modern mixed economies is multi-faceted. Writers stress some or all facets and since the writers represent a wide range of philosophies it is not surprising that views on the total impact of labor unions vary greatly. To Henry Simons, for example, they are monopolistic sellers of labor, founded on violence; to Galbraith they are a part of the system's countervailing power, born of the tendency of capitalism to generate power groups whose offsetting power makes the system workable; to John Dunlop, unions are a part of the social fabric of industrialization having a complex role in setting the "web of rules" for the industrial work process and in determining worker priorities in modern-day complex systems of remuneration. To von Hayek, writing in the early post World War II years, the question of delimiting the powers of labor unions was one of the most important questions of the time (14, p. 117). And it is fairly sure that, in his view, unions pose a major and persistent threat to what he regards as our otherwise highly competitive economy.

Few writers give unions such a crucial role in the workings of the economy as does Joan Robinson. In fact, the survival of capitalism hinges on unions having the right amount of economic power. Union power in the determination of the economy's propensity to spend, including the determination of the size and nature of public sector spending, decides whether the economy falls into stagnation or explodes in hyperinflation.

In Professor Robinson's view capitalism is an inherently contradictory system. The secular growth in monopoly reduces consumer's sovereignty and increases the degree of exploitation of labor and consumers. It decreases the share of income going to labor and consumers and thereby reduces the profitability of new investment. If the labor force is constant and disinvestment occurs, or if the labor force is growing faster than net investment then the system will become increasingly stagnant.

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Similarly, in conditions of technical progress output growth is accompanied by decreased unit costs of production. But the ubiquity of product market imperfection and the growth of product monopoly inhibits downward flexibility of prices. Thus in the absence of institutional arrangements to ensure commensurate increases in money incomes there would be an increasing surplus of consumer goods, a decline in the propensity to invest and, thus, again, a tendency towards stagnation.

What keeps the system going? Even more pointedly, what is the essence of the full employment experience during the almost half-century of Mrs. Robinson’s active writing on employment policy. The answer lies in union successes in collective bargaining, the public sector income transfer and job creation programs, the arms race, and the expansion of labor-absorbing services, both public and private. This answer constitutes to Joan Robinson the ultimate denial of the ability of capitalism to survive except by a fine balance of labor union power in the industrial and political arenas.

Whether or not this interpretation of the continuing success of capitalism is correct is a matter of opinion. Does capitalism survive only because it becomes more socialistic, or does it survive because it shows a genius for survival? The answer here would seem to be definitional. More in the line of positive argument, Harry Johnson insists that at crucial points, Joan Robinson’s reasoning is not consistent with positive economics nor with empirical reality. On the former ground he dismisses her rejection of perfect competition as a model portraying economic reality (3, p. 23) and on the latter the role of unions as redistributive forces between labor and capital (11, pp. 560-1). Beyond this is Johnson’s description of the two sector-two class model of Joan Robinson’s The Accumulation of Capital as a reactionary model constituting “the deliberate sacrifice of much intellectually hard-won understanding of the economic system.” (3, p. 23)

JOAN ROBINSON’S ECONOMIC SYSTEM

Joan Robinson’s model of the economy distinguishes two sectors — a consumption sector and an investment sector. The former produces goods which can be purchased for consumption, and the latter produces capital goods which can be used in both sectors but whose function it is to facilitate the output of consumer goods. Labor is divided between the sectors on the basis of technique of production. The real wages received by labor in both sectors depend upon the level of money wages relative to the prices of consumer goods. The spread between the levels of money wages and prices will be greater a) the larger is the labor force in the investment sector relative to
the labor force in the consumption sector, b) the larger is the consumption by capitalists out of profits, c) the lower is the rate of saving by workers out of wages, d) the greater is the degree of monopoly of firms in product markets and of monopsony in labor markets, and e) the less the bargaining power of labor.

