

REVIEWS

Meade, J E., *Wage-fixing (Stagflation Volume 1)* London, George Allen and Unwin, 1982, 233 p. Price : \$19.75.

This is the first of two volumes by Professor Meade dealing with the causes and cure of stagflation — defined as a state of the economy in which large scale unemployment and rapid inflation occur simultaneously. This condition now appears common in the industrially developed, democracies, but Meade's emphasis is on the United Kingdom economy where he argues that the problem has been caused by the combination of two developments, namely the use of Keynesian policy to attempt to expand the economy to the level necessary to maintain full employment, and the increased influence of trade unions and other monopolistic groups which aim at increasing real living standards beyond the rate of increase of real output. In the United Kingdom, Meade also points to the failure to achieve a productivity growth rate comparable to that achieved by many of its industrial trading partners.

In dealing with this problem, Meade's solution is neo-Keynesian and two-pronged. He advocates the implementation of monetary and budgetary policies which lead to a moderate but steady rate of growth and, underpinning this, a wage-fixing system which, for each sector of the economy, restrains wage increases in so far as they would increase unemployment or prevent the expansion of employment in that sector. Part of this wage-fixing system may hinge upon a centralized incomes policy, but in chapter 7 Meade warns that even though such a system may possibly temporarily reverse an explosive inflationary situation, it is likely to interfere with the conduct of free enterprise business arrangements, and in doing so impose various anomalies and distortions leading to resentment. These views are consistent with those of many contemporary researchers.¹

This first volume is primarily concerned with the reform of the wage-fixing arrangements in such a way that employment is promoted on a sectoral basis, and a second volume will deal with the appropriate accompanying financial policies.

Meade strongly advocates the promotion of competition by measures such as the control of prices and the setting of charges by national agencies in order to restrain excessive monopolistic profit margins.

Meade concedes that if wage-fixing institutions could be so reformed that their primary function was to promote employment, the rate of pay could not simultaneously be used as a main instrument to promote an income distribution that is socially desirable. To counter this he suggests a battery of fiscal, social security, and welfare measures to influence the distribution of income and wealth between incomes and families. Similarly, for low pay employment, he sees a case of special state intervention in exceptional cases of exploited workers.

The author is concerned about the range of legal provisions which encourage monopolistic elements in labour organizations and several of those mentioned have counterparts in New Zealand. Notable ones include the pre-entry closed shop (c.f. the unqualified preference clause in the *New Zealand Industrial Relations Act 1973*), and various immunities from civil actions for damages caused by strikes and lockouts. In the United Kingdom, the *Employment Act 1982* has clearly limited some of them.

The book concludes, as far as the objective of promoting employment in each sector is concerned, that the search is now for some suitable decentralized wage-fixing system, given that the problem cannot be solved through any centralized system. This is reminiscent of the current New Zealand debate — whether the country wants to continue with centrali-

zed wage-fixing, with the Arbitration Court, the central institution, imposing as it does a distinct structure on the system. The author argues for some arbitration body such as a pay commission which seeks specifically a balance between supply and demand for labour in each sector of the economy, and terms such a system "not-quite-compulsory arbitration". Unlike a centralized incomes policy this would leave collective bargaining to the social partners but in those cases which are unsettled the case could be put to the pay commission to discourage direct action.

The author also discusses proposals for labour co-operatives (including labour-capital partnerships and profit-sharing schemes) as well as fiscal devices aimed at discouraging inflationary rises in wages and prices. With reference to the former, he indicates that labour co-operatives are not appropriate to some forms of economic activity in industries where large economies of scale prevail, where, to avoid serious problems of monopoly, state regulation becomes necessary. Labour co-operatives may however help to alleviate the problem of stagflation in as much as they can help to relax the tension between "them, the capitalists" and "us, the workers".

This book should be of interest to all those concerned with macroeconomic theory and policy, labour relations, labour economics and labour law. It has been written in such a way that the main thrust of the arguments are spelled out in the body of the text while the detailed analytical reasoning and models on which they are based and which will be of most interest to the economist are set out in the appendices.

The book is highly relevant to the contemporary New Zealand situation where it may prompt the filling of a conspicuous gap — we still await the publication of a modern, comprehensive text on wage determination in New Zealand.

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Schuller, Tom (Ed) *Is knowledge power?* Aberdeen, Aberdeen People's Press, 198, 144 p., Price : not stated.

