ECONOMICS, LABOR & BUSINESS

Why Unions Need to Change

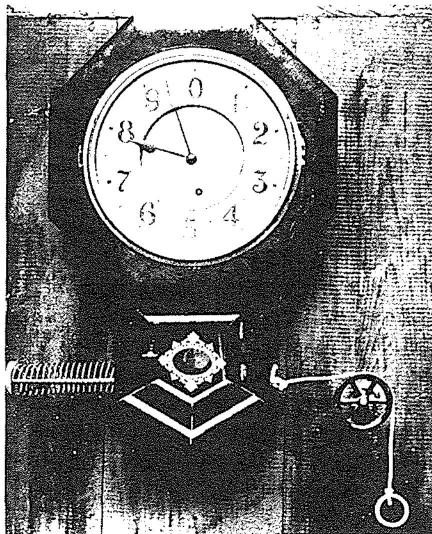
"American Labor and the Industrial Crisis" by Michael J. Piore, in *Challenge* (Mar.-Apr. 1982), 80 Business Park Dr., Armonk, N.Y. 10504.

American unions have claimed a shrinking share of the labor force since the 1960s, thanks largely to the rapid growth of new, hard-to-organize service industries. (Only 20 percent of U.S. workers were union members in 1980 versus 34 percent in 1955.) But now, writes MIT economist Piore, unions are in trouble even in their old power base, the mass-production industries.

After the 1930s, unions guaranteed their influence within industry by an implicit agreement with management. With union leaders' assent, business adopted the "scientific management" theories of Frederick Taylor (1856–1915), an American engineer who called for narrow specialization and strict job definitions on the shop floor. In the unions' view, this made it easier to bargain over working conditions and wages for each kind of job. But the unions' focus on spelling out responsibilities probably also enhanced productivity. Hence, managers did not resist, and sometimes even encouraged, unionization.

But basic economic changes have rendered "Taylorism" obsolete. Domestic markets alone no longer sustain the mass-production industries. Today, corporations must sell their goods around the world, facing increased foreign competition in smaller, fragmented markets. These conditions require swift market adjustments and product changes—in short, flexible job assignments.

Thus, business is abandoning Taylorism. But unions are resisting.



A 10-hour time clock was part of Frederick Taylor's system of "scientific management," adopted by business during the 1930s with unions' assent.

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Piore notes that high wages are no longer managers' principal objection to unions. Indeed, many are willing to pay even more to avoid unionization and the attendant rigid job categories.

American labor unions, Piore believes, must adapt to survive. Otherwise, corporations seeking to expand and revitalize their mass production operations will be forced to relocate their plants overseas. And if, as seems more likely, small domestic markets become critical, flexibility on the shop floor will still be essential.

Explaining Budget Battles

"The Budget as New Social Contract" by Aaron Wildavsky, in *Journal of Contemporary Studies* (Spring 1982), Transaction Periodicals Consortium, Dept. 541, Rutgers University, New Brunswick, N.J. 08903.

Fashioning the federal budget may seem like an arcane technical process. But budgeting, writes Berkeley political scientist Wildavsky, reflects the underlying social order: "When we experience basic changes in budgeting . . . we know that society is not what it was or will be."

From the founding of the Republic to the 1960s, Wildavsky contends, three major groups in American society joined in an evolving consensus favoring small, balanced budgets and a low level of public debt. "Social hierarchs," such as Alexander Hamilton, favored a strong central government; "market men" sought government aid for "internal improvements"—canals, roads, harbors—and Jeffersonian republicans feared big government would perpetuate inequality. Generous internal improvements gave the first two groups some of what they wanted, and the size of government (and the budget) was kept down to satisfy the Jeffersonians. The balance was "not only between revenue and expenditure, but between social orders."

After the Civil War, quickly liquidating the public debt no longer seemed crucial. Abraham Lincoln had averred that citizens "cannot be much oppressed by a debt which they owe themselves." In fact, because of a five percent annual economic growth rate, federal outlays shrank relative to the economy between 1870 and 1902. But by 1920, deficits were appearing frequently. The progressives' goal of spending wisely took priority over balancing budgets.

The Budget Act of 1921, which gave President Harding budgetary authority through a new Bureau of the Budget, "ushered out the era of small government in the United States." Within 11 years, federal spending had risen nearly 40 percent, to 7.3 percent of GNP. And the acceptance of Keynesian economics and the welfare state after the Great Depression shaped a completely new consensus.

By the 1960s, the permanently unbalanced budget, with spending adjusted to insure full employment, was firmly established. The egalitarian heirs of Jefferson were now convinced that government redistribution of income was necessary to achieve equality; Hamilton's