change, she argues. While the adversarial elements of labor-management relations need to be acknowledged, "unhealthy and unnecessary adversarialism" should be minimized. "Unions must be encouraged to accept more responsibility for the health of the enterprises with which they are linked, whether schools, hospitals, or auto factories."

Cobble's Rutgers colleague, Charles Heckscher, author of *The New Unionism* (1988), agrees. The labor movement, he writes in *Social Policy* (Winter 1994), needs to learn better how "to use tactics of *influence*—persuasion, flexibility, trustworthiness, responsible contribution to the success of employers—in strategic coordination with tactics of confrontation."

Persuasion is essential to the labor movement's recovery, Heckscher maintains. Part of the reason for labor's weakness today, he argues, is that it has lost much of its ability to persuade people that unionization is a good thing—to persuade workers that it is a cause worth sacrificing for, to persuade the larger society that it promotes the general welfare. Labor made those cases successfully in the past. If it can adapt to today's changed environment, he says, it may be able to make them successfully again.

How Japan Escaped The Great Depression

"The Great Depression Reconsidered: Implications for Today" by William McDonald Wallace, in *Contemporary Economic Policy* (Apr. 1995), Western Economic Assn. International, 7400 Center Ave., Ste. 109, Huntington Beach, Calif. 92647–3039.

Most mainstream economists believe that the Great Depression of the 1930s decisively refuted Say's Law of Markets. That theretofore sacrosanct edict—promulgated by French economist Jean-Baptiste Say (1767–1832)—holds that supply creates its own demand. A depression, in this theory, is merely the result of temporary overproduction for some markets and underproduction for others, an imbalance that will soon be automatically righted. In the United States, however, gross national product tumbled by almost half in four long years after 1929, while unemployment grew to 25 percent. Nevertheless, Say's Law was confirmed, insists Wallace, who teaches economics and business at St. Martin's College in Lacey, Washington.

The proof, he contends, is provided by Japan, which largely escaped the Great Depression (and whose experience is usually ignored by most analysts of the depression). Say's Law assumes that labor costs are flexible. In Japanese industry they were, because much of the compensation that employees received consisted of bonuses tied to corporate performance. Consequently, when a sharp recession hit in 1930, the four firms that dominated Japan's industrial economy "were free to cut prices sharply and did so in order to maintain output and employment." By 1933, Japan's economy had bounced back and gained six percent in real terms over its 1929 level.

In agriculture, Wallace argues, Say's Law "worked as advertised" throughout the world. "Earnings were variable, prices fell sharply, and as Say's Law predicts, employment and output remained stable, even in the United States, despite a 55 percent collapse in income." The reason that the depression was so hard on American farmers, he observes, is that the prices of the industrial products they needed "fell very little" compared with the prices of farm products.

Say's Law was suspended in U.S. industry, Wallace explains, because corporations "employed workers as hirelings, not partners. Rarely paid bonuses, workers did not participate in upside gains." Naturally, they resisted wage cuts. "Rigid pay inhibited timely price cuts in response to softer demand. Most firms were forced to hold prices up and lay off labor instead." The result: mass unemployment. U.S. firms today, he suggests, should take a leaf from Japan's book (and the family farm's), dealing workers in for a share of the profits and losses of business.