British State Monopoly Capitalism and its Impact on Trade Unions and Wages

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Part II

We print below the second part of a paper for a Symposium on the 50th Anniversary of Lenin's "Imperialism" and the Centenary of Marx's "Capital", organised at Prague in 1967 by the World Marxist Review. *A Postscript has been added to the original paper. The first part was published in our January issue.*

From Incomes Policy to Pay Freeze

IT was universally assumed that, whatever government was elected, there would sooner or later be a balance of payments crisis a few years ahead. The Tory Government, through the Chancellor Mr. Maudling had arranged for foreign loans to help the economy through this crisis so that the Government would not have to resort to measures which would have the effect of dampening down the development of the economy.

The three main parties—Labour, Liberal and Conservatives—pledged themselves that there would be no further support of "stop-go" policies.

In fact when the Labour Government took office the crisis was much worse than expected. There was a balance of payments deficit of £800 million. In the upswing of autumn 1962-64, inaugurated by Maudling's policy, exports had grown more or less as expected but there was a growth of imports very much larger than anticipated. The trade balance of Britain with the outside world was in heavy deficit. Other burdens on the balance of payments were the sharp growth in military expenditure and an abnormally high export of capital.

The Government was forced by pressure from the finance capitalists of the City of London, and the foreign banks from whom it had received loans, to take exceptional measures to save the pound. The Bank rate was raised to 7 per cent, a tight credit squeeze was introduced, and additional indirect taxation was imposed. So the Government in fact was deflating the economy, making it absolutely certain that it could not achieve the rate of growth of 4 per cent per annum on which its incomes policy was based.

Yet no conclusions were drawn from this. The Government calmly assumed that there would be only a slight slowing down of growth and that the Gross National Product of the British economy would grow by 25 per cent by 1970. This meant a slower growth than the 4 per cent per annum assumed in the Maudling policy, but the Government, drawing no conclusions from this, behaved as though it was still carrying through a policy of all-out expansion. This sharp division between practice and theory continued from December 1964 to the July crisis of 1966.

The Government claimed that its incomes policy was voluntary, that the principles of that policy would be decided by the Government in negotiations between itself and the Trades Union Congress, the Confederation of British Industry, and that then the Trades Union Congress and the Confederation of British Industry would request their member organisations to jointly apply this policy.

Trade Union Executives Meet

At a conference of trade union executives held in March 1965 the policy as agreed by the Government, the Trades Union Congress and the Confederation of British Industry, was accepted.

Amongst the declarations of policy adopted at this conference was the "General Considerations affecting Prices and Incomes". This document advocated a decisive change in the motives affecting collective bargaining on the part of the unions. It laid down the following principles:

Wages and salary increases were not to exceed the long term rate of increase in national productivity. (This was assumed to mean an increase of around $3\frac{1}{2}$ per cent.)

Traditional trade union reasons for asking for an increase in wages and salaries should have less if any weight at all accorded to them. These included a demand for an increase in wages or salaries on account of the increased cost of living.

Further, less account was to be taken of trends in productivity and profits. This meant that increased profits of a firm or an industry were to be ignored in deciding the level of wages in that firm or industry.

It was made clear that when the Government was talking about increased wages being confined to a norm of 3½ per cent per annum it was talking about increased earnings (i.e. the total pay packet) and not about increased minimum rates.

Another well-known trade union principle that was not to be used as a justification for increased wages and salaries was comparisons with levels and trends of income in other employments. Such comparisons were used frequently with regard to wages and salaries in the Civil Service and the Railways.

Exceptions?

In the subsequent discussions a great deal was made of certain exceptions where workers might get more than the 3 or 3½ per cent permissible increases in wages and salaries. These included:

> "Where the employees concerned, for example, by accepting more exacting work or major change in working conditions or practice, make a direct contribution towards increasing productivity in a particular firm or industry.
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> "Where it is in the national interest to secure a change in the distribution of manpowers (or to prevent a change that would otherwise take place) and a pay increase would both be necessary and effective for this purpose.
>
> "Where there is a general recognition that existing wage and salary levels are too low to maintain a reasonable standard of living.
>
> "Where there is widespread recognition that the pay of a certain group of workers has fallen seriously out of line with the levels of remuneration for similar work and needs in the national interest to be improved."

