

such organizational and nonwage issues as union jurisdiction, working rules, job standards, work assignments and the like. This has been both a cause and effect of centralized bargaining in that such issues are likely to defy resolution in the context of broad national agreements affecting a wide variety of local work situations. Thus, the concentration on wage and hour issues characteristic of Western European collective bargaining, on the one hand, may have had the effect of intensifying the problem of upward pressure on the wage level by failing to exploit fully possibilities for settlement with non-wage benefits less inflationary in terms of costs and incomes. On the other hand, it has been precisely this concentration on economic issues which has made possible the type of centralized bargaining in which considerations of national policy can be expected to play a role.

V. WAGE POLICY BY INDIRECTION AND DEFAULT

From some points of view there is justification for the judgment that postwar economic developments in Germany and France cannot provide much insight into the policy problems posed by any potential threat to economic stability of upward pressures on costs in a full employment economy. For, as one observer has concluded,³ Germany has not yet been faced with the problem of maintaining a stable price level with full employment. In France, on the other hand, the dominant problems have been connected with establishing monetary and financial stability in order to combat demand inflation rather than the control of costs in a situation approaching monetary equilibrium. Some features of economic policy in general and Government interventions in wage-price setting in particular in the two countries, however, may provide instructive illustrations of some of the implications of different policy approaches.

Germany

Postwar economic policy in Germany is often contrasted with that in the countries we have been considering because of its avowed effort to maintain economic stability and growth through reliance on free markets and traditional instruments of monetary and fiscal policy.⁴ The performance of the German economy since 1948 in terms of the increases in output, employment, productivity and real incomes, the relatively low rate of price increases, and the achievement of a strong foreign trade position has been impressive, to say the least. But it is not easy to evaluate the precise role played by the structure and policies of labor and management organizations in contributing to that performance.

In general terms two main factors appear to have been of dominant importance in preventing upward pressure on costs: (1) Rapid increases in productivity and (2) large increases in the labor supply. The first has permitted money wages to increase at an average rate of over 7.5 percent annually during the past 10 years while labor costs and prices were rising by only around 2 or 3 percent. The second has helped, in combination with restrictive monetary policies, to avoid any serious generalized labor shortage. Despite the vigor-

³ B. C. Roberts, "National Wages Policy in Wage and Peace" (London, 1958), p. 144.

⁴ See, for example, Egon Sohmen, "Competition and Growth: The Lesson of West Germany," forthcoming in *American Economic Review*, December 1959.