The Aim of the Government's Wages Policy

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UNLESS British trade unionists wake up they are going to have imposed on them a state system of regulation (i.e. holding down) of wages under the resounding title of a "National Wages Policy". This policy is supported by the Tory government, the British Employers' Confederation and the right wing of the Trades Union Congress. The Labour Party, more cautiously and equivocally, supported a similar policy in its policy statement *Plan for Progress* before the General Election of 1959, and in its new policy statement *Signposts for the Sixties*. A whole host of economists and bourgeois "experts" on the Trade Union movement are creating the necessary atmosphere for its imposition. In short, a concerted effort is being made to scrap the system of "free collective bargaining" which until recently was regarded as one of the glories of the "welfare state".

Two major reasons are advanced for accepting this policy, namely (1) that it is the only safeguard against inflation, and (2) that it is necessary in order to develop the export drive, which is essential, we are told, for Britain's survival. A powerful picture is drawn of all those who are living on fixed incomes, above all the pensioners, being ruthlessly ruined by rising prices. Those rising prices, it is said, are wholly due to the workers, manual or professional, pursuing their own sectional interests by steadily pushing up wages and salaries. If this tendency is stopped, price increases will stop. Everyone will benefit.

It is admitted that not all inflation in the past has been due to this tendency. The immediate post-war inflation was due to an excess of purchasing power, the direct consequence of the wartime financing. In Britain, the U.S. and elsewhere, the war was very largely financed by short-term loans, which could, in peace time, be turned into cash. Hence there was, in the early years of peace, an excess of purchasing power and a shortage of goods. It was this situation in the post-war period in which, despite price controls, prices continued steadily to mount and wages toiled panting after. The Radcliffe Report on the Workings of the Monetary System described this immediate post-war situation as follows:

> Consumers who had saved [during the war] because the things they wanted were not freely on sale; producers who had saved because they had no hope of being allowed to replace their equipment, still less of expanding their plant in wartime; merchants whose stocks had run down far below the minimum; all were oozing surplus liquidity and it was doubtful if even a large increase in interest rates would stifle their obvious intention of divesting themselves of this surplus. However great the shortage of capital in the sense of current savings, there was no corresponding shortage of liquid funds. The private sector as a whole was plentifully supplied with financial assets, and, in the early post-war years was under little pressure to borrow in order to obtain funds. Not only was self-financing easier out of the accumulated store of wartime reserves, but it remained easier so long as prosperity continued (p. 15).

Note that fourteen years after the end of the war the Radcliffe Committee was accepting the fact that the biggest proportion of the post-war excess purchasing power was in the hands of the capitalist class. It was this which gave the upward pull to prices. In this situation the only remedy possible under the capitalist system would have been a sweeping monetary reform.

> There were good grounds for supposing that nothing short of a thorough-going monetary reform, on the continental model, would have wrung from the system the excess liquidity which had been brought into action by the war. (Radcliffe Report, p. 15.)

Excess Capitalist Purchasing Power

That reform was never undertaken. The excess purchasing power in the hands of the capitalist class continued to pull prices upwards, and following a time-honoured custom, the workers, pushing up their earnings to catch up with prices, were blamed for the whole business. When, in 1948, Sir Stafford Cripps issued his famous White Paper calling for a wage and salary freeze, not a word was said about the excess purchasing power in the hands of the capitalists, which was the heritage of war finance, and which was pulling up prices. The onus for keeping prices steady was in the main put upon the shoulders of the workers. When a great arms boom, which followed the outbreak of the Korean War, gave a further upward twist to the spiral, it was still the workers who were being blamed for forcing up prices by their excessive wage demands. Both the effect of the war and the effect of the arms boom were deliberately played down by bourgeois economists and their right-wing Labour camp followers.