These exceptions were so comprehensive that there would be no great difficulty in the average trade union claiming that it came under one of the exceptions. The bureaucrats who drafted the incomes policy recognised that and prefaced the exceptions with the following remarks:

> "It is important to ensure that increases in wages and salaries above the norm should be confined to cases in which exceptional treatment can be shown to be required in the national interest. *These exceptional cases can be kept to a minimum, bearing in mind that they will need to be balanced by lower than average increases to other groups if the increase in wages and salaries over the economy as a whole is to be kept within the norm.*" [Emphasis ours.]

Votes in favour of the Government incomes policy at trade union conferences in 1965, were influenced by the list of exceptions as printed above. Most right wing secretaries of trade unions sought to convince their Conferences that the policy of confining wage increases to a 3-3½ per cent norm would not be applied to them because their union could make a case for a greater wage increase under one of the exceptions.

Unions where the majority of workers clearly belonged to the lower paid category began to believe that the policy would help them to a much greater extent than the operation of collective bargaining in a normal way.

In fact, during 1965 the unions in general were not paying the slightest attention to the norms that their leaders had agreed to at the Conference of Executives. Their wage claims were influenced by the fact that they were being presented at a time when the cost of living was rocketing and the workers expected this factor to influence the wage offers of the employers. In addition, bargaining on piece-work prices and on productivity was substantially influencing earnings. The Treasury's *Economic Report for 1965* was later to show that average hourly earnings amongst wage earners (excluding the effects of overtime) in the major industries in October 1965 as compared with October 1964 increased by 9½ per cent as compared with a cost of living increase of 4½ per cent. The incomes policy was not yet operating.

Legal Sanctions

Some time in August 1965 the Government decided that a voluntary incomes policy was not operating and that legal sanctions were necessary in order to make it operate. Nor was the credit squeeze operating in slowing down the economy. The British Government was therefore compelled to seek a further loan from the US and European banks, and it was widely reported that before granting these loans these banks were insisting that the Government take steps to apply the incomes policy more strictly.

So on the eve of the Trades Union Congress in September 1965 the Economics Minister, George Brown, approached the General Council of the Trades Union Congress and requested its support for legislation the aim of which was to enforce on the unions a stricter incomes policy. The main features of this legislation were (1) that all unions must inform the Government on any wage or salary claims they were making, and (2) that the Government could refer any wage or salary increase the employers had conceded to the Prices and Incomes Board—a body of employers, trade union officials and economists whose chairman was Mr. Aubrey Jones, a big business expert and a former Conservative Member of Parliament. If this Prices and Incomes Board came to the conclusion that the wage increase granted by the employers was excessive, it could postpone its payment for several months.

The General Council of the Trades Union Congress was reluctant to agree to this policy but Brown told them that, if they refused to accept it, the loans from the American and European banks would not be forthcoming and the Government might collapse in the middle of the crisis. The General Council of the Trades Union Congress and the Congress which met a few days later reluctantly agreed to this policy, though they particularly resented the provisions in the proposed legislation for fining workers who refused to conform with the proposed laws.

At the same time the TUC proposed its own scheme whereby trade unions would inform the General Council what wage claims they were making on the employers and the General Council would, in return, make its comments either approving or disapproving the claims.

However, the proposed Government legislation was not produced until the beginning of 1966 and encountered considerable opposition from trade unionists. In March 1966 the Government was returned with an increased majority at a General Election and decided to pass the prices and incomes legislation with its provisions for fining trade unionists. This provoked the resignation of Frank Cousins, who had been leader of the Transport and General Workers' Union before he joined the Government. The Government's incomes policy was now under severe challenge.

July 1966 Measures

In July 1966 the situation of the British economy deteriorated sharply, and the banks resumed their pressure on the Government, demanding a still stricter policy with regard to wages and salaries. The Government decided to amend their Prices and Incomes Bill in order to enforce a total halt in wage and salary increases from July 20th, 1966, for six months. Even wage and salary increases already agreed to but which were not due until after July 20th were not to be paid. The wage increases due to be paid to workers who were operating under a long term agreement (usually a three year agreement under which an annual wage increase was given) were postponed for a period of six months or more.

