

Whitley system of Joint Standing Industrial Councils. True peace, and efforts to secure it, must be a growth from within, not an imposition from without. The only permanent progress will be that made by the parties themselves. There seems little scope for this under the present system. Since there is no generally recognized principle of social justice in wage-fixation, the system tends to stabilize a wage on the cost-of-living basis, or else to "split the difference." This could be done just as easily by the parties themselves as by a tribunal.

"The settlement of wages under such a system is likely to be comparatively easy at the outset. The adjudicated rates of wages are likely to be, when first fixed, somewhat higher than those previously current, but still 'fair,' and not higher to such an extent as to present a real question of principle. There is usually a certain amount of slack in industrial arrangements which can be taken up without serious strain. But, as time goes on, the workmen and the community in general will again become accustomed to the new scale. The workmen, it is almost certain, will before long ask for more, and then for more and still more, until finally the tribunal will be compelled to consider how far it can go in modifying the terms of distribution. Where stop? What are 'fair' wages? That question cannot be settled without settling what is fair interest and fair business profits. Compulsory arbitration does not content itself with defining the limits within which competition shall work. It supplants competition. Wages, interest, profits, are not to be determined by the bargaining of employers and employees, with liberty for each party to desist at will and see how the other can get on without. They are to be fixed by public authority, and this involves settlement by public authority of the distribution of wealth." —(Taussig: "Economics," vol. 2, pp. 317-18.)

The union feels that the situation described in this passage has just about arrived. In Australia it has already been faced, since some years ago Mr. Hughes pointed out that State fixation of wages would logically lead to State fixation of prices, rent, and profits. The union feels that such an outcome of the arbitration system is against the public interest.

The union considers that the arbitration system may be of advantage to individual employers who are already established, by standardizing their wages bill, and therefore the level of competition, in some degree. It may also help them by protecting them from the competition of new men with new methods that cannot be fitted into the strait-jacket of existing awards. This is done only at the price of inefficiency to the country as a whole. To meet this situation in some degree the union presses for the enactment into law of clause 20 of the 1927 amending Bill, allowing any award to be reviewed by the Court with a view to introducing new methods, on the application of any party, and considers that a party "substantially interested," as defined later, should have the right to make application under that section.

There is no reason to think that labour is better off in New Zealand and Australia, the only countries that have compulsory arbitration, than it is in other countries, similar in other respects, that rely on collective bargaining in labour disputes. The union considers that many of the alleged benefits of the Act are attributable to other causes, and quotes with approval the following passage from a recent address of Professor Murphy:—

"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 focused 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.