

Prices & Incomes Board

Sound Policy or Hocus Pocus?

Reported by R. C. GRINHAM

BETWEEN two and three thousand people attended a "Teach In" on the Prices and Incomes Policy last month at the Central Hall, Westminster. The meeting, organised by The Guardian, had many notable speakers on the platform.

Much sense and much nonsense was talked during this four and a half hours' session and (though no doubt for widely different reasons) the audience appeared to be generally against the Prices and Incomes Policy.

Reduced to simplicities, the argument was the planned economy versus free market economics, and direction and control versus freedom of the individual. No one dug deeper and enquired into the causes of the maldistribution of wealth for which neither the socialists nor the "free economists" have the answer. Nonetheless, within the context of the discussion, the free economists had logic if not popularity on their side.

THE FIRST SPEAKER was PROFESSOR HUGH CLEGG, of the University of Warwick, who is a member of the National Board for Prices and Incomes.

He said that if an incomes policy could do all that it was hoped it might do, virtually nobody would be against it. Unfortunately we did not know whether or not it would work. It was essential, therefore, that we try to make it work. If it *did* work, it would be a great step forward; if it did *not* work it would not have been for lack of trying, and it could be abandoned for good. If it *did* fail for lack of co-operation, it would assuredly be resurrected in a few years time.

Professor Clegg then gave his opinion on the more controversial aspects of the policy. The compulsory wage freeze, he said, was necessary for the success of the policy. It would also give us time to think. Compulsion of this kind was not a move towards totalitarianism. If the majority of the people were prepared to support the policy, its success must not be jeopardised by the actions of a selfish minority who would not conform. There had been plenty of other compulsory measures recently and the public in general had accepted these.

If an incomes policy was to succeed it must have the support of the public and the trades unions, said Professor Clegg. To do this it must be fair; it must consider equity as well as economics. Let's give the incomes policy a try.

Professor Clegg was followed by MR. BERT RAMELSON, industrial organiser of the British Communist Party.

The incomes policy was not new, said Mr. Ramelson.

For twenty years governments had tried to keep wages down. An incomes policy would mean less pay for the workers than they could obtain by free collective bargaining. If incomes were going to be decided by the government, then trades unions would be a thing of the past.

The adverse balance of payments, we were told, said Mr. Ramelson, was caused by military expenditure overseas, particularly in connection with the war in Vietnam; by repercussions of the Rhodesian crisis; by imports of machine tools that we ought to be making in Britain, and by speculation against the dollar. How, he asked, was a wage freeze in Britain going to end the war in Vietnam, settle the Rhodesian issue, cut down machine tool imports and put an end to dollar speculation? The answer to our troubles, he went on, was to cut overseas military expenditure and stop being a world banker.

One could not dissociate an incomes policy from deflation, said Mr. Ramelson. An incomes policy was impractical and would not work, and was the biggest obstacle of all to the elimination of protective (restrictive) practices by the trades unions.

MR. KENNETH JOHNSON, speaking for the Confederation of British Industry, said the CBI accepted the principle of an incomes policy as an instrument for attaining a higher rate of growth. To break out of the stop-go cycle we needed just the right mixture of policies. The incomes policy was part of the mixture, but it was no substitute for correct economic management.

It was bad economic management that had led to the necessity for the early warning system for price increases, and then the total freeze. The CBI supported a *voluntary* incomes policy, and we should return to this as soon as possible. Whitehall possessed no special expertise, said Mr. Johnson. Government-imposed wage and price levels were bound to be inequitable.

The second challenge to the prices and incomes policy was made by RALPH HARRIS, General Director of the Institute of Economic Affairs. Our present difficulties, he said, were the result of phoney economics. The wage and price freeze had put us in a wrong position to strike out on a new course.

The National Plan, said Mr. Harris, said that care would be taken not to destroy the complex mechanism on which the market economy was based. This complex mechanism was none other than market price. Moving prices were the measure of economic opportunity. But instead of watching the dials, the Government had put its fist through the control panel. The essential requirement was to make the market mechanism work better, not to dismantle it. Restoration was urgent. The conduct

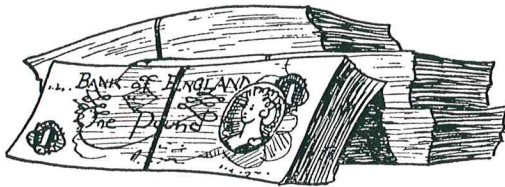
of economic affairs should be left to "the dispersed wisdom of private entrepreneurs."

If the Government was to do any squeezing it should squeeze the protected and subsidised industries, said Mr. Harris. These were the industries in which resources were not being put to their best use, otherwise they would not need protecting. There should be a phased reduction of tariffs, and a general reduction of taxation. Welfare services, not an incomes policy, should be used to raise the living standards of the lowest paid. A legal framework should be created in which it would be safe to let the trade unions loose. A floating exchange rate would automatically correct any adverse balance of trade.

VICTOR FEATHER, assistant general secretary of the TUC, said that trade unionists were not interested only in wages. Trade unionists were also consumers; they were interested in prices; there should be price as well as wage restraint. Trade unionists were also interested in education and social services, in fact in anything that affected their standard of living. They did not want a free for all; they wanted collective responsibility. They believed in planning, which was not a dirty word, but an intelligent thing to do. The freeze was not here for good; there would have to be a prices and incomes policy when it was over.