After the period of total pay pause there was to be a period of "severe restraint". This allowed some of the lower paid workers to get those increases which were held up in the six months pay freeze.

It should be noted that the "pay pause" and the "period of severe restraint" were to be applied not only to wages negotiated nationally between the national leaderships of the unions and the employers. They also applied to negotiations on piece-work and bonus carried out inside the factories betweeen the shop-stewards representing the workers and the factory managements.

A large part (at least half on an average) of the workers' earnings in many industries were the result not of nationally negotiated wage and salary increases but of agreements in the factories. Previous wage pauses were concerned only with nationally negotiated wage increases and during these pauses the workers negotiated increased earnings on a factory basis. With regard to the 1966 pay pause, the Government decreed that there should be a pause with regard to wage increases negotiated on the factory floor. So the 1966 pay pause was the most complete in British trade union history.

"Severe Restraint"

The "period of severe restraint" which commenced in January 1967 was fixed for six months. Very few new wage increases were negotiated during this period. The wage increases which were allowed in this period were mostly those of lower paid workers whose increases of wages had been held up by the total pay freeze.

Increases in prices as well as increases in wages were supposed to be prevented during the period of total pay freeze. This price control was relatively ineffective and between July 20th, 1966, and May 1967 prices rose by around 3 per cent—a fact which has created almost universal discontent amongst the supporters of the Labour Party.

The Government has now prolonged the activated sections of the Prices and Incomes Act for another year. Its main principle is that wage increases should only be allowed for lower paid workers, for workers in industries where there is a labour shortage, and in factories where there is a productivity agreement—in which the workers get an increase in earnings in return for an increase of production.

This new Prices and Incomes Bill is to last for another year, till August 11th, 1968. Under it the unions are allowed to make whatever demands they like, but if the employers grant wage increases which the Government feels violate the principles of "restraint" which it has laid down, it will refer this to the Prices and Incomes Board, which has in effect power to postpone the payment of the wage increase for a period of six months.

This created considerable discontent amongst the unions, who believed that the period in which the Government would interfere with collective bargaining would only be for one year. Now the Government has extended the period to two years and many trade unionists believe that it will try to go on extending the Prices and Incomes Act year after year, thus imposing permanent wage restraint legislation year after year, and it is also seen as the thin end of the wedge of making the findings of the Prices and Incomes Board binding.

TUC Policy

It is necessary to deal with the "independent" wage restraint policy of the Trades Union Congress. In the autumn of 1966 the General Council of the Trades Union Congress began to demand that the state enforced wages policy of the Government should end as promised in July 1967 and should be replaced by a wages restraint policy operated by the TUC itself. The Government's reply was that its policy was a "reserve policy" which would only be operated if the Trades Union Congress policy failed, adding that it thought it would take a long time for the voluntary TUC policy to win general acceptance amongst the workers, and, therefore, it was necessary to reinforce the TUC policy of restraint by a state policy of wage restraint.

Despite the clear statement of the Government that it proposed to continue a wage restraint policy, the TUC submitted its alleged alternative policy to a conference of trade union executive committees in March 1967. Its statement contained a number of criticisms of the Government policy of which the two most important were (1) that the Government had originally imposed its so-called incomes policy as part of an economic plan for expansion. The plan was to achieve a rate of economic growth of 4 per cent per year and the unions were to restrain wage increases so that they were not greater than $3\frac{1}{2}$ per cent. In fact the Government had now abandoned that plan and had imposed a pay freeze; (2) that the fixing of wages affecting workers in scores of different occupations was an exceedingly difficult thing to achieve and, if the Government tried to do it, it would lead to great muddle and injustice. Only the trade unions and the employers could operate an effective wages policy, which would have to be more simple and more flexible than that proposed by the Government and could only be reached by a process of trial and error.

The General Council of the Trades Union Congress therefore proposed that its research department, with the assistance of Government Ministries and of such semi-state bodies as the National Economic Development Council, should draw up its own independent prognosis as to the development of the economy within the next year. On this basis it would fix a "norm" with regard to what increases in wages were permissible.

