

STATISTICAL AND SOCIAL INQUIRY SOCIETY OF IRELAND.

BARGAINING POWER AS AN ECONOMIC FORCE.

By LIEUT.-COL K. E. EDGEWORTH, D.S.O., M.C., A.M.I.E.E.

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The Scope of this Paper.

It is generally agreed that the results which are arrived at in economic theory are qualitative rather than quantitative, and the economist must often envy the exponents of the more exact sciences for the greater precision of the methods which they are able to employ. But even if it is not possible to express results in an exact form or to evaluate the precise significance of particular factors, it is none the less important that we should endeavour to create a mental picture of our economic problems which shall give a correct impression of the problems which we are trying to solve and which shall present the various items in the picture in their correct perspective. It is not, therefore, sufficient to decide whether a particular argument is valid or whether a particular method of approach is formally correct, we must go further and endeavour to arrive at a decision as to the relative importance of different factors in the situation, and alternative methods of approach must be judged by their power to discriminate between what is significant and what is trivial or unimportant.

The present paper sets out to discuss some aspects of the question of the prices at which different commodities and services are bought and sold, and the resulting rewards which fall to the lot of individuals and groups of individuals, and its purpose is to suggest that existing theory lays too much stress on what may be called the "doctrine of satisfaction" and not enough stress on what may be called bargaining power.

The Doctrine of Satisfaction.

It is a basic fact in human affairs that the human body has certain appetites and that the individual experiences certain cravings which can be satisfied in certain ways. When a man is hungry his craving is satisfied by eating food, and when he is thirsty it is satisfied by drinking, and so on. It is reasonable to suppose that, when an individual is offered a choice of commodities or privileges, he will make a selection which is calculated to give him the greatest amount of satisfaction, and in this way the doctrine of satisfaction is brought to our notice. In its primitive form it is simply a convenient phrase which describes what occurs when an individual is allowed freedom of choice, and in this form it is not open to serious criticism.

It is natural, however, that the economist should wish to give his

ideas more precise form, and many well-known writers have discussed satisfaction as if it were something which can be so defined that it can be regarded as if it possessed precise values. In other words, if we represent the satisfaction which an individual derives from a quantity q of some commodity by the symbol s , we may suppose that s is a function of q , or in symbols:—

$$s=f(q).$$

But a little consideration will show that this simple method of approach is seldom valid, for the satisfaction which is derived by anyone from one form of food is certainly not independent of the quantities of other foods which are acquired at the same time. It would appear, therefore, that the factors which determine satisfaction are so complex, even in the case of a single individual, that it would never be possible to measure them, and in fact they never have been measured. It is equally impossible to say that the mathematical expressions which would arise, if satisfaction could be measured, would be of any particular type. I would further suggest that we are not entitled to make use of the expression "marginal satisfaction" unless we are in a position to show that the expression can have a definite meaning.

Another application of the doctrine occurs when the individual is called upon to decide between some immediate advantage and the advantage which is expected to accrue at some future date; in ordinary language when the individual has to make a decision as to whether he will save his money or spend it. In this case it is the practice to regard the expectation of future satisfaction as something which is directly equivalent to some precise amount of present satisfaction. This sounds plausible, but I venture to suggest that the underlying assumption that present and future satisfaction are quantities of the same kind is not valid. The desire to satisfy a present craving such as hunger is an entirely different thing to the instinct which urges us to provide against future contingencies, and to treat the two motives as identical only tends to confuse the issues instead of elucidating them.

Attempts to extend the doctrine of satisfaction from the case of a single individual to the case of two or more give rise to still further difficulties. A classical example is the case of two people engaged on the business of exchanging apples for nuts (Marshall: Note on barter, Principles of Economics, third edition, p 413). The argument is that the process of exchange will continue so long as each party to the transaction experiences an increase in satisfaction, but no longer, and, under the assumed conditions, the reasoning is no doubt perfectly correct. In the modern industrial world, however, the seller derives no satisfaction whatever from the retention of wares which he is trying to sell, and the example is simply irrelevant.

