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The Challenge to New Zealand Labour



A Constructive Answer
to the "Walsh Report"
by a brilliant young English Economist

? WILL N.Z. LABOUR CHANGE ITS POLICY ?

THE CHALLENGE TO NEW ZEALAND LABOUR

**SEERS
COLLECTION**

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NEW ZEALAND LABOUR

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BY

DUDLEY SEERS

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WITH A PREFACE BY

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P R E F A C E

The remarkable amount of startled attention given to the recent report addressed to the Federation of Labour by Mr. F. P. Walsh is an indication that the fundamental principles of the Socialist Labour movement have largely been forgotten by both friend and foe. The movement is really based on the dogma that "Labour applied to natural resources is the sole source of wealth." Mr. Walsh simply pointed out to the movement that before Wealth can be distributed it must first be produced and that under present conditions any further dividend paid to the workers either in the shape of increased wages or further leisure must be accompanied by greater efficiency of labour.

Mr. Dudley Seers has carried the examination of the situation a good deal further and in this pamphlet he issues a challenge to New Zealand Labour to rise to the occasion and to avoid the snare of the present condition of full employment. He emphasises the need of new incentives to replace the age-old incentive "the fear of want."

Whether one agrees with all Mr. Seers' conclusions or not one must admit that this booklet provides much food for thought and many valuable suggestions.

(Signed) C. MORGAN WILLIAMS, M.P.

Kaiapoi, 25th October, 1946.

THE CHALLENGE TO NEW ZEALAND LABOUR

(1) Cards on the Table

When something is written dealing with controversial matters, the public has a right to know a little about the author's own beliefs and intentions.

Let me state at once, therefore, that I am a supporter of the New Zealand Labour Party. I do not, however, speak for the Party, nor could I, for I hold no official position in it. This booklet gives only the views of an Englishman with Labour sympathies who has lived a few years in New Zealand.

Because I advocate something of a change in political tactics, Nationalists may hail this as an attack on the Labour movement's policy. It is no such thing. My theme, the need for a peacetime production drive, applies and is only meant to apply, today, in 1946. I shall argue that before the war this drive would have been premature.

Another sort of critic will declare that I am betraying the Labour movement. This is a matter of opinion. I admit that a number of people have pleaded more or less dishonestly for industrial peace and hard work. I use the word 'dishonestly' because somewhere in their minds was a desire to increase profits.

It may help to answer such 'Leftist' criticism if I state that I am basically and deeply opposed to the 'profit system.' I do not speak here of the 'profits' made by the small shop-keeper's or farmer's own efforts since these 'profits' are earned by personal hard work. I refer to the 'profits' made by companies out of employing people.

To pay a man £6 a week and sell the product of his labour for £10 is robbery just as much as if one gave him the whole £10 and stole the other £4 from him in a dark alley while he was on his way home. The fact that this theft is repeated weekly or fortnightly for years on end can hardly be considered an extenuating circumstance.

Rent and interest are sources of income which it would be even harder to justify from the viewpoint of sheer commonsense and social justice. Work should be the only source of income (except for people who are unable for some reason, such as old age or sickness, to work). This does not mean it is wrong for any one person to receive

'unearned' income. It is the system which is wrong. People have of course no option but to do as best they can in the society in which they live.

The arguments put forward in defence of this 'profit system' are not very substantial. Most of them obviously spring from self-interest. The fact is however that the majority of New Zealanders do not at present feel ready for an end to this system. Complete socialism is not yet the order of the day. We have therefore a Labour Government operating an economy which is based on the 'profit system,' and which is likely to remain based on it in the near future.

I do not think that members of the Labour movement have given enough thought to the problems of operating a capitalist economy. An important contribution was made sometime ago in what is generally known as the 'Walsh Report.' This booklet attempts to carry Mr. Walsh's argument a stage further. It endeavours to point out the lines along which these problems can be solved—and particularly the key role of the trade unions in working out this solution.

I ask the reader to give this effort a 'fair go;' to read it with an open mind; and if he sees fit to quote my views, to do so honestly without pulling phrases out of their context. I have to add this request because of the habit that Tory editors have of snatching a few phrases out of the middle of a document and building a sermon around it—as, for example, so many of them did with the Walsh report.

(2) Profits and Exploitation

This is the starting point of the discussion—that the Labour Government has to operate a capitalist economy, based fundamentally on the 'profit motive.' The Labour Party believes in improving this system so long as we have to put up with it. It believes in stabilising the fluctuations of private enterprise by a Full Employment programme; in countering the worst extremes of poverty by Social Security Benefits and a 'minimum wage;' in breaking the housing famine by State Housing; in eliminating the instability of the butter market by a 'guaranteed price;' and in limiting the exploitation of labour by setting a maximum to the working week. The steps which it has to take to correct the faults of capitalism involve State intervention in the

economy of a much larger scale than is usual under capitalism. I shall call a State which is based on the profit motive but subject to a large amount of progressive political control a 'Labour State' to distinguish it from the purely capitalist or completely socialist economies.

A Labour State is probably the most difficult of all States for a Government to run. A Government which is avowedly a defender of the profit motive can leave the economy more or less to run itself. It is in fact the essence of the Tories' political philosophy that the State should remove the 'shackles' on private enterprise, and play as small a part as possible in the economy. This has always turned out to be disastrous to the country, leading to depressions, acute poverty and slums. But it is a policy which in itself is easy to operate. Social welfare is not the aim of the Tories (except in so far as the country must be more or less content). Their real aim is the defence of the financial power of property. This aim they achieve. It cannot be said therefore that Tory policy is a failure from their own viewpoint.

Similarly, a planned Socialist economy would not be enormously difficult to operate. The central planning bureau would draw up a list of items to be produced each year—a million shoes, forty thousand bedroom suites, etc., etc. This plan would be based first on the social needs of the population (for clothing, shelter, food, defence, and so on) and secondly on the estimated capacities of the various industries. The driving force of the economy would no longer be the profit motive. This would be replaced by a general realisation that the welfare of all depends on the output of each—teamwork, if you like to call it that, on a national scale.

PROFIT MOTIVE STILL THE MAINSPRING.

The economy of the Labour State has to rely on the profit motive as its mainspring—something which is alien to its whole outlook. The basic dilemma of the Labour State is that its policy of intervention in the economy discourages those who control the country's resources—the manufacturers, some of the large farmers, the commercial interests, and so forth. This is inevitable, because Labour limits their profits by the high taxation necessary to finance Social Security, compels them to pay minimum wages and high overtime, forces them to apply for permits to do what was formerly their 'right' to do without permission,

requires a large number of forms filled in, and so forth. Above all, the employers notice a growing 'independence' of labour. They see what were previously despised workers, such as miners and 'wharfies,' earning in some cases as much as themselves. To be brief, they are losing power—political, economic and social power—and this is the hardest fate that can befall such a proud animal as man.

Let us be quite clear about this. I weep no tears for these people. There are Jeremiahs aplenty to do that. Most of the employers have had a good innings. Few of them are near destitution—and if they are, the Social Security Department will assist them with a magnificent impartiality. Capitalism has failed as an economic system. It is inevitable that those who are the main pillars of the system must share in its disgrace, and suffer with it the penalty of failure.

I merely point to the obvious fact that the Labour State does and must, to some extent, hamper the operation of the profit motive. A Party whose main avowed object is to end the exploitation of labour cannot avoid injuring the interests of the exploiters. The basic cause of this conflict is that a political party of employees is attempting to control an economy which is still in the hands of employers. Political power is no longer in the hands of those who still hold most of the economic power. Distribution is being socialised while Production remains fundamentally capitalist.

Now to say capitalism depends on the 'profit motive' rather slurs over the significance of profits in our present economic system. (I sometimes think that word 'system' credits this peculiar type of society with more coherent design than it actually has.) Profits are the regulator of the whole system. Nothing at all is produced unless there is 'something in it' for someone. The more profits there are to be made in any industry, the more capital will be forthcoming for the expansion of that industry. The whole economic structure of a country depends on how much return can be got from capital in different countries.

The rate of economic development itself depends on what sort of profits people expect to make from the investment of their capital. The larger the possible profits, the more risk investors can afford to take. Since every new undertaking involves a risk, this means that the chance of high profits makes for a quicker development than does the prospect of low profits. Large profits make for a vigorous economy: low profits encourage a premature hardening of the

industrial arteries. Or so say the economists who defend private enterprise.

