

# Good Government

A JOURNAL OF POLITICAL, SOCIAL  
AND ECONOMIC  
COMMENT

Circulating in Australia, New Zealand and Overseas



JUNE 1984 — No. 852

## **WORKERS' PARTICIPATION**

Mondragon  
Mebbin Springs  
Lincoln's Incentive Scheme

12272

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# GOOD GOVERNMENT

(Incorporating "The Standard",  
published since 1905)

THE PROPER REVENUE OF A NATION IS  
THE SITE RENT OF ITS LAND

No. 852

JUNE, 1984

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## Viewpoint

### WHY NOT BREADICARE TOO?

By Dr A. TEMESVARY

I entirely agree with what you wrote  
about Medicare in the February, 1984  
issue of Good Government. (Viewpoint)

You wrote: 'Medical attention accord-  
ing to need, and a levy on income tax  
are both said to be just. In reality  
neither is just...' (By the way, the  
levy is not on 'income tax', but on  
'taxable income'.)

How unjust the system has been for  
some time, can be seen from the  
following fact:

Say you have had private health insur-  
ance prior to Medicare and it was detec-  
ted that you had lung cancer. You go into  
hospital. The health insurance fund pays  
hospital expenses. The surgeon charges  
the scheduled fee, so you pay the  
maximum of five dollars to the surgeon  
for the operation.

Say you have a cold with cough and you  
to a medical practitioner, who under the  
National Health Scheme gives you say 10

tablets of Bactrim and a government-  
approved cough mixture. Your cost, when  
you present the prescription to the  
chemist, will be eight dollars for five  
days of medication, which is 60% more  
than you paid as a private patient to a  
thoracic surgeon for a major operation  
in your chest cavity.

Let's take another example:

The government declares that from 1st  
July, 1984 bread supply will be free.  
Housewives can go to the baker or to a  
supermarket, sign a voucher, which en-  
titles them to a free loaf of bread. The  
voucher is then presented to the govern-  
ment, which pays 85% of the usual price  
of bread to the retailer. Demand for  
bread skyrockets, because housewives  
obtain twice as much and throw into the  
garbage bin four times as much bread as  
before. Each voucher carries a Breadicare  
number, which with the provider number  
of the bakery and of the retail outlet  
is fed into a computer. The computer  
provides a computer profile for every  
delicatessen shop, supermarket and  
bakery. The computer profile shows how  
many housewives obtained, at public ex-  
pense, 2, 3, 4, etc. loaves of bread per  
week from any particular retail outlet.

If the government bureaucracy consid-  
ers that any retail outlet supplies too  
much bread to some customers, a secret-  
ary of the Commonwealth Bread Department  
rings the bakery and the retailer,  
advising that a counsellor will call on  
them. From the bakery, the counsellor  
tries to find out whether the bakery is  
paying a bribe to the retail outlet to  
distribute its bread. Then the counsell-  
or goes to the retailer, advising him  
that he is overutilising bread services,  
with a friendly warning that if the  
overutilisation does not stop, the owner  
of the retail outlet has to appear be-  
fore a committee of Inquiry, consisting  
of some bakers, some retailers and of  
course representatives of the Common-  
wealth Bread Department. The Committee  
of Inquiry is not a judicial body, only  
makes enquiries. If it is found that too  
much bread supplied by the retailer has  
been discarded by customers, the Commit-  
tee of Inquiry might take a benevolent  
approach in the matter, not charge the  
retailer for fraud, only for overservi-  
cing and demand that the retailer pays  
the government the amount which the Com-  
mittee believes the retailer received  
from the Commonwealth Bread Department  
for discarded loaves of bread. If, how-  
ever, householders obtain bread from  
various retail sources, no matter how  
much bread reaches the rubbish dump, the  
public must pay for the wastage.

After several years of operation and  
improvement of the surveillance program,

the Federal Minister for Bread announces that the previous year \$140,000 have been recovered by the Bread Department, as a result of the surveillance, but fails to mention that the operation costs of the surveillance system are at least 100 times that amount. The public is given the impression that most of the money recovered by the Bread Department was recovered from wealthy chain stores, but in actual fact most of it was recovered from struggling delicatessen shops, because the former have large firms of solicitors working for them, while the latter haven't.

By the way, the Commonwealth Bread Department had just bought a computer for \$11 million and opened more than 200 Breadcare offices, for which the taxpayer foots the bill as far as rent, purchase and depreciation of furniture and office equipment, advertisement, stationery, as well as wages, holiday pay, sickness benefits, superannuation and workers' compensation insurance premium for employees is concerned.

The Federal Government hopes that the introduction of free bread will enable overutilisation of the bureaucracy, increased employment of computer technology, assist the Taxation Department to check the turnover of bread distributors, and also will secure tens of thousands of votes for our politicians, which otherwise would go to other parties. Politicians in the modern sense might be of relatively recent origin, but the methods by which they keep themselves in office do not differ from those of the 'oldest profession'.

The greatest price Australians pay for the expansion of the Welfare State, however, is not the additional taxes we have to pay, but the destruction of the old community spirit and the emergence of selfishness and greed in the community. The welfare state is self-fulfilling in that it creates a growing urban and rural proletariat, and before long Sydney and Melbourne will degenerate into Third World cities, like Sao Paulo and Calcutta.

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## ANNUAL GENERAL MEETINGS

AUSTRALIAN SCHOOL OF SOCIAL SCIENCE  
6pm Tuesday 5th June.

ASSOCIATION FOR GOOD GOVERNMENT  
6pm Tuesday 12th June.

NOTES.1. The Annual General Meeting of the NSW Henry George Foundation will be also held in the evening of Tuesday June.

2. Notice has been given of a motion which will be discussed at both meetings - calling for transfer of assets of the School to the Foundation, and combining the School and the Association for organisation of activities.

GOOD GOVERNMENT

3. Strong consideration is being given to the purchase of a property with a shop front for the Georgist movement.

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## Annual Report of Georgist Activities in N.S.W.

OFFICE. The rooms which we lease at 143 Lawson Street have been renovated and the main room has been enlarged, although this caused some disruption to our operations for several months. The office is open on Thursdays from 10am to noon.

Consideration is being given to finding other accommodation preferably with a shop front.

'GOOD GOVERNMENT' continues to be published regularly under the leadership of Editor Richard Giles, with assistance from Mrs Sullivan, Mr Taylor and Mr Lee McGiffen. Mr Giles also organises the *Georgist Quarterly* for discussion articles within the movement.

ANNUAL CONFERENCE. The Womens' College was again the venue for our Annual Conference in January, and we were pleased to welcome Georgists from Melbourne, Canberra and Brisbane. The speakers and their subjects were:

Mr Ralph Freestun of Brisbane, 'Natural Law'.  
Mr Bill Mason of Canberra, 'Progress of Georgism'.  
Mr Arthur Dowe, 'Commonwealth Subsidies to Councils'.  
Mr Tony Cramb, 'Tariff Policy into the 21st Century'.  
Ms Elaine Palmer of the 'Centre 2000' presented two documentary films: 'The Wealth of Nations and Adam Smith'; and 'Interviews with Professor Hayek'.

All sessions evoked lively discussion and questions. The talks are being published in *Good Government* and *Progress*.

### SEMINARS

Professor M. Daly of the Geography Department of Sydney University spoke on 'Sydney Boom, Sydney Bust' at the Masonic Centre, on 21 June 1983.

Dr John Wheeldon, Associate Editor of *The Australian*, spoke on 'Problems of Central America' at Flying Angel House on 15 November 1983.

COMMEMORATION: A dinner was held at the Commonwealth Restaurant on 19 October. Mr Gilchrist's Commemoration Address is published in *Good Government*.

FILM: After considerable effort and preliminary discussion by several members, direct involvement in the production of a film on a Georgist theme has been withdrawn. However the film producers are organising to make a film on a similar subject.

WALSH ESTATE: After many years, the matter of the Walsh Estate was brought to a conclusion, with a court order approving a scheme for the Macquarie University to manage the bequest. A history of the

Walsh Estate, prepared by Mr Dowe, has been published in *Good Government*. A donation of Georgist books has been made to the library of the University's Economics Department.



Henry  
George

#### STATICS AND DYNAMICS

By 'statics' George simply means unchanging principles—the laws governing the distribution of wealth. In Bk.IV he moves to the 'dynamics' of the problem: the movement of rent and its causes.

