

## A POLISH NIGHTMARE



**'We will not tolerate dictatorship from the proletariat!'**

TO WHAT extent should supporters of the free market be hostile to trade unions?

Conventionally, consistent free marketeers have taken the view that any attempt to exercise monopoly power is unacceptable, in that it distorts the competitive processes that produce the best results for everyone concerned.

This view has turned a powerful body of thought and feeling against combinations of workers. In clarifying the problem posed above, we can do no better than examine the conclusions reached by an arch-exponent of the free market, the 19th century American economist Henry George.

HENRY GEORGE worked as a printer in San Francisco in the days before the publication of his seminal book, *Progress & Poverty*.<sup>\*</sup> As such, he was an active trade unionist, and in his book, in which he discussed the role of unions, he wrote with what looks like pride:

*"I speak without prejudice, for I am still an honorary member of the union which, while working at my trade, I always loyally supported."*

In his analysis, George made two crucial points of importance to contemporary reformers:

- Unions can force up wages, but this is not at the expense of other workmen;
- Ultimately, a forced rise in wages is at the expense of rental income.

He states quite clearly, drawing on empirical evidence:

## Learning to use Trade Unions

*"The advance of wages in particular trades by combinations of workmen, of which there are many examples, has nowhere shown any effect in lowering wages in other trades, or in reducing the rate of profits."*

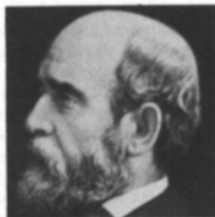
In an industrial dispute, the parties who are pitted against each other are *not* labour and capital, but labour and landowners. George believed that, ultimately, an improvement in the condition of the working class was at the expense of rental income enjoyed by landowners.

And so it seems that, for people who regard land monopoly as the greatest obstacle to a flourishing free market, little antipathy ought to be directed against trade unions.

NONETHELESS, we have to bear in mind the time-scales and social and economic realities.

**Henry George, the free market and union 'tyranny'**

Report by  
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Unions, while they might be condoned in the period before the establishment of a free market, do operate in an illiberal way. George summarised their structure, *modus operandi* and effects neatly:

*"The methods by which a trade union can alone act are necessarily destructive; its organisation is necessarily tyrannical."*

A strike, then, is a destructive contest, and hardly in the interests of workers once a fully-free market has been established. But if unions can be mobilised to advance the cause of the free market and higher living standards for everyone, then they successfully negate the conditions for their existence.

Hopefully, once the monopolistic encumbrances have been destroyed, unions will voluntarily wither away. It is not unfair to assume that this is what would probably happen, for working people would perceive new institutions and bargaining processes to be in their best interests.

Until this transition has been effected, however, it seems constructive for free marketeers who are opposed to land monopoly to view trade unions as allies in the cause of economic freedom and improvement.

This implies that an educative approach to unions is warranted, rather than a negative attitude of hostility.

<sup>\*</sup>Centenary edn, published by Robert Schalkenbach Foundation, New York, 1979; quotations are from Bk. VI, Ch. I.