Formal trade union education in New Zealand has a comparatively short history, The work of Americans Joseph Mire in 1967 and later John Brumm in 1976, while based at Victoria University of Wellington, was undoubtedly instrumental in assisting the development of union training and education. The establishment of the Trade Union Training Board as a subsidiary of the Vocational Training Council in 1974 was envisaged by the then Federation of Labour president, Tom Skinner, as a means of developing state funding for trade unions interested in developing education programmes. In the 10 years of its existence the TUTB would have to be noted more for its ability to administer a bureaucracy related to state funding mechanisms than an organisation developing policy initiatives about the nature, provision and control of trade union training and education.

Concerned at this lack of policy development, the liaison committee of the TUTB (a group of union and institutionally-based trainers from around New Zealand) in 1981 set about developing a policy paper on union education. The move seemed fraught with difficulties but a discussion paper emerged and was distributed widely to unions. In July 1982 a 2 day national conference on trade union education was convened by the TUTB and the discussion paper was developed into a draft policy. This draft policy paper was adopted by the National Executive and National Council of the Federation of Labour and

1 See, for example, *National incomes policy — proceedings of a seminar (1982)* Industrial Relations Centre, Victoria University of Wellington.

was adopted without amendment (and with little discussion) by the 1983 Federation of Labour Conference.

The thrust of the policy is that there is no difference between union organisation and union education. On the issue of provision and control the policy states that union education must be provided and controlled by the trade union movement with the 2 main providers being individual unions and national federations, and with postal education services complementing and supplementing them. There is heavy emphasis on cooperative regional activity. Funding is envisaged as one of the normal costs of production, being met by employers and the state as well as from the trade union movement.

In *Is knowledge power?* Tom Schuller brings together a collection of 11 essays concerned with the policy issues relating to the form, provision, control and funding of trade union education that face the Scottish Trade Union Congress (STUC). The parallels and similarities between the New Zealand and Scottish situations are inescapable. The arguments about state funding, paid educational leave, who should provide the education (e.g. institutions or unions) and who should control the programmes, seem to transcend international boundaries and for that reason alone this book will be of interest to those involved and interested in trade union training and education in New Zealand.

Simon Henderson of the North East Trade Union Studies Information Unit in Newcastle, says the Trade Union Congress (TUC), the STUC, the Workers' Educational Association (WEA), most unions and many colleges of further education have a role to play in the provision of union education. How they work together is however a problem. Henderson identifies the difficulties in the relationship between the STUC and the WEA. Henderson says the STUC sees the WEA as a "filler" organisation with no positive strategic role other than doing things that trade union colleges cannot achieve. The WEA is described (largely for reasons associated with funding problems) as "an often unreliable partner when forward planning is under discussion", and as "teetering on the edge of making a constructive contribution".

Doug Harrison, Assistant Secretary of the STUC, examines various issues including that of state funding of union education versus independence and the problems of control that the acceptance of state funding raises. Harrison says the argument for increased state funding is very simple, based on the state's expenditure of "untold millions of pounds each year, through the universities, business schools and the further education sector, on management education". He concludes however that it would be "sensible" for unions to contemplate a future reduction in Government funding in real terms and that the shortfall would have to be met by the union movement itself. This would only come about if unions accorded education a higher priority than in the past.

Chris Aldred, a tutor organiser with the WEA, examines the difficulties of increasing union participation of women in the trade union movement generally and in union training specifically. She argues that the unequal circumstances faced by women in the workforce, and within their unions, call for special measures, and that women should be treated better as a group, rather than equally. Aldred believes that union education for women unionists needs to start from a different point than for male unionists, for example, by providing an opportunity to discuss whether women can ever make good job representatives and bringing out in the open fears that women have about being a job representative.

How familiar it all seems. The state of the art of trade union education in Scotland and New Zealand seems to be at a similar point of development. Schuller introduces the book by stating, "I hope that five years from now this book will be of historical interest only". I doubt that the issues confronted by this book will be "old hat" in 5 years and I recommended that New Zealand unionists attempting to implement the new Federation of Labour policy on union education have a good read and think about the relationship between knowledge and power.

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Crouch, C *Trade unions : the logic of collective action* Fontana, 1982, 251 p.
Price: £2.50

Colin Crouch, a former chairman of the Fabian Society, now reader in sociology at the London School of Economics and Political Science, has written a book aimed both at the general reader interested in understanding trade unions and at the student of social science who is seeking some explanation of trade union behaviour. His book is part of the Fontana New Sociology series, a series designed to appeal with works of value to lay people and professional sociologists alike. Such a balancing of reader interests is always difficult to achieve within the covers of one work. In the case of *Trade unions : the logic of collective action*, it is the lay reader who draws the short straw.