OVER-STRESSING PROFITS.

There is obviously something in what they say. Not as much as they believe, though, for whether capitalists invest money in plant and machinery and shops and so forth depends very much on whether this money could be used more profitably in another way. A general fall in profits does not have a tremendous effect, therefore, on what they do. As soon as they get used to the lower return on money they carry on much as before. After all the capitalist's job is to make the best use he can of his money. He will probably grumble at the low returns—but go ahead and invest anyway. Even if he does not invest, it will not make a great difference, because the public will probably transfer to a competitor (or to another industry) the money they would otherwise have spent on his goods, and the competitor will be encouraged to expand his plant and output accordingly.

There is another reason why a fall in profits does not have a great deal of effect. Whether this fall has been caused by higher costs or more taxes, income will have been transferred from shareholders to workers, causing a rise in working-class expenditure and a boom in industries producing articles the workers can now buy in quantity for the first time. Such a boom can to-day be seen in medicine and clothing in New Zealand, for example. This sort of boom should be enough to counter any depression elsewhere in the economy. The conditions for industrial progress may therefore be better under a Labour Government and there may be no real reason for industrialists to stop capital investment.

As a matter of fact, the history of New Zealand's Labour State shows that in fact a rise in wages and an increase in company taxation can be achieved without stopping industrial development. Employers do themselves something less than justice in suggesting that they will only work if they get enormous rewards. Once they get in the way of managing a business they carry on whatever the circumstances, just as a trained greyhound will run round the track without any hare at all. Most of them like the job of operating a business. We are left rather in the dark about the economic organisation of paradise, but I feel convinced that many capitalists (if any are admitted) would find it far from heaven if they are not allowed to start a firm to re-string harps

or polish haloes or arrange excursions through the nether regions.

The structure of the modern joint-stock company tends to make developments even more independent of profits, for the typical manager is salaried and has little or no interest in how much profits are left after paying taxes. He is merely expected to do the best he can 'in the circumstances,' and the fact that the minimum wage is increased or the tax rate is raised neither worries him nor greatly affects his plans, which are largely decided on technical considerations.

On the other hand there is definitely a stage at which many capitalists, particularly the owner managers of large businesses, will become seriously discouraged by a fall in profits. The reward for further mental effort falls to a low point and a tendency appears for them to keep the business just ticking over. Attention to details of efficiency and to the good name of the product falls off. This apathy is likely to be increased rather than lessened by a good market, which merely ensures that whatever is made will be sold however bad it is.

To put this point more concretely, a manufacturer planning an increase in output knows that the additional profits will go largely to the Tax Department. He receives, so to speak, 'time less a half' for the extra effort he puts into organising the higher production. He may well go and play golf instead.

(3) Income and Effort

There is another possible cause of lower production in a Labour State. This lies in the levelling up of income that tends to take place. Being guided by humanitarian considerations a Labour Government passes laws designed to lift everyone out of the possibility of destitution. Chief among these laws are Social Security and Minimum Wage legislation.

Now, whatever their effect on production, these laws are entirely justified. If the price is lower output, then this is a price worth paying. New Zealand Labour can justifiably be proud of having abolished the extremes of poverty and wealth. This Government is probably the only one in human history which has lifted its whole people sub-

stantially above the starvation level. This is an amazing fact of which most New Zealanders are ignorant. What it means in terms of removing the great black shadow of poverty from people's minds, cannot be measured. This shadow has stunted the physical growth and warped the characters of the great mass of the human race since man first crawled out of the forest, as anyone can see by travelling overseas.

Those who doubt New Zealand's lead in living standards should think of the rural and urban slum of America; of the grim poverty even in peacetime of most (yes, most) of the inhabitants of Britain, where the old age pension was, until recently, only 10/- a week; and of the backwardness of large parts of Russia, whatever the long-run prospects there may be—to mention countries which might be considered by some to have solved economic problems.

It is undeniably true however that most people find work burdensome. Few would do their present job if they did not depend on it for a living. Anything that tends to make a man's income independent of the work he does will therefore tend to sap his incentive to work, in some degree. Social Security can be broadly described as making certain goods and services available to people because they have a right to them as human beings, irrespective of their wealth. It removes these goods and services from the list of things that depend on the work one does. We can now get medicine, hospital treatment, and a living income in one's old age or during a period of sickness or unemployment, without question or fee. We can also get most education free. The fear of not having these things is no longer a spur to work.

These developments are essentially right and proper. The social gain from them is enormous. We cannot afford to have sick people denying themselves medical treatment, or bright boys not receiving education, or parents limiting their families, because of lack of money. People going without health services endanger the health of the whole community; letting brains go to waste involves a great destruction of talents; cutting down families means race suicide. Besides these social dangers, if people deny themselves health, knowledge or families because they cannot afford them, the development of lives and personalities will be artificially hindered. Human happiness will be wantonly destroyed.

Similarly it is generally agreed that people should not

be allowed to sink into destitution because they are too old or too ill to work, or because there is no job available for them. The burden of supporting them and their families during these periods must be borne by the community.

The Social Security Fund carries the greater part of this burden. The Social Security Charge might be described as an act of collective insurance. There are two significant ways in which Social Security differs from commercial insurance. First, one's contributions depend on one's income; and second, the benefits to which one is entitled bear no relation to the scale of one's contributions.

SOCIAL SECURITY AND THE NEED TO WORK.

Both of these characteristics tend to reduce incentive. People only have 19/- left out of every 20/- they earn (quite apart from other taxes). Yet the share they receive out of the common pool does not depend on how many shillings they put in. Part of earned income is removed; unearned income of an indefinite amount is substituted instead. While people are earning, there is therefore some slight discouragement to earn more. While benefits are being received, there is less inducement to work. This is particularly true, of course, in cases where Social Security benefits are reduced a pound for every pound earned. This 'means test' is equivalent to 100% tax on earnings over a certain range, and is the greatest possible deterrent to work.

All I have said about Social Security in this respect applies equally of course to all other forms of unearned income—such as rent, interest, and company dividends (except where these dividends are received by an owner-manager in lieu of salary). A capitalist economy generates unearned income by the bucketful. Every new plant constructed or machinery bought creates income for those lending the money to finance the expansion, at the expense of those actually working. Those with large unearned incomes naturally feel less concerned about getting a job or working hard than do normal people. There are however few people in New Zealand who belong to a completely idle leisure class, compared with the huge numbers of parasites in England, the United States and other overseas capitalist countries.

In many cases, though, the possession of unearned income allows the employment of domestic servants, releasing wives and grown-up daughters to more or less complete idleness. Some of these women play at work by grouping

themselves into inefficient charity committees, and others acquire skill in some branch of the arts. Their total productive contribution to society is however very small.

At one end of the social scale capitalism creates wealth that permits idleness. At the other end it creates poverty that has to be relieved by State intervention, thereby also to a certain extent discouraging work. It does not seem to be a very wonderful system

LEVELLING-UP UNDER LABOUR.

Besides Social Security, there is a further way in which the Labour State redistributes income. A general levelling up takes place between occupations, partly because of the political strength of the lower paid workers. I shall deal with this whole question of wage differences in section VIII. All I want to point out here is that this does occur, that it tends to discourage entry into the skilled trades, and that it therefore acts to a small extent as a brake on economic progress. Whether this is balanced by the gain in having all workers up to a reasonable standard of living (a gain in production as well as in happiness) is too big a question to answer here.

There is one way in which more equal income is desirable, whatever its direct social effects. It helps to bring about Full Employment. This is because the higher a man's income the smaller the proportion of it that he spends, after deducting taxes. Poor people spend just about all their incomes. Any levelling up of incomes therefore increases the proportion of the country's total income which is spent. But this is precisely what employment depends on. The more spending, the more employment. Countries with a high national income, like New Zealand, tend to spend too low a proportion. In other words too few people are employed in making goods for the public. Capital investment may not be enough to employ the remainder of the labour force and the result will be unemployment. (Hence, incidentally, one great justification for public works.)

Levelling up of income provides the poorer sections with the money they need to purchase necessities. Otherwise you get the tragic absurdities of a capitalist depression, in which people are not properly clothed but clothing factories are idle, or people go hungry but wheat is destroyed.

So there are many angles to this question of redistributing income. There is no doubt that redistribution is necessary, for otherwise capitalism is a grim nightmare for most

of the population. But there is this drawback, that redistribution reduces the incentive to work, and may hamper production.

