



Review: [Untitled]

Reviewed Work(s):

Regulatory Reform and Labor Markets by James Peoples
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Government and Industrial Relations

Regulatory Reform and Labor Markets. Edited by James Peoples. Norwell, Mass.: Kluwer, 1998. xii, 390 pp. ISBN 0-7923-8065-7, \$137.50 (cloth).

Regulatory Reform and Labor Markets attempts to answer the question: How was labor affected by "deregulation" in product markets? The book's structure is quite straightforward. Four core chapters investigate product markets in which deregulation was implemented—trucking, railroad, airlines, and telecommunications, respectively. Each of these chapters is followed by extensive commentary. The volume also contains a chapter and commentary on earnings discrimination in regulated markets, as well as some opening and closing remarks by Peoples.

Methodologically, the core chapters are quite similar: typically using data from the Current Population Survey, they compare a "treatment" group of workers—in the deregulated sector—to another group of "similar" workers. In many cases, additional data are brought to bear. The chapter by David Card on the effects of airline deregulation is noteworthy for its creative use of multiple data sources.

The volume has many strengths. First, despite the fact that it is essentially a collection of independent papers, it is more than the sum of its parts. While the papers fall short of being a completely integrated account of deregulation's effect on labor earnings, they are usefully read together. A second strength is that the contributors are well chosen. Each brings a fair amount of institutional knowledge to the table, knowledge that is indispensable as it informs the data analysis. The contributors are not all of a mind about deregulation's effects (or in their analysis of one another's work), yet their disagreements do not cloud the core issues. The book benefits as well from the generally serious discussions that follow each chapter. Several of these discussions are virtually papers unto themselves; the commentaries by Lisa Saunders, Michael Belzer, Debashis Pal, and Kaye Husbands all involve independent but related empirical analyses.

Although each contributor provides an extensive discussion of the necessary institutional background, the Card chapter is exemplary in including tabular and other material describing the product market—information on output, employment, prices, and market share, for example. The chapter by Wallace Hendricks on

telecommunications likewise reproduces useful tabular material on the "magnitude" of deregulation.

Indeed, I wish that more such material were available in the other chapters. The chapter by Curtis Grimm and Robert Windle, an introductory chapter providing valuable historical background on deregulation in several industries, summarizes much of the research on the effect of deregulation on the product market side. A shortcoming of this chapter, however, as well as of the interesting commentary on it by Barnali Gupta, is the absence of tables and figures documenting the changes in various product markets. Grimm and Windle and Gupta conclude that deregulation has "enhanced efficiency"—yet one wishes to see some of the numbers. *A priori*, there may be no clear connection between the "magnitude" of the deregulation and the magnitude of the effect on workers, yet an appreciation of that potential link should clearly inform the empirical analysis. (Admittedly, this is a difficult task for a short chapter.)

My reading of the evidence presented in the book is that *when* wage losses follow deregulation, they are modest. Barry Hirsch and David Macpherson, in their chapter on earnings and employment in trucking (which many have argued is a "naturally competitive" industry), estimate wage losses of about 15%. Hendricks finds no losses to telecommunication workers. Wayne Talley and Ann Schwarz-Miller find some evidence of wage losses for selected groups of workers in the railroad industry, but in the main, estimated wage losses were small. In David Card's analysis of the airline industry, the effect of deregulation on workers' wages is estimated to be on the order of 10%. The fact that the size of the effect is roughly the same for occupations with large differences in the extent of unionism, however, poses a potential problem for those who wish to interpret the evidence using "standard" models of unionization's effects on wages and employment. Also interesting is Card's analysis of the distribution of wages, unfortunately a topic not taken up by any of the other authors. Perhaps surprisingly, Card finds that the increase in inequality in the airline sector was little different from the economy-wide increase over the period of deregulation.

The chapter by John Heywood and the slightly longer commentary by Kaye Husbands take up the question of the effect of deregulation on black/white wage differentials. The idea is quite simple: deregulation, by minimizing competitive "pressures," makes it easier (or employers more willing) to indulge in racial discrimi-

nation. Both Heywood and Husbands do an admirable job in attempting to reconcile disparate findings—lower racial wage premiums in trucking, higher racial wage premiums in airlines, for example.

A theme that runs through much of the empirical work is that the deregulation regimes were often dismantled during periods of economy-wide or broader market changes. This complicates the analysis. Another theme running through the work is that “deregulation” is not necessarily synonymous with a pro-competitive stance. One explanation proffered by both Heywood and Husbands for disparate findings on the effect of deregulation on the white racial premium in wages is that there are differences in the extent to which deregulation dissipated “rents” in different industries.

The careful reader will learn much from this volume. Quite helpful in themselves, for example, are Hirsch and Macpherson’s tabulations of wages for different groups from the Current Population Survey outgoing rotation group files, Talley and Schwarz-Miller’s tabulations of contract dates and scheduled wage actions, and Card’s tabulations of airline passenger output, employment, and wage rates for captains of Boeing 727 aircraft. Another example is Heywood’s figures on the black/white wage differential, which reveal that the differential fell after the early 1970s and was not statistically different from zero by 1991 (the end of the sample period). Also interesting: the substantially higher degree of “within” inequality in the deregulated industries (a fact not remarked upon in the book); and Peoples’s finding that the share of the work force that is made up of management workers rose in the airline and telecommunication industries after deregulation. Methodologically, I found Card’s use of quantile regression to circumvent a commonly encountered problem in using the Displaced Worker Survey potentially useful in other contexts.

One lucuna might be noted: if prices fall after deregulation, popular commentary tends to label the entire drop “efficiency.” To the extent that deregulation leads to lower wages, this is not an efficiency gain—it is merely a transfer of resources from workers to others. I recognize the difficulty of even identifying a change in efficiency (as economists understand the term) following deregulation, but an analysis addressing that question would have interested me.

Although not a “quick read,” this volume holds together well. It will be a touchstone for

anyone interested in the effects of deregulation on labor markets.

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Economic and Social Security and Substandard Working Conditions

Gender and Family Issues in the Workplace. Edited by Francine D. Blau and Ronald G. Ehrenberg. New York: Russell Sage Foundation, 1997. 336 pp. ISBN 0-87154-117-3, \$42.50 (cloth).

The purpose of this edited collection is to help “better understand the factors that have impeded women’s progress in the labor market and suggest what can be done to promote gender equality.” Given this purpose, what may be most surprising to readers familiar with the literature on gender differences in labor markets is the book’s treatment of work-family conflict as the chief source of gender inequality. Discrimination is the subject of only one chapter (by Donna S. Rothstein, on gender-of-supervisor effects), and the policy discussion is exclusively focused on family-related policies, principally “family leave.”

That said, this book has a lot going for it. First, changes in gender roles and family processes are among the defining features of our society in the second half of the twentieth century. Second, the editors are leading labor economists; they contribute a tightly synthetic introduction that alone is worth the price of the book. Third, the six central chapters and various commentaries are written by highly respected economists and sociologists such as Rebecca Blank, Paula England, Claudia Goldin, Jonathan Gruber, and Lawrence Katz. Three policy “perspectives” by Olivia Mitchell, Barbara Bergmann, and Elizabeth Peters form the concluding chapter.

The introduction, the policy conclusion, and the chapters by Claudia Goldin and Jane Waldfogel should be required reading for courses in labor economics and feminist economics (and, in the case of the chapter by Claudia Goldin, American economic history). Below, I highlight Goldin’s and Waldfogel’s findings and briefly mention two other chap-