The General Council of the TUC would submit its prognosis to an Annual Conference of Trade Union Executive Committees, and if accepted, this would become the policy of the movement.

The unions would be expected as before to submit their wage claims to a committee of the General Council which would inform them whether those claims conformed to the policy decided at the Conference of Executives.

Critique of Policy

There were a number of criticisms of this policy. If the General Council's estimation of economic development for the period ahead was based on state and semi-state bodies, it would not greatly differ from that of the Government itself. The norm it would recommend to the unions was not likely to be very different from that of the Government itself. The TUC would be recommending a wages policy based on the fact of stagnation in the economy which was in turn the result of Government policy, and which the TUC was incapable of seriously influencing, let alone determine. The General Council had not yet explained in any clear way what advantage the unions were likely to get through the acceptance of this policy. From the employers' point of view, however, there were considerable benefits. As we have seen, the level of wage increases would only marginally, if at all, differ from the level the state would impose on their behalf, and it would have the additional advantage from their point of view because it would have the appearance of voluntarism—non-state interference and hence, they would hope, meet with less resistance from the organised workers.

Another obvious difficulty with regard to this policy is that the General Council (in the first instance a sub-committee of the General Council) would be recommending that some unions are entitled to a wage increase, while others are not. Nothing more destructive of trade union solidarity could possibly be conceived, and the consequences were therefore bound to be a weakening of the trade union movement.

At present, with the autonomy of each affiliated union and the accountability of union leaderships to their members with regard to implementing union policy decisions on wages, the more militant unions are in a position to wrest an advance for their membership. The breakthrough made by the militant union, then, has the effect of compelling other unions to follow suit.

These proposals of the Union ECs were designed to prevent such a breakthrough, to hold back the militant unions from using their strength and impose a general level in line with policies, as we have seen, with those of the employers and framed on their behalf by the state.

What is potentially even more harmful is that such developments were aimed at strengthening the centralised bureaucracies of the trade union movement, undermining the democracy of unions, and therefore would facilitate the fulfilment of the basic aim of state monopoly capitalism of integrating the trade unions into the state machine.

The State and Industrial Relations

The capitalist state throughout its existence has seen its role to help the employers (the ruling class, whose instrument it was and is) to extract the maximum profit by maximising the rate of exploitation.

The difference between the role of the state in the stage of state monopoly capitalism and the capitalist state in the preceding stages is not that the objective has changed. The objective remains the same but the manner of achieving it has basically changed.

Whereas in the earlier stages it suited the ruling class for the state, in the main, to give the appearance of "neutrality" with respect to worker-employer relations, in the present stage the state, to realise the objective of the ruling class, is compelled to abandon the pose of "neutrality" and openly intervene on the side of the employers.

As indicated earlier, the state did not hesitate to intervene whenever the workers for one reason or another were in a favourable position in the continuous class struggle for the division of the social product.

This usually occurred when there was a shortage of labour either through some calamity (bubonic plague in pre-capitalist England when the Statutes of Labour were introduced), or during wars when legislation was enacted enabling the state, on behalf of the employers, to frustrate the workers' use of their advantageous position to make inroads in the rate of exploitation.

As trade unions were the spontaneous mass organisations of the proletariat, developed to help the workers in the struggle against the employers, the state never encouraged them. On the contrary, the state at first tried to prevent them coming into being and at all times inhibited their growth.

"Free Collective Bargaining"

But it was done by stealth. The existing Common Law of conspiracy was stretched to cover trade unions. When the struggle to establish trade unions could no longer be held back and Parliament felt it judicious to legalise trade unions, the judiciary in the Taff Vale case at the beginning of the century emasculated the Statute Law. When this in turn led to a mass reaction on the part of the workers, including a boost to the newly-formed Labour Party, further legislation to enable the trade unions to function legally was introduced—the Trade Disputes Act of 1906.

But despite this exertion on the part of the state in an earlier stage on behalf of the employers, it suited the employers to reserve state intervention in worker-employer relations for exceptional circumstances—such as indicated above or in an exceptionally important and prolonged strike when the police could be relied on.