Yet another well-known difficulty appears if an attempt is made to compare the satisfactions experienced by two or more different individuals, for there is no adequate basis for making any such comparison. It is reasonable to suggest that an income of £1,000 per annum gives a greater amount of satisfaction than an income of £100 per annum, but it does not seem reasonable to suggest that the satisfaction is ten times as great or, indeed, that it can be placed at any particular figure.

I make bold to suggest, therefore, that the whole doctrine of satis-

faction is without either theoretical or practical importance, and that our ability to understand the facts would be in no way impaired if all reference to it were omitted. In fact I go further and suggest that in certain applications the doctrine of satisfaction is definitely misleading.

Bargaining Power.

I do not propose to attempt a precise definition of what is covered by the expression *bargaining power*, but it may be said that the phrase is applicable to anything which increases the payment which an individual or group of individuals is able to obtain by the sale of commodities or services. Conversely it is also applicable to the purchaser and covers anything which reduces the payment which the purchaser must make for any goods, privileges or services which he desires to obtain.

Now everybody is anxious to secure the greatest possible reward for his services, and there is a constant struggle between individuals and groups of individuals to obtain the maximum of advantage for themselves; in other words everybody does what he can to increase his own bargaining power. We are thus led to a consideration of the factors which tend to increase or diminish bargaining power, and we may begin by making reference to two general principles.

The first principle is, that any individual or group of individuals can gain an increase of bargaining power by securing the control of any commodity or service which other people regard as indispensable. This type of bargaining power is commonly described as a monopoly.

The second principle is, that any group of individuals engaged in some particular trade or industry can gain increased bargaining power by acting together. This type of procedure is commonly described as collective bargaining.

The way in which bargaining power operates in practice may now be conveniently brought out by applying these principles to some actual examples.

Capital and Labour.

The early economists made the tacit assumption that the bargaining power of labour was negligible, and they reached the conclusion that the purchasing power of wages could never rise above the bare cost of existence, a conclusion which was sometimes referred to as the iron law. One can see the law at work in countries like India and China, and it seems reasonable to draw the conclusion that, in these countries, the argument is correct and the underlying assumption valid.

In modern industrial communities, however, it is clear that the iron law is not true; on the contrary we find rather that wealth seems to be distributed in a certain proportion between rich and poor, and that this proportion changes very little, and this development of the situation shows that the bargaining power of the wage-earner has increased, and that the conditions which are assumed as the basis of the iron law are not of universal application. We know in fact that the bargaining power of labour has been increased by the formation of trades unions, and that the wage-earners' political power is also a significant factor.

The present writer believes in fact that there is only one thing which prevents the wage-earner from assuming complete control of the situation, and that is lack of knowledge. As a result of this lack of knowledge the elected representatives of labour often adopt policies which, in the long run, tend to diminish the reward of the wage-earner instead of increasing it. However that is another story.

For our present purpose the essential fact is that conditions in the modern world are such that the bargaining power of labour is high, and the iron law does not operate.

Sheltered Trades.

The bargaining power of a trade or industry depends very largely upon the nature of the service which it renders to the community. The gas industry, electricity supply, the railways and the distribution trades, for example, render services which cannot conveniently be dispensed with, and their bargaining power is high when compared with the export trades which are always exposed to the effects of foreign competition.

In Great Britain, in recent years, these differences in bargaining power have had considerable influence on the rates of wages payable in various trades and industries. As might be expected, the industries which have been dependent on the export trade have fared badly, and men with a high degree of technical skill have been compelled to accept lower rates of wages than unskilled labourers in the more sheltered trades. How to devise means for maintaining an equality of bargaining power between different groups of individuals is one of the problems which every community is constantly being called upon to solve.

Agriculture and Industry.

Food and shelter are essential to human existence, and it is easy to conceive conditions in which a shortage of food would place the farmer in a position to dictate terms to the rest of the community. In actual fact, however, matters have not developed in this direction.

The amount of food consumed does not increase as rapidly as the general standard of living, and recent improvements in the efficiency of agricultural methods have led to over-production, and over-stocked markets are a crucial test of bargaining power.