#### THE PROBLEM AND THE SOLUTION

The problem George is addressing is the growing gap between the wealthy and the poor. We will come back later to this problem. His answer is that the progress in production has been consumed by rent. This can be deduced from his theory. Since wages (and interest) have not kept pace with the total product, the only explanation is the advance of rent. But everyone really knows this already, he says (since all are aware that there has been a remarkable growth of land values in relation to the increase of wages and interest), but no one has thought much about it. This is because

## Progress and Poverty

### Book III, Chapter VIII The Statics of the Problem thus explained

people have been misled by an overabundance of economic detail, the deliberate covering up of the real situation by vested interests, and the false theories of the learned.

#### POVERTY?

What has been so far said can be further clarified. While *Progress and Poverty* begins as an enquiry into wages 'Why, in spite of increase in productive power, do wages tend to a minimum which will give but a bare living?' (Bk.I, Ch.I) George's subject is not poverty. It is why the industrial revolution is bringing about a *growing contrast* (if one may use this term) between the possessors of wealth.

George is *not* aiming to prove that wages are declining. His critics would like to think so because then they could say that, since he has proven something that is untrue, his whole theory is worthless. Henry George came upon the so-called Frontier Thesis twenty years before Frederick Jackson Turner. (Evidence presented by Steven Cord in *Henry George: Dreamer or Realist?* shows that Turner made a close study of *Progress and Poverty* some five years before presenting 'his' thesis.) George makes an observation, however, which escaped Turner's reading, for George noted how, as the westward movement of 'civilisation' went on, a more or less egalitarian society (on the frontier) was transformed into one of increasingly clear class divisions. This was all very plain to

George, who had observed it in his trip from California to New York just after the American Civil War. This was his problem, which he names 'Progress and Poverty'.

It is true that one of his early opinions was that progress actually made things worse. When he says in Ch.VIII, 'Rent swallows up the whole gain and pauperism accompanies progress' it is possible to see this early prejudice coming out. One might say that this is the rhetorical expression of his theory. The less powerful, but more precise, expression (also from the same chapter) is, 'Wherever the value of land is relatively low, wages and interest are relatively high; wherever land is relatively high, wages and interest are relatively low'. This statement recalls his earlier qualification that 'I am using the word wages not in the sense of a quantity, but in the sense of a proportion' (Bk.III, Ch.VI).

Thus, too often what George has been speaking about has been confused with the familiar standard of living controversy. He is not primarily talking about this; he is talking rather about the explosion of economic rent in a progressive society. This explosion of economic rent dwarfs any increase in wages and interest, and when it is privately appropriated immense fortunes result.

#### CONFIRMATION

Whereas the evidence may not confirm a drop in the standard of living of ordinary persons in the nineteenth century, it does confirm what George is really attempting to prove.

Evidence of probate statistics in *Men of Property* by W.D. Rubinstein (1981) shows that, after c.1850 in England, there was a significant growth in large fortunes. Just one indice (p.38) shows that the number of estates in excess of 100,000 pounds in the five-year period 1870-74 was 50% higher than for the previous five years, and that, over the next twenty years, there were two other significant increases—of 30% (1880-4, 1890-3). And as he says, industrialists do not figure prominently in the largest fortunes. 'The British wealth elite during the eighteenth, nineteenth and twentieth centuries has been one where land and commerce predominated, and where industrialism in the strict sense comprised a surprisingly small fraction of the total number of wealth-holders' (p.247).

The case is plainer in America. Not only are the largest fortunes enormous by British standards, they are even more

clearly the result of land ownership. The fortunes c. 1889 of the Astors and Vanderbilts (J.J.Astor \$150m., C. Vanderbilt \$100m., W. Astor \$50m., W.W. Astor \$50m., F.W. Vanderbilt \$20m.) clearly come from real estate. The right of way for railroads gave the transcontinental companies more valuable real estate than in the State of Victoria. The Astors and Vanderbilts were first and foremost owners of the United States.

Thus, the evidence confirms George's thesis: There was an undeniable proliferation in large fortunes in Britain and America towards the end of the nineteenth century, and these fortunes came primarily from valuable land and resource ownership, not from capitalist enterprise. As that well-known poem in real estate windows has it,  
 'I am the poor man's joy and comfort  
 The sick man's prize  
 The right hand of capital  
 The silent partner of many thousands of successful men.'

(See as well Postscript, page 7.)

## UNITED KINGDOM ELECTION 9 JUNE 1983

Final figures are as follows:

Party	Votes	Votes %	Seats	Seats %
Cons.	12,998,476	41.95	397	61.08
Labour	8,809,723	28.43	209	32.15
Lib/SDP	7,751,497	25.01	23	3.54
SNP	330,517	1.07	2	0.31
Ulster/ Unionist	259,952	0.84	11	1.69
Others	837,429	2.70	0	0
Total	30,987,594	100	650	

Votes for candidates who were elected totalled 15,375,593, or 49.62% and those for candidates not elected were 15,612,001, or 50.38%.

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## 1983 FEDERAL ELECTION RESULTS

### HOUSE OF REPRESENTATIVES

Party	Votes	Votes %	Seats (Actual)	Seats (PR)
ALP	4,297,521	49.48	75	67
Lib	2,983,856	34.48	33	46
AD	437,265	5.03	0	0
NP	803,295	9.25	17	12
Other	162,925	1.88	0	0
Total	8,684,862	100	125	125

Votes for candidates who were elected totalled 4,796,679, or 55.2%, and those for candidates not elected were 3,888,183, or 44.8%.

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# MAKING THE MOST OF YOUR SUPPORT

By B. Musidlak B.A. (HONS.)

A striking feature of the 1983 Senate scrutines was that over a third of the Tasmanians giving their first preference to a Liberal or Labor candidate chose someone other than the person heading the party ticket. In contrast, on the mainland, Western Australian Liberal and Queensland Labor supporters alone gave more than 2% of their first preferences to someone down the list, and in all cases over 95% of major party adherents simply followed the ticket. By doing so, as so often in the past, they minimised the number of seats that their party would win.

For instance in Western Australia, the ALP received 49.3% of first preferences, the Australian Democrats 6.8% and the combined vote of the Liberal and National Parties was 42.1%. Because most major party voters went straight down the ticket, Labor and the Liberals alternated in electing the first nine members, each on a quota of just under 9.1%. With nearly 45.5% of Labor's vote locked up and 36.4% of its major opponent's, Jack Evans of the Australian Democrats survived the final exclusion for the final place and became the first Australian Democrat Senator for his State. Had the major parties encouraged their supporters to spread their first preferences, six Labor candidates could each have received between 7 and 9% and five Liberals each received over 7.5%. Even with the donkey vote assisting the Australian Democrats, Mr Evans would have been hard pressed to stay in the scrutiny longer than any of those eleven opponents.

## THE PERILS OF PLUM SPOTS

In return for controlling the order in which which their members are elected, the major parties needlessly set aside a substantial amount of their support in securing the early quotas, thereby reducing the fraction of a quota their candidate has when the last place is being determined and, in effect, locking him or her out. Party managers will perhaps point out that at a double dissolution election, the Senate has traditionally given the long terms to the first five to get elected and the short terms to the rest. However this excuse loses credibility when only five Senators

are being chosen, or if the method advocated by the Joint Select Committee on Electoral Reform is adopted. Indeed, in NSW in 1977, Australian Democrat Colin Mason, favoured by the donkey vote, was successful despite starting with 8.3% of the first preferences, just under half a quota. Unless one major party polls extremely well, coming close to, or exceeding, three quotas, a minor party needs only two-thirds of a quota to stand a good chance of taking the fifth place. This is because with just under two quotas of votes not yet dealt with finally, both major parties' third candidates can't have two-thirds of a quota and hence one of these will be excluded first, rather than the minor party's. The distribution of preferences is then likely to result in the election of the minor party candidate.

The 1976 elections for the House of Assembly in Tasmania, where how-to-vote cards may not be distributed on polling day, produced an example where the party winning most votes (but not 50%, in which case it could have expected to take four places) won only three seats because its support was not spread evenly enough over the four most popular candidates. In Denison, the Liberal Party grouping received 22,716 first preferences and the Labor column 22,804. Once the first five places had been filled by three Labor candidates and two Liberals, and several others were excluded, there remained two Liberals, and with 5,538 and 5,470 votes respectively, and Mr Gascoigne of the ALP with 5,242. Both Liberals were declared elected upon the exclusion of the person with the fewest votes. Of course, had the labor vote been a little more evenly divided, Mr Gascoigne would have surpassed the progress total of the second Liberal and been elected in his stead.