With the advent of the "small recession" (1952-53) the wartime excess of purchasing power had been absorbed and new factors began to emerge. The first was the cold-blooded deliberate drive of the government to force up prices of consumer goods and rents. This policy was pursued with the utmost ruthlessness down to our day. Indeed, in the ever-increasing rents for decontrolled and for new houses, we are still enduring its consequences. Yet in bourgeois circles the government's price-raising policy is deliberately played down, and we have an analysis which broadly divides the post-war wages and price situation into two periods. Up till a period variously fixed at 1952 or even as late as 1954, what is called demand inflation, i.e. excess purchasing power as a result of the war, prevailed. It is admitted, in retrospect of course, that it was this factor and not the trade union drive for increased wages, which was largely responsible for the rise in prices. At the most the unions were blamed for perpetuating an inflation whose basic cause was the inflationary situation resulting from the war.

Since 1952 (or 1954) that type of inflation has diminished in importance, it is alleged, and we are now in a period of cost-push inflation where the main reason for higher prices is the annual or biennial wage increases won by the unions. (This analysis, of course, drops conveniently out of sight the deliberate government policy of abolishing controls and subsidies and raising consumer prices and rents.) Contributing to price rises in this situation, it is argued, is the government's stop-start monetary policy. Whenever the British capitalist economy has got into difficulties, the government has raised interest rates, increased hire purchase terms, inaugurated a credit squeeze which has slowed down the economy and reduced productivity, so that when wage increases have ultimately taken place they have been reflected in increased prices. The poor performance of the British economy as compared with its rivals has been due, it is alleged, to a persistent and stupid application of this policy, which from 1959 onwards has been under constant criticism. Some of those criticisms are now reflected in current Tory policy.

Regulation by Taxation

It is held by most bourgeois economists that a capitalist economy can be best regulated, not by varying interest rates and credit facilities (the so-called monetary means), because this leads to comparative stagnation in industrial growth, but by budgetary means, i.e. varying the power of the consumer to buy goods by raising or lowering taxes. This is the policy now pursued by Selwyn Lloyd. The theory is that if consumers' purchasing power tends to be excessive, it should be cut down temporarily by increased taxes; if it tends to be deficient, raise it by giving various tax remissions.

Those who adhere to this policy say that if you try to regulate a capitalist economy by raising or lowering interest rates, you will apply a remedy that is worse than the disease, because it will stop industrial growth, whereas if you attempt to regulate a capitalist economy by manipulating taxes, which reduce or raise consumption, you will obtain the necessary results.

It is argued that such a policy can only be operated if you prevent wage increases. It is no use cutting down purchasing power if the worker is allowed to compensate himself by increased wages and salaries. If you try to control the economy by manipulating taxes you must go from that to controlling wages.

To some bourgeois economists monetary methods on the one hand and budgetary methods on the other are alternative policies. Not so to Mr. Selwyn Lloyd. He has simultaneously applied all three methods—dear money, increased prices for consumer goods, and wage pause. Like a hypochondriac consuming all the advertised remedies in the hope that some of them will work, Mr. Lloyd applies all the favourite capitalist economic nostrums, old and new, in the hope that, by chance, some of them will do some good.

"Planning" Wages

There is one distinction about this policy as compared with previous efforts. It deliberately raises prices while halting wage increases. Previously, governments have offered a deal on the basis of "if the unions do their utmost to prevent wages and salaries from rising, the government will do its utmost to prevent prices from rising". It was almost invariably a shyster's offer, for the governments making it were taking steps to raise prices by other aspects of their policy. Nevertheless, it has been left to Selwyn Lloyd quite shamelessly and brutally to couple them within the framework of the same policy and to expound them in the same speeches. Seldom, in the post-war period, has a government displayed such effrontery.