(4) Why Bother About Production?

Some Labour supporters will say that the level of output is none of their concern. If the capitalist economy does not work well, people will realise all the sooner what a poor system it is and join us in demanding Socialism.

This is unfortunately quite wrong. If the economy breaks down, it is not the system but the Government in power which is blamed. The Labour Party, the anti-capitalist Party, becomes responsible when in power for the shortcomings of the capitalist system. The electorate will not tolerate for long, under normal peacetime conditions, no rise in living standards or just a slow rise. They expect a large number of things such as washing machines, radio-gramophones, cars and so forth which can only be had by everyone if the economy is booming. It must be more than just ticking over.

Production is therefore very much the concern of the Labour movement. It is not the main concern of course. The first job is to correct all the worst faults of capitalism and to end the social tragedies of poverty and unemployment.

The first ten years of the Labour Government have been mainly devoted to the redistribution of income by Social Security and other means, and these goals have been largely achieved. As a result of this programme the national product has in fact risen considerably, for bringing the thousands who were unemployed in 1935 into useful production greatly increased output. Social Security too has raised the living standards, improved the health and reduced the anxieties of the majority of the people, all of which has helped to increase production.

My argument is that we are approaching the end of the possibilities of redistribution. To attempt much more levelling up might increase money incomes, but it would have such a serious effect on the incentive to work that people's living standards would fall rather than rise. A change of direction is necessary in the tactics of the Labour movement, towards Full Production, by which I mean production at the full capacity of the economy.

It is quite clear that this involves a considerable change in outlook throughout the Labour movement. I shall show that it will be necessary for the organisations of Labour, particularly the unions, to make production the core of their policy. To put it bluntly, there must be a temporary truce in class warfare on some sectors of the political front. It will also be necessary for each individual working man (or woman) to see how he (or she) personally can contribute to the Full Production programme.

(5) The Conditions on which Unions Should Support Full Production

To state it like this shows how big Labour's change of attitude must be. I do not think this change will or should be made unless it is clear and generally understood that Full Production is in the interests of the working-class. It is nothing new to advocate hard work. Every tuppenny-ha'penny journalistic hack in the capitalistic Press can sit in a comfortable office and write a piece about how little the 'wharfies' or miners are doing. He will sound all the more convincing if he has a few mining shares in his desk. This has been done so often that now all suggestions of increasing production are greeted with apathy or suspicion.

Labour quite rightly suspects the intentions of those who piously advocate hard work. After all workers are not paid the full value of their labour. Will not harder work mean more exploitation? I do not think it *need* necessarily mean this, provided certain guarantees exist.

WHAT ARE THESE GUARANTEES WHICH ARE NECESSARY?

(i) A Labour Government:

First is the existence of a Labour Government. I do not see any reason why employees should co-operate in running a State in which they have neither economic nor political power, a State in which they are anyway unjustly treated. Let the National Party's economists think up, if they can, reasons why workers should help solve the difficulties of private enterprise.

(ii) A Socialist Programme:

My whole case for Labour adopting a programme of Full Production depends on the fact that workers must support a Government acting in their own interest. The Government must not only be called 'Labour,' but be travelling with strong and decisive steps towards Socialism. This does not mean merely nationalising one industry after another, but operating them democratically, handing out 'running shoes' to the old managers if they are incapable of Socialist ideas, and planning their production according to social needs (whether this involves making a profit or a loss).

(iii) Full Employment:

A further condition is that there should be Full Employment. If there is instead considerable unemployment, increasing the output of goods per man will merely cause yet more people to lose their jobs.

(iv) A Share in Higher Output:

There must also be a way of ensuring that the wage-earner receives his share of the proceeds of increased production and that profiteering is eliminated. This can only be done if the industry's books are open for qualified cost accountants to check on whether wages are rising parallel with profits as production increases. This is particularly important in the case of firms with high overhead costs, whose net profit tends to increase sharply as output rises.

(v) Insistence on Efficiency:

Finally, the power already available to take over or close down inefficient firms must be used if necessary. Not only workers, but also employers must be expected to play their part in a Full Production programme. In particular, cases where firms have established monopolies, or are able to operate only under subsidy, are generally ready for nationalisation. In these cases there is no longer a competitive drive for efficiency and consequently little possible justification for private ownership.

* * * *

It might suit some people's views to quote the sections of this booklet which advocate Full Production, and ignore those conditions which must be established before a Full Production drive is justified. If they do so they are being extremely dishonest. It may of course be necessary to modify

these conditions slightly, but the basic fact is that workers should never co-operate in running capitalism unless they are sure that they are progressing towards Socialism. If the conditions outlined above are not substantially fulfilled, the rest of this document does not apply, and the other recommendations are null and void.

To my mind the campaign for Full Production must be inseparably linked with the demand for a series of steps towards Socialism. These should be the two main pillars in Labour's political programme. They are in the interests of the great majority of the nation.

(6) The Nationalised Industries

There should be a difference between the tactics of unions in industries which are nationalised and in those which are still in private hands. For one thing, the success of the principle of nationalisation is at stake. For another, the Government is held more directly responsible for the output of nationalised than of non-nationalised industries.

Correspondingly, the unions have greater rights in nationalised industries. Here they are not faced with an employer whose object is fundamentally opposed to that of Labour. The only 'boss' is a Government of which they are themselves an organic part, and in whose career they have a direct stake. When the unions and the Government are both directed by real supporters of the working-class, there can be no basic conflict of views between them.

The unions are of course primarily concerned with the conditions of their own members, with their hours and wages and so forth. But they are also concerned with the retention of the Government in power, and this concern is really a more basic one. If the railwaymen force the Government to double their wages, and this helps to overthrow the Government, the railwaymen are far from better off. Very soon they will be forced back on to the old wage-rate by a new employers who will be considerably less easy to influence than a Labour Government is. This is of course an exaggerated example, but the principle applies to all negotiations between the unions and the Government—that discipline pays in the long run.

So far as the Government is concerned, it has to treat railwaymen's wages as one of many types of expenditure.

If these wages rise, the Government will make a larger deficit (or smaller profits) in the railways accounts, causing either a reduction of other sorts of expenditure (education, for example, or health) or necessitating an increase in receipts. This increase can be taken either out of higher taxation, increasing the brake on incentive, or out of loans, adding to the 'burden' of debt interest; or out of creating cash (i.e. increasing the 'floating debt'), which adds to economic instability under conditions of Full Employment.

SOAK THE TAXPAYER?

Some unionists in nationalised industries believe that an increase in wages can always justifiably be demanded, because the person who pays is ultimately the taxpayer, i.e. the rich. In actual fact the Government is responsible for fixing rates of taxation and of borrowing, and for determining the level of public expenditure. It is far more capable of judging the whole economic position, and the merits of each form of expenditure, than the unions are. Provided it has the confidence of the Labour movement, it must therefore have the last word. Any union leader who forces a 'show-down' by a strike declares himself thereby an enemy of 'the Government, and as such not worth the support of true Labour men. In such a case 'solidarity' with a union may be in fact a form of disruption of the Labour movement as a whole.

Granted that the final word rests with the Government, there is none the less a good case for unions being taken much more into the running of their industry than they are at present. In the case of the Railways as a whole, there may not be much that can be done towards instituting worker control because of the highly technical nature of railway management.

The great case where co-operative production can be applied is that of coalmining. It is quite possible for the miners to hold monthly meetings at which the main principles on which the mines should be run can be decided—with the day-to-day technical problems still left in the hands of the managers. The only decision of principle that need not come under the miners' control is the price which the Government would pay them for coal. Once this price is settled (largely on considerations of how mining wages have to be to attract an adequate flow of labour to the mine), the men can run the rest, because then it is obviously to their advantage to push up production, to increase mechani-

sation, and to eliminate strikes and absenteeism. The success of the Rununga co-operative miners, whose average output is roughly twice that of private and State miners in the same district, shows that co-operative production is the solution.

EFFICIENCY IN THE PUBLIC SERVICE.

As the part of the economy under the Government's control increases, the problem of attracting talent into the public service proper and into publicly owned undertakings may become serious. This problem is not insuperable. I have myself found astonishingly high levels of integrity and energy in the public service (in which I have worked for over a year). The devotion to duty of the typical public servant is in itself proof that people do not need the threat of poverty and unemployment in order to work.

