WHAT DO UNIONS DO?
by Richard B. Freeman
and James L. Medoff
Basic, 1984
350 pp. $19.95

Almost 100 years ago, in 1889, a news story from Pittsburgh caught the public's eye. Some unionized steelworkers, it was reported, made so much money that they were coming to work in horse-drawn carriages. The very idea of pampered workers in the Gilded Age repelled many middle-class Americans, and there was widespread applause when Andrew Carnegie crushed the Amalgamated Association of Iron, Steel, and Tin Workers in the Homestead strike of 1892. After the strike, wages for most steelworkers plummeted to under two dollars a day and remained extremely low through the Great Depression.

Today, the industrial unions that arose in the United States during the 1930s are under similar attack for cutting business productivity through excessive wages and restrictive work practices. As was the case 100 years ago, the evidence cited is almost always anecdotal. The effect has been to cloud the merits of unionism and to bring Big Labor stereotypes to the fore.

To get beyond the generalities, Harvard economists Freeman and Medoff compiled a vast data base documenting the performances of thousands of businesses during the 1970s and early 1980s. Their statistics permit a comparison of the *actual* performances of union and nonunion firms within several different industries—everything from furniture and textiles to chemicals and construction. Their conclusion: Unions help boost productivity, reduce labor turnover, and promote wage-scale equality for workers, but these benefits *do* come at a cost.

The authors' findings concerning productivity, in particular, run counter to popular assumptions. With the amount of capital per worker and other factors held constant, unionized companies show higher rates of productivity (as much as 30 percent in some heavy construction companies) than nonunion companies in the same sector. Moreover, there appear to be no statistically significant differences in the *growth* of productivity between union and nonunion firms in the same industry. Unionized firms tend to be more efficient, say the authors, because they have better trained workers and lower turnover.

A crucial added benefit is the role of union grievance procedures, negotiations, and arbitrations in producing more attentive management. The authors repeatedly underscore the importance of management in labor relations: Where union-management relations are good, such as in the construction and cement industries, productivity rises; in industries characterized by strife, such as in coal mining during the 1970s, productivity drops noticeably.

What about the costs? Although unionized firms tend to have better, more reliable workers and lower turnover rates than nonunion companies, these efficiencies do not generally surmount the higher costs of union contracts, "on the order," say the authors, "of 20 to 25 percent." Overall, unions reduce profitability: A 1982 study of 902 individual firms shows that profits average 16 percent lower in unionized firms. The discrepancy is lowest in industries where competition is keen, highest in concentrated sectors of the U.S. economy such as steel.

While this finding lends credence to the complaints of auto, steel, and other manufacturers, the authors point out that such industries traditionally have lower rates of return. They also suggest that unions actually *improve* efficiency in monopoly-sector companies, which otherwise would have few market incentives to innovate.

This conclusion will no doubt be debated. So will the book's other claims that unionism promotes wage equality and brings representative democracy to the workplace. But such debates should be welcomed. As the authors note, unions have far too long been depicted as either villains or heroes rather than as the complex institutions that they are.

—Mark Reutter

THE EMERGENCE OF AFRICAN CAPITALISM
by John Iliffe
Univ. of Minn., 1983
113 pp. $29.50 cloth,
$10.95 paper

American, European, and African scholars have radically revised their view of African history three times in the past quarter century. John Iliffe, a Cambridge historian, was a leader in the first revisionist swing two decades ago. But Iliffe did not stand still. Here, in this illuminating portrait of the sources of African capitalism, he proves himself to be one of the major contributors to the third shift.

Until the late 1950s, African history as written in the West was primarily the chronicle of European activity on the continent. African economic and social organization was considered to be almost too primitive to merit scholarly consideration. The first revisionist swing altered the picture: African resistance to the "predatory" European colonial intrusion became the focus of the historical drama. Iliffe was prominent among those scholars who led the way in this radical and nationalist reinterpretation.

The second shift, which followed quickly, was an attempt to explain the lackluster economic and political performances of many newly independent African states under nationalist leadership, including Ghana, Mali, and Guinea. Scholars borrowed from Latin American studies the well-worn notion of "dependency," and once again assigned Africans and their institutions a passive role—this time as pawns in an elaborate international system of capitalist exploitation.

The manifest exaggerations of the dependency theory have recently prompted a third interpretation by scholars, one which places renewed emphasis on the internal causes of change. A crucial issue separating the most recent revisionists from the dependency folk is the question of the origins of capitalist forms of production in Africa. According to the dependency theory, capitalism was imposed from the outside, a pathetically deformed and peripheral version of advanced industrial economies. To Iliffe and others, this explanation overlooks some crucial dimensions of the autonomous development of capitalism in Africa.