In the interdependent system that Robinson describes labor unions bargain directly over the level of money wages, and indirectly over the share of wages in total income. In the system that she portrays non-wages are returns to non-labor, for simplicity being termed profits as the return to ownership of the capital goods. Prices are set by markup on prime costs, which are composed mainly of wages. The margin over prime costs determines the rate of profit on the capital stock and thus is a product of bargaining. Given the rate of interest, the rate of profit determines the volume of investment given the propensity to invest of income receivers. If the rate of profit is too low (in terms of the accustomed or normal rates of profit) investment is curtailed, and the bargaining power of labor is reduced by the rise of unemployment. Higher rates of profit sustain higher rates of investment, but they depend on the acceptability of the higher prices, and hence the lower real wage rates of labor, in the bargaining process.

TRADE UNIONS IN THE ROBINSON SYSTEM

Despite the crucial place that labor unions occupy in Professor Robinson's system, her references to them are few and brief. In the following we will try to construct that role and examine the part they play in her description of the distributive and inflationary processes.

In Joan Robinson's system in the short-period the level of technical knowledge, the level of productive capacity, and the size of the labor force are given. In these circumstances the level of employment is determined by the level of effective demand. If the system is at full employment and in equilibrium then the rate of employment in the investment goods sector is in the correct relationship with the flow of consumer goods. Net investment is zero and workers in the investment sector produce solely for capital stock replacement in the consumer goods sector.

But full employment is not a necessary condition of equilibrium. Rather it is an assumption and there is no force inherent in the economy to bring about full employment. Real wages are not an equilibrating factor because they are the result of bargaining power between worker organizations and firms. If money wages were different so also would the level of prices be correspondingly different and real wages would be unchanged.
In this economic state the share of wages in the value of output, and hence the value of consumption demand and, given the rate of investment, the level of employment will be less the greater the degree of producer monopoly. This is because producer monopoly determines the degree to which output is restricted which in turn determines the price level, the latter being higher the less the output. Given this price level the real wage will be higher the greater the bargaining power of labor which is a function of the degree of organization and the technical characteristics of industry. The more powerful are labor unions the more effectively they can counter producer monopoly thereby providing for a bigger flow of consumer goods, and, in conditions of price rigidity bringing about higher real wages and employment.

There are many variations of situations in which these same principles can be traced. If, for example, there is substantial unemployment and excess capacity then increases in money wages relative to prices raises employment. If the economy reaches full capacity output before full employment is reached then a continuing increase in worker bargaining power results only in prices rising with money wages. If the economy reaches full employment while there is still excess capacity then continuing increase in worker bargaining power will generate a wage-price spiral unless the rate of investment is reduced or rentier consumption somehow curtailed. In her words: "Real wages can then be increased only by an increase in the workers’ own saving, by a reduction in rentier consumption (whether due to a spontaneous increase in saving, or enforced by the rise in prices relatively to money income) or by a reduction in the rate of investment." This, she says, though possibly referring to the British experience, is a situation with which we have lately grown familiar (1957. JR 9, p. 151).

Or again, if the money wage rate stays the same and an increase in activity occurs, generated by, say, an increase in the desire to invest. In this case, the increase in activity leads to a rise in prices, an increase in employment, a fall in real wages and a rise in profits.

Joan Robinson was among the first to recognize the impact of Keynes’ *General Theory* on the bargaining power of labor. Her article on "Full Employment" was written while the *General Theory* was in the press. In this article there is still confusion over the precise relationship between money wages, prices and employment. In addition she appears to suggest that some kind of equilibrium relationship would be automatically attained between money wage and price levels at full employment, if effective demand could be manipulated to achieve full employment.

The basis of this confusion lies in her acceptance of Keynes’ view that "an increase in employment in the short period will normally be accom
panied by a fall in real wages, because, with fixed equipment, an increase in output is accompanied by a rise in prices more than in proportion to any rise there may be in money wages” (1936. JR 2, p. 25). This she termed as a dilemma that would cause unions to be more moderate in their demands than they would be if, as is the case in reality, employment and real wages moved together (2, pp. 370-3).

But she also accepted and gave more credence to the view that “... (A) constant upward pressure upon money wages is exercised by the workers (the more strongly the better they are organized) and a constant downward pressure by employers, the level of wages moving up or down as one or other party gains an advantage” (ibid., p. 2). And she recognized that “... movements of the level of employment are the chief influence determining movements in the level of money wages” (ibid., p. 4).