On the other hand there are certain difficulties. There is no easy means in the public service of sacking the few who are inefficient or lazy, or of speedily promoting the bright boys. Other things being equal, the public service will tend therefore to attract the less venturesome, and to encourage employees to become satisfied as soon as certain minimum standards of efficiency are reached. Nor are salaries high enough to compete adequately with the commercial world or overseas posts.

The question of the public service is too big and complex to be analysed here. The point I do want to make is that the Labour movement should seriously think about this question. Public servants are the administrators of the Government's programme. This is inevitably so. If they are inefficient, and especially if they are unfair, impolite or inhuman in handling their increasing responsibilities, the Government gets the blame. People tend to hold the Labour Party responsible if a State house appears to be allocated on unreasonable grounds, for example. In the public's mind the political and administrative wings of Government are all part of a single instrument of power.

It is particularly important to keep at a minimum compatible with efficiency the information the public is asked to put on to forms. It is also important that the public should be encouraged to comment on the service provided by individual public servants or departments, and that all overbearing officials should be removed at once. The more the State is involved in people's everyday lives, the higher the standards the public service must develop.

(7) The Privately Owned Industries

Whatever industries are decided as ripe for nationalisation, it is important for the Government to draw a line at some point and guarantee not to nationalise the remainder during the period of the coming parliament. Business men will not be efficient if they have to wait in shivering fear lest the axe fall at any moment. The transition to Socialism must be made by a series of precise and definite stages, so that both the Government and the country have time to digest each piece of the economy which is taken over.

These industries left under private control should be also assured that any development they undertake will be credited to them when nationalisation occurs. If such assurance is not given, firms may well be apprehensive about putting any expansion programme in hand, under a Government committed to Socialism.

The Labour movement cannot afford to ignore the economic health of private industry. As I have stated above the success of a Government is largely determined by the living standards of the people. These standards depend, now and in the near future, partly on the performance of private enterprise. There is a limit beyond which redistribution of income cannot go without harming this performance. Profit margins must be sufficiently preserved for there still to be considerable inducement to try new ideas, new lines of goods, new machinery, and to force down costs and prices by economising resources.

Lest there be any possible misunderstanding on this point, let me state flatly that the Labour movement, when it holds political power, has a vested interest in the profit margin of the sector of industry which still remains in private hands.

THE ATTACK ON PROFITS.

Neither by taxation nor by industrial action can it afford to squeeze this margin indefinitely. The average worker is very suspicious, and rightly so, of those who expound the virtues of profits. My point is not that unearned profits are morally just, for they are not, but that it is politically expedient to leave some return on capital. This is the only way to retain political power for labour,

and therefore the surest way in the long run to achieve Socialism and to end exploitation for all time.

I confess I have reached this conclusion with some reluctance. It may be that I have merely fallen for the 'hard luck' story sold by the capitalists' newspapers. I have weighed each step in the argument carefully to see whether I am not unconsciously allowing the assumptions of a capitalistic outlook to creep in. We are all living in the continuous environment of an acquisitive society, and it is of great importance to avoid all the many forms that renegade ideas can take. Not the least dangerous are those that have a veneer of 'socialism.' After thinking it over carefully, I cannot avoid the conclusion underlined above.

This conclusion will not be easily accepted by others. Trade Unionists are all used to getting as large a share of the profit margin as they can. Their motto is always 'Attack.' Under normal conditions this is undoubtedly right—but not under the particular circumstances that exist in New Zealand at the present time. No army continues to attack unrelentingly. Nor do our political opponents. They are generally wily enough to ease the pressure when it is likely to drive workers desperate.

The basic question is: For what purpose is the attack being eased? I hold it is necessary to limit our objectives so far as the profit margin of private industry is concerned, if, *and only if*, advances are being made in other sectors of political life. The necessary advances I listed in section V. It is not, in these circumstances, a retreat to ease industrial pressure (and as we shall see below, it will be transformed rather than eased), any more than the German Fascists retreated when they adopted unemployment relief, or any capitalist retreats when he arranges better working conditions. In all these cases the cost of the 'retreat' is calculated, and compared with the advantages such a 'retreat' offers in other ways. The French have a good proverb explaining this policy: 'Reculez, pour sauter mieux,' which means, 'Step back, so as to make a better jump forward!'

(8) A National Wages Policy

Wages, Production, and Prices are all closely bound up together. Between them, they determine the living standards of the people and therefore the success or failure of the Government's economic policy. Traditionally unions have concerned themselves mainly with Wages. This is because they were formed in the first place to fight against exploitation and to safeguard the workers' interests as a producer. I am suggesting that they should also concern themselves with the worker's interests as a consumer and as a supporter of the Labour Government.

Let us first look at the operation of a single capitalist firm. To reduce the problem to its bare essentials let us assume that it employs one worker only and that it has no other costs except wages. In our example, the worker is engaged in making tables. Doing all the work himself (felling trees, making planks, constructing the tables and marketing them) he makes 100 tables a year which sell for £8 apiece, giving a total return of £800. Of this he gets £400 and the remaining £400 goes as profit to the firm employing him, which owns the trees, the saws and the tools he uses to make the tables. Each table therefore costs £4 in wages, £4 in profits.

Now one day he picks up a copy of 'Capital' somewhere and realises he is being exploited. It is a shame, he thinks, to do all the work and get only half the proceeds. So he applies through his union for a 25% increase of wages to £500. If this increase is granted any one of three things can happen.

THE CHOICE BEFORE THE UNIONS.

First the increased wages can be passed on to the public. Since business men generally work on a percentage profit margin (which in this case is presumed to be 100%) profits will rise proportionately with wages. The wage cost per table will now have risen from £4 to £5, and profits will also rise from £4 to £5, giving a new price of £10 per table. The wage increase is paid for by the consumer.

Secondly, it may be possible to enforce a limit on prices, so that tables are not allowed to be sold for more than £8. The profit per table will fall to £3. In this case the profit margin is squeezed to increase wages.

Thirdly, the worker may now make 125 tables a year,

instead of 100, keeping the wage cost per table at £4, and therefore the price steady at £8. Here the wage increase has been met by the worker himself out of increased work.

A reduction in hours works in exactly the same way as an increase in wages. Instead of the same number of tables being produced at a greater annual wage, less tables are produced for the same annual wage. The wage-cost per table therefore rises in each case. A fall in hours from 40 to 32 means that 20% fewer tables will be produced—or in other words 80 instead of 100 during the year, with the annual wage at £400.

The wage cost of each table will therefore rise to £400 divided by 80, or £5. This offers the same alternatives as before. The extra cost can either be passed on to the consumer, taken out of profits, or balanced by more intensive work, so that 100 tables are still made annually despite the shorter working week.

Now exactly the same alternatives exist when we are considering hundreds of thousands of workers as in the case of our table maker. (As a matter of fact our assumption that wages are the only cost becomes true when we consider the economy as a whole—except for depreciation which we can ignore here). If there are no controls, prices will rise as wages rise (or as hours of work fall). Since the majority of the consumers are workers the net gain will be little. A general wage increase of 25 per cent would cause a price rise of 25 per cent and workers' wages in terms of what they will buy will be unchanged.

It is interesting to note that in Britain the workers' share has remained at 40% of the National Income over the last half-century, despite many victorious industrial battles—precisely because of this tendency of profits to rise parallel with wages.

As a matter of fact the workers would be much worse off, if both wages and prices rise, because the rising cost of living will cause new demands for wage increases, as each section of workers tries to get ahead of, or at least keep up with, the price level. The result would be rapid inflation, which would destroy the real (or purchasing) value of Social Security benefits, cause a crisis in overseas trade, and ruin the Labour Government.

Since we can rule this possibility out, there are only two alternatives; reducing profits or increasing production. It is doubtless still possible to reduce profits further in some industries. The argument put forward in the last chapter

suggests however that the profit margin cannot indefinitely be depressed. I believe that in the long-run interests of the Labour administration it is not possible to depress the general level of profits much further at present. Here we have to draw a distinction between company profits and private profits.

My estimate is the Company profits rose during the War, but that taxes rose even more quickly, as follows:—

| | (£ millions) | (£ millions) |
|------------------|--------------|--------------|
| | 1939-40 | 1944-45 |
| Company Profits* | 24 | 38 |
| Taxes paid† | 9 | 27 |
| New Profits | <u>15</u> | <u>11</u> |

The 1945-6 figures would be about the same as those for 1944-45.

