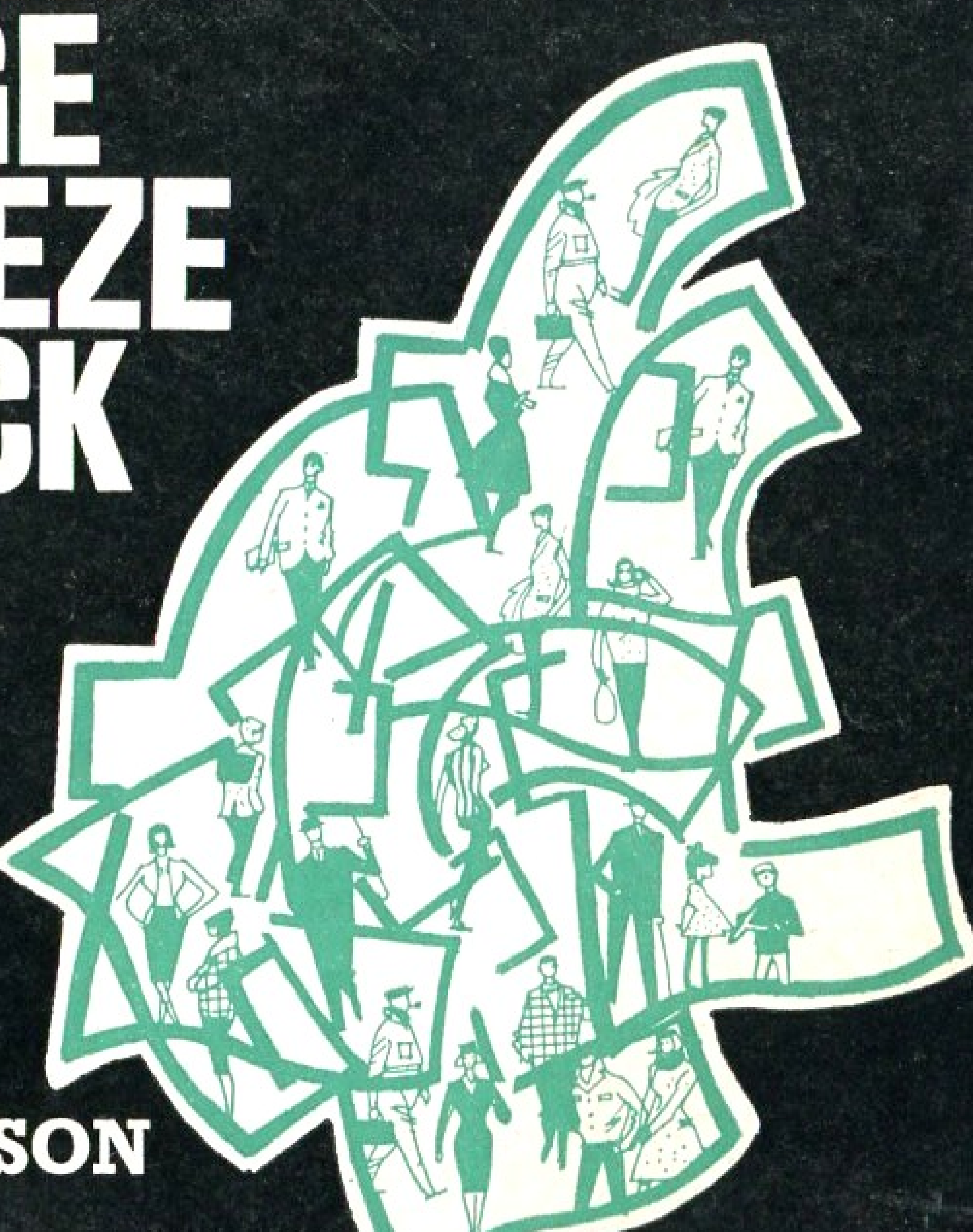
INCOMES POLICY
THE GREAT WAGE FREEZE TRICK



BERT RAMELSON

COMMUNIST PARTY PAMPHLET 1/-

INCOMES POLICY THE GREAT WAGE FREEZE TRICK

by BERT RAMELSON

ON July 20th, 1966, Harold Wilson launched in his crisis speech in the House of Commons, the most vicious attack on the working people since the MacDonald Government's onslaught in 1931.

He simultaneously announced a series of measures aimed at a steep increase in the cost of living (cynically called 'mopping up excessive purchasing power') and demanded a wages standstill, which in such circumstances can only mean a slashing of real wages and earnings. In addition he proposed drastic cuts in public expenditure by the Government, local authorities and nationalised industries. All this makes it absolutely certain that ever-growing queues will again be lining up at the labour exchanges.

The Prices and Incomes Standstill White Paper spelt out what it means.

Not only is the freeze to apply to new applications, but also to wage and salary increases and cuts in hours due as a result of agreements entered into long before Wilson's disastrous speech.

The axe applies to the railwaymen's increase in September, solemnly promised by the Prime Minister himself to avoid the rails strike last winter, and to workers in many other industries entitled to cost of living increases arising from agreements which have been in existence many years.

Over six million—one in four of the entire labour force—will be robbed of rises they are entitled to under agreements freely entered into with the employers in some instances as long as two years ago. In most cases, the employers will have costed their products long ago, taking into account these increases, which they will now pocket as extra profit.

Should increases nevertheless be obtained before the new Prices and Incomes Act becomes effective, the unprecedented provisions are made for the Government to cut earnings back to what they were before 20th July, 1966.

