ous rate of economic expansion unemployment has been higher in Germany than in most of the other Western European countries during the same period. The decline in both the rate of productivity increase and flow of labor from Eastern Europe with the consequent reduction in the growth of the labor force may bring forth the problems of wage-price stability in a full employment economy in the form familiar in other countries of Europe. For it is not clear that the monetary and fiscal measures which have been successfully employed in Germany to control inflationary pressures in a period of extraordinary productivity and labor force increases will work equally effectively under more normal conditions when the issue of wage stability and trade union action are likely to become more acute.

The German trade unions, in the years since 1948, have not pressed their wage claims with a great deal of vigor. But this moderation is not attributable to any sort of national policy of wage restraint. The weakness of German unions, despite their membership and centralized organization, has been advanced as one reason for the lack of more vigorous wage action. This weakness shows up mainly at the plant level. Plant organization is lacking and the handling of grievances is performed by independent works councils for which worker representatives are chosen in local elections by all the workers. This lack of local organization is connected with the general union policy favoring uniform treatment of all employers which has led them to support the practice of legal extension of contracts to parties not involved in the contract negotiations.

Under the provisions of the law on extension of contracts, the terms of any agreement between a union and an employers' association which covers more than half of the employees in an industry and area may be applied by Government decree to all employers and workers.

Through this law—

as Clark Kerr has put it—

> a minority of employers in conjunction with a union representing a minority of the workers, can, in effect, legislate for all employers and all workers. It turns employers' associations and unions into private governments, with the enforcing power of public government behind them.[5]

The result has been to make the organization of employers almost as important to the unions as the organization of workers since the application of the law is not dependent upon the number of union workers in the bargaining unit. This becomes significant in wage bargaining since it accentuates union concern for the effects of industrywide wage agreements on the maintenance of employer membership in the employers association in general, and the position of marginal firms in particular. Pressure for higher wages could conceivably result in withdrawals, even by profitable firms, from the employers' association sufficient in magnitude to reduce the employment coverage below the 50 percent necessary for legal contract extension. Wage settlements which threatened the marginal firms in the industry on the other hand would entail not only a loss of jobs and members but a possible reduction in contract coverage as

[5] Clark Kerr, "Collective Bargaining in Postwar Germany," in A. Sturmthal (ed.), "Contemporary Collective Bargaining in Seven Countries" (Ithaca, N.Y., 1957), p. 198.