The first chapter "Approaches to the study of trade unions" sets out the framework for the subsequent analysis of union membership, collective action, union goals, union organisation and the involvement of trade unions in politics. It is a framework that seeks precedence for rational economic explanations of trade union activity, not to the exclusion of structural or symbolic explanations, but rather to redress, as Crouch sees it, the present imbalance in theories of trade unionism:

... I want in the succeeding chapters to redress the balance in modern sociology's treatment, exploring the scope for a sociological theory of trade unionism cast in a model of rational action, but, I hope, without losing touch with that concern both for relevant social questions and for the importance of subjective attitudes on which sociologists so rightly insist.

The heartland for Crouch's attempt to develop a theory of trade unionism as rational action is economics; trade unions and their members make rational choices based on calculating how best to maximise their interests within the constraints of their situation.

In keeping with the polemical nature of the recent British sociological tradition in industrial relations, Crouch makes it clear at the outset that he sees his book falling within the radical school. However, a reallocation of framework of industrial relations analysis — from Fox's unitary, pluralist and radical frameworks to Crouch's preferred classification of institutional pluralists, radicals and Marxists — now sees the radical school neatly holding the middle ground and the unitarists, who, as Crouch acknowledges, may represent the prevailing view of large numbers of employers, many workers and society at large, ironically dismissed from the big league.

Of more interest to the general reader, particularly in New Zealand at the current time, is Crouch's analysis of the rationale of union membership and of the inevitability of union involvement in political and macroeconomic issues. If Crouch's rational economic exploration of the reasons why individuals join unions in a voluntary system holds good in New Zealand after the passing of the Industrial Law Reform Bill, then a number of new features will enter our industrial relations.

First, any decline in union membership will not necessarily signify some principled refusal to join, nor even indifference towards unions, but, especially in the larger unions, simply a rational cost-benefit calculation that the economic benefits of membership can be obtained without paying any dues — the classic free ride. Crouch argues that an apparently free choice on union membership has a built-in bias against such membership; he draws a parallel with government defence spending :

... it is as though a government said : 'It is wrong that we force people to pay, through their taxes, for national defence. People should have a free choice as to whether or not to contribute to the defence budget. The armed forces will therefore be financed by voluntary contributions'. The result would be that many people would not make a defence contribution, not because they had a principled stand as pacifists, nor even because they thought defence was not worth having, but because they realised (i) that

their individual contribution made only an infinitesimal difference to the total budget, while paying it made a big difference to their family budget, and (ii) that so long as some people were sufficiently concerned to ensure that the country had adequate defences, they would get the benefit, because the protection afforded by the armed forces in a modern society cannot be limited to some individuals in the society alone.

Principal then and not principle will dictate decisions on membership. This in turn means that unions may need to increase their provision of selective benefits and services, that is of benefits and services to which non-members have no access.

Second, there may in the longer term be some impact on the size and location of manufacturing units as employers shift productive resources from areas where unions are strongly organised. Crouch points out that in the USA, industrial employment has been shifting from the unionised north-east to the newly developing south and west, "where employers are fighting hard and ruthlessly to prevent their workers from joining unions . . . assisted by expert advice from a number of sophisticated law firms and management consultants specialising in advising employers how to maintain a 'union free plant'." Similarly on the world scene there has been a shift of manufacturing industry from Europe and North America to the newly industrialising countries of the Third World – Taiwan, Hong Kong, South Korea, Singapore, Brazil, Columbia – where the scope of trade union action is either severely limited or prohibited by dictatorial regimes.

Third, Crouch comments on the subtler forms of discrimination that can develop for white-collar employees when opportunities are available for employers to exclude unions from the workplace. Recalling the earlier work of Bain (1970) on *The growth of white-collar unionism*, Crouch points out that government policy influences employers' acceptance of unions which in turn has an important impact on unionisation among white-collar employees, and that

... white-collar workers seem to depend, far more than do manual workers, on employer acceptance of union membership as an inducement to join; they are less likely to fight employers for the right.

White-collar employees in sectors that employ predominantly female, seasonal or part-time employees are particularly vulnerable to informal pressures not to join unions.

Crouch's book provides both an important stocktaking of theory in industrial relations and a useful sounding-board for clarifying positions and arguments on a variety of current issues. I would suggest it is essential reading for the sociologies with a special interest in industrial relations and in trade unions, and that the more general reader will find it stimulating to dip into periodically to sharpen his or her understanding of specific aspects of trade unionism. (It has one new word that I trust will quickly vanish from the industrial relations vocabulary – 'concertation', meaning co-operative, participative and joint consultative schemes and actions).

