

INCOMES POLICY

II. A STRATEGY FOR THE UNIONS

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MANY pressures have brought British capitalists, hobbling and apprehensive, to feed at the trough of indicative planning, and to take a new look at the state, which becomes for them today a corporate strategist as well as a protector: these very pressures have found their echo in the Labour movement in the debate on Incomes Policy. This produces a neatly satisfying situation for the men of power. By forcing Labour to respond on the issue of whether or not there should be an incomes policy, they have succeeded in presenting it with the interesting dilemma: say "yes" and you endorse the goals of neo-capitalism, and agree to the steady absorption of the unions into disciplinary state organs; say "no," and you opt simply for old-style capitalism, the sanctity of collective bargaining, and the uncomfortable company of Mr. Enoch Powell. Naturally socialists cannot intelligently choose either course. Their task is to find an aggressive reply, one which forces the employers on to the defensive, and opens up the prospect of a considerable development of socialist understanding, self-confidence and optimism among the working population. At the moment, since Mr. Brown has secured the adoption of his "Declaration of Intent," solemnly approved by a Labour Lord from the T.U.C. and a simple neo-capitalist mister, and presented to the world as a treaty to end the class-war, things do not appear to augur well for the chances of an alternative, offensive strategy for the unions. Such appearances are likely to prove misleading. In reality, Mr. Brown skates upon ice of little more than molecular thickness, while the currents beneath that ice are moody, truculent, and liable to erupt at any time. The truth is that Mr. Brown's broad line of march is based upon a naive and platitudinous assumption, that Britain's economic difficulties are simply the result of "mistakes" by former governments, rather than symptoms of a deep and painful crisis of structure. Nowhere is this more plain than in the debate which has been raging around the question of incomes policy itself.

When Harold Wilson spoke to the 1964 T.U.C. he set out three conditions upon which he thought it necessary to base his policy for incomes:

"We have the right to ask for an incomes policy because we are prepared to contribute the **three** necessary conditions. First, an assurance of rising production and rising incomes, so that the sacrifice, the restraint, for which

we ask is matched by an assurance that it will result in increased production and increased rewards. Second, an assurance of equity and social justice, in that our policies will be directed to the benefit of the nation as a whole and not to the advantage of a sectional interest. Third, an assurance that what we ask for in wages and salaries will apply equally to profits and dividends—and rents."³²

Today, the reality to which these conditions are offered as a cover looks very different from that of September 1964. Neither of Mr. Wilson's first two pledges means very much at all in the new situation. The crisis of the pound imposed, within the first fifty days of Labour's assumption of office, at least a temporary halt to economic growth. N.E.D.C.'s legendary 4 per cent rate of expansion was instantly deferred to other times, and better weather. As for the second condition, Mr. Wilson himself disposed of this in the same speech to the T.U.C. when he said:

"you can get into pawn, but don't then talk about an independent foreign policy, or an independent defence policy. . . . If you borrow from some of the world's bankers you will quickly find that you lose another kind of independence because of the deflationary policies and the cuts in social services that will be imposed on a government that has got itself into that position."³³

It is a cruel quirk of fate that a Labour Government found itself deprived of the choice of whether or not to "get into pawn," but instead inherited from its forerunners a collapsing economy and a heap of pawn tickets. Yet this quirk does not make any easier the acceptance of a policy, two of whose guaranteeing legs have already been skittled from beneath it. It merely underlines the relevance of the T.U.C.'s resolution on Economic Planning and Wages, which said that ". . . to plan industry in the interests of the community and not for the benefit of private monopolies. . . is only possible by applying an extension of public ownership based on popular control in which trade unions participate on a democratic basis at all levels."³⁴

All the remaining weight of the Incomes Policy crusade now rests on Mr. Wilson's third prop: "that what we ask for in wages and salaries will apply equally to profits and dividends—and rents." This is of crucial importance to the unions. They are now offered no other firm promises for the immediate future, but are urged to hasten all the faster into agreement on the matter. Yet it is on this very third pledge that the most serious argument has yet to take place.