I do not think that net company profits can be depressed much lower without causing inefficiency—they are now only about one-thirtieth of the National Income. Personal profits (of shopkeepers, etc.) offer even less possibilities of ‘squeezing,’ since they almost certainly total less than £20 millions and do not average more than about £10 per week per head, before deducting taxes.

Socially the most just solution is of course to reduce company profits and the larger personal profits as much as possible. But I do not believe this solution is politically expedient, except in the cases where profiteering can be prevented.

On the basis of this reasoning it seems that workers must look increasingly to their own labour as a source of higher living standards. I want to say more about this production business later. First let us see how the traditional function of trade unions, wage-bargaining, is affected.

* Income assessable to Social Security Charge, with allowances for evasion, tax-free profits, etc., and deducting estimated profits of overseas companies.

† Income Tax, Excess Profits Tax, National Security Tax and Social Security Charge paid on the previous year's income. This figure is to some extent abnormal because of war taxes.

THE POOL OF WAGE INCREASES.

There is a certain natural increase in output per head each year, even if nobody works more intensely. This is because of new technique, greater skill with experience, and more machinery. I assume this increase is something like 3 per cent, although we do not know nearly enough about the national output yet, and this figure is little more than a guess. This is the first source of increased wages. The annual total of salaries and wages will be about £200 millions after demobilisation.

This indicates that without more intense work, wages can increase by some £6 millions per annum without causing price rises, squeezing profit margins or requiring more intense work. Possibly another £2 millions can be found by firmer action against profits, without actually harming the working of privately owned industries. This gives us £8 millions per annum as a 'pool' of wage increases. Over and above this, wage increases would cause either price rises or some degree of economic stagnation—unless they were balanced by increased production. Some part of this sum, say £3 millions needs to be left for workers who are not union members. (e.g. domestic servants, salaried employees, etc.—all of whose income need to rise if political support is to be obtained, apart from other reasons). This leaves £5 millions. I suggest that the unions should confine their wage demands to this figure until there is evidence of increased production sufficient to permit further wage increases. This means, say, a £50 per annum increase for 100,000 workers, or a £100 increase for 50,000 workers.

Reduction in hours, we have seen, has a similar effect to a rise in wages. If unions want to take the proceeds of higher production in the form of more leisure, this must be considered as an alternative to higher wages—not as something additional which can be squeezed out of the economy. The issue is Leisure or Goods. This decision is obviously one to be weighed carefully. A reduction by 2 hours of the working week is equivalent to a wage increase of about £10 million per annum in its effect on costs. Although these both tend to mean (without higher production) an increase in prices, reduction of the working week brings no corresponding wage increase and therefore automatically lowers the living standards of workers—and in a time of shortage, increases economic difficulties.

It would indeed be something new for unions to restrict their demands this way. The temptation to do exactly the

reverse will be great, because under Full Employment the shortage of labour increases the strength of the unions enormously. This restraint is only justified provided that definite steps are being taken towards Socialism and the other conditions outlined above are fulfilled. Those who feel that such restriction is not practicable should ask themselves whether rising prices or continuous squeezing of profits are more desirable. We face a difficult choice in this matter, but voluntary wage-limitation offers the best solution.

How can wage demands be restricted? Only if these demands are made in consultation with the Federation of Labour, on whom would fall the responsibility of inducing unions to limit their total demands as necessary. This would necessarily mean some loss of power for individual unions and it would be very difficult to put into effect.

LABOUR UNITY.

This is a case where unity clearly means strength. It is implied throughout my argument that when Labour has political power its industrial organisations must consider the effect of their actions not only on their own interests but on the economy as a whole, because Labour is responsible for that economy's efficient working. Any one section can improve its lot by independent action, but only temporarily. If many take independent action, then the progress of all is affected, because the movement's political wing will be in danger.

Fortunately, the Labour movement has grown up by practising unity. If one man is sacked unreasonably, a thousand cobblers will go on strike, because each knows he might be in the same position to-morrow. It has also learned to sink the sectional interests of particular unions, when the common good demanded amalgamation.

How should the extra wages be distributed between unions? Unions which are playing an important part in the drive for higher production should have their wage claims specially favourably treated by the Federation, which could use part of the total pool available for stimulating production.

But the main function of wage-adjustments should be to encourage the flow of labour into industries suffering from a shortage. This is a matter of economic strategy. If key industries such as farming, forestry or mining cannot get enough labour, there will be serious shortages through-

out the economy, for which again the Government will be blamed.

JUSTICE AND WAGES.

Wage policy is another case where the Labour State faces special difficulties. Under Socialism wages would be fixed by decree so as to attract labour where it was most wanted. Under normal 'free' enterprise there are generally so many unemployed that people are glad to take jobs however unpleasant they are. But labour is committed to Full Employment, and Full Employment means that jobs will always be available and that people can pick and choose between jobs. When people have a choice which is really a free choice (without fear of unemployment), they will naturally choose the most pleasant working conditions unless wages and hours in other industries are sufficiently good, in their opinion, to counterbalance the less favourable conditions.

The wages policy must be directed towards a more just structure of wages. The Federation of Labour statement on the Walsh Report expressed the Federation's concern on "any section of the workers suffering under . . . injustices." If it takes action to implement this concern, it will cause prices to reflect more accurately the real, human cost of producing goods.

Our present wage structure originated under conditions totally different from those of to-day, developed under the shadow of the Great Capitalist Slump, and was artificially stabilised during the war. It is probably quite inappropriate for the years ahead. Under peacetime Full Employment wages must reflect not only the conditions of the job itself but also the length of apprenticeship, the prospects of advancement, the security and so forth. People will not go down mines unless they can earn considerably more per day there than in a factory. They should have the prospect of early retirement to compensate for the dust, the danger and the darkness of the pit—a pleasant middle-aged life in the sun to reward them for going without the sun now.

PROFESSIONAL SALARIES.

It is frankly fantastic to me that a miner should receive less than anyone who works with his brains. Some argue that professional jobs require long training and ability which is scarce, and that on these grounds they should be highly paid. I fear that many of us deceive ourselves on these

points. Personally I feel that a University Course is so interesting that one would expect to be paid not more but less than one's fellows for the remainder of one's life, in return for these early privileges. So far as ability is concerned, the typical University Course is not very difficult to pass. This is shown by the easiness of the entrance examination and by the high percentage of passes in degree examinations.

It is claimed that professional jobs involve responsibility. This is true, but people can grow used to responsibility in time. Most in fact grow to like the personal power that invariably accompanies it. This alone is generally sufficient compensation for the supposed hardships of a professional career.

There is however one really valid argument and this is that New Zealand cannot afford to lose any potential professional talent, because a good doctor, say, or teacher, can make more difference to the country than most other people can. In particular, New Zealand cannot afford to miss any really first-rate scientists or engineers or economists, whether because they cannot afford University fees or because they find professional salaries unattractive. For this reason it is essential to keep professional pay rather above what is needed to attract sufficient entrants.

It also of course emphasises the importance of all education being completely free (with assistance to the families of students if necessary), and of ability being the only qualification required for entrance, instead of both ability and money. We must avoid the destruction of talent that occurs if financial considerations debar anyone from the Universities.

Some professional incomes, particularly those of doctors, seem to have rather got out of control. Information in my possession indicates that the average doctor's income is over £40 per week, (which only involves some 100 consultations a week at 10/6 a time, less expenses). This is a particularly high income in view of the fact that there is no obligation to keep up-to-date with new advances in medical knowledge and little check on the quality of the work done. I do not deny the enormous industry and conscientiousness of many doctors, the long and awkward hours they work, and the fact that the profession requires, even if it does not always get, the very finest talent. I merely think that doctors' incomes have got rather out of hand, and that medicine offers unreasonably good pros-

pects compared with other exacting occupations, such as (say) mining or share-milking.

PAYMENT FOR SKILL.

The wages of skilled workers are something more directly the concern of trade unions. There is some general opinion that a shortage exists both of trained men and apprentices in skilled trades. I do not know how true this is, but since the economy as a whole is the concern of the Labour movement, shortage of skilled labour is also their concern, and steps may have to be taken to increase the gap between the basic rate of skilled and unskilled labour, a gap which is at present only five pence per hour. Particular attention will also have to be paid to the place of farm wages in the wage structure, lest either too many workers leave the farms, or farmers' costs become unreasonably high.