With breathtaking effrontery the Government justifies the standstill by declaring "the country needs a breathing space of twelve months, in which productivity can catch up with the excessive increases in incomes which have been taking place".

By the taxation and other measures announced, production in general will be reduced and productivity in particular. So that this 'breathing space' far from 'catching up' will at best stagnate and could actually reduce output. In that case, the 'norm' could remain at zero for a long time after the standstill.

The Government pretends to freeze prices. But in fact, unlike wages, it provides for many exceptions. Prices can and will rise because of higher import prices, extra taxation and, where rents are frozen, rates will go up to enable local authorities to balance their housing accounts.

A similar trick is operated with regard to dividends. Dividends are to be frozen. But all this means is that the extra profits will be retained by the company and paid out in increased dividends later, and will lead to increased share values which the shareholders can sell at an enhanced price.

On the other hand, the workers are told that they must not in future push up wages and salaries to make good what they have lost in the standstill. "It would clearly defeat the intention of the standstill, if the parties concerned were to make good in subsequent negotiations any increases forgone as a result of the standstill."

When the virtual twelve-month standstill is over, the Prices and Incomes Board will not allow increases in wages above the 'norm' fixed by the Government, which is certain to be below the hitherto $3\frac{1}{2}$ per cent and could very well be zero, prolonging indefinitely the wage freeze.

All these proposals for holding down wages and salaries are to be compulsory. Provisions are made for the Government to take statutory powers to enforce them.

Here is an attack on wages and salaries unprecedented in its scope, and is deliberately aimed at artificially creating a recession—characterised by cuts in production, reduction in real earnings and rising unemployment—the logical consequence of attempting over the years to solve Britain's economic problems through incomes policy.

GOVERNMENT INTERFERENCE

Thus interference with our wages and earnings is seen by the employers and the Government not as something transient, a temporary, unpleasant experience, but as something permanent.

That is why we feel it necessary to go a bit deeper into an explanation of what incomes policy really is, how and when and why it emerged as a focal aspect of ruling class policy.

There has been a glut of phrases on wages in the postwar capitalist world. We have had 'a national wages policy', 'wage freeze', 'wage restraint' and 'wage pause'. The latest piece of cant is 'the incomes policy' and now 'wages standstill'.

All of them had the same purpose, to disguise the real aim of the ruling class to achieve state regulation of wages at a level below that which could be attained through free collective bargaining between the trade unions and the employers.

The incomes policy has two main features. First to keep wage rates *and earnings* below what is attainable by the trade unions as a result of their present organised strength in negotiations with the employers. Secondly, to secure state intervention in one form or another to ensure that wage rates and earnings are in conformity with a norm.

This norm is to be pre-determined by the state and operated regardless of the merits of any claim or the strength of the trade unions. It is related to output. If that goes down, so will the norm. Indeed, there is pressure to reduce it now, and even a suggestion to reduce it to zero, a fancy term for wage freeze.

THE THEORY OF THE INCOMES POLICY

It is no accident that the incomes policy has become the pet theory of most capitalist economists. There was a time when the very thought of the state interfering with the free play of the market as the only possible way of determining wages and salaries was unthinkable. But times have changed.

What is the essence of the change?

In the past the reserve army of labour, the unemployed, was a built-in feature of the capitalist system. The commodity labour power was more or less permanently a glut on the market. In these circumstances where supply of labour was in excess of demand, the employer as the buyer of the commodity, was able to use the conditions of the market to his advantage in bargaining, through the trade unions, with the workers selling their labour power. So the employers' rallying cry was "No state interference with the free play of the market in determining wages".

And the capitalist economists willingly obliged by developing theories and laws designed to prove that state interference in free bargaining between the unions and employers would destroy both the economy and democracy.

UNIQUE SITUATION

But for the past two decades in a number of advanced capitalist countries, and particularly in Britain, there has existed a situation unique in capitalist history. Since 1946, except for brief periods, there has been a general shortage of labour and a chronic shortage of skilled labour.

For the first time in the history of capitalist society this has led to the position where the seller of the commodity labour power (the trade unions) has the advantage in bargaining with the buyer (the employers). This situation provides the best setting for working class advances on the economic front, within the confines of capitalist society. The higher the standard won the more powerful become the forces for further advances.

The true nature of the state (and in this connection it is irrelevant whether there is a Labour or a Conservative Government) as the agent of the ruling class now emerges. The state rushes to the aid of the employers who may be bested in free bargaining with the trade unions.

The theorists hasten to perform their role, to dress up the interests of the ruling class in high sounding theories about economics and society in general. What does it matter if the theories contradict all that the earlier theories regarded as sacred? Memories are short.

What then are some of these brave new theories now used to justify the incomes policy?

INCOMES POLICY—NEEDED TO HALT INFLATION

Undoubtedly this is the most widely used argument. It takes note of the indisputable fact that in Britain during the postwar years there has been a generally mild inflationary tendency. In other words, prices have tended to rise. But this tendency has been gradual; nothing like the frightening run-away inflation of the twenties, but well below an annual 4 per cent on the average.

The argument exaggerates the extent of the rise, then sets it down, without a tittle of evidence, to high wages; and proposes as the cure the incomes policy.

In our view there are four factors which mainly give rise to inflation, and none of them is directly related to wages.

One is the huge arms expenditure, unprecedently high. Many thousands of workers are producing goods which are not for sale, but are using their wages to buy consumer goods. So to that extent too many wages are chasing too few goods, and this helps to push up prices.