## THE ROBSON ROTATION

In 1979, by adopting a Private Member's Bill which results in the vote purely for a particular party rather than individuals within it being evenly spread around, the Tasmanian Parliament brought the criterion for achieving representation closer to the widely held European principle that the average number of voters per member from any party should be kept as low as possible. There is a

procedure for registering party names. An abbreviation appears at the top of the column whose place on the paper any group draws by lot. As in the case of Senate elections, the group whose envelope is drawn first gets the left-most column, and the rest come in the order they are drawn out. The right-most column is reserved for ungrouped candidates whose place there is similarly determined by lot.

However, instead of a party's column order being fixed, either by alphabetical arrangement, conformity with a decision of its preselection committee or by lot, each candidate gets to appear in the most favourable places, generally near the top or bottom of the list, on as-near-as-practicably equal numbers of papers. This is done by first drawing one order by lot and then producing as many mathematically-defined variations as there are candidates. Each variation results in the printing of an equi-numerous batch of papers with that particular column ordering.

Hence if voters just wish to indicate support for one party, their vote will not be concentrated on a fixed candidate at the top or bottom of the list and 'wasted' in quotas obtained 'too early'. Certainly, some candidates have a strong personal following and attract well over a quota of supporters, but each of the others gets to share the first preferences directed to the party rather than to a specific individual. The major parties endorse many more candidates than they can hope to have elected. No one is guaranteed a place nor is anyone in a hopeless position, so each candidate works to draw as many votes to the party as possible, without the disaffection that caused Neville Bonner to resign from the Queensland Liberal Party (and miss out on the last place because Labor preferences favoured the Liberals!) after being relegated to third place on the official ticket. Good members survive swings against their party that obliterate their counterparts in single-

member districts. At the same time voters have shown a willingness to remove unimpressive candidates even if they have attained ministerial rank and their party's stocks improve at the election. Without the same head start that regimented voting gives them in half-Senate elections, the minor parties and independents find the going much tougher even though two extra vacancies are available in each district, and they consistently form a lower proportion of the House of Assembly than their counterparts do in the Senate.

#### THE JOINT SELECT COMMITTEE ON ELECTORAL REFORM

Rather than modify the Tasmanian procedure so that the order of columns varies also and the 'donkey vote' doesn't just favour one party, the Committee merely recommended a change in the way the draw is made in the case of the Senate, and the use of a lottery instead of alphabetical listing in single-member districts for the House of Representatives. Having ignored the overwhelming statistical evidence in favour of multi-member electorates for the House, the Committee did not even bother to recommend proven methods of dealing fairly with the votes of those who really don't care who is elected. In addition, it recommended the election of six Senators from each State in ordinary circumstances. With the quota a little under 14.3%, the major parties would take three seats on only 43% of first preferences, and the principle that a party winning the majority of the votes should win a majority of the seats would go down the drain. For the major parties there would be the added bonus that their current preselection methods could be retained with the election of the first two people on the ticket using only 28.6% of first preference votes instead of 33.3%. The structure must be tottering if it requires such a prop.



## Letters

### CAPITAL GAINS TAX

Sir— There has been much discussion of a capital gains tax recently.

The largest source for capital gains is increases in land values. Land values arise from community growth and organisation, related to the locational advantages of land-holding.

If land values were to be taken for community purposes then capital gains in land price could not occur; the social gain would benefit the community, and the main origin of the division into rich and poor would be removed.

The link between taxing earned incomes and taxing unearned capital gains can be expressed thus:

Income tax is Pay-as-you-EARN taxation.

Land Rental tax is Pay-as-you-RECEIVE taxation.

This second new principle would cope very well with the Surfers Parasites!

An ongoing annual land rental tax understood as the 'earnings of the community', is the economically correct manner in which to deal with capital gains taxation, and shift the tax burden away from wage and salary earners.

DR K N GRIGG

Melbourne

### RECOVERY BUT ...

Sir— Hopes for economic recovery are abroad.

While governments worry about wage levels, they fail to dampen the high level of land prices. While businessmen worry about interest rates, they fail to identify the price of land as a major obstacle to new investment. While consumers worry about inflation, they fail to recognise that an increase in mortgage repayments as a proportion of incomes has a crushing effect on the purchase (and therefore the production) of goods. While commentators take the short-term view of trends, they fail to identify land speculation in the early 1970s as the major cause of the recession of the last ten years.

Until these influences are identified, quantified and analysed, governments cannot hope to develop corrective policies that would work.

The facts point in one direction: the need for reform of the tax system so that people pay less out of their wages and profits from genuine capital investments, but more on the income from land. The outcome would be higher consumption and production, less speculation in the value of a community's natural resources, and a significant jump in employment and investment.

L SUTTON

Melbourne

### Postscript to Book III, Ch. VIII

While the following table presents an oversimplified view, and one needs to be cautious in comparing different countries, the following table

THE DISTRIBUTION OF WEALTH.  
THE PRESENT SITUATION.

Percentage of Adult Individuals	Percentage of Private Wealth		
	Australia	US	Britain
1	25	23.6	33
5	50	n.a.	56
10	60	n.a.	70

From p.35 The Distribution of Wealth in Australia— A Survey by J.R.Piggott (A.N.U., 1984).  
British figures 1972; US 1953.

presents a clear picture. Even in advanced countries there is 'considerable concentration in the top tail' and no very remarkable change in time since c.1915 i.e. since the welfare state.

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## "The Ideas of Henry George"

MORPETH RESIDENTIAL  
2nd to 4th November, 1984.

You may have already seen some details of the Weekend Residential School being organised by us in association with Newcastle University.

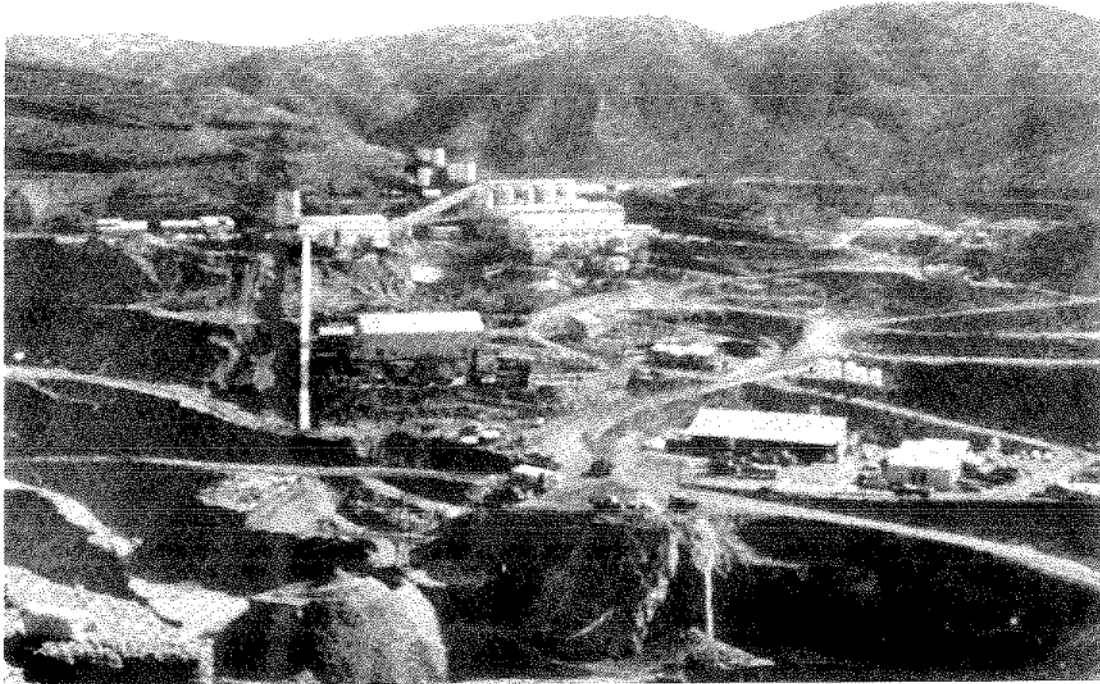
Topics to be examined include:  
PUBLIC AND PRIVATE PROPERTY  
RENT  
TAXATION AND POVERTY  
IS GEORGISM PRACTICAL?  
THE PEACEFUL REVOLUTION

A full prospectus will be published in the August issue of Good Government.