The demand for an incomes policy which applies to all incomes is not new. The Webbs wrote just such an object into the constitution of the Labour Party: it can be found there in the celebrated clause 4, which predicates "the most equitable distribution.. . that may be possible" upon the ground of action to "secure for workers by hand and by brain the full fruits of their industry.. . upon the basis of

common ownership." Any socialist whose commitment to his cause is anything other than platonic must insist that the argument about incomes policy can never be confined within an agenda based on the administrative needs of neo-capitalism, but must inevitably be driven outwards to challenge the needs, the assumptions, and the powers which uphold neo-capitalism itself as a dominant system. The shape of an incomes policy will either be designed to probe into and undermine capitalist powers, or it will serve as a buttress for them. And it will prove impossible to restructure the unions as a support for the neo-capitalist power-complex, without seriously curtailing, even abrogating, their democratic vitality and responsiveness to their member's needs, which are in constant conflict with the priorities imposed by that system of power. Either an incomes policy will be the lynch-pin in a programme of anti-capitalist structural reforms, or it will prove to be the connecting link of the manacles by which Labour is to be tethered to the past. Structural reforms which could lead beyond capitalism would certainly involve nationalization in the key industrial sectors: but they could never, in any advanced country, be confined simply to juridical changes in property-holding. Wherever democratic traditions have any historical meaning such reforms of structure not only should, but must, constitute a drastic change in the rôle of labour in production: an emancipation of the creative abilities of the workers, which can only stem from the systematic growth of workers' control into full workers' self-management. Within such a framework, an incomes policy would be a school in which the trade unions learnt, first, how to control, and quickly, how to supplant, the former masters and controllers of production. But this would be possible only to unions which had clearly learnt to separate all the arguments about money which are involved in this issue from the essential argument, which is not about money at all, but about power.

Yet one does not need to be a dedicated socialist to begin to face these issues. The interesting thing about this argument is the way in which it poses fundamental questions about the structural foundations of economic and political life in this country in a form which compels every liberal-radical to take thought. Anyone who has sympathies with trade unions, however timidly, will have to concede that if incomes policies are to benefit Labour, especially in the present straightened economic climate, it is clearly impossible to avoid the need for *redistribution*. Growth will not exist, so the fruits of expansion will not be on offer through the policy. But the vital problem for the unions when considering any arrangement of income distribution by central fiat, in the present situation, is that if you are to succeed even in the rudimentary goal of maintaining the present balance, then you must first of all find ways to know *what incomes actually are*. Nobody does know this.

This point has not really escaped the main advocates of Incomes Policy. In the Commons debate of 4 November 1964, Mr. George Brown said:

"Wage increases are inevitably, by their nature, out in the open. They can be measured; they can be compared. It is our intention to use the price-review body to put prices into the same position that wages are now in."³⁶

If we say amen to this proposal, aware that it stuck in the employers' throat at the beginning of last year,³⁷ and is none too palatable to them now, it would still be naive to imagine that it makes any real progress towards an effective fulfilment of Mr. Wilson's third pledge. Not merely the officials who administer P.A.Y.E., but the employers themselves, know all that there is to know about wage incomes. Parity requires not that some commission should review some aspects of rentier income, but that the workers themselves through their own institutions, should come to know as much about their employers' resources in turn.

"Take profits, for example. Why are you so scared to talk about and disclose them? Your attitude seems to justify the attitudes of many of our trade unionists. You seem sometimes to give the impression that you, too, believe that all profit is theft, that you are ashamed of it."³⁷

This exhortation of Mr. George Woodcock, delivered to the Institute of Directors in November 1964, ought to be elaborated further.

