

LETTER and REPLY

10/4/48.

The Editor,
I.P.A. Review.

Dear Sir,

A copy of February I.P.A. Review is before me. I have studied previous issues hoping to find a clue to a better system and am now constrained to reply.

As a common worker I address the following to your Council and Editorial Committee.

Gentlemen,

You and your class have the privilege to say to me and my class "Come" or "GO." It is that accursed word "GO" which is the root of our troubles today.

Let me speak in my own language.

For God's sake do not waste any more good ink and paper writing about Incentives, Profit-sharing, Amenities, Co-operation, Price Control, Inflation and Deflation. These subjects are only baits and scares for ignorant workers. Jargon such as this does not offer us one iota of economic security except at the expense of some other of our class.

In 1929 our wholesale and retail warehouses were full to overflowing, coal yards were stacked mountains high, but, there was not enough purchasing power to dispose of the goods so we who produced those goods were told to "GO." Result: For years we walked the streets, our toes peeping, our stomachs empty, body and soul kept together only by a damnable dole—Never again.

We find the only way we can avoid a repetition of that misery is to keep goods in short supply so you cannot afford to

say "GO." Thus we get a measure of economic security. But such a raw deal hurts us more than it hurts you, because you can buy what we produce and we go short; your price control is twin evil with the black market.

Do you wonder why we strike? Why we are tempted by socialism? 98 per cent. of us dread Stalinist dictatorship, but under communism that little devil "GO" would not be always just lurking round the corner.

We who, for wages, devise, make, produce and transport the necessities of life are the nation's providers; when we stop everything stops, yet we are always the first to get it in the neck in case of a depression.

Give us economic security and again we will fill the barns to overflowing, but we refuse to go hungry because we have produced too much bread. We will build houses to spare, but only on condition we do not lose our homes, as we did before when we built too many houses.

Your baits have no attraction, your scares do not alarm us, but probably you do not know what else to offer; let me tell you.

While we are filling the larders, etc., our employers can pay us our wages. When the larders overflow the State must pay full wages to those providers for whom a job cannot be found. When there is not sufficient money in circulation, without hurtful taxation, then money can be created to equate with the volume of goods, and so we shall be paid our full wages whilst in the shadows of overflowing larders.

Probably the simplicity of the solution bewilders the mighty.

There is no suggestion of something for nothing, but we demand our full share when the storehouses are overflowing.

We are told to go on producing because it will take years to overtake the demand. Let us remind you it will take decades under the present system, but only months if our plain demands are met. Are we asking more than Justice?

The solution is something worthwhile getting your teeth into; make the providers' lot attractive and a legal right, and the world will change over-night.

Perhaps you may consider your wisdom greater and will try to alter the colour or odour of the bait, or brighten up your bogey scares. Gentlemen, it will not avail.

Surely you must understand why we rebel. The many trivial strikes are only the constant hammer blows against the stupidity of a system which starves men when they produce too much.

Please pardon me for not adding my name and address, as I am an employee (a "go slower") in the service of one of your Committee who has the power to say to me "GO," which he probably would because of my audacity to address you.

P.S.—I wonder if you are game to print this in the I.P.A. Review.

REPLY —

It is not the practice of the I.P.A. to deal with anonymous letters. In this instance we have made an exception. The point of view expressed by the writer is

so commonly held and lies so close to the heart of the industrial problem that anything the I.P.A. might do to dispel or to lessen the fears from which it springs should be more than worthwhile.

The yearning for security of employment is such a wholly reasonable ambition that no fair-minded individual will deny the essential justice of the claim made by the anonymous author. This generation still recalls the human misery imposed by the world depression of the early "thirties." No decent employer in those difficult days said "GO" to his work-people lightheartedly, or until there was no other alternative, because he knew full well that his decision spelt not only hardship for his employees, but loss, and sometimes ruin, for himself.

The Fallacy in the Argument

The argument of the writer can be summarised in three simple propositions:

1. That depressions and unemployment arise from a collapse of purchasing power.
2. That this leads to over-production in the sense that goods produced cannot be sold.
3. That (in the absence of a satisfactory alternative policy) unemployment can be prevented by the worker restricting production.

With the first two propositions we entirely agree. But, having conceded that the cause of unemployment lies in a decline of purchasing power, it is strange logic indeed to argue that unemployment can be prevented by limiting production.



LETTER and REPLY (continued)

It seems to us that the writer, after having accurately nailed the cause of the disease then proceeds to suggest a method of prevention which, because it raises costs and prices, actually undermines purchasing power and thus aggravates the very factor which the writer concedes to be at the root of the trouble.

For example, if two bricklayers employed on a house lay 400 bricks a day, where one could without strain lay 800, the effect of the restriction is that a job is provided for an extra man. But the extra cost of the house as a consequence leaves the home-builder with just that much less money to spend on something else; in other words, on something that would provide employment for other people. Because his house cost much more than it should have cost, he decides not to carpet the dining room, or not to buy extra chairs for the sitting room, or an ice-chest for the kitchen. The extra job provided for the bricklayer thus means there are less jobs for those engaged in making carpets, or furniture or ice-chests. The policy of limiting output and "spreading the work" thus does nothing to increase the total purchasing power of the community. And under conditions of labour shortage such as the present (since all bricklayers would in any case be employed) it actually reduces purchasing power.

All "spread the work" schemes, no matter what form they take, have in the end a similar result. They provide jobs for some people only at the expense of jobs for others. They do nothing to provide additional jobs, or to prevent the loss of jobs as a consequence of a failure to avoid a depression.

