

Unions and the Social Contract

N THE current analyses of what is wrong with the UK economy—and, in particular, what prescriptions can be advocated as solutions—the notion of the "social contract" beloved by 18th century philosophers is being pushed by that august organ of the Establishment, *The Times*. What we need, apparently, is more self-discipline based on an awareness of our interdependence, and of our responsibilities to others. A social contract would realise this objective.

The Times is, in particular, concerned about wage claims lodged by trades unions, and acceded to by managements. It wants an incomes policy which, according to a recent editorial, would be part of a social contract which was "supportive and not authoritarian" (whatever that means).

Unfortunately, *The Times* is not willing to spell out in detail its notion of a social contract. Confusion reigned when one of its political correspondents, David Wood, contributed an article (June 19) in which he failed to define the concept. His consequent apportionment of blame for current social divisiveness is, as a result, faulty.

Two broad meanings have been attached to this philosophical notion. The one which Western society acknowledges is John Locke's. He saw the social contract as one into which people entered out of the "state of nature" (wherein there was no law, only anarchy, or at best, custom) primarily to secure existing property rights. Locke was interested in preserving prevailing land rights, but to sugar his pill he defined

property as "life, liberty and estate" (and who could reject that package?).

The competing view was that of Rosseau. He saw the social contract as one into which people ought to enter, in which they would agree to be governed by the "general will"—i.e., decisions which each citizen took would be disinterestedly in the interests of everyone, not just the particular interests of himself. This, then, introduced the moral dimension to decision making: Kant later developed it into the Categorical Imperative, which required that one should only make decisions which would be acceptable as universal laws, applicable to everyone as well as oneself.

Now, Mr. Wood seems to think that Mr. Heath's government does, and trade unionists ought to but do not, observe the Rousseau norm. He is dismayed that the unions prefer the acquisitive, self-centred approach of Locke. Would it be *rational* for unions to adopt the moral outlook urged by Rousseau? Clearly not, since their origination and continued relevance in society is grounded on the reality of self-interest; we can illustrate this by considering the problem of the wage explosion allegedly induced by "trade union anarchists" (Mr. Wood's evaluation).

The explosion occurred in the late '60s. One of the fundamental causes was the large devaluation of 1967, which (without the offsetting settlements) would have reduced the real value of wages. Mr. Wilson, for political reasons, chose to delay action on sterling; and he chose to create the post-devaluation climate which has led to the current level of unemployment, creating anarchy in the labour market to which workers object.

But what of Mr. Heath? Says Mr. Wood: "The Government can fairly say that throughout its policies has run the strong theme of social justice that the spirit of national unity must be nourished on." Yet, only the week before his article was published, *The*

Purchasing Power of the £

taking value as equivalent to 100p in various years 1871 100 1900 111 100 1913 92 100 1021 1920 41 37 40 100 1938 $65\frac{1}{2}$ 59 64 159 100 1946 $38\frac{1}{2}$ 35 $38 \quad 94\frac{1}{2} \quad 59 \quad 100$ 1956 241 $22\frac{1}{2}$ 24 $60\frac{1}{2}$ 38 64 100 1966 19 17 $18\frac{1}{2}$ 46 $28\frac{1}{2}$ 48\frac{1}{2} 76 100
 16½
 40½
 25½
 43
 67½
 88½
 100

 15½
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 84
 95
1969 161 15 1970 16 14 95 100

13 $14\frac{1}{2}$ 36 $22\frac{1}{2}$ 38 59 78

88 921

£4 MILLION AN ACRE

THE Royal Scottish Corporation have accepted an offer of almost £3m. from Bernard Sunley Investment Trust Ltd. for their 10,725 sq. ft. freehold property at 14-18 Fleur-de-Lis Court and 16 Fetter Lane, London, E.C.4.

Times published an excellent analysis of the cause of inflation, in which it was argued that the current spiral in house prices (which influence the wage earner wanting to buy his own home) was heavily due to the liberal monetary policy of the government. And, as *The Times* rightly observed, inflation results in a reallocation of income from one sector (the poor, the pensioner, the fixed income earner) to another sector (the property owners) of society. Hardly the way to unify the country and placate the wage earner; a phenomenon which would hardly stand the test of social justice.

Trade unions, and their shop stewards, are castigated for exercising monopoly power: holding the country to ransom, apparently. Perhaps. But in the debate on monopoly power, not a word is mentioned about the monopoly power of those firms which adjust output and prices to suit their own pockets without asking the consumers first. Why, then, should unions not now adopt similar tactics?

It is true that the profits of oligopolistic firms were knocked heavily after 1967. Their prices rose, but not as fast as the rate of increase in costs, with the result that profit margins were reduced. There is evidence now, with the beginning of the upswing in a new business cycle, that the profit margins are being restored. But this evidence ought not to divert us from the essential fact that protected firms, by and large, have a comfortable time in imperfect markets which are adapted to their interests.

Monopoly power has to be suppressed. But we cannot forget that there are many monopolists, and oligopolists, besides trades unions and there can be no case for singling one of them out for corrective action, while conveniently forgetting the existence of others. Without such disinterested action there can be no unifying the country, and we will continue to witness the unseemly selfish scramble.

No cohesive society has been without a "social contract": the most enduring of those contracts have been the unwritten ones, the ones which people actively wished to recognise and uphold precisely because it was in their mutual interests so to do. Otherwise, a contract could have no dynamic social value. And any government which attempted to enforce one would have to turn it into an authoritarian, not a "supportive," weapon.

F.H

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Source: Lloyds Bank