The truth is that what every radical critic of the tax-system takes as commonplace, to wit that property incomes are elusive and complex beyond the subtlest wiles of the shrewdest officer of the Inland Revenue, is being almost entirely forgotten in this crucial discussion. In August the Brussels Commission of the Economic Situation in the Common Market did draw attention, in passing, to this problem. "There is a danger," it said, "that with information on other categories of income being less accurate, or even non-existent . . . the weight of any restrictive measures may fall on wages. . . ." When one examines the statistics of the National Income in the Blue Book on National Income and Expenditure, for instance, one finds the item of £1,395 million recorded under the heading "rent" for 1963. Does anyone believe this for a moment? Rachmanism is scarcely founded on a scrupulous desire for accountability: the general pressure on landlords of substandard properties to fiddle their taxes is only one of the ingredients of deception in such a figure. Overcrowded houses have to be presented as occupied by a fictionally small number of tenants in order to avoid the scrutiny by officials of the Local Authorities. How many millions of pounds fail to reach the records in this process? In this limited field, of course, Mr. Wilson has available a two-pronged answering strategy. He can legislate against rack-renting, reintroducing controls. These controls will, however, only become effective to the extent that people dare make use of them: and this depends on the readiness of the Labour movement in every town to seek out cases of exploitation and persuade the victims to seek redress. One imagines that this is a fairly non-controversial recommendation. But surprisingly, its industrial equivalent has never

been canvassed, while the margin of doubt is far wider in the field of profits than ever it could become in that of rents.

The plain truth is that the unions **can** place no reliance at all upon official statistics about profits. This was pointed out quite clearly as long ago as 1958, in the *Socialist Wages Plan*, which emphasized, among other things, that, "data on income distribution are misleading since realized capital gains are not treated as income, and 'business expenses'—which also add to the spending power of the rich—are also not considered."⁹⁸ This view was immeasurably deepened and extended by Professor **Titmuss**, in his *Income Distribution and Social Change*, which documented in painstaking detail some of the devices used for breaking down large units of income into smaller ones, allocating units of income to subordinate members of rich families, spreading the receipt of income over time in order to avoid a high incidence of taxation, converting income into capital, and generally mincing the statutory provisions with which the **taxmen** are armed. **Titmuss** also showed that the avoidance of income tax, surtax and death duties was by no means the only device used by the rich and powerful to preserve the comfortable perquisites of their fortunes. He particularly drew attention to some of the devices used by companies to arrange for benefits in kind for their favoured employees and their *families*.⁹⁹

Tax-frauds, whether blessed by the law or not, by no means mark out the limits of the problem of knowing the true extent of rentier income. Corporate financial **manceuvres** must also be considered. For some time now there have been strident complaints from shareholders and would-be investors that company accounts are more or less useless as indicators of the true financial situation of the firms which produce them. A recent publication of the Institute of Economic Affairs, *Disclosure in Company Accounts*,¹⁰⁰ argues the case for a far wider degree of compulsory disclosure in order to shield shareholders from the effect of the increasing weight of self-financing practices in the process of **capital-formation**. Pointing out that directors may have different interests from the majority of investors in a firm, the author opens up a series of complaints about the present state of company law. These complaints are not simply of interest to rentiers, however. They are most germane to the interests of labour as well. When unions are concerned with the overall distribution of wealth, as any incomes policy demands that they must be, they have no option but to elucidate most carefully the sleazy anatomy of the shifting frontier between capital and income. A letter in the *Investors Chronicle* helps to underline this point:

"Assets depend largely on method of valuation and then on state of trade. The accountants of the world have made little progress these last twenty years in taking **inflation** into account. Takeover bids have brought more realism. One still knows of assets worth say **£8 million** valued in the books at **£400,000**; of assets saleable at **£2 million**, say containers, small tools, etc., or in some overseas investment, valued at **£2** in the accounts.

Markets for capital assets change rapidly. Who can know and guide the investor?