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# WORKERS' PARTICIPATION



Greater control by workers over their work place, and a larger share in its output, which is what most mean by workers' participation, assumes many forms. Some important ones are works councils, consultative committees, profit-sharing, job enrichment and rotations and semi-autonomous groups. An advanced form of the latter is entrepreneurship, where groups of workers within a large firm act as quasi-separate enterprises.

The ultimate form of workers' participation is the cooperative— which might in fact be a better description for what this issue is about. The cooperative raises two questions. Is it the answer to poverty? and can it replace competition as the ethos of the economy? Henry

George's answer to these questions in *Progress and Poverty* will be printed in the August issue of *Good Government*. George thought that his own reform, 'the confiscation of rent', would probably lead to larger companies taking a co-operative form. He believed that such enterprises encouraged the fullest use of talents. Max Hirsch's views were similar— see article, an extract from *Democracy v. Socialism*. An interesting question taken up in 'Who's Afraid of Workers' Participation' is why the movement has achieved so little. Since now in Australia unions cannot pursue higher wages will they prove their usefulness by pursuing workers' participation?

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## Note on Authors

*Fr. Greg Jordan is Rector of the John Fisher College within the University of Tasmania, and President of Friends of the Prisoners, a Christian Eucumenical group who give support to prisoners of conscience within the Soviet Union and its satellites.*

*Max Hirsch, 1853-1909. With H.C. Pearce Hirsch was probably the foremost Australian theorist of Geogist economics.*

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# MONDRAGON: SPAIN SHOWS THE WAY

By Fr. Greg Jordan

From Plato's *Republic* till 1984, the spirit of man has restlessly sought to perfect those systems of government and law, of ownership and remuneration, which best sustain the dignity of man and his freedom.

## COOPERATIVES: 'A THIRD WAY'

In our time, the great debate seemed to polarise between the two systems of private and public ownership, with free versus centrally-planned economy as a corollary.

I have to say I am not happy with either of these ideals taken separately, and favoured instead a third way which in fact combines the two. By this I do not mean a mixed economy which has bits of either system tumbling around together. I mean rather the worker-owned cooperative.

The ideal of the cooperative is to be found in the policies of many political parties, both conservative and reform, but it is usually a dead letter. Frequently people will applaud the ideal but say that it won't work. 'Show me a successful cooperative and then I'll believe.' In this they call to mind G. K. Chesterton's observation: 'People say Christianity has been tried and found wanting, whereas the truth is that it has not been tried.'

## SITUATION IN AUSTRALIA

In fact there are many examples of cooperatives with one degree or another of worker ownership, and they are most successful. In Australia we have an excellent example in Fletcher Jones and Staff, as they are proud to call themselves. There was I believe some minor industrial trouble once in Fletcher Jones. There are many such firms. In Melbourne there is Dinavac, in Maitland Pender Bee-keeping, and in Sydney Lend Lease. Co-optronic is another. Pieroth Wines have imported from Germany not only their delectable product, but their company's tradition of progressively admitting employees to the ownership of shares according to years of service. Lincoln Electric of course is well known, but the one I like best is Modern Maid stove makers, which under threat of closure

was bought out by the workers. At Modern Maid it is clear that industrial stability is only part of the benefit of worker ownership. The Manager, Joe Taranto, claims that worker interest, efficiency, alertness all improve, and the workers themselves come forward with suggestions for streamlining their work that they had never made in all their years as mere employees. It is the very reverse of alienation, that disease of the spirit which in epidemic form can destroy a society.

Finally, Siddons Industries Ltd. is a very interesting firm headed by Don Siddons, the Democratic Senator who recently called for profit-sharing, consultation and co-ownership in industry. He can speak with authority on this as his firm has had profit-sharing for forty years, has never been to Conciliation or Arbitration, and has had virtually no strikes. Sidchrome spanners and Ramset fasteners are evidence of the quality product this system gives us.

## MONDRAGON

So here in Australia it can be done. The gloomy predictions about the average worker's truculent uncooperativeness are proved wrong. However I am forced to admit that these are quite isolated successes, and that the general picture of Australian industry is one of a struggle for benefits which fuels an inflation which the West cannot sustain indefinitely. But imagine if half of Australia's firms were like Fletcher Jones and Staff: what an investment in stability that would be! Every industrial economy needs a substantial portion of its firms to be worker-owned, something we've not yet seen. At last, however, in Spain, a huge network of such enterprises has come into being around Mondragon near Bilbao in the north. On Mondragon some eighty co-ops are centred, all worker-owned. To be a shareholder one must be an employee - (no faceless absentee landlords there: the Credit Union Bank helps finance share purchases by newcomers); and to be employed you must become a shareholder. The Board of Directors is elected by all the workers - one man one vote - and the Board in turn appoints the Manager. The biggest such enterprise, Ulgor, with about 500 employees, has had one strike

since 1956. Ah well, these things happen in the best run families! They manufacture most of Spain's white-goods.

#### ITS ORIGIN

How did this come about? Well, Spain is a special case. Long shut out in the cold for its fascist system, Spain came very late to its version of an economic miracle. When in the 60s its industrial revolution began to roll, perhaps the last in the West, Spain, shattered by the Civil War, had nowhere to go but up. And being intensely Catholic, it took very seriously the social teaching of the Church, so that the founder of the Mondragon experiment is a priest, Fr. Jose Maria Armizmendi; and it was not merely manufacturing enterprises to which he gave the basic principles, but to a system of satellite social and educational institutions like the Credit Union Bank, Consumer groups (which number 50,000!), and rural and housing cooperatives, and technical schools.

I don't think the worker-owned cooperative can flourish in a vacuum; it must be part of a culture that sees the value in co-ownership and rewards it. Basques have a strong sense of community, and being convinced Catholics were pre-disposed to try out Catholic Social principles. And I suspect that as a latecomer to industrialisation Spain

was better placed to profit from the mistakes of aging industrial societies.

#### THE GOAL: 'DIGNITY AND FREEDOM'

Those interested in good government must concern themselves not only with the national institutions of problem-solving and decision-making. They must also build those intermediate and grass-roots institutions which support and nourish sound governance on the national scale. Worker-owned cooperatives are, I believe, an indispensable component of the full solution of Australia's problems: and the development of a social system which best preserves man's dignity and freedom.

Like all Western nations, Australia has much to learn from Mondragon. I believe that if the politicians on their overseas trips, or Fulbright Scholars looking for a project to investigate, were to make a pilgrimage to Mondragon, they would learn more about industrial relations than we have learnt in two centuries of industrialisation. I think that our continual warfare in the workplace, which is really only interrupted by an uneasy truce, should make us humble enough to be willing to learn, even if it is Spain which shows us the way!

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## MEBBIN SPRINGS

PREFACE — By David Spain

This is an ambitious venture, half way between Nimbin and Mount Warning (which receives of a dawn the first sunrays touching Australia), to develop a large, 3000 acre tract of land, upon which virtually no-one lives, into a thoroughly progressive rural community of 240 shareholder families. Some 2400 acres of the land, a large proportion, remains under the control of the body corporate.

Intimate planning has gone into envisaging a viable development plan for the land, within the social and environmental context, to enable maximum economic health.

Cost of a share (\$26,800 per residential lot) is very up-market compared to the cost of entering one of the impoverished, battling co-op communities which have been forging the Nimbin spirit.

Mebbin Springs, on the other hand, has been carefully structured using a new development of the Strata Titles act to propose a 'horizontal strata title'. It yet remains to see whether this will achieve registration: certainly it will not unless the local council and Depart-

ment of Planning and Environment both approve the venture plus enough folk buy shares to exercise the option to purchase now held by the entrepreneur.

Their strata titles will convey full freehold rights, along with their mixed blessings of loan-secureability and capital gains potential, unto the members. But this is a real way of thinking, a source of financial sense and personal courage, to many in the mainstream. The developer/entrepreneur may be making a profit, but he may also be an adequate visionary performing hard work, so deserving it.

The benefit of the proposed strata title structure, for those free-enterprise citizens for which it is being used to balance group with individual ownership, is that it secures their necessary rights with a cleanliness and precision not possible under the unit-trust method, hitherto used with similar intent.