This is so because this arms expenditure is being undertaken in the postwar years when the organisation of the working class is such that the Government dare not try to cover the full cost of armaments by increased taxation on the working people.

NEW FEATURE OF CAPITALISM

A second factor is the change in the composition of the labour force. There has been a considerable increase in the proportion of workers in non-productive enterprises, e.g. advertising, salesmen, banking, the services.

This is a new feature of capitalism, and again means that workers not producing goods for sale, nevertheless use their wages to chase after consumer goods.

Then the high degree of monopoly development in the postwar years means that the prices of an ever-growing number of goods are permanently held at high monopoly price levels.

The fourth factor is the deflationary budgets of all postwar governments, Tory and Labour alike, which have been brought in to reduce demand on the home market by cutting our spending. Every budget has resulted in raising prices in some form or another. As a result of this deliberate increase in the cost of living the wage and salary earners have been compelled to use their organised strength to maintain their real earnings by compensatory wage and salary increases.

Wilson's July 20th measures too are in this tradition. The 10 per cent increase in purchase tax and in duties on petrol and beer will raise the cost of living. The "standstill" will compel wage and salary earners to fight for increased wages and salaries, or be faced with the alternative of accepting a cut in real earnings and a speed-up in redundancy.

FOREIGN BANKERS DICTATE

Frank Cousins's letter disclosed what had long been suspected, that the deflationary budgets reducing demand by cutting our spending power, were dictated by the bankers of Wall Street and Zurich . . . "our international monetary transactions have been based on assurances of our intention to restrict internal demand".

Nor were any attempts made by the press and commentators to deny that the only criterion by which Wilson's July "crisis package" was to be judged was whether it would impress the foreign moneylenders, not whether it was good or bad for Britain.

Merely to point to the fact that in Britain, as in most industrially developed countries, there has been a tendency since the war for prices to rise is not to prove that the basic problem facing the economy is inflation. Even less is it the case, as I will show, that its cause is high wages.

Repetition is not proof. It is rather the hope that if you say something long enough and loud enough—as in this case that inflation is due to high wages—people will begin to believe that there is something in it.

IS THE CHOICE UNEMPLOYMENT OR INCOMES POLICY?

More and more the threat of unemployment has been used in an attempt to get the workers to accept wage restraint. Arguing that the rate of inflation is leading to bankruptcy and that the cause of it is high wages the solution is often presented as a choice between lower wages, voluntarily accepted or Government imposed, or Government action to create mass unemployment. This would have the effect of bringing down wages by weakening the workers' bargaining position because of the surplus of labour.

The Government and the economic theorists fully expected Callaghan's 1965 budget to lead to increased unemployment, as Selwyn Lloyd's less deflationary budget had done in 1961.

But this did not happen because the working class pressed ahead, won higher earnings and so maintained a high level of demand and employment. Had they refrained from winning higher earnings the budget and the Government's monetary policies, pushing up prices, rents and rates, would have meant a cut in real wages and earnings, a drop in real demand for goods, a contraction of the economy and a rise in the unemployment figures last winter.

UNEMPLOYMENT BOGY

The Government and the press were using the bogy of unemployment to frighten us into accepting less in wages than it is possible for the unions to get.

Artificially created unemployment could result from a cut back in demand, either by a reduction in money earnings or cuts in real earnings by increased taxation and prices.

The alternatives are therefore bogus ones. It is not a case of incomes policy or unemployment, but rather incomes policy and unemployment.

This is now proven up to the hilt by the July 20th bombshell of a wages standstill and a rise of up to 2 per cent (half million) unemployed, seen as the tolerably acceptable consequences of this version of incomes policy.

The way to frustrate the attempts at the deliberate creation of mass unemployment is to fight with determination for wage increases to maintain real earnings and compensate for any increases in taxation and prices. The workers should warn the Government that the trade union movement in the '60s is not the same as in the '30s. It is strong enough to maintain high wage levels even in conditions short of full employment. The recent experiences in Europe show that this is no idle threat, given the will and determination of the organised workers.

Despite conditions of rising unemployment during Italy's recent recession wages continued to rise. The British working class, whose organised strength and record of militancy is certainly not inferior to that of the Italian workers, can achieve similar results.

WE MUST PAY OUR WAY

The starting point in this group of arguments is the chronic crisis in the balance of payments.

The Government's cry is that we must not only sell abroad more than we buy, but that the surplus must be big enough to provide sufficient foreign currency to cover the costs of overseas military bases, build factories abroad (export of capital) and build sufficient reserves to retain the pound as a world currency.

To achieve this all that is needed we are told is a dramatic increase in our exports, and this means that more goods must be made available for export by reducing home consumption. To reduce home consumption we must reduce home demand; and the quickest way to do so is to cut real earnings—hence the incomes policy.

But it is not enough to have the goods to export; we must be able to sell them. We are told, again without an atom of evidence, that our export figures are poor because we are not competitive. Our costs are too high. They are too high because our wages are too high. So we are back again to the cure-all, incomes policy. Thus runs the argument.

But what are the facts?

SPENDING ABROAD

The first thing to note is that more than *the whole* of the balance of payments deficit in the postwar years (£350 million in 1965) is accounted for by expenditure on military bases abroad (£350 million in 1965) and private investment abroad (about £250 million in 1965).