Now the organisation of industry which arises from the use of mass production methods naturally lends itself to the development of collective bargaining, whereas in the nature of things the farmer is an individualist and his bargaining power is therefore lower than that of the industrial worker. In the recent crisis the bargaining power of the farmer has given way and the prices obtainable for agricultural products have collapsed.

In food-importing countries the problem of restoring the bargaining power of the farmer has been solved by means of protective tariffs, but the same problem in food-exporting countries still awaits a satisfactory solution.

Great Britain in the Nineteenth Century.

Turning now to the international sphere it is interesting to consider the position of Great Britain during the nineteenth century. In addition to possessing adequate supplies of coal and iron, Great

Britain was a pioneer in the engineering and textile industries, and for many years had an effective monopoly in the production of a large range of manufactured products. The demand for such products was increasing rapidly and her bargaining power was therefore high, and she was able to secure for her population a higher standard of living than that which existed among her neighbours.

Protection.

The economist, dealing as he does with world wide forces, is apt to regard the world as one large community, and is, therefore, tempted to ignore the diversity of national temperaments and the resulting differences in national outlook and national aspirations. There is a tendency to emphasise the importance of industrial efficiency, and to ignore the social and political consequences which would be involved in a system of world wide free trade. Viewed from the standpoint of industrial efficiency protective tariffs are merely restrictions to trade and therefore undesirable.

If, on the other hand, we take the view that each country is entitled to retain a reasonable measure of control over its own affairs, and if we regard protection as a means for increasing the national bargaining power in the markets of the world, the situation assumes a somewhat different aspect.

Mention has already been made of the fact that Great Britain occupied a specially favourable position during the nineteenth century. It was the desire to neutralise this privileged position which induced other countries to adopt protective tariffs, and it was with the help of these tariffs that they were able to build up national industries and thereby secure for themselves a stronger bargaining position in the markets of the world. The evidence would, in fact, suggest that, had they not fostered their own industries by means of protective tariffs, their bargaining power would have remained permanently less than that of Great Britain, and that their standards of living at the present time would be appreciably lower than they actually are.

The question what degree of protection is desirable is a problem which must be argued on its merits in each particular case. I am merely concerned to make the point that circumstances may and do exist in which protection may be advantageous for the country which adopts it; perhaps the most convenient way to make this clear is by means of an example.

Let us assume then that Australia has a monopoly in the production of wool, and that the world market for wool is inelastic, and that there is a particular volume of production which will yield the maximum return. If under such conditions Australia is to secure the maximum advantage from the special facilities which she possesses for the production of wool, two things are necessary. Firstly, the output of wool must be controlled so that it approximates to the figure for which the total value is a maximum and, secondly, the volume of Australian imports must be limited so that their value does not exceed the maximum value of the wool crop.

If these conditions are complied with the bargaining power of the Australian community will be as high as possible. On the other hand, if the volume of imports is excessive, there is no possible method of conducting the export trade which will secure equilibrium, and a

financial crisis is inevitable. Under such conditions the creation of local industries behind a tariff wall would appear to be the only reasonable solution.

The Irish Free State.

Let us now make an attempt to apply the method of approach discussed in the previous section to the case of the foreign trade of the Irish Free State at the present time.

Bargaining powers, as we have seen, depends firstly on our ability to produce something which other people need, and secondly on our ability to limit our demands (imports) to what can be purchased in the world's markets in return for our exports.

The second of these questions is being dealt with by means of protective tariffs designed to reduce imports by the creation of local industries and, if exports cannot be expanded sufficiently to balance existing imports, these efforts are obviously sound in principle, however much we may be disposed to criticise them in matters of detail. On the other hand, it is permissible to argue that, if exports were sufficiently expanded, the limitation of imports would be unnecessary. It would take us too far afield to attempt to discuss the relative merits of these alternative policies.

In any case it is clear that a country of the size of the Irish Free State cannot produce within its own borders everything that it requires, and that a certain volume of imports is necessary in order to maintain a reasonable standard of living. These imports must be paid for by exports and the nature of these exports and the price at which they can be sold become of vital importance.

