

PRINCIPLES . . . and PRACTICE

EXPERIENCE SINCE THE WAR SERVES TO ILLUSTRATE FORCIBLY THE VAST GULF BETWEEN PRINCIPLES AND PRACTICE IN ECONOMIC AND INDUSTRIAL AFFAIRS.

TO establish the right principles of economic policy and conduct is by no means a simple task, but it is incomparably easier and less complex than the task—which should logically follow—of translating those principles effectively into everyday practice. It is one thing to define and lay down broad policy. It is quite another, and an infinitely more difficult thing, to adapt and apply general ideas to specific instances, where human ignorance, traditional prejudice, political obstacles and harassing technical details have usually to be overcome.

Action?

The manufacture of economic principles has been a popular pastime for the last six or seven years—ever since the horrors and futilities of the second great war inspired people with even a grain of sensibility to think about, and plan for, a world order which would eliminate the basic economic causes of national and international strife—poverty, idleness, injustice and oppression. An immense stream of books, pamphlets and articles has been poured out by individuals and by organisations purporting to represent the collective opinion of individuals. The I.P.A., Victoria, in a small way has contributed its quota to this fashionable business of policy-making. For this no excuse is tendered. It is entirely right, and necessary, that the construction of sound principles should precede the taking of effective action. We must know where to aim to go before we decide how to get there. We must set up goals before we work out plans. Discussion is preliminary to action and the more thorough the discussion,

the more productive of good is the action likely to be when taken.

When taken! That is the all-important proviso. For policy making without action is largely a waste of time, except for those who sharpen their intellectual faculties in the process. It is here that post-war reconstruction is falling short in Australia as in other countries. Principles abound. The failure is in their practical action—the failure to translate or even to commence translating the good principles into effective daily practice. What is the explanation of this? What accounts for the inability, or reluctance, to give practical effect to principles irrefutably established by experiment and theoretical argument?

Natural Conservatism.

The first reason, and the one that can most readily be excused, is to be found in the natural conservatism of the human species. However venturesome they may be in their theorising, in the sphere of practical politics men are usually reluctant to abandon familiar well-worn paths for new untried routes, however promising the prospect. There is invariably a notable discrepancy between promise and performance. For every hundred employers prepared to accept profit-sharing in principle, only one can be found who has applied it in practice. Political parties are as a rule much bolder in the ideas they profess than in the actions they perform.*

*Sometimes as in the intention to nationalise the banking system, this conservatism breaks down. In this case, rather than progress being advanced, it seems that the ship will be brought perilously close to the rocks.

This understandable reluctance has its good side as well as its bad. While it may unnecessarily impede the ship of human progress it sometimes prevents the ultimate catastrophe of shipwreck. But it tends to impose its restraining influence without discrimination on good and bad ideas alike.

Arbitration Act.

One principle, accepted by most students of industrial relations and confirmed by experience in Australia and New Zealand, is that compulsory arbitration, while possessing certain good features, has definite drawbacks from the standpoint of developing understanding and harmony in industrial relations. It tends to divide instead of unite; to increase rather than decrease industrial disputes. Yet the new Arbitration Act recently passed by the Commonwealth Government, despite one or two improvements, involves not one real departure from the basic principles underlying the existing structure—principles which have been well tried and which have proved to be deficient. In spite of some suggestion in its White Paper on Full Employment that the Labour Government intended to break entirely new ground in the field of arbitration natural conservatism has had the final say. The old routes which have so far failed to vouchsafe the traveller even one glimpse of the industrial millenium are to be gone over more thoroughly than before.†

Human Ignorance.

The second cause of the delay in putting principle into practice arises out of human

†This must not be taken to imply that compulsory arbitration in Australia should be completely abandoned. That would be utterly impracticable in view of the fact that the structure of industrial relations has over many years become adjusted to it. What we should seek to do is to make arbitration work better, to retain its good features while eliminating its bad. It is very doubtful whether the new Arbitration Act does this.

ignorance and prejudice. This is also in one sense excusable, for ignorance is by no means always the fault of the ignorant, and prejudice is not seldom the consequence of environment. The ship of state can progress no faster than the knowledge and understanding of the crew will allow. But in another sense it is inexcusable. For the captain and officers of the ship are charged with the responsibility for seeing that the members of the crew are sufficiently informed and adequately equipped to perform their tasks.