Furthermore, as long as Britain insists on maintaining sterling as an international currency we shall be vulnerable to speculation against the pound, thus aggravating the deficit.*

While British policy remains based on a vast foreign expenditure well beyond our means we shall not be able to pay our way. We shall always be compelled to run to foreign bankers, whether in Zurich or New York, and consequently will have less control over our own affairs, both economic and foreign.

The Government's National Plan calls for an increase in exports sufficient to reduce the 1964 trading deficit of £534 million to £50 million by 1970. This is a gigantic task. It is chasing a will-of-the-wisp to try to do this in the present international situation with competition growing fiercer.

The British Government has the power to convert a chronic deficit in the balance of payments into a surplus; but this can only be done by closing military bases overseas, using the available investment capital to modernise industry at home instead of investing abroad and by ceasing to play the world banker. The annual savings in foreign currency would be considerably more than the average deficit over the last twenty years.

COURTING FAILURE

To attempt to realise a balance, much less a surplus, solely by means of increased exports is courting failure. It can only aggravate the position as every such effort by every postwar government has shown. It would mean a doubling of the annual rate of increase in exports, a fantastically high rate and beyond our means, especially as it means relying on forces beyond our control.

The present deficit has accumulated at a time when the terms of trade have been in Britain's favour at the expense of the underdeveloped countries. (The manufactured goods that we export have been rising faster in price than the food and raw materials that we import.)

---

* To maintain the pound as an international currency means that foreign countries do their trade with each other using the pound to settle accounts. They hold large quantities of sterling for this purpose. The moment they think Britain's resources are such that they may not be able to redeem their holdings, or that in a few months' time the value of the pound may fall, they begin to get rid of the sterling reserves or to speculate in sterling. This compels Britain to take measures to satisfy the foreign holders of sterling, regardless of whether such measures are in Britain's interests or not, e.g. raising the bank rate, promises of wage restraint, credit squeeze, etc.

It is completely unrealistic to assume, as is done in the calculations made in the National Plan, that they will continue to move in our favour. On the contrary, the signs are that they are likely to move against us, as the recent heavy increase in the price of copper shows. Indeed Wilson, in his television speech on July 20th, admitted that the terms of trade had turned against Britain and that that was a factor in worsening our trade balance. In such circumstances even a substantial increase in the volume of exports would have no great effect in terms of a balance of trade surplus.

As part of the campaign to sell the incomes policy our actual export position has been deliberately played down. The fact is that Britain exports more per head and a greater proportion of her gross annual products than most of her competitors. And in fact on the average over the last 10 years we have had a surplus of exports over imports. "The actual figures show that Britain's visible and invisible earnings over the 10 years 1955-65 were £61,210 m. against which our import bill during this period was £57,920 m. The balance in our favour, which may surprise many, averaged £329 m. a year . . ." *Antony Vickers, Edward Hollway, for the Economic Research Council, in a letter to the* Financial Times. The emphasis is put on the fact, totally irrelevant to the problems of the balance of trade, that our share in world trade has been declining. What really matters is the growth of exports relative to imports (not our share of increased world trade), for that determines whether there is a surplus or deficit in our trade relations with the rest of the world.

EXTRAVAGANCE

It is the height of stupidity in such a competitive world to continue fantastic extravagance in foreign exchange through maintaining military bases overseas, investing abroad and keeping the pound as a world currency, and hope to cover all this by increased exports. This has never been done in our history and cannot be done in the future.

There is very little evidence to show that our exports are uncompetitive, price-wise. In the same television speech Wilson gave the lie to this argument too. He admitted that our exports had been doing well, apparently being quite competitive; and put the blame for the deficit on the seamen's strike and rising imports rather than insufficient or uncompetitive exports.

That neither the seamen's strike nor increased imports is the real cause is not the point. What is important is that Wilson admits that our exports were doing fine despite last year's rise in wages and earnings, and Callaghan underlined this in the debate on the crisis 'package budget' on July 26th, by saying: "Generally speaking, it is not true that our goods are overpriced in foreign markets". This makes nonsense of some of the weightier arguments for incomes policy.

Even if our prices were uncompetitive this would not be due to high wages. There is much more evidence of insufficient study of the requirements of the foreign markets, sales and service arrangements. These factors are a much bigger obstacle to sales abroad than prices.

BRITISH EARNINGS

The available evidence shows that British hourly earnings in manufacturing industry have, in the past decade risen less than those of our European competitors.

If there is anything in the argument that actual prices today of British goods are higher as far as labour costs are concerned than some of our competitors, surely the answer lies, not in starting a cut in wages competition—this beggar-your-neighbour policy was tried in the thirties with disastrous consequences for all concerned. The answer lies in using the vast sums now spent on arms and investments abroad to modernise our industry. That way we achieve lower costs by higher investment, not by lower wages.

The following table underlines the essence of this argument, that our prices and wages have not risen higher than those of our competitors and that exports do not fall with rises in wages.

Country	*Increase in prices—%*	*Increase in wages—%*	*Increase in exports—%*
Austria	4.8	11.1	11.6
Sweden	5.8	10	9.7
West Germany ..	3.9	10.3	9.8
Belgium	3.8	9	13.7
Italy	3.7	8.3	21.8
United Kingdom	4.8	4.6	6.4
United States ..	1.8	3.2	3.3

(From the Austrian paper *Kurier*—1965 compared with 1964)

IS THE INCOMES POLICY A SOCIALIST WAGES POLICY?

This argument which has become fashionable since Labour became the Government is used to clothe the attack on wages in 'socialist' terms and appeal to the politically thinking workers.