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Waters, M *Strikes in Australia: a sociological analysis of industrial conflict*
Sydney, Allen and Unwin, 1982, xii and 239 p. Price: A\$9.95.

Waters' book *Strikes in Australia* is a welcome addition to sparse sociological commentary on changing patterns of labour militancy during major periods of economic and industrial restructuring. As such it constitutes a valuable source of information for

academics with interests related to labour issues and for practitioners in the field of industrial relations. A strong feature of the book is its capacity to illustrate, in Waters' own words, the "sociological mileage" which can be achieved through the medium of broad economic analysis. Simultaneously it situates economic factors in a way which demonstrates the essential complementarity between economic, sociological and political variables in any meaningful analysis of strike actions.

Using a model largely developed by Shorter and Tilly in their *Strikes in France* (1974), Waters attempts to provide a broad analysis of strike patterns throughout the whole period of Australian history. His sociological model articulates the changes in the frequency, size and duration of strikes. Resultant strike patterns for Australia (diagrammatically represented) are then compared briefly with those of other societies at equivalent historical periods. Periods chosen are related to the stages of development of specific production structures characteristic of the craft production phase, the mechanised production phase, the assembly production phase and that characterised by the dominance of service industries and automated production. Extraneous factors influencing the lengthening or shortening of any particular phase in a specific national context is explained.

In the first 2 chapters Waters provides an overview of the theoretical debate relating to the character of strike activity. In chapter 3 he formulates the model which he uses to illustrate features of strike activity which characterise labour response to specific forms of structural change in industrial society. In arguing for a developmental model of industrial conflict, he accepts the core principle of differentiated workers' and employers' interests, but modifies such a tenet by insisting that strikes only take on a fundamentally disruptive character when the "mode of production" takes a particular form. Consequently,

The way in which the organisational and occupational structures of work change as an industrial society develops must be analysed, together with the constraints, the limitations, and also the possibilities which differential systems of industrial production provide, both for employees and employers. (p.33).

However, Waters' articulation of capital-labour conflict does not accommodate the Marxist concept of surplus appropriation in capitalist society. His term "mode of production" merely relates to technological features of the production process in a limited "micro" context. As a result, he provides no coherent theory linking aspects of worker exploitation or "deprivation" in the production stages which he describes. For Waters, in each period a different form of worker deprivation exists in relation "to the central interest of self-determination" (p.35).

Theoretically this work claims to represent a middle course between the "consensus" view of strike activity and Marxist propositions about the role of strikes in the development of class awareness and action. Waters maintains that, as neither set of assumptions can be tested empirically, it is necessary to use various factors common to both positions to construct a model based on their logical inter-relatedness. In so doing, he establishes his own position which proposes the idea that technological features of the production process largely determine social relations. He then proceeds to test this model of strike activity by applying it to data affecting the course of industrial development in Australia.

His theoretical stand is unconvincing. The whole contemporary debate relating to labour's capacity to resist capital's initiatives (implicit in restructuring strategies) is ignored, as is the possibility of worker resistance affecting the changing structure of the labour process. This whole area of debate is too crucial to be ignored in any work focusing on forms of labour resistance. To some extent, Waters appears to be apologetic for this particular area of omission. He acknowledges that the outcome of strikes is important. Yet he appears to sidestep the theoretical implications of such issues by saying that it was not possible to consider them because of data shortages. Strike outcomes are not systematically documented in government sources in any accessible quantitative form. If relevant theoretical explorations are to be rejected on this basis, then there are obvious limits to Waters' treatment of his subject matter.

Nevertheless, in the application of his model, Waters provides an incisive and detailed

description of factors influencing the character of labour militancy in Australia. The main body of his book, chapters 5 and 9, provides welcome detail on industrial structures, union organisations, management strategies, politico-economic conditions and state policies as they have affected strike activity. His detailed and professional handling of sociological, economic, political and organisational data, in an insightful manner suggesting complex levels of inter-relationship (usually unexplored in strike analysis), makes this book essential reading for those with academic, political or lay interests in labour issues.

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Low, A *No free lunch*, published by the author, 83 Penrose Street, Lower Hutt, 1983, Price : \$5.95.

Sir Alan Low is a former Governor of the Reserve Bank of New Zealand. In writing this book, he hopes to do more than to pass on his accumulated understanding of the way the country's economy works. He hopes also to inspire a change in the attitudes which he believes to be at the heart of the country's economic troubles: attitudes towards work; community; and, especially, towards the partners in the economic dance — employees and employers.