I wish the Mebbin Springs mob luck. With its expected basis of commercial ability, pooled skill and entrepreneurial ambitions; with its situation upon such

a marvellous property, much of which is held in common; with its well-researched development plan and competent management— it could go a long way to solving the lifestyle and capitalisation problems of moderately wealthy sustainable-lifestyle-ers. Now how about a lot of devoted Georgists settling there? (Of course, also, it is fiendishly interesting to observe how the long-time previous owner built up this immense property (price now: \$3m.) by buying up, decades ago, adjoining derelict farms, and is now cashing in on the need of young folk and middle-class idealists to get access to land to build a healthy home.)

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## Proposal for a Rural Community

### LOCATION

The site for our community is 12 square kilometres (3,000 acres) of undulating farm land and forest located in the Tweed Valley in northern New South Wales. The scenic qualities of the property are impressive— it is ringed by wooded mountains that form the perimeter of an ancient volcanic crater with adjacent Mt. Warning at its core. The climate is upper temperate to sub-tropical characterised by mild winters and high annual rainfall (60" p.a.).

### OBJECT

It is our goal at Mebbin Springs to create a thoroughly progressive rural community that combines the best aspects of traditional values with new approaches to twentieth century living: a place where people from all walks of life, of all ages, can settle in harmony, living and working together for mutual and personal benefit. Mebbin Springs will not be a commune, nor will it be a conventional rural housing estate. The proposal is to settle up to 240 families (possibly 1,000 people) housed in dwellings of mixed density. On-site income producing activities will be promoted. Members will own their own homes (residential areas totalling 600 acres) and lease their own agricultural lots and business sites. But the bulk of the property, about 2,400 acres, will always remain common property owned by the members constituted as a Corporation. In this manner the principles of 'collective co-operation' and 'reward for personal endeavour' will operate together.

Ours is a pilot project conceptualised

to meet a need not being catered for in either existing rural villages or 'alternative communities'. Structuring a balance between group and individual ownership will provide a degree of closeness and co-operation at Mebbin Springs not attainable in traditional villages. It will also enable levels of capitalisation, competence and productivity rarely achieved in alternative communities. The impetus is not one of isolationism, nor of parochialism: once established the community envisaged will be fully integrated commercially and socially with society at large.

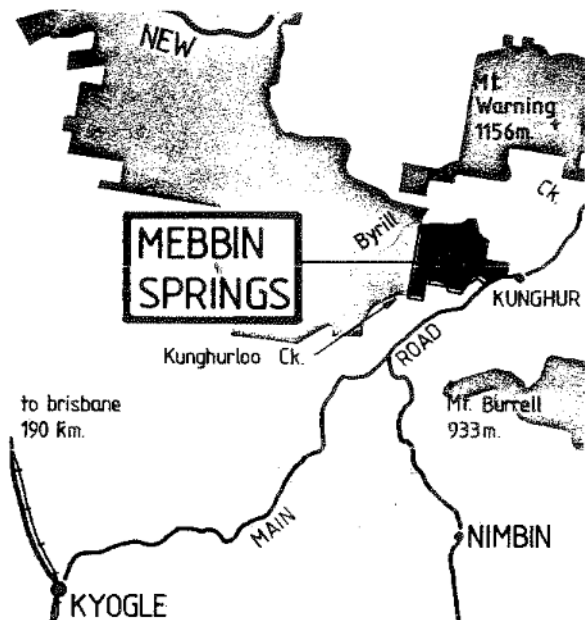
### STRUCTURE

Multiple occupancy planning provisions permit 240 residential buildings to be erected on the property. This forms the basis for the legal structure proposed— a Company with 240 equal share holdings each with an entitlement to individual ownership of a residential lot. The title to be offered to members in the first instance is long term leasehold. This will provide security of tenure until the property is rezoned to enable the registration of a strata plan, a process expected to take two years. When this occurs, the leasehold title will convert to an individual freehold equivalent title under the Strata Titles Act, and the Company will be reconstituted as a Body Corporate. The cost per residential lot is \$26,500 payable as to \$8,500 on incorporation of the Company, and the balance on receiving title. Included in this price is the cost of developing the common area and establishing community services and facilities. When the residential lots have been sold and the capital works program completed, Mebbin Springs will be complete with its own roads, electricity, water supply, sewage (in the village), wildlife and rainforest reserves, parks, dams, open spaces, child-care centre, schools, library, meeting hall, workshops, bulk store, nursery, agricultural and forest operation, and visitor/tourist facilities.

Because residential lots will be individually owned people will be able to raise conventional finance to 'buy and build'. Westpac Banking Corporation and the State Bank of NSW have confirmed that leasehold title is acceptable security for bank mortgage finance to 60% of the valuation. A market appraisal of current worth of each residential lot is approximately \$35,000 (freehold). Leasehold valuation is expected to be two-thirds of that amount. This does not take into account the individual's share in the common ownership of the common prop-

erty, comprising 2,400 acres, presently valued at \$1,000 per acre.

The opportunity will exist for members to become involved in community affairs in varying degrees. Some people may choose to retire in relative tranquility, while other more active members will engage in collective and private enterprises. In addition to a residential lot, each proprietor will have the right to lease a utility lot (part of the common property) to use for individual farm or business purposes. These lots will each cost \$2,000 with an annual rental of \$250. These funds will form part of the Company's revenue. Venture capital will be available to assist members establish their own businesses on commonly owned land. The productive capability of the property will support numerous primary, secondary and tertiary industries and a range of ventures considered viable have been identified. Founding members willing to establish enterprises will be given first choice of suitable sites. Co-ordinated marketing is envisaged. It is believed that the economic activities planned for Mebbin Springs will create employment which, in turn, will confer lasting and expanding benefits. The settlement is designed to be essentially self-regulating and self-reliant.



Home-building will be one of the foremost tasks in the formative years of settlement. To assist people, attractive house plans have been developed that make use of inexpensive materials available on the property, including round poles, rough sawn timber and mudbricks. These designs incorporate natural thermal controls and low maintenance features, to help contain both cost of construction and up-keep. It is hoped to establish a 'Lowcost Building Service' to assist home owner builders and to co-ordinate

building activities generally. It will operate as an independent business within the community owned and operated by tradesmen settlers. An integral part of Mebbin Springs and one of the main initiatives is a school to be established under Federal Government's new Participation and Equity in Education Policy. The Participatory Education Program (PEP) College will enable students to reside on the property so they can acquire life and work skills through participation in the daily operations of the community. Depending on the outcome of our submission to the Government regarding funding, working members of the community (horticulturists, timber and forestry workers, tradesmen, craftsmen, business people and others) will be able to double as paid instructors in the PEP College.

#### CONCLUSION

Born out of a desire to forge a better future, Mebbin Springs is designed to enable people to increase their enjoyment of life by allowing them to move to a beautiful rural setting where there is ample access to space; well-balanced territorial rights; proper control of the environment; and improved use of land, capital and resources. The reality of the Mebbin Springs ideal is achievable within five years. Already, more than two years of intensive planning and preparation have gone into thoroughly developing every aspect of the concept. The success of the venture now depends on people who, sharing the over-all vision, are able to commit themselves to the pioneer tasks of establishing a new community.

We are seeking 200 founding members to join in the formation of a public Company (to be called Mebbin Springs Limited) incorporated for the purpose of acquiring the property and developing the community as envisaged. If you are interested in becoming a founding member, please consider inspecting the property at your earliest convenience. The Founding Committee will be holding open meetings at the property on Sat. 21st April (during Easter) and Sat. 12th May (during the May school Holidays)—to be held at the sawmill at 2pm. It will be an opportunity for prospective members to meet each other, discuss the provisions of the draft Constitution, inspect the plan of homesites and utility areas, and elect additional committee members. Please advise us of your arrival if you plan to visit at that time. You will be welcome to camp on the property but there are no facilities. The Burrellea Caravan Park is nearby (066) 797161, and so is the Bushranger Motel (066) 797121. If you have any queries about accomodation, please telephone us on (02) 233 3357 or (066) 795 265.

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# Don Cook explains Lincoln's Incentive Scheme

## PREFACE

The article about the Lincoln Electric Company *Don Cooke Explains Lincoln's Incentive Scheme* is of special interest to Georgists since John C. Lincoln, its founder, was a lifetime Georgist. It would surprise present executives of the firm to know that Lincoln actually stood for Vice-President of the United States on the Land Commonwealth Party platform in 1924. Also, it was largely through Lincoln's philanthropy that the Henry George School of N.Y. gained a substantial building on 23rd Street. In 1947 he established the Lincoln Foundation in Arizona to 'teach, expound and propagate the ideas of Henry George'.