The chief exports at the present time are cattle and other agricultural produce, and the chief customer is Great Britain. Attempts to widen this market have not given results of any great significance.

In recent years the facilities for transporting fresh fruit and meat from distant countries have been greatly improved, and the farmers of the Irish Free State are, therefore, in direct competition with the farmers of countries which are less densely populated and where the efficiency of production (in terms of man power) is therefore higher. There has also been a serious fall in the world price of agricultural products and there does not appear to be any immediate hope of an early improvement.

If reckoned on a purely business basis therefore, the bargaining power of the Irish Free State is low, and there is, of course, no purely business reason why Great Britain should pay more than world prices for Irish agricultural products.

The realities of the situation appear to be widely misunderstood in this country. Fifteen years ago the country was an integral part of the United Kingdom and the Irish farmer had the right to sell his produce in the British market under the same conditions as the British farmer, but since that time two events have taken place which have fundamentally altered the whole position. The first of these events was the creation of the Irish Free State as a separate economic unit, and the effect of this event was to deprive the Irish farmer of his legal right to equality of treatment in the British market. The second event, which actually brought the question of differential treatment into the sphere of practical politics, was the abandonment by Great Britain of

her traditional policy of free trade and the adoption of a policy of protection.

As a result of this general change of policy Great Britain has introduced a system of tariffs and quotas designed to protect the British farmer against the effects of the world-wide fall in the wholesale prices of agricultural products, and the British farmer now occupies a privileged position in the British market. This situation has affected other countries besides the Irish Free State, and it is also perhaps worth noting that tariffs have been widely employed as an instrument of national policy throughout the world for centuries. There is nothing in the imposition of tariffs on Irish agricultural products entering Great Britain which lies outside the normal and accepted arrangements for the control of international trade, and the use of the expression "economic war" in this connection would appear to be quite unjustified. Still less is there any justification for the view which seems to be widely held in this country that the Irish Free State is in a position to bring pressure to bear on Great Britain and compel her to lower the tariffs. Far from this being the case, there is clear evidence that Great Britain could, if she wished, raise the tariff still further.

Under such conditions it is evidently desirable to consider whether there are any means by which the bargaining power of the Irish Free State could be improved, and the following points suggest themselves:—

It may be noted that, in time of war, it would be of great value to Great Britain to have a source of food supply near at home, and it might be worth while for this reason to pay a fancy price in peace time for Irish agricultural products. But it would not be worth while to pay these fancy prices unless there were a reasonable certainty that the supplies would be available when the emergency actually arose.

Again we may note that the concentration of a large proportion of British industry in the South of England is nowadays a serious military weakness. It might be worth while for Great Britain to subsidise aeroplane factories in Ireland for the sake of additional military security, but again subject to the condition that there was no reasonable doubt that the output from these factories would be available if required.

There is still one further point which is, perhaps, worth mentioning. If the section which believes that it would be to the advantage of the Irish Free State to sever all connection with Great Britain, both political and commercial, were a little less vocal, and if there appeared to be a genuine desire on the part of the Irish people to be friendly with the people of Great Britain and to show a little more consideration for the British point of view, it is not unreasonable to suppose that the desire for friendship would be reciprocated on the other side of the channel. Inability to appreciate the other party's point of view is a fruitful cause of friction in every walk of life, and a more friendly atmosphere would put a different complexion on many questions which now appear to be insoluble. In other words a tactful development of what might be called the sentimental factor might also add considerably to the bargaining power of this country.

If these various potentialities were exploited to the full there is every reason to believe that the bargaining power of the Irish Free State would be materially improved and that the value of the export

trade would be correspondingly increased. At the same time it is evident that these considerations raise political issues of considerable importance, and it is not for the economist, *qua* economist, to pursue this topic into the political arena. Nevertheless, it seems permissible for the economist to direct attention to the well-known business maxim: "The customer is always right," and to suggest that the business and economic aspects of our foreign policy deserve perhaps more consideration than they have hitherto received

K. E. EDGEWORTH.

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DISCUSSION.