It will take a lot of self-control for unions which are politically strong to restrain themselves from exerting their full pressure to obtain higher wages, in the interests of the economy as a whole—particularly as it is not always easy to say which is the best general strategy. A good indication of any occupation's pay being out of proportion is artificial restriction on entry into the occupation (e.g. doctors' opposition to refugees).

To sink sectional and short-term interests in favour of the interests of the movement as a whole involves a good deal of political maturity. On the other hand it is unreasonable for unions to press for centralised planning in every other part of the economy, but not in their own conduct. I believe and hope that New Zealand Labour has this maturity, and that industrial leaders here have the necessary statesmanship to adopt a national wages policy.

(9) The Road to Full Production

Full Production is obviously the solution to our economic difficulties. This at one stroke eases the political problems of Labour and enables wages to be increased or hours reduced. At the present time (and probably for at least a year to come) people are receiving more than they can spend. Increased production is urgently necessary to close the gap between incomes and goods. This is the central theme of the Walsh Report. I believe there is an overwhelming case for an organised drive to increase pro-

duction, and that this together with Socialism should largely replace the industrial and political programmes of income redistribution as the main aim of Labour policy.

How should this drive be organised? I want to deal with this question on four levels: the political level, the union level, the production committee level, and the individual level.

(i) The Political Level:

There should in the first place be an inner Economic Cabinet consisting of the Prime Minister, the Minister of Finance, the Minister of Industries and Commerce, the Minister of Agriculture, the Minister of Employment and the Minister of Works. This Economic Cabinet would draw up a long-term plan for economic development which would lay down the main policy objectives. There are only two basic objectives, Socialism and Higher Living Standards, but the latter can be broken down into a number of subsidiary objectives, which help to bring about Higher Living Standards—e.g. Full Employment, Full Production, Development of Secondary Industries, Soil and Livestock Improvement, Increased Population, etc. It would also be decided on how the nationalisation programme, tax structure, Government expenditure and overseas trade policy can best be framed to help reach these objectives.

The whole programme can really be put in terms of labour power, for the key question is: What sort of distribution of labour do we want? It is the function of high economic policy to weigh the claims of immediate consumers' needs, investment in plant and machinery, repayment of the overseas debt, rural development, public works' schemes, social services, etc. These are all basically claims for labour. (Even if the need is for exchange, say, this is the proceeds of work put into exports). The Economic Cabinet's main job would be to allocate manpower, or to draw up a 'manpower budget,' showing the best distribution of workers to achieve the policy objectives. One particular crying need is for estimates of how the value of the national product is likely to be affected by increasing the labour force of (a) primary, (b) secondary industry.

This distribution of workers cannot, in a free society, be achieved by direction of labour. What determines the distribution of labour is the financial demand for various commodities. Accompanying the manpower budget the

Economic Cabinet would need estimates of the country's total expenditure (private as well as Government), and of the sources of income (i.e. Wages, Rent, Company Profits, etc.), since these determine what private individuals and companies spend. The political problem is in fact one of influencing private expenditure (by economic policy) so that:

- (i) There is Full Employment, and
- (ii) The best possible distribution of the labour force is obtained.

TAX POLICY.

The most important means available to the Government of influencing economic policy is taxation. There is no space to go into this question in detail, but there are one or two points which it is important to notice. In view of what I have said about production, it is obvious that one main object of tax policy must be to avoid damaging the incentive to work as far as possible. On the other hand taxation is an important means of reducing the financial power of the wealthy. These two major guiding principles of Labour Finance, suggest that taxation should be levelled primarily on the income from property, or on property itself, and only on income from effort if this is quite unavoidable.

This suggests lowering or abolishing income tax on the average working-class income, and replacing it by a higher rate of tax on unearned income. One useful step would be to raise the personal exemption to £300. For the 1941-2 tax year, the last for which figures were available, out of 315,093 persons making returns, 131,854 had assessable incomes of less than £300—well over a third. But these paid only £487,000 in taxes, out of a total of over £8 million. To have eliminated these people from tax payment would have cut down very greatly the work of the tax department and not enormously reduced revenue (although of course all taxpayers would have paid lower taxes.) It would also have greatly lowered the disincentive effect of taxation on working-class effort (particularly on overtime). It is certainly strange for the personal exemption to be lower than the minimum wage. Some reduction in taxes will presumably be made shortly and this is one useful means of doing so.

The Sales Tax is in many ways an inequitable form of tax. On the other hand it is firmly imbedded in our tax

structure, and it would be hard to find an alternative source of revenue. The best policy would probably be to eliminate the sales tax on all goods which are part of the accepted minimum living standard, and to increase the tax on luxury goods. This does of course have certain discouraging effect on work, because people may decide that additional work does not bring compensating real rewards. But on the other hand, people tend to think much more in terms of *money* incomes than of *real* incomes (i.e. what their money will buy). This method of taxation has therefore a less depressing effect on incentive than would raising the same amount of money by taxing income—while it is levied on substantially the same people. It also has the additional advantage of tending to encourage the production of necessities rather than luxuries.

As regards company taxes, the principle of a mounting rate of tax is a strong deterrent to effort. It might be replaced by a standard tax, with dividends taxable again in the hands of the shareholders, and undistributed profits subject to a surtax—unless they are earmarked (and spent within a fixed number of years) on development. Undistributed profits are an important leakage in the circulation of money, in as far as they are not spent on development work, and therefore a cause of unemployment.

AWARDS FOR LABOUR.

Another way in which Full Production can be encouraged by the Government is to steer the majority of medals and other awards toward the working-class. It is very strange that women dabbling in 'social work' for a few hours a day should be rewarded with social honours by a Labour Government in preference to a girl who puts in an honest day's work in a factory. We have something to learn from the Russians in this matter. They reward people who are doing a good job, irrespective of their place in society, or what the job is—from heaving coal to scrubbing floors.

The necessary further democratisation of society would also be speeded up by a growing recognition that labour is honourable, much more honourable than a life of ease and wealth. It is probable that 'society' would sneer at 'The Order of Labour' or whatever the medal for distinguished service in industry were called, but their opinion is ceasing to be of any account anyway.

AN ECONOMIC GENERAL STAFF.

Assisting this Economic Cabinet there will have to be a Research Organisation, headed by an Economic General Staff, to prepare the manpower and national expenditure budgets and to give technical advice on policy. Since the Economics graduates of New Zealand's Universities have been taught by gentlemen of the old school, they are mostly of little use in helping to frame economic policy. It may therefore be necessary to lure economists overseas to strengthen this staff. It might well be headed by a man with an international reputation, like Professor G. D. H. Cole of Oxford, acting as Government Economist.

The Economic Cabinet could supervise the production of a long-term economic plan (say a 9-Year, or Three-Parliament Plan) covering both advances to Socialism and higher living standards, and also of a shorter plan covering the period of one Parliament. This shorter plan would be designed to achieve immediate objectives such as Rehabilitation, and to start on the longer programme. The great point is to show the New Zealand public what Labour is endeavouring to achieve and how it will affect their daily lives; and to rekindle the vision of Progress within the Labour movement so that the individual worker sees the point of supporting the Full Production drive.

In the absence of definite objectives of this sort, there is a danger that Labour will go down the blind alley of further redistribution of income, a road that must end one day in economic crisis and political defeat, if the argument of this booklet is correct. There is a tendency on the part of some Labour Party members to balk at further instalments of Socialism because of the administrative difficulties and social opposition these instalments would create. They would do well to reflect whether an exclusive concentration on State welfare measures will not cause in the long run far greater difficulties and far more intense opposition.

(ii) *The Union Level:*

The main responsibility for Full Production must necessarily rest with union leaders. If they are convinced of its importance and in earnest about it, Full Production can be organised. Otherwise it will be very difficult.

If the Labour State is to be successful, unions must be drawn more closely into its operation, so that the danger of the Party's political programme being wrecked by short-

sighted industrial tactics shall be kept to a minimum. In return for this co-operation, unions (and this does not mean only union leaders) should be consulted more frequently on political strategy—for they represent the most direct link between the Government and the working class. Secondly, the political power of Labour should be put behind the union's demands, provided they fit into the Party's political strategy—and if co-operation is fully carried out, there will be no demands which conflict with this strategy. There can be no question of the Labour Party being neutral on industrial matters—were Forbes and other Tory leaders neutral when they were in office? Provided the unions work out a wages policy along the lines indicated above, that policy should be translated into law, in the same way that a general Minimum Wage becomes part of the Law now.