There is no evidence to suggest that this brilliant and compassionate man created the Bonus Scheme which has made the Lincoln Company so well known. The profit-sharing plan was devised by Lincoln's brother, his junior by seventeen years, James F. Lincoln. It does seem that the Bonus Scheme was devised during the Depression. Thus, one cannot agree with the Rydge article that it was solely the product of hardheaded 'intelligent selfishness'. One notices in Lincoln's biography *The American Century of John C. Lincoln* that at this time Lincoln was interested in philanthropic projects (pp.166-7). He may have had a hand in it. By the way, in good years the annual bonus at Lincoln Electric (Aust) exceeds \$5,000 per worker.

If I might, we shall conclude with a digression. As you know, the Lincoln Company is one of the biggest producers of arc-welding equipment in the world. It appears that it was at Lincoln's insistence c.1917 that the American navy experimented with arc-welding in their ships to produce a lighter, faster vessel. (The Germans actually used the technique to escape the terms of the Treaty of Versailles.) During World War II the amazing number of warships produced by the Americans owes much to arc-welding and to John C. Lincoln.

- R.L.G.

We were intrigued to read that employees of The Lincoln Electric Company (Australia) Pty. Ltd. had recently again gone home with cheques from their Company's bonus scheme.

This scheme has received considerable publicity over the years and has given The Lincoln Electric Company the reputation of being a model employer. The company, in turn, has made substantial gains from this bonus scheme in terms of productivity and output quality. It is Australia's largest manufacturer of welding machinery and competes successfully on many world markets. Indeed some 40% of sales are exports; some of these going to markets where the competition is from Japan, Germany and America.

There should be no illusions about this bonus scheme. It is based on what the founder of the American parent company calls 'intelligent selfishness'. In his book *Incentive Management* James F. Lincoln refers to intelligent selfishness as follows:



John C.  
Lincoln

'It is intelligent selfishness that causes a man to struggle toward perfection so that he becomes prosperous. It is stupid selfishness that prompts him to steal. It is intelligent selfishness that incites a man to become outstanding in his development of his latent abilities. It is stupid selfishness that prompts a man to try to gain such position by tearing down those who have already gained such position by their abilities. It is intelligent selfishness that makes a man struggle by research to develop new progress in medicine. It is stupid selfishness that prompts a man to advertise quack medical cures that can not be accomplished. In industry, it is intelligent selfishness that incites an organisation to give more and more of a better and better produce for a lesser and lesser price with profit as a by-product. It is stupid selfishness that prompts an industrial company to charge all the traffic will bear.'

This is a remarkable book. Though first published in 1951, it continues to be used as a standard work on the subject of incentive management.

While lack of space precludes us from quoting at length from this book, the following general advice on how to apply incentives to potential job leaders is a reflection of the wisdom and soundness of the book.

#### AN OPPORTUNITY TO DEVELOP IS NECESSARY

'First: occasionally give the person whom you wish to develop a job that is over his head. Show him that you expect him to do it. Do that in such a way that he sees that you believe he can, so that he himself feels that he should be able to do it. This point of view on your part, and also his, must be honest and real, as must be all the actions of any successful leader. Perhaps you can also give him helpful suggestions that he will feel are his own. Light a fire under him by showing that he must progress if he is to take his place as a man among men. Make him see that others before him have done the unusual and that everyone can and should.

'Make him see that everything is possible. There is nothing impossible. There is nothing that will not be done eventually. Anyone can do anything if he only thinks so and drives himself to the limit that is necessary to do it. Invention is the doing of the new thing in the obvious way. After an invention has been made, we then see it was the obvious way; there was nothing unusual in it. It was only our inhibited mind that kept us from seeing this self-evident answer from the very first.

'Invention and development of latent abilities have much in common. After we develop any latent ability, we see how natural such development was. It was only because we did not believe in ourselves that such a step was delayed as long as it was. Development is natural and very satisfying.

'If this pressure, incentive and crisis are real, any man will often rise to it. By so doing he will develop. He will be a more valued member of a greater team. In passing, you yourself as the leader in inspiring him in this development will develop in yourself new abilities that you did not know you had before. You also are on trial and facing a crisis if you recognise your responsibilities as the leader.

#### 'RESPONSIBILITY AND PRESSURE NECESSARY

'Second: remember that the men you are leading must have the feeling of responsibility to the team of which they are members. That must be a reality, not an act. Each one must be responsible. He must feel the same responsibility that is felt by the goal kicker after a touchdown. You, as the leader, must have the feeling of responsibility for your team's success. You are responsible. You are the captain. It is you who must develop the team spirit in your team.

'Third: keep the pressure on. After the first step in development has been accomplished, have the next follow quickly. Do not let the man relax to the point that he feels he has arrived. No man ever does or ever can arrive. Keep the same philosophy in your own mind about yourself. There is no end to possible progress in any worthwhile endeavour. This is not slave driving; it gives instead a feeling of accomplishment, which is our greatest satisfaction.

#### 'DON'T WAIT FOR FUNERALS

'Fourth: advance a man only on his ability and contribution to the success of the company. This is, of course, closely related to the previous incentive. This programme of advancement is claimed by most managements as an adopted standard practice. It is not, actually, except in very rare instances. If every man felt that if he had what it takes he could actually go from a new employee to president in one jump, there would be an entirely different attitude than that now present in most industrial organisations.

'In most organisations, funerals are necessary for the progress of any individual. Since the average span of life is increasing rapidly, funerals do not occur nearly as often as they should for the best progress of most companies. Also, they frequently do not take the proper people. If the man of ability would be put over the head of an older man who has slipped, funerals would be of far less importance to most manufacturing plants. The upcoming man then could go ahead as he should and must.

'It is a very difficult decision for the leader to make to advance the able over the head of the old, even when such action is obvious and needed. If the leader cannot bring himself to do it, he should look around for the man to take his own place, for his usefulness has passed. No man's progress should be stopped by failure to recognise his ability and to advance him to his proper



place.

'Incentive that will give every man recognition as soon as he has the ability, and to the extent of that ability, is an obvious necessity.

#### 'BE A LEADER, NOT A BOSS

'Fifth: when any man makes the team, accept him as a team mate. You are not a boss, you are a leader. He will be better in some ways than you or anyone else if he develops as he should. You and he are two members of a team, each of whom plays a different position, dependent on developed ability. You are fellow players and each has specialised skills that make him most valuable in his position. There is no relative position one above another except as is shown by the actual contribution that each makes to the team's success. You are the captain. You are the leader. You are not dominant, except as you deserve to be from your contribution to the team's success.'

#### HOW THE SCHEME WORKS

At the Australian company in 1981 the bonus payment totalled \$2 million plus and this was shared amongst 450 employees. Clearly, sums of this size provide substantial incentive.

The formula by which the total amount of the bonus is calculated is simply that a fixed share of gross profit is apportioned for this purpose. We asked managing director, Donald C. Cooke, what this share was in percentage terms, but he declined to reveal this, except to say that it is a fixed share.

However, the company shows no reticence about revealing other details of the scheme.

There are three mathematical components of the formula. These are: job evaluation rating, merit rating and hours worked.

The first is multiplied by the second and the result is multiplied by the third. Job evaluation is described as follows, the categories rising from cleaner to department manager: Evaluation factors considered in the factory:

1. Mentality—basic education required.
2. Skill—the training and experience necessary to do the job efficiently.
3. Responsibility—the cost and chance of error.
4. Mental application—concentration required.
5. Physical application—exertion, effort and weight handling.
6. Working conditions—factors of heat, dirt, ventilation and cleanliness in the working area.

In the office the following factors are considered:

1. Mentality—basic education required.
2. Skill—the training and experience necessary to do the job efficiently.
3. Analytical ability—capacity to examine facts, reach sound conclusions and plan action.
4. Initiative—ingenuity, adaptability and originality in executing the job.
5. Personal requirements—ability to get along with others, tact, salesmanship.
6. Supervisory ability—executive leadership required in organising efforts and developing skills in others.
7. Monetary responsibility—the effects on costs of decisions made in executing the job.
8. Dependability and accuracy—thoroughness and reliability in clerical and record keeping tasks.
9. Mental application—memory and concentration required for the job.
10. Physical application—effort, pace and fatigue on the job.

