being by far the most important piece of legislation affecting the industrial conditions in this country. The question as to whether we should now be better or worse off had the system never been introduced is beside the point; the real question being: Is there anything in the Act which has contributed to our present difficulties, and, if so, what is it, and is there a practical remedy? There can be nothing said against the principle of conciliation. It is being adopted all over the world as a means of settling industrial questions, and the operations of the Conciliation Council in this country have had a great measure of success. The principle of arbitration also is undoubtedly sound, and is used constantly in a variety of directions other than in industry. There appears to us no reason to doubt that, with strict adherence to sound economic principles, the system of industrial conciliation and arbitration can be made a success. We attribute the lack of complete success in the past and the probability of breakdown in the future to a departure from sound economic principles, most of the more obvious faults of the system being traceable to that cause.

The more important and far-reaching defects appear to us to be as follows:—

False Basis of Wage-fixation.—Wages have been based on cost of living. In other words, men are paid not on what they produce, but on what they, together with certain other individuals (often non-existent), consume. To this we attribute the comparatively poor standard of *per capita* production.

False Precedents in the Framing of Awards.—New awards are frequently based by the Court on precedents of the Court's own creation. This leads to accumulation of error where error has been made, and also to the spreading of that error right through industry.

Lack of Elasticity in Wage-cost Fluctuation.—Under the Arbitration Act labour is the one commodity that has been removed from the operation of the law of supply and demand, and the effort has been made to force the law to conform to the Act. This is a hopeless effort, and results inevitably in unemployment. While violent fluctuations in wage costs are most undesirable, no elasticity at all is still less desirable.

It will be noted that these weak points, with regard to all of which our opinion is supported by economists, are not inherent in the Act, but are merely methods of administration that have been adopted, possibly for lack of more suitable alternatives. They are controlled by the features which follow, and which are incorporated in the Act.

Too Great Power in the Hands of the Judge in One Direction and too Little in Another.—In any dispute the power of the Judge over the employer is absolute; his power over the worker is nil. He has complete control over the wages to be paid, and no control over the output returned for those wages. At all events, no effort appears to have been made to regulate the output, except in the comparatively rare cases in which piecework operates.

One-sided Compulsion.—The one-sided nature of the compulsion exercised is made quite clear in the Year-book description of the Arbitration Act as follows: "It will be noted that the workers may compel any of their employers to come under the Act; while the employers cannot compel their workers to come under it unless the latter have registered as an industrial union or association thereunder; registration is voluntary." This feature is directly responsible for the preceding condition, and indirectly responsible for the others we have mentioned. It also constitutes a point of difference from arbitration in other walks of life, where the principle is so uniformly successful. We are unable to suggest any other serious defect in the Act itself, and we are therefore driven irresistibly to the conclusion that it is this fundamental feature that is crippling the system. This conclusion is confirmed by a consideration of the direct ill effects of one-sided compulsion, a few of which may be mentioned.

Bias Against the Employer.—A gradual, cumulative, and permanent bias against the compelled party—in this case the employer—is inevitable. Small, often trivial concessions in favour of the worker creep into successive agreements or awards and they never creep out again. Concessions in favour of the employer can be pushed out by direct action or by the threat of it. Cancellation of registration enables this to be done in a perfectly legal manner. In the former case these small concessions remain a fixed feature of the industry concerned, which has to adapt itself to the new conditions. Eventually they spread to all other industries. This bias is nobody's fault in particular, least of all the Judge of the Court. It is the logical result of the conditions, and it accounts for the persistent rise in cost of production and cost of living.

Industrial Unrest.—This is largely due to the absence of real bargaining-power on the employer's part, or any power of retaliation. The natural answer to a threat to strike is a threat to lockout or to refuse employment. The former is an effective threat that can be carried out within the law; the latter is easily countered by registration under the Act, and on application for an award. The employer is deprived of his natural means of defence, a circumstance which in itself is an invitation to attack.

Breaches of Agreement.—The proper answer to a broken agreement is the refusal to make subsequent agreements, but the employer is powerless to make this answer. Therefore, little is lost by the worker by a breach of good faith, and breaches of agreement are common.

Creation of Unnecessary Disputes.—While one party can force the other before the Court it nearly always pays to create a dispute wherever possible. Compromise is always to be expected. Something may be gained; nothing will be lost. Deregistration is always possible if the other side try the same tactics.

Friction and Enmity.—These are an inevitable consequence of the ever-recurring battles in the Court of Arbitration. The intervals between litigation periods are devoted to the sharpening of weapons for the next encounter. The spirit of compulsion must enter also into the work of conciliation, creating antagonism where none need exist.

It may be mentioned here that we are not in any sense laying blame upon the worker for the undesirable conditions we have mentioned. He takes the law as he finds it. The fault lies not in the worker for taking advantage of the opportunities or privileges afforded him, but in the statute which confers them.