

possible that due to economies of size in manufacturing industries, output and, consequently, employment can increase as product prices decrease. Hence, the expected relationships between product price changes and employment levels would be negative.

Factor Price

Agricultural Wage Rate.—Employment effects of increases in hired farm labor wage rates should be negative, particularly in rural areas. Wage increases would result in higher factor costs to farm operators. This would encourage substitution of other factors for labor. Smaller employers would not be able to make sufficient substitutions and would not be able to compete with larger and more efficient farm operators. Farm numbers would then decline through consolidation and expansion of existing firms.

Manufacturing Wage Rate.—Increases in construction and manufacturing wages result from either reductions in the supplies of labor to the industries or increases in the demand for labor as the demand for the industrial output increases. In general, growth in labor demand is expected to outweigh labor supply reduction to these industries. Thus, employment is expected to increase as wage rates in the industry increase.

Technology

Changes in technological forces that affect agriculture and manufacturing industries should have an effect on the amount of labor employed. Similar to the other types of shifters discussed previously, technology changes would also affect factor demand, product supplies, and the number of firms.

Agriculture.—Trends in output per man-hour and advances in agricultural mechanization suggest that technology increases in agriculture are likely to be labor decreasing. A negative effect on agricultural employment should result. Similar effects would be expected on farm numbers. Technology advances should enable the operation of larger farms with resultant decreases in farm numbers.

Manufacturing.—Technology changes in the manufacturing industries have employment effects similar to those in agriculture. Technology changes are generally labor decreasing. A technology variable for the construction industry was not included, since output per man-hour indexes for construction were not available.