If, as the writer argues, unemployment follows from an insufficiency of spending power, the logical thing to do would seem to be to endeavour to ensure that spending power is maintained. This is in fact the central principle behind modern theories relating to the maintenance of employment and behind the policies of full employment, which have been adopted by the British and Australian Governments. There are no grounds at all for the view that depression and unemployment can be prevented by restricting production nor that increased production will, or can, of itself, lead to a depression.

If, before 1930, a policy of rigid limitation of production had been followed by the trade union movement, then when the collapse in overseas prices came we would have been in an even worse condition to meet the depression than was actually the case. The contagion which spread to Australia from abroad would have found us in a state of very low resistance. The depression would have hit us sooner, it would have lasted longer because we would have been in a less satisfactory position to climb out of it, and it would have been more severe while it lasted.

Our Standard of Living Depends on the Level of Production

In primitive times we would have clothed ourselves with animal skins, hunted our own game, grown our own food and built our own huts. Our standard of comfort would have depended entirely upon our own efforts. If we adopted the policy of "go slow" then, our comfort would obviously be less than our neighbour who worked harder. It is not much

different today. If people continue to restrict production because they think that it is the way to obtain security of employment, we may arrive at the stage—and we are not far off it now—where if a young man wants to get married he cannot buy or rent a house, because there are no spare houses, or because the cost is too high.

The greater our production, the higher will be the Australian standard of living. In the long run there can be no improvement in average standards of living without greater production. It is the most elementary of economic truths that wealth in the form of goods and services must be produced before it can be distributed. We must plan for high production at low cost and for increased consumption. It is out of production, and only out of production, that wages are paid. Work makes more work and increased output does not deprive either employers or employees of future economic security. Rather it achieves the contrary by creating greater prosperity, higher real incomes, and the wealth out of which improved amenities and social services can be provided. High production at low cost enables industry to maintain employment, pay high money wages, make good profits and still reduce selling prices. Wage-earners cannot expect to obtain increased real wages when industry is restricted to low production at high costs.

Shallow Criticism

The writer, in dismissing incentives, profit-sharing, amenities, price control, inflation and deflation as mere “baits and scares,” ignores the positive benefits

which enlightened policy on these questions can bring to the whole community.

Surely it is obvious that employees have much to gain from soundly based incentive and profit-sharing schemes; by co-operation with management in achieving high, efficient production, improved working conditions and amenities; by playing a responsible part in assisting the nation to steer a middle course between the evils of inflation and deflation.

Those misguided people who cherish the illusion that by keeping goods in short supply they can feather their own nests, are in fact aggravating the inflationary spiral which must inevitably bring disastrous consequences to the whole community. If it is unchecked, inflation, caused by too much money chasing too few goods, will in the end destroy savings and by forcing up the cost of living undermine the purchasing power of wages.

Full Employment Policy

It is true, as the writer of the letter states, that unemployment, the “little devil GO,” does not now exist in Russia. But, in the Soviet Union, security of employment has been purchased at a very high price—at the price of freedom. Soviet Russia has abolished unemployment by enslaving the workers. Russia offers far less **real security** for the average man and woman than the democracies. Under the “Stalinist dictatorship” there are secret police, concentration camps and forced labour groups, and over all the iron hand of the Communist bureaucrats to decide where you work, what your wages are, and what goods you can buy.

LETTER and REPLY (continued)

The writer of the letter says that "the state should pay full wages" to those persons for whom a job cannot be found. However, the purpose of any self-respecting full employment policy is not to pay wages to unemployed persons without work being done, but to provide suitable constructive work at a decent living wage for all those who are fit and able and prepared to work. From the outset the I.P.A. has recognised that full employment should be one of the major goals of economic policy, and the suggestion made by the writer that the simplicity of the solution may bewilder us, is completely out of focus with the facts presented in our publications.

Social Responsibilities of Industry

This Institute has always insisted that private enterprise has social responsibilities to its employees and the consuming public. We have always spoken in favour of a fair reward for labour and we have endeavoured to make a useful contribution to the improvement of industrial relations. Since its inception the I.P.A. has been in favour of industrial companies doing everything in their power to provide stable employment for their employees. We would like to see industrialists, and the community as well, give some thought to the practicability of adopting two constructive suggestions, which, although they cannot in themselves be regarded as remedies for unemployment, would help to act as a buffer in times of threatened depression. In the first place, some industrial companies might be in a strong enough position to set aside reserves in

prosperous times, for use as employment stabilisation funds in the event of a trade recession. As an encouragement, the Government should consider the desirability of exempting such reserves from taxation. Secondly, in U.S.A. much publicity has been given to the development by some companies of plans for guaranteeing employment and wages for a definite period. While much research will be required before Australian companies can be expected to assume the burden of guaranteed employment, there is much to be said for any scheme which will help to increase the present tenure of employment to a longer basis than weekly hiring. There can be no doubt that the adoption of either of the above suggestions, when super-imposed on full employment policies, would have a reassuring effect on the outlook of labour.

It is our belief that the wage-earner wants primarily three things—economic security, recognition of his aspirations as a human being, and a high standard of living, which means a real wage which will buy better food, better housing, greater comfort and contentment. "Go slow" tactics will never achieve these high objectives, but labour's active industrial co-operation with management will. "Go slow" can only result in increasing the shortage of goods, thereby forcing up prices, raising the cost of living and having no other result than undermining the purchasing power of the weekly pay envelope and the housewife's purse.

It remains for us to reiterate **our faith in an economy based on a private enterprise which accepts its social responsibilities**, because we believe it offers spiritual freedom, personal independence and a high standard of living. Socialism or Communism offer none of these.