And who, we might ask, will know and guide the trade unions, who are asked to oil and put away the traditional weapons of their armoury, and trust in the central limitation of *all* incomes to preserve their cut of the cake? In the jungle of self-financing, depreciation arguments, and corporate income switches, the unions will be ingenuous babes, and the incomes policy will be a heap of autumn leaves with which the employers may, with infinite grace and regretful nostalgia, tenderly cover their corpses, as Britain moves into its authoritarian epoch, unless the Labour movement is awoken to the need for an aggressive, insightful strategy in which to cope with its new problems.

The first ingredient of such a response is that fiscal safeguards be treated as entirely suspect. The **taxman** is neither answerable to the unions nor omniscient. He moves through a twilight world, much as they do; the accounts he can see could only be thoroughly tested against an experience he has not got; while the workpeople have an ample experience but cannot see the accounts. If Mr. Brown were to read aright the implication of his statement that wages are *known*, he would have to set against it a response that would demand that the incomes of the employers themselves be equally known, not simply to some more or less competent "impartial" adjudicator, but *to the workers themselves*. Both the **taxman** and the employer know all about wages. The one reinforces the other in controlling them. Why should not this process apply equally in reverse?

In any case the tax proposals of the government, up to now, do not appear to probe very far in the direction of equality, even in the limited bureaucratic sense in which they are designed. We are informed that a Corporation Profits Tax will be introduced in the budget of April 1965, and that capital gains will also be subjected to tax. To this, Mr. Peter Shore has added a private members' bill to set up institutions to regulate expense accounts. But it seems that the Corporation Profits Tax is unlikely to bite out more than a rate of 35 per cent, while the capital gains measure is expected to follow the American pattern, at a rate no higher than 25 per cent. None of these taxes is likely to impose significant dividend cutbacks; and if they were to shape up in that direction the most likely result would be retrenchment in development rather than reduction of dividends. Add to this the fact that there will be no yield on the Corporation Tax until 1966. During the interim period until April 1965 most companies will increase dividends in order to force up share values before the arrival of the capital gains tax. The net effect in the short term will almost certainly be one of greater disparity in incomes than before. In the long term, it is conceivable that the taxes can be increased. Assuming the Conservatives do not return to power, which is a large assumption, because throughout this muddle

Labour will have provided meagre advantages to its supporters, then the effect will still be stalemate; because nothing will blow up the chances of increased productivity more easily than an assault upon the return to capital over any longer period than can be justified by immediate and overwhelming crisis. If the carrot is to be withdrawn, Labour will need to take a stick to the hide of capital. Even then the poor beast will function sluggishly and ill; the real problem is that of displacing it, not that of coaxing or compelling it to adopt postures which are unnatural to it. We are compelled again to return to the question of how to make the transition to new, socialist, forms of organization, in which new incentives can be discovered to promote growth, and in which the absurd attempt to square the circle, to pursue equity in a capitalist order, is abandoned. The chief obstacle to any such transition is the disorientation and lack of positive focus of the Labour movement itself. For this reason the problem becomes primarily one of discovering nodal issues, around which all the sleazy and contradictory implications of capitalist domination can become clear. It is here that this matter of the difficulties involved in the pursuit of an equitable incomes policy can become decisive, and the demand for the opening of the books for detailed inspection by the workers' side can provide just such a central issue for the Labour movement. Around it the unions can become aware of threats which menace not only their future, about which many of them tend to be sceptical, but also their immediate present.

Not merely is equity impossible if the unions do not have the right to inspect the employers' accounts, but the preservation of the democratic structure of the trade union movement is also in jeopardy without this right, if an incomes policy is bracketed down upon the workers from above.