By and large the ruling class in developed, industrial Britain, particularly when its economic strength leaped forward during its imperialist phase, decided to live with the trade unions. They found them tolerable, not constituting serious obstacles to their basic objective of maximising profits. This was so because, for a number of reasons, their bargaining power *vis-à-vis* the employers was weak:

1. The trade unions were numerically and organisationally weak.
2. The trade union leaders were ideologically "brain washed" to accept class collaboration rather than class struggle as the motive force of the trade unions.
3. The super-exploitation of the colonies made possible concessions to the metropolitan proletariat which in turn fostered reformist class collaboration within the trade unions.
4. The capitalist economy with its incidence of the reserve army of unemployed and two workers chasing one job ensured that the employers had the upper hand at the negotiating table.

Under such circumstances it was to the advantage of the ruling class to accept the concept of "free collective bargaining" and act out the farce of the state's "neutrality".

New Conditions

In the epoch of state monopoly capitalism as partly indicated earlier, the conditions which enabled the state to pretend neutrality were radically changed.

Firstly the trade unions are no longer as weak numerically or organisationally as they were before World War Two. While there is still considerable non-unionism, the membership has grown rapidly and is fairly highly organised in the key industries and largest plants. For the first time the technicians, supervisors and other white collar workers, who now play an ever more important role in industry, are becoming organised. Amalgamations and arrangements for joint negotiating machinery at every level have also been a factor in improving the workers' bargaining position.

Secondly whilst class collaboration is still the strongest ideological trend amongst the majority of national trade union leaderships, there has grown up a powerful network of trade union organisation at the point of production based on a lay leadership (the Shop Stewards). This leadership is considerably militant, responds to rank and file needs, and has become a major factor in determining the actual earnings of workers. This is because payment by result rates are negotiated at plant level, and because payment by result is the method widely used in Britain it plays a big role in determining the actual earnings not only of those on payment by results but on many others whose earnings are related.

Thirdly, as we have seen, the post-war economy, while not free from periodic or even chronic crises, has nevertheless been free of chronic mass unemployment comparable to the earlier phases of capitalism. And even during periods of more than average unemployment, the existence of a much stronger, confident and militant trade union movement mitigates against the tendency of bringing wages down of those in employment.

Fourthly, the development of division of labour and the emergence of giant plants and combines dependent on the smooth synchronisation of supply of the various parts has increased the vulnerability of the employers. A strike in one factory or even section can paralyse an entire combine or even a whole industry.

These are the changed conditions compelling state monopoly capitalism to call upon the state to intervene and redress the balance in favour of the employers.

From Persuasion to Compulsion

The ruling class, while always prepared to use force to impose its will on the working class, has generally preferred to rely on persuasion.

The past twenty years have seen two decades of effort by British state monopoly capitalism, as we have indicated earlier, in persuading the wage and salary earners to voluntarily accept state determination of wages at a level below that which would reflect the balance of strength between the trade unions and employers within a given economic situation.

The key phrase was state "guidance"—guide lines and norms handed down by the state and voluntarily accepted by the unions.

The main methods of persuasion relied upon by the state were:

1. Use of mass media, establishment ideologues (economists and sociologists) and Government spokesmen to present a false analysis of the economic situation and attempt to panic workers to accept the "guide lines" as the lesser of the alternative evils, e.g. run-away inflation or mass unemployment.

2. Winning the co-operation of the trade union leaders to divest themselves of their primary function of fighting to achieve highest possible wages. Trade union leaders were being involved more and more in a growing number of state sponsored committees and bodies where they joined with key employers and top civil servants to present a façade of "participation" in framing the state's guide lines.

3. Highly effective propaganda campaigns to give the impression that state guidance with regard to wages was intended to be a temporary measure to meet exceptional circumstances and would be made equitable by similar measures with regard to prices and profits.

There is no doubt that the state achieved the co-operation of the majority of trade union leaders. Nevertheless, the state failed in its attempt for twenty years and through different governments to "persuade" the workers to accept "guide lines" tantamount to if not always an actual reduction of real earnings, certainly a reduction in the sort of earnings which it was possible to achieve.