RICHARD WAINWRIGHT, MP, Liberal Party parliamentary spokesman on economic affairs, asked "What will happen after the freeze?" It was easy, he said, to sell a total freeze to the British public, because they had an enthusiasm for national belt tightening, but it would not be easy to sell them a discriminatory incomes policy. If the Government wanted to keep down prices, why didn't it cut tariffs? Why didn't it cut the fuel tax? Why didn't it spend money more carefully? We needed competition, not exhortation. We needed co-partnership and profit sharing. West Germany had shown the way to prosperity through free enterprise. We could do as well as they had done.

SIR FRANK KEARTON, Chairman of Courtaulds, expressed regret that the declaration of intent was not adhered to but said the freeze was now the best thing for us. It was like a slap given to a hysteric. Profit was the most desir-



able end product of any enterprise, and profit must come from higher productivity, not from higher prices.

CLIVE JENKINS, general secretary of the Association of Supervisory Staff, Executives and Technicians, said the present crisis was not accidental. We had slipped on the capitalist banana skin in the mixed economy. Collective bargaining, he said, had been described as a jungle, but the present government policies would not clear a way through this jungle. The compulsory wage

freeze was on a par with the actions of a fascist state, and should be resisted. Productivity agreements—higher wages in return for higher productivity—should be exempted from the wage controls. A Labour Market Board, independent of the government, should be set up, and should operate a national vacancy list.

Our planning was primitive, said Mr. Jenkins. We needed a minimum wage law. Menial jobs would have to be performed by machine. A machine society was the hope and salvation of the poor. We needed an incomes policy that redistributed wealth and reconstructed the economy.

The wage freeze was "alien and offensive to trade union principles and practice" said Mr. A. W. ALLEN, general secretary of the Union of Shop, Distributive and Allied Workers. He did not agree with the T.U.C.'s endorsement of the freeze. Having opposed wage restraint under a Conservative government he could not support it under a Labour government.

Purposeful social and economic planning, said Mr. Allen, would help the trades unions to achieve their objectives. A better distribution of incomes was possible. An incomes policy would bring hope of equitable treatment to the poorest paid workers, but the standstill just froze them where they were. Advocates of an incomes policy had said that the alternative was unemployment, but now we had both.

ENOCH POWELL, MP, a former Financial Secretary to the Treasury, said that the Government's search for an incomes policy was a fruitless one, for such a thing did not exist. The Government was trying to use specific measures to produce a general result, which was impossible. Prices must always be changing relative to one another in a live economy, but no one had suggested how relative wages could be fixed under an incomes policy. Productivity was no guide because this depended upon the ratio of capital to labour. How did one allow for inflation? The whole thing was a huge fallacy, a hocus pocus.

Referring to the period of "severe restraint" that would follow the total freeze, Mr. Powell asked how much restraint was restraint? Were workers to accept less than employers were prepared to offer out of a spirit of self sacrifice? There should not be restraint in getting the most from our resources. How could we improve our position by taking less than we might?

The incomes policy was not only nonsense but dangerous nonsense, said Mr. Powell, and the retort "What would you do instead?" was no refutation. An absurd policy was not the less absurd because no alternative was offered.

LORD COLLISON, general secretary of the National Union of Agricultural Workers, and a member of the General Council of the TUC, said that some wage increases did not even catch up with the increased cost of living.

We would have to solve the problem of rising prices, he said, and balance production and money income. People did not appreciate the necessity for an incomes policy; that was why the search had so far not been successful. An incomes policy was not a freeze; if we

could achieve it, it would mean higher wages. People were socially conscious. They would respond if they understood the simple economics. An incomes policy would work when people saw it as necessary and desirable.

A chief shop steward, MR. GEORGE CRUMP, said that he wished to bring a breath of air from outside into the academic minds of the other speakers. He was a lifelong supporter of the Labour Party but was bitterly opposed to the wage freeze. The Government, he said, was trying to put over the biggest confidence trick of modern times. The incomes policy was just the latest move to screw down the workers. Half the men at his factory had now been laid off. As chief shop steward he had had to help organise this "shake out" of his mates. He wished the Prime Minister were one of them.

Britain was no longer an imperial power, he said. We must stop waving the union jack around the world, and cut foreign expenditure. When they got social justice, the unions might consider stopping wage claims, but not before.

"Redeployment is switching workers from high paid jobs to low paid jobs," said MR. J. L. JONES, of the Transport and General Workers Union. The Government must get back on the road to economic expansion. It was not excessive imports but excessive overseas expenditure that was responsible for the balance of payments difficulties. We should introduce import controls, cut military expenditure and stop using sterling as a reserve currency.

There was a need for minimum wage legislation, said Mr. Jones. Basic wages and hours of work should be negotiated on a national scale, leaving job differentials and shift rates, etc., to be bargained for at local levels.

The last speaker was MR. W. RODGERS, MP, Parliamentary Under Secretary of State, Department of Economic Affairs. There were three basic questions to be answered, said Mr. Rodgers. Was an incomes policy desirable? Was it possible? Were the Government's present policies the right ones?

A prices and incomes policy was not a panacea, said Mr. Rodgers, but it was essential for growth in any economy. And it worked. The level of retail prices, as measured by the retail price index, had fallen since July.

Referring to the agitation against low wages and long hours by the first trades unionists, Mr. Rodgers said that freedom to them meant planning. Planning, he said, made freedom a reality.