

Preface

This book is an outgrowth of a Ph.D. thesis on wage movements which I wrote at M.I.T. in 1967. The basic work on this subject is an article by Phillips (1958) which describes the trade-off, now known as the Phillips curve, between the rate of change of wages and unemployment. When I began my thesis, Phillips' article had already seen many extensions and modifications, some of them the work of George Perry, who had also written an M.I.T. thesis on the subject in 1961, and whose book, *Unemployment, Money Wage Rates, and Inflation* (1966), had just appeared. There was, however, an important aspect of the problem which I felt had not yet been adequately treated, namely the influence of collective bargaining on wage movements. The standard approach to this problem involved accounting for the special characteristics of unionized industries simply by adding one or more additional variables to Phillips' original equation. The prime contender, and the one which was employed by Perry and by Eckstein and Wilson (1962) for instance, was the profit rate. However, I felt that the arguments adduced for relating wages to profits—which depended on concepts as difficult to define as “ability to pay,” “the cost of a strike,” and “equity”—were unsatisfactory, and that a formal model of bargaining was needed to give substance to these concepts. The task I set for myself in the thesis was to construct and test such a model.

When, two years after the completion of the thesis, I began writing a book on the subject, I decided to change the basic model radically and to update the empirical work and re-estimate the equations. The result is the present volume, a new and much shorter work than the thesis. The only part of the book that has not been completely rewritten is the account, now in Chapter 6, of the extensive job of data construction which had to be undertaken before any

tests could be made. Since many of these data have been constructed or refined by me and have not previously been published, an appendix of data tables has been added.

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George de Menil

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