The failure was due to the refusal of the rank and file workers to be bound by decisions at national level which were often achieved by base deception of what the decisions entailed, to the flagrant exposure of the state's double standard—maximum pressure to keep wages down but only a pretence at influencing a downward trend of prices and profits, and to a strong network of factory organisations enabling the workers, led by the shop stewards, to wage the struggle for higher *earnings* in negotiating piece work, bonuses or other forms of payment by result —so that while wage rates were "guided" actual earnings rose above the norms, giving rise to the phenomenon known as "drift".

State Regulation Enforced

With the failure of the state's efforts at persuasion it fell back on force or sanctions.

The resort to sanctions was facilitated by the victory of the Labour Party in the 1964 General Election.

It has been argued with some justice that state monopoly capitalism would have hesitated to go over from persuasion to sanctions under a Tory government. The hesitancy would have arisen from fear of the workers' reaction.

Even under a Labour Government, when the decision to apply legal sanctions was taken in the hope that "loyalty" to a Labour Government would act as a countervailing tendency dampening down the fight for the preservation of the hard won rights of "free collective bargaining", the transition was carefully planned and introduced piecemeal with a considerable amount of deception at each stage.

Thus the first piece of legislation, the Prices and Incomes Act, was enacted without activating it, and presented as being "permissive", not likely to be ever used.

When in July 1966 Section IV was added, making a strike or the threat of a strike in pursuit of wage increases not approved by the state a criminal offence, it was presented as a temporary measure to be lapsed at the end of a year.

In 1967, Section II of the Prices and Incomes Act was activated and strengthened, extending for another 18 months the penal consequences for militant trade unionism with, of course, the Act itself remaining a permanent part of British law available to the state to impose its will.

Above all, state regulation of wages and conditions has been *institutionalised* for the first time by the statutory creation of the Prices and Incomes Board as a permanent state body.

The 1967 amendment of the Prices and Incomes Act, by enabling the Government to impose the findings of the Prices and Incomes Board for at least a period of time—six months—is the thin end of the wedge of the institutionalising of state regulated wages and conditions.

Then there has been a whole series of cases starting with the Rookes v. Barnard case, in which the judiciary, as in the Taff Vale case in 1905, used the courts to deprive the trade unions of rights which had been won in struggle.

State monopoly capitalism realises, however, the dangers involved in a head-on collision with the organised workers by relying solely on force and sanctions.

It, therefore, seeks to combine persuasion with sanctions—the latter to be available and seen to be available should persuasion fail to achieve the objective.

Attack on the Trade Unions

Realising that the biggest obstacle to achieving its aim is the strength of the trades unions, derived from their democratic traditions, sovereignty of each trade union and in particular the development of the shop steward movement, facilitated by a wages structure heavily weighted on payment by result, the state has launched a campaign aimed at emasculating the trade unions and transforming them from organs of struggle to organs of class collaboration and part of the state machinery.

The top bureaucracy of the trade unions, despite some verbal criticisms and sham opposition, are in essence co-operating with the Government to bring this about.

The means of attempting to realise this aim of undermining the trade unions as fighting organisations of the working class are varied.

The latest Government Acts and measures as well as the latest policies of the TUC are directed against *drift—factory and plant negotiations*—and against earnings as well as nationally negotiated wage rates, thus attempting to blunt the rank and file workers' weapon to overcome the betrayal of their interests at top level.

The Wages Structure

Big efforts are now being made by employers to change the wages structure by replacing payment by results with time rates.

Before the recent technological revolution payment by results was essential to the employer to achieve maximum profit. That was so because total output depended largely on the workers' effort and payment by results was found to be the best way of achieving maximum effort.

Militant workers traditionally fought against it, for as Marx pointed out, it was seen as a means of increasing the rate of exploitation.

Payment by results, however, was a two-edged weapon. It increased profits, but it also led to the development of strong militant workshop trade union organisation, a threat to the employers and a powerful weapon of the workers not only against the employers but also against the trade union bureaucracy.

With the changes in the techniques of production output depends now less and less on the workers' efforts and more and more on the highly capital intensive machinery.