Despite this, full employment would not result necessarily in a continuing fall in the value of money. Rising money wages would cause the rate of interest to rise and thus bring about an automatic control. “The rise in interest checks investment and continues to the point at which sufficient unemployment occurs to prevent a further rise in (money) wages” (ibid., p. 18).

She saw the control of policy as being divided between labor unions and the monetary authorities because “... with given monetary conditions the level of the rate of interest is largely determined by the level of money wages” (ibid., p. 27).

Possibly because of a growing feeling that the combined M and V are difficult to control, that the postwar world was profoundly different from that of the interwar years, and that the monetary authorities are themselves susceptible to political influence, she has become much more sceptical of the role of money and the monetary authorities in economic control. By 1966 she observed that “a new orthodoxy has at last become established, and now the cry is all for incomes policy” (1966. JR 15, p. 20) being convinced that “the problem of prices under full employment brings sharply into focus the contradictions of modern capitalism” (ibid., p. 23) since unemployment could no longer be depended upon to preserve the value of money (1973. JR 16, p. 8).

It is interesting that nothing in the Robinson system intuitively requires the presence of labor unions as some kind of equilibrating force. Given the level of investment and productive capacity the lower are real wages, the less will be the share of labor in total income and the lower the level of income consistent with equality of savings and investment. If money wages are rigid downward (which Mrs. Robinson claims to be the case even in the absence
of labor unions) this would imply the existence of unemployment. In this event, Mrs. Robinson would say that increasing the power of labor through, say, forming unions or strengthening them, would raise real wages and employment.

That underemployment was the normal feature of the pre-World War II industrial world few would deny. But given appropriate demand management it could be that unions have a less crucial role than would be believed from Mrs. Robinson's expressed views. She does not say that unions are necessary to full employment in a Keynesian world though she does say that employment would be lower in a nonunion world than in a union world because of the need for a counter to monopsony in labor markets. This, of course, opposes the Hayek-Friedman view that the growth path of a union economy lies below that of a nonunion economy.

Despite the lack of explicit reference to the probability that in the absence of unions capitalism would be inherently stagnant the following two quotations give abundant ground for believing that in her mind unions give the system buoyancy:

"Of all the conclusions of the Keynesian Revolution, the most disruptive of orthodoxy was the proposition that there is no such thing as an equilibrium of the general price level. The price level in an industrial economy is a historical accident. The main influence upon the level of prices, at any moment, is the level of money-wage rates, and the level of money-wage rates, at any moment, is the result of movements that have taken place over the distant or recent past. Prices, certainly, may move relatively to money-wage rates, over the long run with changes in productivity, and in the short run with changes in the level of profit margins (the degree of monopoly), but these movements, which effect the level of real wages, are confined within narrow limits by technical and market relationships, while the level of money-wages and prices is not tethered to anything and may change (at least upward) without any limit at all" (1971. JR 5, p. 90).

"... in an industrial economy, the level of prices is governed primarily by the level of money wage rates"

"The level of money wages in any country at any time is more or less an historical accident going back to a remote past and influenced by recent events affecting the balance of power between employers and trade unions in the labor market"

"Then there is no meaning whatever in the idea of an equilibrium value of money'

"... (the) revival of the quantity theory of money in recent years... must be accounted for by the longing to have some kind of theory to tether the value of money to..." (1973. JR 16, pp. 6-7).

Another circumstance in which Mrs. Robinson asserts that unions play a crucial role in countering the internal contradictions of capitalism is that pertaining to technical progress. In her system technical progress constitutes an increase in output per worker. In order to prevent the growth of technological unemployment, net investment must proceed at a rate sufficiently
rapid to maintain full employment. This provides an unchanged distribution of workers between the consumption and investment sectors. The increased volume of consumer goods constitutes the increase in real wages needed to sustain the increased productivity and the rate of profit on the growing stock of capital.