Merit rating is calculated according to six factors:

Rating Card Evaluation factors:

1. *Output*
  - a) How much acceptable productive work you can turn out.
  - b) Reliability on the job—not wasting time.
  - c) Putting out, not holding back.
  - d) Willingness to do any job available.
2. *Quality*
  - a) Quality of work produced.
  - b) Elimination of waste.
  - c) Elimination of errors.
  - d) Attitude toward improving the quality of finished product.
3. *Dependability*
  - a) The ability to supervise yourself.
  - b) Effective use of your Skills.
  - c) Willingness to impart your job knowledge to others.
4. *Ideas and Co-operation*
  - a) Ability to work with others.
  - b) Co-operation in accepting new methods.
  - c) Initiative in suggesting new ideas to reduce costs and improve quality.
  - d) Teamwork and extra effort in case of absence of others or in an emergency.
5. *Housekeeping*
  - a) Orderliness and care of equipment.
  - b) Your attitude to cleanliness both at your work station and throughout the Company premises.
6. *Safety*
  - a) Your compliance with Company Safety Rules.
  - b) Your safety record.
  - c) Your promotion of safe working conditions.
  - d) Your attitude to safe working practices.

These ratings are calculated by the foreman and division manager in the case of *Output*, by department head and the inspection department in the case of *Quality* (or by your supervisor and other department heads in the office), by the foreman and division manager in the case of *Dependability*, and by the foreman and methods department in the case of *Ideas and Co-operation*.

Hours worked include all hours on the job including overtime. Where a man is on sick leave or worker's compensation these hours are not counted for the purposes of bonus sharing calculation.

There is no secret of what merit rating an employee receives. He is informed of his score and is entitled to query this and to ask reasons for, for example, why his rating is less than it was for the previous year.

As will be clearly seen an obvious potential weakness in the scheme is that the foreman looms so large in the process. One might imagine that there is considerable scope for him to indulge his personal likes and dislikes and that perhaps it is placing too much pressure on him to expect a high degree of objectivity where he must daily supervise his workers. Don Cooke says that in practice there are few problems because the ratings are not the work of the foreman alone; a second person is always involved.

#### ADVANTAGES

We asked Don Cooke what the main advantages were of the Lincoln bonus scheme. He summed it up in the fact that Lincoln has been able to compete so successfully in world markets against much larger international companies. His workers are productive and the quality of their work is high.

In addition to the bonus scheme, most of the production work at Lincoln is remunerated on a piecework basis, for Lincoln believes that a man should be able to earn commensurate rewards for hard work.

In *Incentive Management* James F. Lincoln had this to say:

'Fundamentally, piecework is for the sole purpose of giving to management and the worker an accurate measure of the worker's efficiency. Industry under incentive is a game of worker-management skills. No game can be properly played unless the score is known and accurately kept. Piecework is a means for measuring the skill and effort of all involved in winning the industrial game. Piecework can have no other useful purpose.'

'It is not possible to increase efficiency of production nor to develop new methods of more efficient production without some accurate measurement of progress made. Piecework is a method of keeping the score and showing the progress that new methods and skills make or do not make in the efficiencies of production. It is not a scheme for compelling men to work harder and produce more—that cannot be done to free men. Piece work is a means of measuring a man's ability.'

#### PROBLEMS

Rydgens' Management Service found it difficult to believe that the entire picture was rosy and we put it to Don Cooke that here must be problems involved in the administration of Lincoln's bonus scheme. He conceded that it was time consuming for those involved in making and assessing the ratings and that the wages system is a complicated one. In addition, the bonus scheme must be constantly sold to the employees, which is also time consuming.

However, the benefits far outweigh these problems.

#### SELF MOTIVATION

Don Cooke says that the workers become so involved in the profit concept that one finds them looking to ensure a smooth and continuous flow of raw materials for their own particular functions. The worker is also concerned with the quality of his work, because he does not get paid for rejects. In effect, each man becomes his own quality inspector.

'If', says Don Cooke, 'you can get people self motivated you are well along the way toward not needing a manager.'

In fact there are few top managers at Lincoln but they are hard and effective workers. There is no executive lunch room and no executive car park. 'The better they work, however, the better we reward them,' says Don Cooke. 'Implicit in the work harder', he adds, 'is more intelligent operation.'

The merit rating concept extends to top management. 'If a division falls down, the manager carries the can for it. Where a bad debt is incurred, the finance manager carries the can, not because it is his fault that the customer went broke, but he should have anticipated that this could have happened and warned the sales staff accordingly so that further credit could be cut off.'

#### THE DROP-OUTS

While the Lincoln bonus scheme is attractive, it is clearly not overwhelm-

ingly so for some workers, since the company has seen a fair degree of labour turnover in the last couple of years, or at least prior to the high unemployment levels of recent months. However, this appears to be what the company wants, for there is no point in keeping workers who do not respond to the incentives provided by the bonus scheme, which as we have already seen is aimed both at productivity and attendance.

Don Cooke says that the company makes no secret of the way that this scheme works; other companies are welcome to come and look, and many have done so. However, there is scant evidence that the ideas have been much used in other companies.

Perhaps the last word on this point belongs to James F. Lincoln:

'Success or failure of any incentive plan depends not on the plan itself but on its acceptance by all those involved. The mere fact that money is to be given to the workers involved does not mean that they will work harder, more intelligently or be more nearly self-starters

and very willing co-operators with management. The mere fact that we in management think that the wage earner should jump to do his best because he will by so doing get a profit split will make little difference in the attitude of most workers.

'It is true that every worker would like to get more money—who wouldn't?—but there are many possibilities of increased income that anyone can get that few would accept. Few people will steal. The reward is thought of as far less than the penalties. Few women are prostitutes. The reward is far less than the penalties, both legal and spiritual...

'The causes of failure of incentive plans are these:

'First: Lack of understanding on the part of management of the human urges involved.

'Second: Lack of honesty of purpose on the part of management.

'Third: Lack of ability on the part of management to make the team and do its part to the extent that the worker accepts management as a teammate.'

(From Rydge's Management Journal)

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## GEORGISM AND COOPERATIVE INDUSTRY

By Max Hirsch

### SUFFICIENCY OF THE REFORM\*

Large fortunes also will disappear as undeserved poverty disappears. Whoever examines such fortunes—whether they are those of territorial magnates, as the Dukes of Westminster and Bedford, the Earl of Durham, the Marquis of Bute, or the Astor family; or whether they are those of commercial and industrial magnates, as the Rothschilds, Rockefellers, Goulds, Vanderbilts, and others—can see at once that they mainly consist, not of real wealth, but of the value of monopoly rights. The disappearance of private monopoly rights would, therefore, cause the disappearance of the bulk of these large fortunes. Some men might still earn large and even enormous incomes by rendering corresponding services, but such incomes would no longer coalesce into large and permanent fortunes. For the permanency of all large fortunes depends upon the possession of monopoly

\*Hirsch refers to the Single Tax System

rights. If they are invested, as under the Single Tax system they would have to be invested, in competitive industries, they are ephemeral. The power of any man to superintend the employment of capital in competitive industries is limited. If the capital so invested exceeds a certain limit, the supervision must be inefficient, losses must arise, and the labour and anxiety are excessive. Hence, no one will then desire to own such large fortunes; and even if any one should desire to do so, he would break down under the strain of preserving it, while constant losses would diminish its bulk. The ambition of men earning large incomes would, therefore, be directed into other channels than the accumulation of excessive fortunes. It would probably take the direction of donations for public purposes during the lifetime of the donors, to an extent which cannot now be realised.



Max Hirsch

1852-1909

#### COOPERATIVE INDUSTRY

The gradual increase in the reward of all labour and diminution of large fortunes would tend to remove class distinctions. When no one can live sumptuously without labour; when no one can ape the manners and customs of those who live sumptuously without rendering service, labour, which is still regarded as servile in spite of the abolition of chattel slavery, will be no longer so regarded. Society being thus levelled up and levelled down, the vices which arise from excessive riches and extreme poverty will alike disappear. Free education throughout all grades of knowledge will still further tend to the removal of class distinctions and to a greater coherence of society. The working classes, able to save capital out of their wages, and raised to a high level of knowledge, reasoning power, and morality, will no longer be compelled to work for wages. Forming themselves into joint-stock companies, they themselves, in conjunction with other workers who possess organising and managing ability, will be the owners of the factories, farms, and mines in which they work. Wage-industry will

thus be superseded, gradually and largely, by cooperative industry. Capitalists, as a separate class, may not disappear entirely, but will be largely reduced in number. Such organisers only as, on account of their exceptional ability, can pay higher wages than can be earned in competing cooperative establishments, can attach a sufficient number of good workers to their service for any length of time. Nor will the wage-worker entirely disappear. Young men who have not yet saved enough to acquire a share in a cooperative concern, the less able and steady workers, as well as some who have lost their savings, will always form a residue of wage-workers. But their number also will be enormously reduced. Capitalist and labourer will generally be united in the same person, removing the last tincture of the stigma attaching to hand labour, and producing a democratic society of unprecedented homogeneity and cohesion.