The employers now see the opportunity of getting maximum profit without payment by results. On the contrary, payment by results is now disadvantageous for it means sharing with workers the fruits of increased productivity made available without it necessarily requiring extra efforts by the workers. The disadvantages from the employers' point of view of a wages structure leading to powerful plant trade union organisation now far outweigh the limited advantages of bringing extra profit.

Hence the drive to change the wages structure from piecework, bonuses, or other forms of payment by results to time rates. Such a change would have the double effect of yielding all the productivity gained to the employers and undermine the shop-steward movement and tighten the grip of the top trade union bureaucracy.

"Measured day" is the latest slogan of the employers. In essence this is a method of getting payment by results effort for hourly rates. But it is presented as a flat-rate wages structure, though the workers' effort is expected to be in line with levels pre-determined by the employers' work study engineers.

The bribe used by employers is to offer a flat rate equal to average payment by results earnings, often accompanied by shorter hours (eliminating overtime). Workers' compliance is often facilitated by militants' traditional opposition to payment by results.

What is not realised is that under the new conditions flat rates lead to increasing the rate of exploitation. One example will suffice. Average piecework earnings of dockers on a certain wharf were £22 10s. 0d. including overtime.

With the introduction of containerisation and the adaptation of the wharf to it, the employers offered and the dockers accepted £29 10s. 0d. weekly *wage* for a 40-hour week.

The new methods meant an increase of £7 a week without overtime, but it raised the rate of exploitation many-fold. Only a quarter of the men took six hours instead of six days to unload a comparable ship. Surplus value has risen by 7,000 per cent while earnings have risen by under one-third with considerable redundancy.

But the worst consequence of all of time rates is that they undermine trade union organisation at plant level.

A Royal Commission on Trade Unions has been set up and its findings are expected to be issued shortly.

It is expected that these findings will lead to legislation to bring trade union activity under state supervision to a much greater extent than they are at the present time, with particular emphasis on inhibiting rank and file militancy.

Conclusion

In this paper we have sought to demonstrate the effect of state monopoly capitalism on the struggle around the division of the social product and the traditional organisations of the workers in that struggle—the trade unions.

We have argued that in the stage of state monopoly capitalism the state's open intervention in the field of industrial relations is constant and permanent and is therefore qualitatively different from earlier stages when it pretended to be "neutral", intervening overtly only occasionally.

We have indicated the changed circumstances which drive the state to such open intervention. We believe that this is a general tendency under state monopoly capitalism. It has advanced further in Britain because, as we have tried to indicate, the economic circumstances in Britain are more desperate, the trade unions relatively better organised than in most countries of state monopoly capitalism.

But while we believe this to be a general tendency within state monopoly capitalism, it does not mean that it is inevitable or that the ruling class are even likely to succeed. There is a strong countervailing tendency—the workers' resistance to inroads being made in their living standards and independence of their trade unions.

It is clear that one of the greatest economic and political struggles looming up in Britain will be around the question of whether the unions will continue to accept a state-imposed incomes policy and whether they will surrender the autonomy of the trade unions in collective bargaining and submit to an increasing control of their activities by the capitalist state. In these struggles the future of the British working class—manual, clerical, technical and administrative workers alike—will be decided for a long time to come.

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Postscript

In less than a month after we presented this paper to the seminar at Prague, the British Government devalued the pound and confronted the British people with a more repressive economic perspective, accompanied by steep rises in prices and rigid wage restraint.

Previous to the adoption of the policy of devaluation the British Government was prophesying that it would eliminate the deficit in its balance of payments by the end of the year 1967. It became clear by the end of October that this aim could not be achieved. The recession in West Germany, the USA and France resulted in a slowing down of British exports to the outside world. On the other hand, as the British economy began to recover somewhat, imports from foreign countries into Britain began to increase. There was no indication that the Government's economic policy was achieving its aim of increasing exports faster in 1968—on the basis of existing policy—but there was no chance on the basis of existing policy of eliminating it in any subsequent year.

In this situation the Government was confronted with two alternatives: (1) a sweeping cut in overseas military expenditure, and in the export of capital to be carried through in the space of a few months, or (2) a rapid rise in exports as a result of the devaluation of the pound, while keeping wages down. The Government adopted the latter.