In Mrs. Robinson’s reasoning, unions improve the potential for stable growth with technical progress by

a) asserting persistent pressure for increases in money wages. As Kregel says:

“... (U)ions help to preserve stability by making sure that some of the increased productivity accrues as higher money-wages, higher purchasing power, and higher sales. This prevents increases in productivity from running the system into a slump due to lack of purchasing power... This is... (one)... example of extreme paradox in the analysis of growth in free enterprise capitalism” (1973. 7, p. 85).

The rise of the mega-corporation, the belief in the ubiquity of imperfect competition, price inflexibility, and in lessening competition underlie Mrs. Robinson’s even stronger statement that: “The main defense against the tendency to stagnation comes from pressure by trade unions to raise money-wage rates” (1956. JR 1, p. 94).

b) providing pressure for reductions in hours or work and

c) retarding the rate of technical progress and thereby making it more likely that a weak rate of accumulation will suffice to maintain stable growth. Of course, this is not an unqualified advantage. The greater is the rate of technical progress the greater is the rate of increase in real wages and the smaller the relative sacrifice involved in the expansion of productive capacity at the expense of current consumption. That is, the greater is the rate of net investment possible without encountering the “inflation barrier”.

JOAN ROBINSON, THE MONEY SUPPLY AND INFLATION

Mrs. Robinson gives little credence to the view that the level of prices is determined directly by the quantity of money. Thus inflation is not a matter of money. Writing in 1945 she remarked:

“Perhaps it may seem surprising to have spoken so long about inflation without mentioning the quantity of money... (If) the real cause of inflation — the excess of income over available supplies — is tackled at the root, the quantity of money can be left to look after itself” (1945. JR 6, pp. 97-8).

This view reflects the Keynes of the General Theory. As Lord Kahn notes:
"In early writings Keynes believed that the behavior of money wages depends on the readiness of banks to supply the necessary money. But by the General Theory he was sure that credit conditions affect wage negotiations only as they affect the profitability of business and the abundance or scarcity of labor. In the Keynesian system the money wage is the fulcrum on which the price level rests" (1956. 4, p. 105).

"Keynes did not believe that the quantity of money was a direct determinant of inflation. He objected to the idea that inflation is the direct cause (sic) of expansion of credit rather than physically too much investment and consumption, no matter how brought about (ibid., p. 110).

In her important work on The Accumulation of Capital, Mrs. Robinson describes the way in which the quantity of money affects indirectly the level of economic activity and hence the inflationary or deflationary conduct of the economy. To counter inflation bankers sell bonds which present an alternative for investible funds, especially when the rate of interest is expected soon to fall. In addition, the higher rate of interest reduces the attractiveness of investment so that some investment projects are curtailed. In this way the inflation barrier sets a limit to accumulation and, through the depressing effect that this has on the rate of increase of money wages, sets a limit on the extent of price change.

An increase in the quantity of money is a necessary but not a sufficient condition of inflation, but even then only for high and continuing rates of inflation. In her system the essence of inflation is a rapid and continuous rise of money wages; without rising money wages inflation cannot occur (1938. JR 6A, p. 71). The driving force is the money wage level and the quantity of money, while a necessary condition of inflation is not a stringent one and has enough tolerance for substantial inflation (1956, JR 1, p. 240). Moreover, she probably would not object to the view that Needham portrays of her in his discussion of her book (with John Eatwell) An Introduction to Modern Economies:

"There is little play for effective monetary policy. The money supply, realistically, is a response to the needs of trade; variations in interests rates, although subject to manipulation provide little in the way of leverage on effective demand; supply prices individually and in the aggregate can be shifted independently of demand conditions; and in an open-economy context monetary instruments are even weaker" (1977. 9, p. 323). (See also 1977. JR 17, p. 1327).

COMMENTARY ON ROBINSON’S VIEWS ON THE ROLE OF UNIONS

Do labor unions play such a crucial role in the perpetuation of capitalism? There is no doubt how Joan Robinson would answer that question if the evidence was drawn solely from The Accumulation of Capital. But the
real world is far more complex and Joan Robinson now finds the strength of trade unionism to be itself one of the internal contradictions of capitalism. Aside from a few parenthetical remarks about the role of government, her *magnum opus* ignores the growth of the mixed economy. Public investment in highways, education, research and development, housing, has provided major avenues of labor absorption in the face of continuing technical progress. And in the private sector the growth of labor intensive service industries has provided a basis for high rates of employment and labor force participation. Mrs. Robinson does not deal with this aspect of the real world, and it is possible that she over-emphasizes the crucial nature of unions as a consequence.

