

To sum up quite shortly, I would suggest that the system is undesirable from the general social point of view, first, because it is legislative and hampering in detail; secondly, because it takes the responsibility from the shoulders of the leaders on both sides and puts it on an outside tribunal; thirdly, because it is futile, in that the wage-rise is probably cancelled out by higher costs of living; and, fourthly, because it prevents industrial experimentation on other lines, and as a result the whole industrial life of the country is more or less grounded upon and bound to the present system. Just one final word, and that is this, that in my judgment those who blame the Arbitration Act for all the ills with which the country has been afflicted within the last few years are claiming a great deal more importance for it than it really deserves. I have always thought it mischievous in principle and bad in practice, and I have never had the slightest doubt that, in conjunction with the protective tariff, any improvements secured for the workers or anybody else by this system were secured partly at my expense—a thing I do not like. But it is impossible statistically to determine the weight to be attached to the various factors in the case. I think we are cursed in New Zealand by duplicated overhead, by overcapitalized and overvalued real estate, by the fact that capital is scarce and dear, and by a generation of public and private extravagance; and now that prices and conditions are coming down, as they seem to be, all the slack has been taken up, and we are feeling a great deal of weight, due to the fact that in thirty years of prosperity we did not save anything but, on the contrary, increased our liabilities. I know of no measure for ascertaining the respective weights of these different factors, nor can I say whether, individually or collectively, they are more important than the arbitration system. But I think that the Arbitration Act is mischievous in operation, involving as it does, State distribution of wealth, the taking away of responsibility from where responsibility rightly lies, and, by compulsory arbitration, the substitution of the fiat of a Court for the decision by the parties concerned of the points that they should decide for themselves. If I were asked to prescribe remedies for this state of affairs, I would suggest, as I suggested in my address to the Royal Agricultural Society, the amending of the Act in such a way that, in so far as arbitration is compulsory, it should be eliminated and arbitration on a voluntary basis provided for, with any consequential amendments that might be necessary. May I ask leave to have my address before the Royal Agricultural Society put in as an exhibit?

The address to the Royal Agricultural Society, referred to above, is as follows:—

In any review of the principles underlying the system of compulsory industrial arbitration, and of the practical effects of those principles, it is desirable to make two preliminary explanations:—

(a) Criticism of the system must not be taken as a suggestion that the Act should be flouted, or as an incitement to anybody to disregard its awards and orders. As long as the Act is on the statute-book it must be obeyed by those amenable to its jurisdiction.

(b) Criticism of the system does not involve criticism or blame of the administration. This has always been capable and conscientious in the highest degree. The Judge and the Labour Department are not responsible for the system; they have to administer it as it stands, nor are they responsible for any defects it may show. The most arresting feature of the operation of compulsory arbitration has been the uniformly high level of capacity and integrity displayed by the Court itself. In the very trying post-war period, in particular, His Honour Mr. Justice Frazer, has handled an abnormally difficult situation in a masterly manner. If the statute is altered, then doubtless the opinion of His Honour as to how it should be dealt with would receive more consideration from the Government than any other available opinion, because he is best qualified by experience to pass it in review. It is, of course, impossible that he should express any public opinion on the system that he is called upon to operate, and he is also debarred, *ex officio*, from replying to criticism which, owing to the necessary disabilities of an observer from outside, may overlook matters of considerable moment.

It is generally advanced, in defence of the system, that it has performed four valuable services:—

(a) It secures uniformity of industrial conditions, standardizes competition, puts all employers on the same level, and prevents "good" employers from being undercut on labour costs by "bad" employers; while by standardizing conditions with certainty for some time ahead (the maximum period of an award or industrial agreement is three years, but it runs on after expiry until superseded by a new award or industrial agreement, or by cancellation of registration) it enables forward quotations to be made with some certainty, and thus eliminates an element of uncertainty and risk from business. No doubt this is so, but at least a fair measure of uniformity of the kind can be secured under ordinary trade-union bargaining without any compulsory provisions at all. This advantage is not exclusive to a compulsory system, though probably more marked owing to the compulsive power conferred by the Act.

(b) It throws a useful light of publicity on industrial conditions, owing to the fact that hearings are held in a Court usually open to the public. This doubtless has a therapeutic effect of a kind, but it does not necessarily mean that all the cards are exposed on the public table, nor does it necessarily exclude unobtrusive private arrangements between the parties, though it makes them more difficult and less probable and frequent. It has, however, the drawback of making the parties posture for public support, and angle for public sympathy; and it may cause more heat than light to be focussed on industrial problems; while it also diverts the parties from the essential objective of smoothing out their difficulties, to making out a case before the public, and to raising for that purpose *ad captandum* points of little real relevancy in some cases. Posturing to the public is not an aid in securing industrial peace or industrial harmony and efficiency.

(c) It prevents sweating, and has raised the standard of living and the wage level. Here again there is a qualification to add. The effect of the other portions of our industrial legislation in preventing sweating and securing good working conditions are apt to be overlooked; while assuming that because the system in its earlier years was accompanied by rising prosperity for all it was therefore the cause of that prosperity is to fall into the fallacy of *post hoc ergo propter hoc*, and to beg the question. It is true that after the inauguration of the system wages rose and industrial stoppages virtually disappeared for a time, but that was in great measure due to:—

(1) The rise in world prices, which started in 1896, the year when the Court first got into its stride, and went on until 1921. The rise in wages was simply one manifestation of the general rise of prices; it would have come about in any event, and it raised nominal wages more than it raised real wages.

(2) The chronic shortage of labour during that period.

(3) The prosperity of the country due to the effects of refrigeration on our foreign trade.

(4) The prosperity due to huge and continuous imports of capital from foreign loans borrowed for developmental purposes. As the effects of these stimulants have worn off, the potency of the Court as a vehicle for working-class welfare has fallen steadily, and dissatisfaction has steadily increased. The Court registered but did not cause the rise in wages, though it probably brought wage adjustments about more quickly than they would have been made had there been no Court.

(d) It abolishes strikes. This is untrue. From the inception of the system up to 31st March, 1915, the total number of strikes in New Zealand was 148; 53 in contravention of the Act, and 95 outside it. From 1906 to 1925 the total number of stoppages was 695, which is rather many for "a country without strikes." Admittedly many of these were trivial, and it is probable, though from the nature of the case it cannot be proved, that there would have been more stoppages, or stoppages of a more serious character, had there been no Act at all. However, the figures make it plain that the Act cannot be defended mainly or merely on the ground that it has prevented industrial stoppages, for it has done no such thing.