It must be clearly realized also, that some degree of stability in wage rates over a period is essential if employers and workers are to budget ahead with any confidence. Too perfect a degree of elasticity would have drawbacks of its own. Further, since the desire for wage elasticity is often expressed as a means of alleviating unemployment in times of depression, it should be stressed that the method has decided limitations of practicability. It is true that if wages were brought low enough in times of depression—to, say, half the present rates—unemployment might be reduced to insignificant proportions; but one need scarcely stress the undesirability of such a policy. There are other and less objectionable methods than this.(1)

4. *Regulations which hamper Industry.*—It is further alleged that the Arbitration Court seriously hampers industrial progress by imposing all sorts of regulations limiting the freedom of the employer and employee, and preventing that elasticity in conditions of production which is necessary for full efficiency. There is some truth in this statement also, but it is in my view erroneous to assume that the abolition of the Court will necessarily make for any appreciable improvement, except in those cases where, by virtue of the weakness of the unions and the inferior bargaining-power of the employee, it will be achieved at too great a social cost.

(*a*) *Restrictions under Strong Trade-unionism.*—It should be common knowledge that where trade-unionism is strong restrictions are placed on the employer similar in kind and degree to those attributed in New Zealand to the arbitration system. There are some who would blame the Court in New Zealand for the prevalence of demarcation rules, hindrances to interchangeability of related craftsmen, limitation of entry into trade-unions and similar restrictive practices, regardless of the fact that these are among the most common and intractable of the problems wherever trade-unionism is well established. We quote an instance by way of example. The Joint Inquiry Committee in the ship-building trade of the United Kingdom reported in June, 1926, that the chief internal difficulties of the industry resulted from precisely these problems. The Cambridge House Bulletin of January, 1927, which is written by an expert in industrial relations, after commenting on the very serious difficulties in the way of solution of the problem, states as follows:—

"It should be realized that these questions of demarcation and interchangeability strike at the most fundamental principles of craft unionism, which have nowhere been so highly developed or so jealously guarded as in the shipyards, where so many different craftsmen work side by side on a joint product. Demarcation rules are made for two main reasons: first, in order to safeguard the standard rate of wages; and, secondly, to retain the maximum field of employment for each craft. Both reasons are, of course, grounded in the fear that the cheaper man will be employed wherever possible. These restrictions tend to raise the cost of production by an amount which may be considered negligible in ordinary times, but now, when the industry is finding it so difficult to meet foreign competition, costs must be reduced to the absolutely unavoidable minimum. The explanation of the unions' decision is really that the main body of the workers have still to be educated to the hard fact that some personal sacrifices and risks have got to be made for the good of the workers as a body, and in order to save the industry as a whole."

Where trade-unionism remained strong after the repeal of the Industrial Conciliation and Arbitration Act, the same sort of restrictions as are at present imposed would remain, with the probability of serious friction arising out of the fact that limitations on the freedom of the employer would be blamed directly on the unions instead of on the Court. One might reasonably ask whether or not productive elasticity is greater in this country in the mining industry, over which the Court is stated by its critics to be largely inoperative, than in other fields of industry.

The restrictions imposed by the Court are designed primarily to safeguard reasonable conditions of labour. Strong trade unions may be expected to enforce similar restrictions for themselves. Weak unions will find that "elasticity" easily and imperceptibly grades into exploitation, on the part of the weaker or less scrupulous employers who, as is suggested by the quotation from Professor Murphy given above, are likely to set the standard, both of wages and conditions of work.

(*b*) *The Possibility of Local Agreements under the Court.*—Further, where special conditions in a locality or even, in exceptional instances in a particular undertaking warrant special agreements, there seems no essential reason why such agreements, having been decided on through the representatives of the unions and employers concerned should not, by the process of registration, have the force of an award.

(*c*) *Possibilities of Industrial Progress, given Certainty and Wage Stability.*—In conclusion, we may quote a considered pronouncement by Mr. W. Cecil Prime, Secretary of the Employers Federation for Canterbury, and presumably made with their authority. He follows an appeal for a period of industrial peace and stabilized wage conditions with this passage: "With the prospect of freedom from industrial disputes of a major nature, with a certainty of stabilized conditions and rates of many wages, employers will have confidence in seeking improvements in methods in order to bring down prices. From lower prices, wage-earners will reap the benefit in that their money wages will have a greater purchasing-power. Increased purchasing-power on the part of the workers should stimulate trade and industry with resultant benefit all round."(2)

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(1) See, for example, the suggestions made in the accompanying "Memorandum on Unemployment."

(2) See also speech by Mr. Hobbs, President Canterbury Employers Federation, June, 1927, p. 23: "Critics made quite an outcry about restrictive conditions imposed by the Court, and claimed that those resulted in higher manufacturing costs and higher prices, and that they were retarding the development of our industries. Those criticisms were generally made in general terms, and most of them failed when asked for specific instances. Inquiries he had made had produced very few that seemed of major importance, though there were numbers of minor ones that might be irritating, but had little practical value against development."