Much the same ambiguity surrounds the role of unions in affecting the distribution of income. For the United States the evidence does not support the view that the labor share of value added in highly unionized industries is greater than labor's share in less unionized industries, nor that the share of labor tends to grow in the former relative to labor's share in the latter. As Marshall, Cartter and King note, "Reviewing the data from 1919 to the present, and particularly the last 20 years, there seems to be no indication that trade unions in general have increased labor's share of income. Particular unions in specific industries may have done so, but if so, they have been balanced off by other unions who have been much less successful than many of the unorganized groups of workers" (10, pp. 374-75).

Johnson and Mieszkowski have also examined the effect of unions on the distribution of income. They distinguish between the impacts when unionization is partial and total. In the former case they conclude that the "... empirical estimates... strongly suggest that most, if not all, of the gains of union labor are made at the expense of nonunionized workers, and not at the expense of earnings on capital" (11, p. 560). This occurs, they say, because decreases in the level of employment in the union sector depress wages in the nonunion sector. Discussing the case of complete unionization they conclude that if "... the bargaining power of all unions is the same in all industries, then so long as there are no monopsonistic rents and unions are not able to 'tax away' a share of monopoly profits, the distribution of income will be essentially the same as the distribution in an economy in which unions do not exist" (ibid., p. 561). It is very unlikely that these conditions could be realistically assumed as a setting for the redistributive impact that Mrs. Robinson suggests would result from total unionization.

Finally, are unions the crucial contradiction that she suggests they are in light of her estimate of their role in causing and sustaining inflation? Few writers go as far as Mrs. Robinson in suggesting that money does not matter. Phelps Brown, in his less guarded moments, might be termed as one
such exponent (12, p. 15 and 13, p. 20). Many writers, however, would agree that both monetary and fiscal policies are only partly control variables, and for both technical and political reasons, are partly responsive to "the needs of trade". In this Mrs. Robinson might well be right that unions might contribute a crucial contradiction of capitalism. If union power is the ultimate cause of inflation then the contradiction is fulfilled if that power cannot be reduced without causing a change in the character of the society. Ironically, for support on this issue Mrs. Robinson could find no more enthusiastic an author than von Hayek whom we have already quoted (14, p. 117) and who now writes that "There is no salvation for Britain until the special privileges granted to the trade unions, ..., are revoked" (15, p. 203) and Henry Simons who, in 1944, was led to write: "Here possibly, is an awful dilemma: democracy cannot live with tight occupational monopolies, and it cannot destroy them, once they attain great power, without destroying itself in the process" (16, p. 4).

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OTHER AUTHORS


La pensée de Joan Robinson sur les syndicats, la répartition des biens et l’inflation

Beaucoup d’auteurs ont traité du rôle des syndicats dans l’économie mixte moderne. Mais aucun ne leur a imputé un rôle aussi décisif que Joan Robinson l’a fait. Selon elle, la survivance du capitalisme pivote autour de syndicats qui disposent de la juste mesure de pouvoir économique. S’ils en ont trop peu, le système tombe dans la stagnation; s’ils en ont trop, éclate le phénomène de la surinflation.
Selon le point de vue du professeur Robinson, le capitalisme est un système contradictoire de sa nature. Sa tendance au monopole restreint la souveraineté des consommateurs et accentue le degré d'exploitation des travailleurs et des consommateurs. Mais, de ce fait, il réduit aussi les bénéfices des investissements nouveaux. De même, en situation de progrès technique, la croissance de la production s'accompagne d'une diminution des coûts de production par unité. Toutefois, un état de concurrence imparfait entraîne la baisse des prix. Ainsi, en l'absence de mécanismes institutionnels qui assurent des augmentations égales des revenus en argent, il y aurait un surplus sans cesse croissant de biens de consommation et partant, une tendance à la stagnation.