It runs something like this. Socialists believe in planning and this means planning wages too. The incomes policy is another phrase for planning wages. For good measure it is pointed out that wages and salaries are planned in the Soviet Union and other socialist countries.

Moreover the appeal is made to working class feelings of solidarity by stressing that the incomes policy will help raise the wage level of the lower paid and badly organised workers, even if it is at the expense of the higher paid and better organised sections.

This argument would carry some weight if the Government were building socialism and planning the rest of the economy. But in fact the only thing being 'planned' is wages. How indeed can the situation be anything else as long as the main levers of a planned economy, investment capital and disposal of the vast accumulated profits of the monopolies, are not in the hands of the Government, or even remotely controlled by them?

NATIONAL PLAN

The National Plan has nothing in common with socialist planning. What it does is to set out hopes based on forecasts provided by the monopolies themselves. Its conclusions are based on unproven assumptions such as the movement of the terms of trade, the state of the world and the hopes for expansion of the economy. It has much more in common with the Neddy Plan introduced by the Tory Government.

The Plan was not working out as forecast even before it was finally buried by Wilson's July budget. Instead of production rising at the annual rate of over 3 per cent as envisaged in the Plan, it has been stagnating, and now as a result of the Government's deliberate action is doomed to severe reductions in output. Yet there were no signs that the Government was prepared to use legal sanctions against the monopolies who have failed to achieve planned increases. There has been no hesitation however to rush through legislation to compel wages to comply with the Plan. The bankruptcy of the planned economy argument thus stands exposed. While the Government tears to shreds whatever element of the most rudimentary type of indicative planning there may have been in the National Plan, it goes full steam ahead with planning severe cuts in real wages.

The argument that the incomes policy means closing the gap between the lower paid and higher paid workers is equally false.

This was shown by the lengths to which the Government went to prevent the seamen achieving their demands. No-one in Britain had a longer working week than the seamen's pre-strike 56-hour week or even their 48-hour week, won through the strike. To argue that any advance on 48 hours would endanger the incomes policy presumes that the aim, far from narrowing the gap between those at the bottom of the scale and those at the top, is to perpetuate the gap.

LOW-PAID WORKERS

How little the incomes policy helps the lower paid workers was shown too by the flat rejection by the National Coal Board of the lower paid day-wage miners' claim. It took the threat of an official ban on overtime to extract some increase from the National Coal Board.

There was also the cavalier rejection by the Prices and Incomes Board of the railwaymen's claim. These examples are proof enough that the incomes policy aims at keeping everyone's earnings down, whether they be high paid or low paid. And if any more proof is wanted, there's the attitude to equal pay.

The incomes policy rules out indefinitely any granting of equal pay for women. To grant women equal pay at one stroke would of course mean to ignore the norm completely. Even if the policy were to achieve equal pay over a period—say five years—women would have to receive wage increases well over the norm for several years before equality was achieved. This would not be a tiny "exception" for there are 8 million employed women.

No supporter of incomes policy can explain how adherence to the "norm" and an advance to equal pay are compatible.

The fact that the Government refuses to ratify I.L.O. (International Labour Office) Convention 100 on equal pay despite its pre-election pledges to do so is evidence that the Government has and had no intention to use incomes policy to raise the wages of those on the lowest rungs of the ladder.

The majority of the lower paid workers in this country—particularly in poorly organised industries, have their wages governed by Wage Councils. Hitherto when a Wage Council made an order for a wage increase the Minister of Labour was in duty bound to carry it out. Now in the new part IV of the Prices and Incomes Act the Minister is enabled to delay that order for a further period. An act aimed at protecting Britain's low paid workers has been put in cold storage for the duration of the freeze. The same powers are taken to suspend orders under the Agricultural Wages Act. It is the lower paid workers who are being most hit by the freeze and by incomes policy generally.

PRICES

When Government spokesmen are pressed to explain how the low paid workers can hope to gain because higher paid workers forgo the increases they could win, they answer that savings in wages, via the incomes policy, would lead to reduced prices for the consumers. Lower paid workers would benefit in this way.

This is a dishonest argument. There are no provisions to compel the manufacturer to lower prices. At most the Prices and Incomes Board reserves the right to review any proposed price increases; and we would be very naïve if we thought that the big firms would voluntarily reduce prices and forgo extra profits.

In the unlikely event of a general lowering of prices the gap between the high paid and the low paid would remain, for the high paid workers are consumers too.

The blanket wages standstill announced by Wilson, applies equally to those whose earnings are below national assistance level—a not inconsiderable number—and those at the top of the table. This is only the visible proof of what was obvious to those who dug below the superficial glib talk of the incomes policy propagandists.

Incomes policy hits just as hard, if not harder, the low paid worker as the better off worker. It hits him harder because his chances of fighting to raise himself a little closer to average earnings are hindered by the environment of wage restraint created by the government's policy, and the encouragement to resist all increases given to the employers by such a policy.

PROFITS

Originally there was some talk about keeping profits down as well as earnings, but this was soon dropped for the simple reason that it was beyond the wits of even the most highly paid top civil servants writing George Brown's speeches to 'prove' the possibility of stopping profits from soaring if wages are being held back.

The total value of any commodity in the final analysis consists of wages and profits. So it stands to reason that as the one goes down the other must go up. And indeed during the ill-fated wage freeze period of the first postwar Labour Government this was what happened.

It was this experience of what holding back wages meant in real life that led to its rejection in 1950.