A great deal of post-war reconstruction is foundering, or threatens to founder, on the hard rock of human ignorance—because of the lack of understanding on the part of great numbers of people of simple well-established economic truths and of the basic facts of industrial life. The human bottleneck is the most serious, and intractable of all the bottlenecks obstructing the solution of present problems and the realisation of post-war aims. We are paying the penalty for our past misdeeds. Business men have run their businesses too much as a sacred preserve in which their employees have no real rights or interest. Governments have failed to realise sufficiently that the translation into practice of policy and good intentions cannot be achieved without the backing of an informed and interested public. Today we are confronted with the astounding paradox of a community eager for relief from the austerities of war clamouring for a shorter working week. We have people vociferously complaining about the high cost of living, and, at the same time, contributing to that cost by agitating for higher wages and by restricting output. There is an almost universal failure to appreciate that better living standards can only be won through hard work and greater production. The principle of maximum production as the fundamental solution of post-war difficulties and discontents has been accepted in

Great Britain, the United States, and, very belatedly, in Australia. The utter failure of the average person to realise that he has any responsibility for contributing to greater production by working harder himself is the most serious obstruction to giving practical effect to this principle.

Lack of "Know-How."

A third reason for the gulf between principles and practice is the lack of "know-how" on the part of those occupying positions of leadership. This is quite a different thing from the general absence of understanding of simple economics on the part of the mass of the people. The rank and file are not clear what should be done. The leaders equipped with a plethora of expert advisers are in most cases quite clear what should be done—even though their political affiliations may often prevent them from saying so. What they don't know is how to do it. Policy is no longer the obstacle to progress. The problem, the only real problem at the moment, is to find out how to put policy into practice.

"Economic Survey for 1947."

No better illustration of this could be given than the White Paper "Economic Survey for 1947," issued last February by the British Government, called by "The Times" "the most disturbing statement ever made by a British Government." Here the grave economic plight of the British people is set out in unmistakable terms. The cure, the fundamental cure, for this plight, proclaimed several times throughout the White Paper, is that of greater national output and greater exertion from each individual worker. The means of securing increased output are lucidly and correctly stated. But that is where it ends. The White

Paper quite fails to show how the cures which it prescribes are to be applied. To state this in metaphorical terms:—The diagnosis of the disease is admirable. The broad prescriptions for a cure are unassailable. But no indication is given how the prescriptions are to be administered.

For instance, the White Paper roundly condemns every kind of practice working against maximum output whether imposed by workers or employers. "There is now no place for industrial arrangements which restrict production, prices or employment." That is all to the good. But such practices have been constantly denounced during the last three or four years by leading economists and industrialists. In fact they were condemned over 150 years ago by the father of modern economics, Adam Smith. There is nothing new then in the principle—its validity has been established. The real problem is to show how it can be applied in practice—that is to show how the administrative difficulties, and the opposition of great numbers of workers and employers to the abandonment of restrictive practices can be overcome. Here, the White Paper breaks down.

Again, the White Paper urges the introduction of incentive payments—"... the Government attaches great importance to the introduction of systems of payment and other arrangements which provide the maximum incentive to increased production." This is also nothing new. That greater production can be achieved where payment bears some relationship to the amount of work performed has long been accepted by those with experience of factory management. The problem is how to administer the medicine to a reluctant patient. The trade union movement in Britain as well as in Australia has set its face against incentive payments for many years and has firmly-rooted and long-standing prejudice against them. The White Paper does not indicate how this opposition is to be overcome.

The economic principles of maximum production are well known. The problem now lies in their practical application.

Identical Position in Australia.