Les syndicats sont une pièce essentielle de ce processus de redistribution institutionnelle dans le monde industriel et politique. Le capitalisme ne peut survivre sans un équilibre difficile du pouvoir syndical dans ces deux sphères.

Le système économique de Joan Robinson

Le modèle de l'économie de Joan Robinson distingue deux secteurs: un secteur de consommation et un secteur d'investissement. Le premier produit des biens qu'on peut acheter pour consommer; le second produit des biens de capital qu'on peut utiliser dans les deux secteurs, mais dont la fonction est de faciliter la production de biens de consommation. Le travail se partage entre les deux secteurs suivant les techniques de production. Les salaires réels touchés par les travailleurs dans les deux secteurs reposent sur le niveau des salaires nominaux par rapport aux prix des biens de consommation. L'écart entre les niveaux des salaires nominaux et les prix sera plus élevé, a) si la main-d'oeuvre dans le secteur de l'investissement est plus grande par rapport à la main-d'oeuvre engagée dans le secteur de la consommation; b) si la consommation des capitalistes à même les profits est plus grande; c) si le taux d'épargne des travailleurs à même les salaires est plus bas; d) si le degré de monopole des entreprises sur les marchés de production et de monopsone sur les marchés du travail est plus grand; e) si le pouvoir de marchandage des travailleurs est le plus faible.

Dans le système d'interdépendance que Robinson décrit, les syndicats négocient directement le niveau des salaires nominaux et, indirectement, la part des salaires dans le revenu global. Les prix sont fixés par la hausse des prix de revient lesquels sont formés principalement des salaires. L'écart supérieur aux prix de revient détermine les taux de projet sur les actions et il est, en conséquence, le résultat d'une négociation. Compte tenu du taux du taux de l'intérêt, le taux de profit détermine le volume des investissements. Si le taux de profit est trop bas, les investissements sont moindres et le pouvoir de négociation des travailleurs s'en trouve diminué par la hausse du chômage. Dans le processus de négociation, des taux de profit plus élevés favorisent des taux d'investissement plus élevés, mais ils reposent sur l'acceptabilité de prix plus hauts et, en conséquence, de taux des salaires réels plus bas.

Le syndicalisme dans le système Robinson

La fonction des syndicats dans le système Robinson est de contrer la tendance vers une monopolisation croissante sur les marchés des produits et de contrebalancer les effets de la concurrence imparfaite en empêchant les fléchissements des prix en période de progrès technique. Plus les syndicats sont puissants, plus ils peuvent contrer les monopoles de producteurs efficacement, donc ouvrir un marché pour un approvisionnement plus considérable de biens de consommation et, partant, augmenter les salaires réels et l'emploi.
Les syndicats améliorent aussi le potentiel d’une croissance stable grâce au progrès technique en exerçant des pressions pour accroître les salaires nominaux et en réduisant la durée du travail ainsi qu’en retarde le taux du progrès technique.

Commentaires sur la pensée de Robinson concernant le rôle des syndicats

Les syndicats jouent-ils un rôle décisif dans le maintien du capitalisme? Dans The Accumulation of Capital, la réponse de Robinson est affirmative, mais elle ignore la croissance de l’économie mixte. Les investissements dans les infrastructures routières, dans le domaine de l’éducation, dans la recherche et le développement, dans l’habitation ont ouvert de larges avenues en vue de l’absorption des travailleurs face au progrès technique croissant. De même, dans le secteur privé, le développement d’industries à base de main-d’œuvre a permis d’en arriver à des taux élevés d’emploi. Les faits ne démontrent pas le point de vue selon lequel la part des travailleurs à la valeur ajoutée dans les industries fortement syndiquées soit plus grande que la part des travailleurs dans les industries moins syndiquées, non plus que la part des travailleurs ait tendance à croître dans la première par rapport à la deuxième. Il est aussi évident que la plupart, sinon tous les gains des travailleurs syndiqués, proviennent des travailleurs non syndiqués plutôt que du capital. Donc, il y a lieu de penser que, en attribuant un rôle décisif aux syndicats dans le maintien du capitalisme, Joan Robinson est dans l’erreur.