#### EFFECTS UPON RESTRICTIONS

Long before this stage has been reached, all such restrictive legislation as that against excessive hours of labour and that against unhealthy and overcrowded work-rooms, as well as laws directed to ensure the safety of workers and to fix a minimum of wages, will have become objectless. For the workers, being mostly free to work for a capitalist, or to employ themselves, stronger in competition than capitalists when capital cannot be invested in monopolies, will not enter employments which do not offer favourable conditions in all these respects. Capitalists will either have to comply with the standards fixed by the workers, or pay higher wages to compensate for conditions below this standard, or will be unable to obtain workers. At the same time there would disappear child-labour and the labour of married women in factories, while such employment for unmarried women would either be more and more shunned, or would be carried on under greatly improved conditions. Fathers and husbands in receipt of ample wages would as little think of sending their wives and children into factories as do the members of the middle class now; and parents would not allow their grown-up daughters to work there, except for short hours and in the absence of adequate household labour.

(From *Democracy Versus Socialism*)

# WHO'S AFRAID OF WORKERS' PARTICIPATION?

By Richard Giles

At first glance the answer to this question appears to be simple. This is *the employers*. They see it as a polite word for workers' control or industrial democracy.

In investigating this question I am under severe limitation being almost entirely dependent for what is said in an article *Worker Participation in Australia* (C.A.B., March 1978). The author of this very lucid description, Peter Robson, very early makes the point that it is, in fact, the largest employers (often the 'multinationals') who lead the way with worker participation in Australia.

This is a strange fact. Mr Robson does not argue strongly but does in at least two places suggest that the basic reason for it is the pressures from trades unions and, especially, Labor governments. What has occurred, he says, is an attempt to reform the workplace in an effort to keep control over the changes that threaten to become uncontrollable. He quotes the Assistant Director of the Australian Employers Federation (1974) to the effect that employers recognise that there is still a chance in Australia for them to determine the future of workers' participation.

Mr Robson also points to the benefits to the company of such schemes as works councils, semi-autonomous worker groups, and so on:

(The interest in the postwar period, says one authority, is due to three factors) 'firstly, reports of successful committees overseas... secondly, wider acceptance by management of the principle of participation as a means of promoting work interest and cooperation among subordinates; and, thirdly, an increasing recognition that employees potentially have much to contribute to improved methods and production efficiency.' — *Wall and Butler, 1959* (Qu.p.25)

Thus, there is little doubt that Mr Robson is making good sense when he attributes worker participation schemes among large companies to 'outside pressures'. But as we have also seen, other factors are present that make one cautious about accepting 'outside pressures' as the primary one. Competition with other firms on world markets has been an important factor. Robson's historical note shows that the war brought about special forms of cooperation between workers and management in the interests

of the war effort. Finally, the sheer distance that private firms are ahead of government and unions in this worker participation movement must lead to serious doubts that, in Australia, firms have been forced along the path by the imminence of legislation or trade union militancy. It is common knowledge that workers' participation has not been the subject of Labor Party legislation or even policy for nearly ten years; no one can recall when trades union made an important issue of workers' participation.

This discussion should lead us to two questions. How compatible is workers' participation with capitalism? and Why are unions and socialist governments so slow to pursue the goal of worker participation?

## WORKER PARTICIPATION AND CAPITALISM

That great work *The Acquisitive Society* by Richard Tawney (1921) clearly shows that ownership and management were remarkably separate, even at the time of the First World War. Yet, before this, Henry George had pointed out somewhere the fact that very large enterprises in Rome were managed by slaves, including banks. To the extent that ownership and management have always been separated under capitalism, worker participation is more the norm of capitalism than the exception.

Naturally, enough large enterprises do not want trade union control over workers' participation, this could make them even more vulnerable to union militancy than before.

Neither do they relish control by government—especially a socialist government through legislation on workers' participation. There are two reasons for this. First, government would include in such legislation provision to obtain data on costs of production and other 'trade secrets'. Second, it would inevitably lead into *de facto* control over production. Socialist unions in sensitive areas, whose object is primarily to nourish the 'class struggle' and 'class consciousness' of members would also welcome such information. When the Labor government did show interest in the period 1972-77, it was apparent to the employer groups that to do something

along the lines of workers participation might be a good idea. Nonetheless, that interest by government was shortlived.

#### WORKER PARTICIPATION AND GOVERNMENT

Two State governments, in South Australia and New South Wales, have been interested in developing programmes for employers to follow. The South Australian government went the further of the two. The Federal Labor government has the most vague and uncommitted policy. These policies are not actively pursued because of the problems which the movement has.

It is observed that works councils sometimes become the agency for technological changes which increase productivity, and thus wages, but bring redundancies as well. In a wider sense, unions see works councils as a means for giving management greater control over the work place. Also, works councils soon become a rival to the union organisation within the company. Its power, functions, and even membership suffer. Confusion results about what is to be done; the sense of 'teamwork' that it inspires means divided loyalty of workers. More of the concern of unions will appear a little further on, but the number of statements of union opposition to worker participation that Robson quotes coincides with their perception of the way workers' participation works in Australia. The report of the 1975 ACTU Conference makes no bones about it: 'Under no circumstances can worker participation programmes be set up as a parallel body of activity to trade union activity' (p.29). Of the S.A. experience Mr Robson makes the rather innocuous remark 'Perhaps the most important factor to note ...has been the rapidity of the change in approach since the Report of April, 1973' (p.27). To summarise the change: the government went from doing much to doing little. As Robson says, the Council set up to work in the field 'attracted a hostile reception from the trade union movement'. (*ibid*)

#### WORKER PARTICIPATION AND UNIONS

But what of the real reasons for trades union opposition? Discussion so far has led us to form the conclusion that only if trades union had tight control over schemes of worker participation everything would be well. Said one official, 'Frankly we would not be interested unless it is looked at on our terms from the beginning. We would want a large degree of autonomy and changes in power and control to allow us to move up into the guts of the organisation...' (p.30) For the reason given earlier, there is no doubt that this would be a goal of unions, and it could be that because employers have frustrated this that unions regard workers' participation as a dead

issue. And thus Mr Robson concludes his article.

An interesting footnote in Robson's article should lead the reader to question this 'last word' on the subject. It is pointed out that in Italy all unions dislike the idea since it 'will absorb workers into the management process' (p.27 fn.). This remark deserves fuller discussion. It is in the nature of workers' participation schemes to form the basis of steps in the direction of co-operatives. No one wants this: neither the capitalist, the State socialist, nor the unions. (The union official drawn into 'the management process'—that is impossible!) In other words, in the path of this movement stands the Apollyon of the modern world. Big Business; Big Government; and Big Unions. Workers' participation is one of the few public questions that reveals this great force for retrogression. One can see that none of these powers need fear for its vital interests. Everything is under control.

#### OWENISM AND THE COOPERATIVE MOVEMENT

The first time in history that this question was revealed in its broad outlines sketched above, was in the period 1829-34. This was the period of Robert Owen's Grand National Consolidated Trades Union. In an important sense this was not a trade union but a figment of Owen's imagination. It was in fact a weapon to destroy capitalism by workers' cooperatives.

Owen's solution to the matter was the proposal to run the community by the exchange of goods organised cooperatively. The difference between a trade union and Owen's idea is clearly brought out by the fact that, in that industry closest to Owen's aim, the building industry, were two unions: one 'struggling to improve workers' conditions under capitalism'; the other 'struggling to eliminate capitalism'. It is interesting, too, that one body took the name 'union' and the other 'gild'. Socialist writers on the subject express their disappointment at this stage with the way things were developing. They complain at the reactionary activity of some members of the G.N.C.T.U.; members who only had in mind to become self-employed artisans again.

This moment in history says all about the lack of influence of the cooperative movement in general, and about the workers' participation movement in particular. *The end of the proletariat* is something which all parts of Apollyon can agree on. They do not want it. It is a movement that, if successful, would at last give a truthful ring to the term Company, and clearly show that Companies and co-operatives are both aspects of one idea.