The introduction of the dividend limitation clause in the second Prices and Incomes Bill will not limit profits. All this means is that extra profits will be saved for the shareholders. These extra savings can be put to "work" on behalf of the shareholders to make still more profit. The value of the shares could rise because of the increased reserves. Shareholders could either wait to receive their accumulated savings or sell their shares at the enhanced price.

The equivalent process for the worker would be for part of the wage or salary increases applied for to be put, when granted, in the bank or invested on his behalf to be paid out to him with interest when the economic situation had improved.

But even this attempt to present the Bill as dealing 'fairly' with both sides falls down. There is no standstill for dividends no matter how much higher they rise. All that the directors of a company are required to do is to inform the Government of their intentions and then proceed to pay higher dividends—which have resulted from the restraint on wages and salaries.

IRRELEVANT THEORIES

When all the theories and arguments used to justify the incomes policy are examined they stand exposed as totally irrelevant for the solving of the real economic problems facing Britain. These problems are the balance of payments, inflationary tendencies and insufficient science-based industry, equipped with modern machinery.

The Wilson package budget of July 20th serves to underline how totally irrelevant the incomes policy is for the solution of these urgent problems which have been a constant, running sore, and will continue to be so until the real causes are tackled. And the real cause of our deficit of course is foreign expenditure abroad. We have the authority of Mr. Callaghan himself for this. In an interview published in the West German weekly *Der Spiegel*, Nov. 8th, 1965, the Chancellor of the Exchequer said: "There would not be a sterling crisis if we did not have to bear so much of the burden of defence abroad. We would have restored our balance of payments if we had not had to bear this heavy load".

Instead of attacking the hundreds of millions of pounds of foreign exchange spent abroad in Government expenditure and capital export, Wilson directed his main attack against living standards by withdrawing £500 m. of consumer spending at home. This has nothing to do with the immediate problem of the payments deficit.

Instead of announcing steps to modernise and expand the economy, the only sound basis for bringing down costs and raising living standards, he introduced measures that will lead to cutting back production. Increased productivity as all experience shows can only arise out of earnings incentives and this, of course, is ruled out by the wages standstill.

GOVERNMENT'S REAL AIM

If any further clarification was necessary, these latest government measures show what the real aim of the Government is. It is to help the employers deal with the trade unions in conditions where they are relatively strong; to try to carry out the hopeless task of re-establishing Britain as an imperialist world power at the expense of the living standards of the workers and professional people with the aid of American and other foreign assistance; and to put in pawn Britain's future and the livelihood of its people, to get such aid.

From the time of its election in the autumn of 1964 the Labour Government has been determined to drive the incomes policy through.

Within days of the Government being formed George Brown was given the task of setting up a special ministry, the Department of Economic Affairs, with one of its main objects the development of the incomes policy based on an annual 3½ per cent increase in money earnings.

On December 16th, 1964, George Brown on behalf of the Government, with representatives of the trade unions and the employers' federation, signed the Declaration of Intent to support an incomes policy.

In February 1965 the Government issued a White Paper setting out its proposals for an incomes policy; and on April 30th this was endorsed at a meeting of the TUC and the Executives of trade unions by a majority of 6,649,000 to 4,838,000.

The Government had already announced in March its plan to set up a Prices and Incomes Board to vet wage and price increases. On March 17th it appointed the Tory Aubrey Jones as Chairman at a salary of £15,000. By April 30th all members of the Board had been appointed.

PRESSURE ON UNIONS

During 1965 as different sections of workers pressed ahead with wage claims it became clear that the Government were going to bring more pressure on the unions to comply with the incomes policy, the obvious aim of which is to keep wages down.

George Brown descended on trade union leaders on the eve of the Trades Union Congress in September to explain his plans to introduce legislation to enforce notification of wage claims to the Prices and Incomes Board.

The Trades Union Congress decided to support the idea of legislation, but to try and operate its own early warning system of wage claims meanwhile.

Then on February 24th, 1966, just before the last Parliament dissolved, the Prices and Incomes Bill was introduced. This was followed by the second Bill on July 4th, 1966.

THE PRICES AND INCOMES BOARD

George Brown as Minister of Economic Affairs was largely responsible for setting up the Board, and reserved to himself the right to refer to it for consideration and reporting any application for wage increases, or anything affecting labour costs or proposed increases in prices.

At first co-operation with the Board was voluntary. The impression was also given that in its reports the Board would confine itself to commenting on whether a particular claim or price increase was in the 'interest' of the economy and in conformity with Government policy.

The Board's terms of reference were so vague and general however that, as will be seen, it could and did take on itself powers of a very far reaching nature.

When the rails dispute on wages reached deadlock the claim was referred to the Board by the Government. In its report the Board did not confine itself to commenting on whether the railwaymen's claim was justified or not. In addition to rejecting the claim it proceeded to condemn the basis for negotiating railwaymen's wages. This process had been developed during nearly two decades, since the railways were nationalised, and was based on the principle that railwaymen's wages should be comparable with those in similar industries. The Board outlined a completely new negotiating machinery, heavily weighted in favour of the Railway Board.

Similarly in its report on the question of whether the price of coal should be increased the Board did not content itself merely with approving the proposed increase. It proceeded to lay down the law on how the increase should operate. The essence of its remarks was the proposal for a method of pricing aimed at speeding up the closure of "uneconomic" pits, and a condemnation of the existing wage structure.

The Prices and Incomes Board is clearly the chosen instrument of the Labour Government for imposing capitalist rationalisation and speed up, as well as incomes policy, on Britain's wage and salary earners.

