of processes, tidiness, cleanliness, and loyalty to the firm. The finest industrial qualities are thus left without direct reward.

"(v) Involving as it does the 'commodity' view of labour in its baldest form, it keeps in the background all sense of mutual interest; and by thus disguising the true nature of industry as a co-operative enterprise for mutual benefit it eliminates from industrial relations their highest human qualities, such as mutual trust, loyalty and co-operative assistance, and pride in good work well done."

In view of the constant competition from abroad against many of our manufacturing industries, the dangers of "rate-cutting," industrial friction, and diminution in quality from the adoption of piece rates must be fully realized.

In a very limited field—as, for example, in textiles—there may be scope for the extension of the piece-rate method; but the system and the rates paid should be collectively agreed upon by an appreciable majority of workers and employers in any industry, and should be general throughout the industry, and should be carefully safeguarded against rate-cutting. It is questionable whether under these provisions piece rates are within the range of practical application, since it is not likely that a majority of employees and employers would agree.

Piece rates *individually* agreed upon between workers and employers would cut across accepted principles of collective bargaining, whether free or compulsory, and would open the way for exploitation and acute industrial friction.(1)

It should be understood that whatever system of wage payment is adopted will present difficulties and suffer imperfections, and the problem is to choose that system which presents the least objectionable social defects and offers the largest net economic advantages.

(*g*) *Minimum Standards and Inelasticity.*—It is further alleged that not only do minimum-wage rates tend to become the maximum, thus discouraging initiative, but also that wage rates are too inelastic, and do not vary sufficiently in accordance with the state of industry. It is implied that wage-rates are fixed for too long a period, and that in consequence they become too high during depression, with the result that unemployment increases. There is some measure of truth in this statement.

It is possible that a greater elasticity in *standard rate of wages* might be achieved under free collective bargaining; but I have suggested that some degree of elasticity is in fact achieved in many industries by payments above the award rates in times other than during depression. It is conceded also that a reduction in award rates during a time of depression might reduce the volume of unemployment, and on these grounds there is something to be said for a greater measure of wage elasticity; but such elasticity should be upwards as well as downwards, so that those concerns and those industries in which minimum rates are in fact maxima and which do not pass on some of the benefit of good times in the shape of payments above the award rates might be forced to do so. This would in fact tend to diminish the severity of depression by discouraging the tendency to over-expansion, over-capitalization, and over-production in times of boom.

It should be pointed out, however, that the same difficulties of inelastic wage-rates may arise under voluntary collective bargaining. The example of the coal industry in Great Britain (which is one of many) may serve to illustrate this point. From 1921 to 1926 minimum-wage rates were fixed at a level based on current-wage rates in 1914, and provision was allowed for fluctuations above this rate by a division of the "net proceeds" of the industry. The industry suffered such depression that the minimum rates became in fact the maxima except in a few areas. That this rate was economically too high under existing methods of organization and standards of efficiency is revealed by the persistence of a prodigious volume of unemployment. Wages were too inelastic despite the existence of free collective bargaining and the absence of compulsory arbitration. It is significant too, that a return to wage-rates and conditions of work which the employers considered economic, and sufficiently "elastic"—that blessed word—could only be achieved (if at all) by a disastrous stoppage. This particular example is chosen because the data is available at the time of writing; but it will be shown later that the fixation of wages at too high a level—which is what the critics really mean by wage inelasticity—is very general, and in many countries presents problems similar in nature and importance to those in New Zealand. The practice of fixing standard rates for a period of time is necessary under voluntary collective bargaining as well as under compulsory arbitration. It is unfair to attribute inelasticity of wage rates in New Zealand to the *principle* of compulsory arbitration; the difficulties of deciding wage rates at more frequent intervals than at present are neither more nor less serious under the New Zealand system than they would be under strong trade-unionism were the present system abolished. I would agree that at the present time wage rates are fixed for too long a period; but the fixing of minimum rates for shorter periods than at present does not involve the abolition of the Court.

In those numerous branches of industry in which trade-unionism would be weak or non-existent, it is true that some greater elasticity might result if minimum wage rates were not standardized by an external authority; but only because the workers would be at the mercy of the unscrupulous and economically weak employer, who would be able to force down wages not only in his own business, but also among his competitors, on every suspicion of depression.

If it is argued that a central authority could still fix a minimum wage in any case, there is the obvious reply that precisely the same sort of problem would arise in respect of wage-rate elasticity as occur at present.

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(1) There is a tendency to point to the United States as affording an example of the efficiency of piece rates in stimulating individual effort and making for national prosperity. It should be noted, however, that the widespread existence of large scale methods of standardized mass production has provided much greater scope for the adoption of piece rates than in any other country. Further, while the United States is no doubt highly prosperous, yet this prosperity depends on a variety of factors; while the high level of general prosperity is probably much exaggerated in popular opinion, and is associated with many undesirable conditions which would not be tolerated in a British country. Considerations of space prevent the enumeration of these; but the reader is referred to Adams, "An Australian looks at America," for a candid criticism.