Devaluation was expected over a period of two or more years to eliminate Britain's deficit in its balance of payments.

Its first result would, however, be an increase of prices within Britain and the Government indicated (and the Trades Union Congress supported it) that the unions should not demand increased wages to compensate them for the increased cost of living.

The British employers claimed the right to push up prices on the home market to the utmost possible extent, while insisting that all wages and salaries must be immediately frozen. While the Government proposed to move carefully to this policy, the Confederation of British Industries demanded that it should apply it immediately. Veiled hints were dropped that unless their demands were met the employers would not co-operate in expanding exports, they would indulge in "a strike of capital". They further demanded that direct taxation on companies and on high-paid executives be reduced. They also argued that state expenditure should be savagely cut, not by cutting the enormous military expenditure at home and abroad but by savagely cutting the social services and by imposing a means test.

Even the bourgeois press—notably *The Times*—has protested against the sour tone of the CBI comments, fearing the sharpening of the class struggle which this attitude is bound to provoke.

The Trades Union Congress wage-vetting policy has had to be fundamentally recast. In early November it prepared a highly optimistic account of the trend of the economy in 1968, assuming that productivity would advance by 6 per cent per annum and enable an increase of wages of 4 per cent to take place. When devaluation took place it not only abandoned this as an immediate perspective but insisted that the workers must not attempt to increase wages to compensate themselves for the increased cost of living stemming from devaluation.

It is clear that if the collaboration of the right wing majority of the General Council of the TUC fails to prevent a successful wages movement, then the Government will seek to impose another wage freeze and also increase the level of taxation falling on the workers.

Resist the Attacks

Never in the whole of British history has there been such sustained attacks on workers' standards as in the period from the election of the Labour Government in November 1964. First the moderate deflation, then the so-called voluntary incomes policy, then the period of total wage freeze (July 1966), the period of severe restraint (January 1967), the period of the "nil norm" (at present), the threat of a new pay freeze related to devaluation, further taxation to cut purchasing power, and in the background the coming Report of the Royal Commission on Trade Unions and Employers' Associations, seeking severely to restrict trade union power. The supplementary evidence to this Commission submitted by the CBI calling for fining and penalising of unofficial strikers following upon the thinly disguised threats by Mr. Gunter is a further indication of the state intervention on behalf of the monopolists to cripple the workers' weapon in the continued confrontation with them for the division of the products of their labour.

The ruthless attacks on the unions—the fruit of this so-called incomes policy of the Labour Government—have alienated millions of Labour voters and bring closer the period when there will be hardly a single safe Labour seat in the entire country.

The unions cannot continue to follow the Government along this path, a path leading to the undermining of the basic functions of trade unionism and paving the road for a return of Tory rule. They must repudiate the incomes policy in all its deceptive, dishonest variations, and demand a complete change of Government policy on the lines demanded by the 1967 Trades Union Congress.

Meanwhile the credibility of Mr. Wilson as an economist can be judged by his remark that devaluation has let Britain "out of the straitjacket". This prognosis is what created naïve misunderstanding amongst some of the Left. It is gambling peoples' living standards and work prospects on a rapid and considerable increase of world trade. All the indications are that this calculation is as likely to go astray as every previous one on which Government policies were based. Whether devaluation will let Britain out of the straitjacket in the long run depends on other aspects of Government policy namely whether at long last it will have the courage savagely to cut overseas military expenditure and export of capital. But in the short run (a two years' stretch) devaluation threatens to tighten the straitjacket as never before. That is what the unions and the movement generally must resist.

That is why there must be a tremendous effort to get a record attendance of delegates to the conference of shop stewards and trade union organisations called by the Liaison Committee for the Defence of Trade Unions at the Seymour Hall, Seymour Street, Paddington, on Saturday, February 17th. The convening circular states "the aim and purpose of the conference *is not*", as the *Daily Mirror* falsely suggests "to set up a rival to the TUC, but on the contrary to organise and mobilise the maximum support for the policies and decisions of the 1967 Trades Union Congress".