Professor Duncan said that the task of proposing a vote of thanks to Colonel Edgeworth for his paper was a pleasant one. On the other hand, he found himself obliged to say that he disagreed with practically every one of Colonel Edgeworth's statements. Many of the things that had been put before them in this paper were familiar commonplaces. He would not attempt to deal with all the points on which he had made notes, but he felt bound to make certain criticisms.

For instance, with regard to the doctrine of satisfaction. It was true that in the later 1880s and the 90s there was considerable talk of the doctrine of satisfaction in economic literature, and in fact that doctrine did fulfil a certain very definite function. The essential thing in any economic activity was choice. The individual, and the organised community, had to choose between the different things they could get. The choice was inevitably between things different in quality, and such things could not be measured in terms of the satisfaction they could give. Still, the individual and the community must judge, in however crude and irrational a manner, between the things from which they were choosing, and the purpose of the doctrine of satisfaction in orthodox economics was to attempt to describe the nature of the problem that had to be faced in making any choice. To attack orthodox economists on the ground that they paid too much attention to the doctrine of satisfaction was flogging a dead horse. No great importance had ever been attributed to it by any economist of standing. It had been used as nothing more than the definition of the nature of a certain problem. He could not imagine any other satisfactory definition. Certainly the substitution of the term "bargaining power" did not approach within a hundred miles of defining the problem.

The point he was trying to make was illustrated by a statement at the end of the paper concerning political and economic problems—as to how the bargaining power of the Irish Free State could be increased. It could be agreed at once that if the Government of the Irish Free State were to make certain advances to the British Government they could secure entry for their goods on more advantageous terms. But that led up to the question of choice. On the one side was the advantage that could possibly be obtained by the Irish Free State, and on the other the fact—call it insanity or higher idealism—that the present Government and probably any future Government, held the view that such an approach would be bending the knee to force. The people making the choice were well aware of the price that had to be paid, and they chose deliberately to move one way rather than the other. The two things could not be weighed against one another. It must be assumed that the individual and the community would arrange choice to yield the maximum satisfaction, and the only thing the economist could do was to observe and measure the choice made for future reference.

He had a definite criticism of fact to make about the statement that it was the practice to regard the expectation of future satisfaction as something which is directly equivalent to some precise amount of present satisfaction. He asserted categorically that no economist ever made such an assumption. He also took exception to the statement that the seller derived no satisfaction from the retention of his wares. That was true, but it should be added

that he might derive a still more negative satisfaction from selling his wares at current prices

Mention of the iron law as of something in which economists still took any stock seemed unfortunate. It had been a commonplace since 1870 that the iron law was merely a very incomplete attempt to synchronise cause and effect. It had been thrown overboard by generations of economists since then, and a reference to it in the year 1935, as though it still had any influence, gave quite a wrong impression.

He also thought that the assumption that the bargaining power of the agriculturist was less than that of the industrialist was a false one. No comparison of the reductions in the net incomes of agricultural and industrial workers had ever been made, though it was a matter which statisticians might investigate. The measuring of bargaining power with reference to prices was wholly fallacious.

On page six of his paper Colonel Edgeworth had placed himself in a serious dilemma. If the argument on that page were followed, one or other of two points of view must be taken. Either the imports of a country were important—because without those imports foreign countries would be unable to buy exports—or they were unimportant. If they were important from the point of view of the country's exports, then obviously the rational plan would require the maximum imports, since without them exports could not be sold. If imports were not necessary for the sale of a country's exports, then imports should be discouraged, without any reference to the standard of life. The individual whose wants were simple would be in a stronger position than anybody else from the point of view of bargaining power. They could not have it both ways.

He disputed the statement that there was no reason why Great Britain should pay more than world prices for Irish Free State agricultural products. He thought there was a perfectly sound business reason to be seen in the definite superiority in quality of Irish butter, bacon and beef. This superiority was a factor in bargaining power that in an open market would always have an influence.