The Party's economic policy should be put into effect with both the industrial and political wings of the movement collaborating. The unions should organise the productive drive necessary to put the maximum amount of economic resources at the disposal of the Economic Cabinet, who will then use these resources in carrying out the main objectives of the master plan.

Each union will need to survey its industry (or part of industry) to see where the greatest economies in manpower can be made. In some cases it will be possible for production to be greatly increased; in others there is perhaps no need for higher output, but it would be possible for the same job to be done by a smaller labour force. Let us be quite clear about this. Some unions would be adopting a policy which would throw members temporarily out of work (and reduce their fee-paying numbers). But there are clearly occasions in which this helps the economy and the Labour movement, and I am urging that on those occasions it is essential to sink sectional interests in favour of Labour's general programme.

STRIKES.

One particular way in which unions can help is by reducing strikes. I do not believe that all strikes can or should be eliminated. As long as capitalism exists, there will always be occasions when workers are so enraged that they just walk off the job. It is also not always possible to wait for abuses to be righted. But anyone who had read the argument above will see that strikes, particularly in

nationalised industries, are generally of little help to a Labour Government.

The actual loss of production through strikes is not of great importance. It would be a remarkable year of unrest if production fell off 1% because of strikes. The highest recent year was 1939 when 54 thousand days were lost. This is equivalent to about two hundred man years of work, out of a total of about half-a-million man years, or less than one-twentieth of one per cent. Unemployment under capitalism is normally responsible, of course, for hundreds of times as much loss of production.

It is more the dislocation of the economy and the immediate effect on the public which counts. If people have to walk to work, or go without meat, or have cold meals, because of a strike, all but the most politically-minded will blame the union and 'Labour' in general. They are encouraged to do so by the Press. The public is generally, of course, wrong in this. They would be better advised to blame an economic system which is so inequitable that people are sometimes driven to strike to get justice. They would also do well to remember that it takes two sides to make a strike. Usually what happens is that employees propose a new wage contract (or a proper washroom, or whatever it is) and employers refuse to accept. No work is now done till one side gives way or there is a compromise.

The fact is however that very few people can clear their minds of pro-capitalist propaganda sufficiently to see it in this way. When they are inconvenienced, they become a mark against the Nationalist candidate on a ballot paper.

POLITICAL EDUCATION.

Workers would need to have, however, great confidence in the Government. This is a condition of the whole of my suggested programme and depends in turn on the achievements of the Government in socialising the economy. They would also need to be sure that the Federation is really 'their' organisation. This implies a strict attention to democratic procedures, all along the line. 'Steering from the chair,' may successfully overcome opposition, but is bound in the long run to lead to a division of opinion between the leaders and the rank-and-file. It implies, also, a reconsideration of compulsory unionism, which weighs down union militancy with a great bulk of unenthusiastic and ineffective members.

.. For the movement to co-operate in this way, another

requirement is the organisation of a College of Labour, to teach trade union officials and members:—

- (a) Marxist and Left-Keynesian economics, with special reference to New Zealand problems; and
- (b) Something of political and industrial tactics.

It is doubtful whether the required political maturity can develop without extensive education.

This plan puts a good deal of trust in Federation officials who will have to face union pressure for sectional advance and to see how they fit into the general political plan. The easiest, and most fatal, course would be to give way to all demands. I believe that the system I propose must be tried, and should not be condemned until it has been found to fail in practice. There does not appear to be any alternative way of going ahead.

There are other ways, besides avoiding strikes, in which unions can increase production in their own industries. The sort of thing which must go at once is the practice of opposing the introduction of machinery and new technical ideas. If they reduce the labour force in the industry concerned, so much the better for the Full Production programme. Prohibitions against new entrants into particular trades must also go, provided such entrants are properly qualified. If they are not qualified, no bar should be put up against training them, so long as they are needed in the industry. Prohibitions against various crafts doing certain jobs should also go (provided, of course, this would save labour and not prevent men carrying out their real trade). All these defence barriers had a real function before Full Employment and under a National Government. To-day they merely check the growth of production and prevent the best distribution of the labour force. Their justification, the fear of unemployment or of savage wage-cutting, no longer exists.

INCENTIVE PAY.

I think that in many industries unions should also re-consider their opposition to 'incentive payment' methods. This is, after all, a direct way of linking output with income. There has been well-founded suspicion of this wage system in the past, because the introduction of piece-rates has often led to a temporary speeding up, followed by rate-cutting, so that eventually the worker was receiving no more wages than he had done before, but working much harder.

It is possible to guard against abuses of 'incentive pay' by making its introduction, and any changes in it. sub-

ject to union approval. It would not be possible to prohibit all reductions in piece-rate because this is equivalent to removing all possibility of prices being reduced by more efficient methods. However, piece-rates, should not be reduced unless new machinery is introduced, and only then by agreement. I believe a properly supervised system of 'incentive pay' could do more to raise production than any other single measure.

THE FEDERATION OF LABOUR'S VIEWPOINT.

The following report from "The Southern Cross" (15/6/44), discussing a resolution passed by the Federation of Labour conference, shows that this approach to industrial relations is now basically accepted by the unions:—

"Positive plans for carrying out the policy of the New Zealand Federation of Labour for greater worker-participation in the control of industry and increased production of essential goods were embodied in remits on management and production to the annual conference of the Federation yesterday.

The Wellington branch of the New Zealand Carpenters' and Joiners' Union urged that each union should report on the project to the National Executive of the Federation.

The report from each union, it was suggested, should deal with the following points:—

The productive capacity of its industry and proposals for its most effective utilisation in the interests of workers as a whole.

Proposals for workers' representation in the direction of its industry.

The union's wage policy, with special reference to wage demands in relation to increased production.

Mr. H. Brown, for the management and production committee of the conference, which reported on the remit, said it was believed that the adoption of the remit would give the national executive a basis on which to carry out its declared policy of increased production."

(iii) *The Production Committee Level.*

Resolutions passed by the national executive of unions can help a Full Production drive, but by themselves they can do little. Few people will put in even an extra ounce of energy because some union leader in Wellington tells them they should. The unit of production (the factory,

shop, or other workplace) is the place where the Full Production programme must be built up. Where they do not exist already, committees should be formed from trade union branches to discuss ways and means of raising output. These committees must be elected directly by secret ballot from the men working at the bench—appointment by a union secretary is not good enough.

That this step is also now officially approved is shown by another paragraph in "The Southern Cross" quoted above:—"Mr. Brown," it reads, "urged that the plan should be proceeded with immediately and that steps should be taken for the establishment of production committees to increase the manufacture of essential goods."

These committees should hold some meetings by themselves and others with employers' representatives. Their first responsibility is to carry the understanding of Full Production down to the workers themselves, by means of meetings, posters, leaflets, etc. Their next duty is to approach the management with suggestions for increasing output, taking care that the workers get due benefit from the increase. Competitions between factories, 'targets' for production, cash prizes for technical suggestions that are useful, fines for avoidable absenteeism—these suggest themselves as obvious ways of boosting output. There will be one considerable force which these Committees will have to face and fight, and that is the tendency to carelessness which might grow among workers under continuous Full Employment, because of their increased independence once the fear of unemployment is removed. This might show itself in apathy towards the whole production process and in constant changes of jobs. The Committees' task would be to counter this by increasing the interest of the worker in his job. Greater personal interest will make work less tiresome and the workplace less of a prison (which is sometimes what it almost is). It will also help develop a positive attitude towards production.

Many are sceptical about the value of these Committees. It may interest them to know that Jack Tanner, leader of the Amalgamated Engineering Union (of Great Britain), said that, during the war, factories in which there were Production Committees increased their production 34.5% while the others raised it only 6.2%.

MANAGERIAL EFFICIENCY.

If the Production Committee does not believe that production is being handled efficiently by the management it should be able to file a request that the operation of the firm be investigated by an investigating staff. This staff should work under the Industries and Commerce Department. It should hold public hearings at which representatives of the employees and employers should both testify, and it should have full access to the firm's books and correspondence.

There are many cases where production is held up by incompetence, and others in which a monopolistic position has given firms a sheltered, lazy life. There is also reason to think that some managers do not worry much about production, precisely because they know shortages harm the Government. Whatever the reason, waste of national resources cannot be tolerated. Inefficient firms (like profiteering ones) must be taken over or closed down.