We are promised that sooner or later (and it may be later than we think) the pause will end and we must go over to a long-term wages policy, variously described as a national wages policy, or a planned wage policy. Its theoretical basis is that price increases in the present period are due to the trade unions' forcing up wages. If, however, the unions can be persuaded, or in the last analysis compelled, to limit their wage increases, then prices can be brought under control. The general suggestion is that, unless some very special reason can be shown, wage increases should not exceed *the increase of productivity in the economy as a whole.* This is somewhat different from the well-known proposition that wage increases *within an industry* should be related to productivity in an industry. In fact the new proposition *divorces* wage increases in an industry from *productivity* increases within that industry. Suppose the productivity in the motor or steel industry increases by 6 per cent in a given year while the overall productivity in the economy increases by 2 per cent, then Lloyd insists that the earnings of the workers in those highly productive industries must not, unless very special reasons can be shown, increase much more than 2 per cent. In other words the earnings of the workers in the highly productive industries must be held at a lower point than their increase in productivity. How this can be reconciled with incentive payments is not yet explained.

This policy, it is admitted, would in the first instance raise the profits of the big capitalist firms, but it is alleged that this would only be temporary, for those firms would reduce prices.

Comparability of Wages

What is clear about this policy is that the workers whose productivity increases are the highest will be held back and prevented from pushing up their earnings beyond the overall increase of productivity for the economy as a whole. It does not follow from this, however, that the workers whose productivity increases are below the average for the economy are in any way entitled to get a wage increase equal to that average. They are only entitled to extract such an increase from their employers if they have the power to do so, and the general set-up which will emerge from the new policy is calculated to diminish their power. For the sponsors of the new policy, from the Chancellor of the Exchequer downwards, have declared war on "comparability" of wages, in all its forms.

There are two types of comparability. The first refers to the practice of comparing the percentage wage increases achieved by the various industries in the course of a wages movement. Say a situation arises when a round of wage increases is started by some of the larger industries getting an increase of wage rates by 4 per cent. This tends to lay down a pattern for other negotiations. It is alleged that irrespective of the state of an industry, or the strength of a union other employers tend to concede the same general award and so do the various arbitration tribunals. Against this the capitalist economists are in revolt. They argue that there is no justification for other industries receiving the same percentage increase as that industry which has led the wages round. The workers should only get what the industry thinks it can afford and what the workers' organised strength can extract. Employers and arbitration tribunals should set their face against any arguments that "we must have a wages increase because the other workers have got one".

The other type of comparability, that between occupations inside a state department or a nationalised industry, and comparable occupations in private industry, is also under heavy challenge. How should wages be determined in an industry where productivity is certainly increasing but profits are non-existent? The Guillebaud Committee declared that the wages on the railway could be compared with the wages for similar work or work of equal responsibility outside, and railway wages raised accordingly. The British Transport Commission rejects this principle. It declares that the Guillebaud Report of 1959 was a once-for-all operation and that similar comparisons will not determine wages in the future.

In the Civil Service the pay research units are continuously comparing outside salaries with those prevailing in the service and this led at the outset to a considerable boosting of some salaries. The Chancellor of the Exchequer had probably this in mind when he indulged in the following diatribe against comparability.

> If the doctrine of comparability is pushed to its logical conclusion in every set of circumstances, it could bring disaster upon those who it is designed to help. Suppose in the process of collective bargaining a particular group has exploited its scarcity value, is it right that comparability should at once apply and that in the interest of strict comparability all other wages should move accordingly? If we recognise facts something like this is already happening and it can lead to disaster.

Increasing Profits

So the government's wage policy does two things. It prevents workers in high productivity and high profits industries from increasing wage rates and earnings equal to their increased productivity, by decreeing that increases should be geared to the average increase of productivity in the economy as a whole; and it tells the workers in industries where productivity is below the national average that in pressing for increased wages they must not argue for the same percentage increase as the workers in the most favourably placed industries, because such comparisons if they lead to wage increases are absolutely disastrous.

The effect of such a policy would be to deliberately increase profits at the expense of wages for the purpose (1) of providing the resources from which firms will plough back increased amounts for capital investment, (2) increase dividends to shareholders, and (3) cut export prices. The government's claim that if the workers in the most productive industries are restrained, those industries will then reduce prices in the home market, ignores the fact that the increased surplus is already earmarked for the above basic capitalist purposes and that little resources will be available for price cutting at home.