The position in Australia is identical. Here, as in England, greater production is the prime economic need—to increase the inadequate supply of houses, food, home and factory equipment, farming implements and services of all descriptions. We are now fully aware of the essential economic measures to be taken to increase output—incentives to all grades of workers from the higher to the lowest, the abolition of “feather-bedding” rules and regulations and restrictive output quotas, the restoration of vigorous competition, the control of monopolistic groups of employers, the reduction of strikes and continuity of production, the maintenance of reasonable discipline under conditions of full employment, the improvement of employer-employee relationships in industry, more efficient and modern productive equipment, the education of all parties to the industrial process in simple economics. Such principles are now questioned only by political ostriches and economic fanatics. We know what to do. What we don't know is the further step of how to do it. The principles of action are firmly established. It is in taking action itself that we fail and falter.

Appeals, But No Action.

It is to this end that thought and research should now be directed. For the present we have a plentitude of statements of general principle and policy, whether produced by governments, employer organisations, trade unions or other bodies. That work has been done over the war years and since—and done thoroughly. We have a good stock of

economic and social principles to work on and we are not likely to run out of them for a long time to come. This does not mean that the fundamental truths and facts of industrial life should not continue to be emphatically proclaimed from the platform, in the daily press and in business and academic journals. Economic verities will soon be forgotten unless the public is constantly reminded of them. But it does mean that broad national appeals and exhortations from national leaders in politics, business and elsewhere are likely to be futile, unless they are followed by positive steps to make the appeals effective.

Since the end of the war, few days have passed without a politician, economist or an industrialist publicly urging the need for greater production to solve post-war problems. But so far there has been little or no perceptible response to these appeals. Unless a plan of campaign is worked out to educate the public and the individual worker to accept the need for greater output, to curtail strikes, to improve industrial co-operation and understanding, to encourage hard work and enterprise from the highest to the lowest paid worker, appeals will fail to bring about any tangible improvement in man-hour production.

Incentive Payments.

In season and out of season, for twenty years and more, employers in Australia have preached the virtues of schemes of “payment by results” and urged their widespread application to industry. They continue to do so, in spite of the fact that over that period comparatively few additional schemes have followed as a result of their pleadings. That should be proof enough that something is missing in the employer's approach to the problem. It may be that a universal application of the principle of incentive payments is des-

ted never to become a part of the organisation of Australian industry. But at least this would be worth finding out.

What is needed is more research. What is it in "incentive payments" that leads employees to oppose their adoption? Are they equally opposed to all types of schemes—for instance group schemes as well as individual? Does the trade union movement correctly interpret the wishes of its followers in its continued antagonism to incentive payments, or does it wilfully misinterpret them for political and personal ends? Why has it been possible to secure their adoption in certain occupations and industries and impossible in other occupations and industries? Are there any means of overcoming the prejudices of the workers against "payment by results"? Can systems of "payment by results" be put up in such a form, and with such safeguards, that the workers present reluctance to adopt them will be removed? Is there any satisfactory and practicable "quid pro quo" which can be offered to the trade union movement in return for the acceptance of incentive payments? These are the questions which must now be answered if there is to be any hope of real progress.*

Restrictive Practices.

The same reasoning applies to the restrictive practices of workers and em-

*Excellent work along these general lines has been carried out by a Conference Group organised by the Institute of Industrial Management. The report of the Group should be read by all industrial executives. But a great deal more needs to be done—the most difficult problems remain to be solved.

ployers. What, in detail, are these practices? How common are they? How destructive of the common good? How are they applied in specific industries? Why are they applied? Is there any real justification for them? If so, is it possible to offer or to create conditions that will undermine their justification? These are not easy questions to answer. They need time, money, skilled and experienced research workers. But unless they are prepared to find out the answers employers and governments might just as well entirely cease to make general appeals, for all the good they will achieve.

The Human Situation.

Joint consultation, worker education, profit-sharing and many other of the major present-day issues of economics and industry fall within the same category as incentive payments and the abolition of restrictive practices. We know that these things would be for the common good. There would be no difficulty in applying them in a world where men were reasonable, unprejudiced, trusting uninfluenced by political slogans, in a world where the patient knew what was good for him. What we have to find out is how these remedies for social ills can be administered to the human situation as it is—to fallible, not always reasonable, suspicious, ill-informed, slogan-ridden men and women, to a sick world which refuses to take the medicine prescribed by the doctors.