The unions contain the *only* people who can effectively ensure that the employers do not cheat on an incomes policy. If the accounts of every firm are available to the inspection of its shop stewards, they will pose the constant risk that cheating will be unmasked, as the workmen's inspectorate checks the books against the facts of its daily industrial experience. This is not to say that every shop steward is an accountant. But every steward can call on the resources of his union and professional advice can be procured. Overworked full-time officials of unions could not check such accounts, because they would have neither the time nor the vital day-to-day experience upon which to operate. But the national and regional apparatus of the unions could swing in behind the workshop representatives to ensure that every workers' inspection was as rigorous and testing as possible. Any doubtful areas could be referred to the Inland Revenue for adjudication and advice. Thus, the union grapevine provides an intelligence network, gratis, which no government department could possibly begin to rival. Once the sealed books are open to popular scrutiny the problem of expense accounts becomes

a matter for negotiation, the outcome of which can be clearly seen by all to affect the design of the incomes policy. The valuation of assets would become a matter for argument in a way that could predate and control any disputes about subsequent capital gains. Depreciation allowances would either be seen to be just, or subjected to litigation. With such information available, the unions could open up intelligent, forward-probing negotiations on incomes policy, instead of blindly responding with kicks or curtseys, as Mr. Woodcock and his colleagues are compelled to do today.

Only in such a condition can the vital objection to all other forms of incomes policy be met; for all other schemes are based on the suppression of local bargaining rights, which can only undermine the whole democratic power-structure, not only of the unions but of such vestigial democratic forms as are left alive in Britain today. But in this situation the very existence of the incomes policy would depend upon a great nourishment and strengthening of the grass-roots, and an accompanying erosion of authoritarian prerogatives in the factory.

This way of doing things has not yet occurred to the General Council of the T.U.C. The current negotiations with Mr. Brown are fraught with peril for the unions, and for the Labour Government itself. True, the government is already in considerable danger; but if it resolves the financial problems with which it is now contending at the expense of the autonomy and vigour of the unions, it will dig its own grave. Demoralized ex-shop stewards do not win elections for Labour. The unions, likewise, have been caught in a dilemma. If they said "no" to Mr. Brown, they might be responsible for the fall of the government. No responsible trade unionist could will that. But saying "yes" may be all very well in Fabian pamphlets; it becomes increasingly hazardous as the scent of the brazier and the glow of the gelding irons are borne in on the senses. Fortunately, even if Mr. Woodcock wants to sing counter-tenor, there is little evidence that the mass of his followers do. This article has tried to chart out a constructive alternative response for the unions. Say neither no, nor yes. Say, instead, that we will begin talks when we know the facts; we will negotiate our policy after the books have been opened, and all can know what is the real position. Such a response does not imperil the government. If Mr. Wilson encounters opposition from the employers in enacting the necessary measures to initiate it, such opposition will provide him with favourable ground on which to fight an election.

Of course, if the workers can see, clearly, into the mysteries of capitalist accounts, one imagines that their new vision will produce new, and incisive, aspirations. But only the halt and the mentally lame in the Labour movement will be afraid of this. British society is rotten-ripe for socialism. Once Labour awakens to a sense of its competence and power, no one will be able to hold it back.

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NOTES

32. *T.U.C. Annual Report, 1964*, pp. 384-5.
33. *Ibid.*, p. 383.
34. *Ibid.*, p. 446.
35. Reported in *The Times*, 5 November 1964.
36. A special committee of the Federation of British Industries under the chairmanship of Mr. Hugh Weeks, considered such schemes in detail and completely failed to secure any agreement about their introduction. See the report in *The Times*, 12 March 1964. Since the accession of Labour to power, the press has reported several rumblings from the employers on this matter.
37. Report of Speeches at the Institute of Directors, published by *The Director*, November 1964, p. 57.
38. Reported in *The Times*, Tuesday, 18 August 1964.
39. *The Socialist Wages Plan*, p. 36.
40. Allen & Unwin, 1962.
41. *An Eaton Paper*, by Harold Rose. A useful review of this, making the point that it should interest the unions for just the reasons we are discussing, appeared in *New Left Review*, no. 23. It was by Tom Wengraf.
42. Letter from Mr. Harry Ward, *Investors Chronicle*, 23 October 1964.