His views reflect the malaise which has overtaken macro-economic policy-makers, their accumulated frustrations at the limited usefulness of the grand levers of stabilisation policy (government spending, exchange rates and the rest), and a realisation that somehow the appropriate responses have not been forthcoming from the black box of micro-economic decisions. Over the last decade, New Zealand has contrived to do less well by each and every criterion of economic management: unemployment; growth; and stability. Sir Alan's frustration at the damage is evident throughout this book: it is all "silly, unnecessary, futile, and tragic".

So where does a macro-banker and policy-maker focus his attention in his search for solutions? On that very black-box of micro-economic behaviour which policy-makers have ignored for much of Sir Alan's career. I am bound to report my impression that the result is amateur.

The reader must first contend with a prose I would liken to a slow-moving river, taking the time to curl carefully around the obstacles in its path, but disturbing their positions only a little. These gyrations, from page 6, give the flavour: "Everybody (almost) except (sometimes) the Government of the day seems to forget . . ." Many currents are recognised, and often the direction is lost.

Turning from form to substance, the core of the argument is as follows. Everybody is "trying to pass on to someone else their rising cost of living" (chapter 5). By and large, labour is successful in this endeavour, and the maintenance of a structure of wage-relativities has rendered arthritic what should be a flexible system of resource allocation based on prices (chapters 10 and 12). The result is an inflationary circle of prices chasing wages (chapter 28); and the over-pricing of labour has led to unemployment — especially among the unskilled (chapter 20). There is, however, one group in the community which is not always able to recoup rising costs by increasing prices: the farmers/exporters whose prices increase at a rate established abroad, not at home. The result has been a decline in the terms of trade for farming; very little growth in export volumes — at precisely the moment in history when rising oil prices made it necessary to increase exports; and record trade deficits (chapter 5 again).

This is a widely-accepted diagnosis of the country's ills (although others might give a more important role in the explanation of unemployment to the domestic restraint imposed by 10 years of external deficits). What is less acceptable is the emphasis placed on rigidities in the labour market when explaining the inflationary feedbacks between prices and wages. For these feedbacks cannot be explained adequately without giving equal attention to the ease with which the prices of products and services have been increased. Several characteristics of the country's economic system, including the protection which has been afforded to domestic manufacturers, have played their part in weakening the system's resistance to price inflation; but these other aspects of the wage/price spiral are not exposed in this book.

But what is truly surprising, in view of Sir Alan's career, is that the explanation of inflation makes no mention of the role of the monetary authorities in accommodating the inflationary demands of both employer and employee. Before the buck can be passed from one to the other, it must first be printed, and Sir Alan of all people should have something to say about printing money. On the contrary, he finds himself able to support a capital gains tax on land – for the reason that these gains are partly created by the community – whereas the bulk of recent capital gains on land have been created, at no cost to the community, and no real gain to the wealth of the landowner, by substantial and continuing increases in the supply of money. It is puzzling that money should play such a small part in this book.

It is when the discussion turns to the detail of micro-economic behaviour that the book is at its weakest. As an example, in chapter 9 it is suggested that employers should pay severance to employees who are being replaced by machines; but not when the redundancy is due to lack of demand. In the world of competitive markets obviously favoured by Sir Alan Low, no such distinction is possible. And I wonder if negotiators of either camp will benefit from advice of this type, from page 46,

The first and obvious step is to talk calmly and responsibly to employers (who should respond in like manner) using straight-forward reasoning, common sense and an awareness of the general state of the economy.

And, on occasions, a degree of insensitivity emerges which also will limit the appeal of the argument. I wonder how many of those New Zealanders who find themselves below the breadline will accept this analysis of the reasons for their predicament: "The breadwinner may be unskilled, or lazy, or even so unco-operative as to be not worth employing".

These shortcomings are important, given Sir Alan's objectives for this book. His hope, after all, is to change our attitudes towards our economic system, (and thus improve our ability to make it work) by building up in us a common understanding of its operation. I do not think that the arguments of this book are of the universal persuasiveness required to fulfil that hope. They are too often incomplete, and, sometimes, they are wrong.

Perhaps it is the case that Sir Alan Low's book has been forced into these difficulties by an incorrect premise: that New Zealand's economic system, as it has developed over the last few decades, is still capable of meeting most of the competing demands placed upon it, and that its present difficulties are due to the ignorance of us, its operators and controllers. If, instead, it is the system which requires re-design, no amount of attitude change will resolve the country's difficulties.

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