THE PRICES AND INCOMES ACT

The attempt to represent the Prices and Incomes Act as legislation merely to compel unions or sections of unions to give notice to the Board of any demand for increased wages and salaries is now exposed as a brazen lie. The second Prices and Incomes Bill gave the Board power to hold up any wage increase agreed to by the employers and the unions for a period between three and four months. It proposed to fine any group of workers who during this period struck for immediate payment of the award. The third Prices and Incomes Bill (July 28th) imposes a total wage and salary freeze for the rest of 1966 and tight restraint during the following six months. Note that this applies not merely to national negotiations but to those on a factory or district scale.

After the claim has been notified, employers and unions may proceed to negotiate. If an agreement results in an increase in wages it *must* not be paid in 1966, and may not even be paid in the first six months of 1967, unless the unions can prove that there are exceptional circumstances, justifying its payment.

In short, if the employers, in what may well be a period of mounting unemployment, make a concession to the workers the operation of the freeze and the period of tight restraint by the Government and the Board may prevent the workers from getting anything whatever. Again those who strike or advocate a strike against this monstrous injustice can be heavily fined.

All this is serious interference with the rights of trade unions to engage in struggle for increased wages.

Notification of wage demands does not only refer to national negotiations, but to all negotiations, including those on a district and factory scale.

From the moment that any union, district committee, or shop stewards committee puts in for an increase in wages or salaries, or for improvements in working conditions which could add to costs, the Prices and Incomes Board has to be notified either by the union or the employer.

OVERALL PICTURE

The general idea is that the Board will be able to get an overall picture of the wage and salary demands that are coming forward, and will be able to see at a glance where the resistance to wage increases can be built up.

After the claim has been notified negotiations on the claim will follow and out of this may emerge an agreement between unions and employer. This has to be notified to the Minister who may decide that it more or less conforms to his norm of what the increase should be. This is what is called the "voluntary principle". You are allowed to make any agreement you like provided it conforms to George Brown's norm.

If agreements are considered to be above the norm they will be referred to the Prices and Incomes Board for consideration and comment. The Board need not give its criticism or comment for a period of three months.

Suppose a situation in which negotiations have been long drawn out before an agreement has been reached. It can then be decided that the agreement should be examined by the Board. This means another three months delay in paying the award.

FINING WORKERS

But if the workers get restive and strike in order to enforce immediate payment of the award, each worker participating is liable, on summary conviction to be fined £100, or if convicted on indictment to a fine of £500.

Workers can be fined not only because they have taken part in a strike; but because they have sought to persuade others to take part in a strike (whether they have been successful or not) or because they have threatened a strike.

This section of the Bill goes a long way to preparing the ground for fining workers who strike without going through procedure, which is one of the demands made by the Engineering Employers' Federation to the Royal Commission on Trade Unions and Employers' Organisations.

This Bill for the first time since the Combination Acts of over 150 years ago makes strikes illegal. It attacks the very core of the trade union movement, the right to collective bargaining without outside interference and the right of the unions to use their organised strength to further their demands and compel the carrying out of an agreement freely entered into with the employers.

This is so of national and local agreements. In the case of local agreements the aim is to end the wages "drift", and undermine the shop stewards' movement, which is the militant heart of British trade unionism.

It is the thin end of the wedge of state-regulated wages. Unless this Act is repealed, it will be but a stage in the process of making the findings of the Prices and Incomes Board legally binding, thereby destroying the unions as free, unfettered bargaining bodies for their members.

OPPOSITION GROWS

Before Mr. Wilson's speech on July 20th, there were a formidable list of important unions on record either against the incomes policy as such, or against the anti-trade union legislation or both. Amongst the unions who put resolutions on the agenda of the Trades Union Congress were the National Union of Public Employees, Greater London Council Staff Association, Constructional Engineering Union, Association of Supervisory Staff and Technicians, Draughtsmen and Allied Technicians' Association, Watermen and Lightermen, United Road Transport Union, Society of Technical Civil Servants, Transport and General Workers Union, Scottish Commercial Motormen, National Union of Mineworkers, National and Local Government Officers' Association, National Union of Seamen, National Union of Tailor and Garment Workers, Sheet Metal Workers and Coppersmiths, Amalgamated Society of Boilermakers, Fire Brigades Union.

A number of other unions have protested against the freeze policy as such.

Some have not been content with merely declaring their opposition, but have taken the initiative in campaigning against the policy, especially the five 'white collar' unions, Supervisory Staffs, Draughtsmen, Scientific Workers, Cine Technicians and Technical Civil Servants. These unions have consistently opposed the incomes policy and the Bill and have worked together to form a collective campaigning committee to put forward their viewpoint and win support for it. They have held conferences and put out special material both on the policy itself and the Prices and Incomes Board.

REPEAL THE ACT

The depth of feeling against the Bill was shown by the Lobby of Parliament in June. Powerful delegations from all over Britain came to Westminster with massive backing, to demand that the new Bill be dropped.

When the Lobby was over the call was made for the setting up of local committees to mobilise opposition to the legislation and for consideration to be given to calling a national conference. Such measures deserve the fullest support.

Action along these lines is going to be essential in the coming months in order to prevent anti-trade union legislation and force the Government to repeal the Prices and Incomes Act and drop the incomes policy.

The very existence of the trade unions, as democratic organisations, engaging in free collective bargaining, will be menaced by this Act. It is therefore essential actively to oppose it in every possible way. Mass demonstrations and lobbies must be organised to demand its repeal.