This policy throws light on the question which both Tory and right-wing Labour propagandists consistently avoid, namely, where are the resources for the increased capital investment for which they are clamouring to be obtained? The answer of the Tories, embodied in the wages policy above outlined, is to increase productivity and limit or halt wage increases, in short to increase the exploitation of the working class. Labour's *Signposts for the Sixties* points in the same direction. The expansion of the economy has to be achieved first. Increases in wages and social services have to be deferred for some time. It will be noticed that in both schemes abstinence (i.e. forgoing wage increases so that profits can grow) is to be forced on the workers, but that the expanded industries, the increased capital assets, will be the property of the shareholders who have contributed nothing to the process.

New Role of the State

The new posture of the capitalist state in all this should be noted. Formerly it pretended to "hold the ring" between embattled capital and labour. Only in moments of crisis did it intervene openly on the side of the ruling class. Otherwise its function appeared to be to help the collective bargainers to conclude their bargain. Now it is being said that the government in the national interest must have a voice in wage fixing. But if the government is to control wages is it also going to control prices? And will it control profits and rents? Or will it seek to control the economy as a whole, in order to ensure that the most essential activities have a priority? Surely if there is a public interest these things have to be controlled. No, the government is making it clear that only wages are to be controlled.

Please note that I use the term government and not state. For the general aim is not that some pretendedly impartial public body shall arrive at the "guiding light" with regard to wage negotiations, but that this shall be done by the government. Thus the leaders of the Tory Party, the subsidised Party of the monopolists, will use the state to fix wages and salaries in the interests of their paymasters.

Planning and the T.U.C.

The ultimate relation of this wage-fixing policy to the new planning policy of the government is obscure. At the moment they are being kept separate because the T.U.C. is not at this stage prepared to co-operate in the government's policy of wage fixing, but is desperately anxious to have a voice in planning. It appears that what the government is contemplating is mainly investment planning. The various industries (or at least the main firms in them) will outline their plans for the period ahead. These will be examined and it will be clear which industries are not pulling their weight and are, therefore, inviting government actions. When all the plans in all the industries (public and private) are correlated it will be seen whether they are likely to overload the capitalist economy, or be below what is necessary to maintain it at a high level of activity. The Trades Union Congress and the Labour Party are demanding that the planning organisation "must have teeth", that is that either it or the government will have power to force recalcitrant industries and firms to carry out planning regulations that are made. It is difficult to see how the question of wages and productivity can be kept outside this planning body. It will at least have to make forecasts on what the level of productivity will be in the period immediately ahead and this will be used by the government as a basis for its "guiding light" on wages.

So the T.U.C. is merely engaging in tactics. It knows that it would never get working-class support if it participated in an organisation which directly prescribed what the permissible wage increase for the period ahead should be. It can now claim, however, that what it is engaged in doing is planning the economy as a whole and that a big step forward has been taken when a Tory government invites the trade unions to participate. The Tories are anxious, however, to associate the unions with wage planning so that ultimately the "guiding light" will be a recommendation not of the government nor of any group of economists or officials, but of the government, the employers and the unions associated on a planning council.

It is worthwhile noting in passing that all this is regarded not as some passing device, to meet the present crisis, but as a permanent change affecting methods of wage negotiation for a long time ahead. Selwyn Lloyd told the House of Commons: "One thing is absolutely clear—that thought must be given to the modification of traditional attitudes and practices, certainly the modification of some of them, so that the undoubted benefits of our existing system can be preserved, while the damaging consequences in the way of inflation are eliminated."

Tie-ups with the Government

In his well-known Penguin book *The Stagnant Society* Mr. Michael Shanks discusses the effect on the Labour Party of unions' closer association with the government. He says the government should

> draw the T.U.C. more closely into the ambit of economic policy making, *as a starting point for establishing some form of wage planning.* This would seem to make sense, not only in terms of economic policy making but of political tactics. It must be, after all, in the interests of Conservative administration to try and weaken the ties which bind the unions to the Labour Party, and the closer the co-operation between the unions and the government the more likely this is to occur. If the unions are offered the choice between indirect participation in government under the Conservatives and the frustrations of marriage with a divided and largely powerless opposition, *many of them may begin to find some virtue in the American formula; whereby the unions avoid formal commitment to either political party but instead sell their favours to the highest bidder* [italics ours].