This procedure is only applicable in the case of companies or very large personal employers. In the case of small farmers or shopkeepers or other businessmen, we can be sure that the urge to efficiency is more compelling (since their own living depends on it). Competition will tend to weed out the least able, and there can be no question of an official investigation into the small man's affairs.

(iv) The Level of the Individual:

All of what I have said will be of little value if the individual working man does not appreciate the reasons for increasing output. Somehow we have got to achieve a very considerable change in the outlook of working men and women, a realisation that their own living standards, their chance of a radiogramophone and chicken-for-dinner depend on only two things:—

- (a) How large is the national product.
- (b) How big their share of it is.

I have argued that the share of each worker cannot be indefinitely increased—that this way lies inflation, economic stagnation, the end of Labour's political power and then a reduction of their share—achieved perhaps by policemen's batons (as it was in the thirties), or even by the concentration camp.

The main source of more goods is therefore a larger output. One man working harder by himself will make

such a small difference that he will gain little out of it. But if all work harder, if wages rise without prices rising, if there is a huge flow of goods on to the market—then there is an enormous amount to be gained. More cars, more education, more Social Security, more to eat and drink, bigger houses, more entertainment, more domestic help—there is no limit visible yet to the things we could do with.

Some may say that their wants are simple and are already satisfied. Why should they work harder? I would reply that this is excellent. Most people's tastes have been made over-elaborate by the ostentatious standards of the society in which we live. But this is no reason for not working hard, because one might just as well do the work one does in a shorter working-week (or retire earlier) and enjoy more leisure. This is merely one form of higher living standards. If people want neither more goods nor shorter hours—well, they are rare customers.

The call for Full Production should reach the entire labour force. Those who cannot increase the quantity of their output can generally increase the quality. A night-watchman can generally be a little more efficient (helping to reduce the risk of the loss of valuable store or machinery). A shop assistant can make an extra effort to find the goods that will really satisfy the customer, even the most difficult one. I have chosen the cases in which it would be most likely to be claimed that production could not be increased. In all normal jobs the way of raising output is obvious.

ECONOMISING IN CONSUMPTION.

If there is point in increasing the goods available, there is also point in economising on their use. One important aspect of Full Employment is that under it savings release labour for alternative uses, instead of releasing them to be unemployed. The less people spend on consumers' goods, therefore, the more they can have in the way of health services, education, public works, industrial development, soil improvement and so forth—provided as we have said, that the Government steps in to ensure the employment of those no longer needed producing and distributing consumers' goods.

Exactly how large a proportion of the country's labour should go to improving living standards, as against building up productivity for the future is a complicated matter for political decision. The vital point is that the country's

resources should be used economically, and applied to the most important needs first, before they are used up in luxuries. One method of helping ensure this I have mentioned above—high sales taxes on luxuries. But the responsibility must rest basically with each individual to spend wisely, and to avoid being trapped by advertisements and high-pressure salesmanship into buying what he does not really want.

A certain responsibility also lies with manufacturers to concentrate on the production of what is really needed, and on shopkeepers to realise that it is unpatriotic to sell what is not wanted. A tendency seems to have developed in New Zealand to scorn small purchases—say a quarter-of-a-pound of butter, or threepennyworth of sweets. (It would surprise them to keep shop in England where a large amount of tea, sugar, etc. is bought by the pennyworth.) Apart from the fact that to sell anyone butter they do not need helps to murder starving people in less fortunate countries, it is in the shopkeeper's interests as much as anyone else's that consumption (and therefore the country's resources) should be economised. It would, of course, be fantastic to expect shopkeepers to discourage heavy spending, but they should be prepared to co-operate with a customer who is buying only what he wants.

THE USE OF ONE'S LIFE.

The idea of selective spending implies a scale of values as to what constitutes 'the good life.' Everyone has their own ideas on this point, but I think it is clearly a fantastic use of time and money to spend a considerable amount of either on beer and racing. I am no 'wowsers.' I drink a pint or two a week, and occasionally spend a day at the races. But one has to keep a sense of proportion in these things.

After all we all only have a limited number of days on earth, and 24 hours in each of them. The prospect after these days are ended is problematic, to say the least. It is only commonsense to do as well as we can with what we know we have available. Killing time is in literal truth suicide, for time is the one thing of which we have only a limited stock. When that is gone

I notice a curious apathy in New Zealand—a positive distaste for organising one's life, which means organising one's time. People are prepared to live and die, like flowers, making no impression on the world, leaving it just about

the same as they entered it, except for a couple of children they have added. The Labour movement was built up by entirely different methods. The pioneers of Socialism were determined to change the world, to make it a different place from what it would have been had they never lived. We could do with something of this spirit here and now!

(10) Labour's Ideals

I have outlined a programme of Full Production, as the basis of Labour's immediate policy. A great campaign to raise production must sweep through the Labour movement—provided that Socialism is being legislated.

But this programme is itself socialistic. We know very well the wastefulness of some capitalist firms. Full Production would expose many capitalist deficiencies. To give a higher status to the Federation of Labour and some measure of control of industry to Production Committees would also enormously increase the economic power of Labour.

The change from feudalism to capitalism did not come about with passing of an act. Capitalist innovations, such as merchant firms and democratic parliaments, spread and grew till they had an stranglehold on the obsolete feudal institutions. The new system grew up within the old.

I am suggesting that Labour now takes on some of the power and some of the responsibilities it will eventually have under Socialism. This programme is a demand for power. It represents one way in which the working-class can gain the experience of industrial organisation it will eventually need, one way in which working-class bodies can tighten their grip on the economic system.

There are some who ask for Full Production and say nothing about Socialism. Others ask for Socialism and say nothing about Production. The former will never get the whole-hearted support of the movement; the latter would in time overthrow the Government. The two must go together. No Socialism, no Production: no Production, no Socialism. There is a great appreciation of this among unionists. I believe the whole movement can be united in support of a composite programme of Full Production *and* Socialism.

The driving force of Socialism will be social incentive—the realisation that production is not production for the boss, nor production for one's self but production for the

people, of which each person is an organic part. Under Socialism we shall see that we are involved in mankind, to use John Donne's striking phrase, that we can only prosper with a clear conscience if the people prosper too.

Full Production will teach something of this spirit, which is entirely foreign to the selfish incentive of profit-making. It will help create an attitude of mind impatient with the muddle of capitalist organisation, the shallowness of capitalist morality, the snobbery of capitalist outlook.

It will bring the people into production. Workers will no longer be mere productive machines, to be used until they wear out and then discarded. Factories, farms, offices and shops will lose something of their barracklike nature, and work itself will be lighter if production is made not only a means of earning power but also a contribution to economic and political progress. Under these conditions production will take on something of the social character it will eventually have under Socialism.

This will itself breed a more positive attitude to economic and political problems. A central weakness of the New Zealand Labour movement is that a large amount of the legislations has originated from above. The movement tends to wait for a lead on major political questions. This is natural enough in the National Party, which has no real contact among the people anyway. But it is poison to the Labour Party, which relies on its deep roots among the masses for its whole influence.

A good member of the Party is not merely someone who pays dues, goes to hear an occasional speaker and does a spot of door rattling during General Elections. A well trained ape could do all these things. The health of the Party depends on its members being deeply concerned in its success, understanding its plans and participating in policy formation. Full Production would help create this enthusiasm, which is the mark of a Party to whom the future belongs.

The necessary flexibility, discipline and enthusiasm can only develop if the party is more than a political machine, if it is a living organism. This life depends on the convictions of its members, not on the ability of its leaders.

It is certain that Labour cannot afford to be associated with form-filling bureaucracy, with political paternalism, or with slackness and inertia. I, and thousands of others, would stop supporting Labour at once if we ever became convinced that it was a Party that sheltered idlers or had lost the driving force of idealism.

In the last resort Labour's appeal and strength lies in the vision of a classless, povertyless society—the great community of the future depicted by William Morris, Bellamy and others. It will be a Land of Plenty, part (we hope) of a World of Plenty, in which each will be free to develop his or her personality to the full, without the poverty, the insecurity, the petty jealousies and snobberies that capitalism breeds.

This society can only be built by hard work and political struggle. We shall never attain it by sitting back and watching our leaders tapping some of the profits of the exploiters.

The vision of a Land of Plenty must always be with us.