The unions at national level must demand that the employers pay the deferred wages now, and use all forms of pressure on them to this end. Through the shop stewards and other representatives of the workers, the unions must continue to demand improvements in wages and conditions in the workshop, using every method of struggle to achieve this.

They should further warn that the trade union movement will withdraw support from a Government which resorts to sanctions against it and its members.

The rank and file should not shrink from unofficial action in certain circumstances, but such action should not be seen, as some ultra-lefts do, as directed against the official trade union machinery, but its aim should be to move the official movement or powerful sections of it, into action against the freeze and the Prices and Incomes Act, and to bury once and for all the incomes policy in whatever form it appears.

THE ALTERNATIVE

"It's no good simply opposing the incomes policy. What is the alternative?" This is a reasonable comment and demands an answer.

And there is an alternative policy, based on true economic facts. We put it forward here.

It is not a policy which will solve all the problems facing capitalist Britain. That calls for full socialist measures. Only when production for private profit is abolished and the country owned by the people and fully developed for the benefit of all will economic crises be ended.

But this policy will above all help to solve the balance of payments crisis, lift the economy from stagnation, and create favourable conditions for carrying on the struggle for a socialist Britain.

Overseas Military Spending. The Government should end its East of Suez policy and its support for the U.S. war in Vietnam. It should close down all bases overseas and bring the troops home. This in itself would save over £300 million a year in foreign exchange.

Wilson's expressed 'hope' to cut Government expenditure abroad, military, foreign aid and civil, by the derisory amount of £100 million was accompanied by the statement that the Government intended to maintain its present disastrous East of Suez and general defence strategy.

This was a callous disregard of widespread public opinion. It was evidence that he was more concerned to please Washington than tackle the economic problems facing him. It is what made so many serious commentators declare his measures as irrelevant to the problem facing him.

As for the Government's argument that to withdraw British armed forces from the Middle and Far East would leave a vacuum and would pose the question as to who would step in, the answer is straightforward. The people of these countries would step in to run their own lives.

In addition there should be a substantial cut in other military spending and the planned transfer of workers to industries and firms engaged in the export drive.

End Private Investment Overseas. The Government must put a stop to private investment abroad. This would also save about the same amount in foreign exchange. Wilson has ignored this major factor in our payments deficit in his July budget.

This money should be used to modernise backward sections of industry at home, for this is the real cause of our disadvantages in competing with other countries.

Keep Up Demand. Total and absolute opposition to any wage freeze; resolute determination to compel the implementation of all agreements entered into; carrying forward the struggle for improvement of wages and earnings at all levels; compelling the repeal of the Prices and Incomes Act, the instrument designed to impose periodic wage freezes and permanent wage restraint. This must be the workers' answer to the onslaught on wages and jobs. Higher wages will not only benefit the wage and salary earners; but, by keeping up demand, it can get the economy going again.

Prices. The Government should introduce a national price stop. It should stabilise the price of food, using subsidies where necessary, and cut purchase tax on all except luxury goods.

Foreign Trade. All barriers to trade with the socialist countries should be removed. Selective export subsidies and export credit facilities should be introduced. The Government should use its powers to impose selective, physical import controls, so that such expanded foreign trade would not lead to excessive import increases which would endanger the balance of payments position.

Extend Public Ownership. In order to plan investment, which is the key to planning the development of the whole economy, the Government must step by step take over the big monopolies. This will enable a real national plan to be made, very different from the present so-called plan.

Steel nationalisation should be carried through with all possible speed. There should be a national policy worked out as quickly as possible for fuel, and power and transport. Docks should be nationalised and long distance road haulage renationalised.

Any plan not based on public ownership is doomed to failure.

Pay Off our Debts. The Government should stop trying to maintain the £ sterling as a world currency. This is the only way to stop foreign speculation against the £. The recent run on the £ shows the damage this does to our economy. This would mean redeeming sterling held abroad and paying off our debts to foreign bankers. The Government could liquidate sufficient of our over £11,000 million assets held abroad to redeem sterling held abroad, pay off our debts and increase to at least double our present reserves of about £1,000 million. Consultations on assets in developing countries and former British colonies could take place with the Governments concerned.

DEFEAT THE INCOMES POLICY

We can sum up by saying that the incomes policy would not only fail to solve our economic problems; it would aggravate them—the disastrous measures of July 20 are the latest in a series of crippling measures resulting from persisting with the incomes policy.

The Prices and Incomes Act is aimed at foisting the policy on the movement, and the first step towards state regulated wages and working conditions and the destruction of trade union independence.

If the Government is allowed to get away with these measures the way will be open for the employers to demand the introduction of all the reactionary, repressive proposals they have been putting to the Royal Commission.

The trade union and labour movement can defeat the incomes policy and compel the repeal of the Prices and Incomes Act. It must put forward an alternative policy.

What is needed is a clear understanding among the whole left wing and unity in action. The working class movement has enormous power. It should use it to the full to defend the people's living standards and trade union rights, and thus serve the best interests of the nation.

The policy outlined above is what Britain needs to expand the economy.

It is supported by millions of people in the labour movement. It is advocated by Communists and left Labour people.

If all who agree unite to campaign for it then Britain can make a turn to the left and open the way for real socialist change.

Published by the Communist Party, 16 King Street, London, W.C.2,
and printed by Farleigh Press Ltd. (T.U.), Watford, Herts