Why has the British Tory government, which in the past has identified collective bargaining with the very highest qualities of human freedom and well-being, now decided severely to restrict it? The first reason is that the monopoly capitalists in the major capitalist countries having decided, in the teeth of ever more powerful competition from the socialist world, to lay greater emphasis on more stable prices and faster economic growth, have agreed that one of the means of achieving this is for the state, with or without the approval of the right-wing trade union leaders, to exert a downward pressure on wage levels. A similar policy to that advocated for Britain is being operated in Holland, Sweden and Denmark, and its introduction is being seriously discussed in France. State pressure on wages must, therefore, be regarded as typical monopoly capitalist policy at the present stage of development.

There are, of course, two specific British questions associated with its introduction in this country. The first is the feeling widespread amongst the monopolists and their tame economists and statisticians that British manufacturing costs are too high and before we go into the Common Market (and even if we don't) they have got drastically to be reduced. The second, that as British investment has to be increased in order to achieve a faster rate of growth, and as profits are the main source of new investment, the distribution of the product of industry has to be altered in favour of profits. So productivity must be sharply increased while wages are held back. To some extent the capitalists are always doing this, but at this moment the British monopolists are convinced that their whole future is bound up with the state operation of such a policy. So we are faced with a long-term policy that is not likely to be dropped if there is a slight improvement in economic conditions.

Attitude of Right-Wing Labour

The right-wing Labour leaders are firm adherents of the theory and practice of this policy. Their complaint against the Chancellor is that he should not have reduced surtax. Had he not done so they would have no complaint against his wage policy.

From this it follows that there will be virtually no resistance to this policy in Parliament and very little amongst the right-wing trade union leaders. Yet apart from redistributing income, expanding the monopoly resources at the expense of the people, this policy will undermine trade union power and divide the working class.

This Tory policy, encouraged by the temporary victory of the right in the unions and the Labour Party, can and must be fought by the workers throwing all their weight behind the union or industry which is the first to challenge the pause; by the workers making the unions refuse to co-operate in any type of planning whatever with a government which is deliberately holding down wages.

The Labour movement must be won for a positive policy for combating Britain's crisis which must include the drastic cutting down of Britain's enormous overseas expenditure, now running at the rate of £240 million a year; planned development of trade with the Dominions old and new; removal of the bans on East-West trade; state supervision of the great monopolies with a view to their full participation in the drive to expand trade and their early nationalisation; massive switch of scientific resources to peace purposes.

Above all, such an immediate programme must be linked with a powerful campaign for socialism in Britain.

There is little to choose between the right-wing leaders and the leaders of the Tory and Liberal Parties, with regard to their basic views of monopoly capitalist society. Basically all of them are technocrats, holding the view that the ownership of the means of production is a minor issue and that what matters is the increased application of new techniques with a view to increased production. As Socialists we deny this proposition. The increased application of technique cannot prevent monopoly capitalism tumbling into a slump, as recent American experience proves; it cannot prevent the profit motive determining how the resources of society are organised, so that socially useful developments are hampered or even rejected. Besides, technique may be only sparsely applied in a society where the rich can make a fortune more quickly by speculation on the Stock Exchange or on land.

We must hammer home to the mass of the people that if science and technique are to be used rapidly to raise living standards, this can only be done by a planned socialist economy, which has eliminated the monopolists and the profit motive. Only then can we have the planned raising of income, wages, salaries and social services as is proposed in the Soviet Union today. Only then can our knowledge and understanding of all potentially new developments be translated into the most rapid growth of the welfare of the people. That is the socialist vision that must inspire us as we struggle to defeat British capitalism's effort to survive at the expense of the British people, and as we win the mass organisations of the workers for socialist advance.