Professor Duncan concluded his remarks by saying that he hoped Colonel Edgeworth would not regard them as hostile. Though he had done his best to tear the paper to bits, he had listened to it with great interest, and felt sure that it would provoke an interesting and stimulating discussion. He moved that the best thanks of the Society be accorded to Colonel Edgeworth.

Professor O'Brien said that it gave him great pleasure to second the vote of thanks. He agreed in general with what Professor Duncan had said, and thought that Colonel Edgeworth was to some extent tilting at windmills. That did not prevent his having appreciated the paper. It was especially provocative to the professional economist, because a great many allegations were made against them of holding things they really did not hold. He would be glad that the general public should be made to realise that some of these bogeys were really dead.

The statement that economics was not an exact science and that its results were qualitative rather than quantitative contained a large amount of controversial matter. Economics differed from other social sciences largely in the degree of the measurement of

the data Satisfaction could not be measured like rice, but economic forces could be measured. Suppose A to be greater than B and B greater than C, it could be safely argued that A is greater than C. If people were willing to pay more for A than for B, the attraction must be greater, and, therefore, to use this much-abused word, the people paying for A must expect to derive greater satisfaction. The term "satisfaction" was a convenient label. There were fewer objections to it than to the use of "desire," "utility," "good," with which it was often confused. Satisfactions could be measured by the efforts and sacrifices people were willing to make to obtain them, they could not be measured in relation to one another because they were incommensurable. People must be taken to derive satisfaction from the things which do appear to satisfy them, in a word the economist must be a behaviourist.

There was implicit in the whole paper a slight sense of the superiority of the physicist to the economist. He was interested to hear the reference to the simplicity of the celestial mechanism, because he understood that this simplicity had been somewhat complicated recently by Einstein and others. But even in the realm of physical science experiment was not always necessary. There was no more exact science than astronomy, but experiments could not be conducted with the stars any more than with human material.

The part of the paper dealing with bargaining power seemed to be a discussion on how a country could improve its bargaining power, and Colonel Edgeworth had fallen into the fallacy of unduly simplifying the data. In considering the action of a country in protecting itself, an important factor was the retaliation of its neighbours. The third part of the paper seemed to him a sufficient justification for bringing these facts before the Society. It brought out the fact that the most expensive time at which a country could indulge in an economic war with another was when that other country was making a change in its fiscal policy. The Irish Free State had been singularly unfortunate in that it had chosen a time that coincided with the attempt to strengthen British bargaining power. It seemed to him that it was the transition of Great Britain from Free Trade to Protection that made the economic war so dangerous for the Irish Free State. These problems were so typical and so important that the fact that they arose in this paper was a sufficient reason for bringing the paper before the Society, however much some of its propositions might be disagreed with.

Mr. Johnston said he had found the paper interesting and provocative. Many of the points he would have made had been anticipated by other speakers. He thought that Britain's success in changing her commercial policy to the advantage of the bargaining power between her industrial exports and her agricultural imports had been largely due to an extraordinary combination of world circumstances. At the time the new policy was adopted, the agricultural countries were still in the full momentum of their enormously increased prices owing to war conditions. Industrial countries were then able to attempt something approximating to agricultural self-sufficiency. Argentine and colonial products which used to go to European countries were forced to find their way to the only open market—Britain. That being so, British policy was able to achieve substantial results without increasing

prices In the long run it was possible for every European country to practise the policy of adjusting agricultural production, and that had had the effect in recent years of considerably reducing the volume of agricultural products The unfavourable prices ruling, taken in conjunction with the drought of last year, had led to a position where there was a danger that industrial Europe might in a few years find itself facing a scarcity in the supply of agricultural products

He thought it uneconomic and probably immoral to adjust prices by any policy which has the effect of destroying any existing glut of food products The process of adjustment through production should be complemented by a process of adjustment from the side of consumption In times of excessive supply there should be efforts to subsidise consumption This had been done to some extent by such schemes as the free beef scheme in the Irish Free State, and by the scheme for increasing the consumption of milk amongst school children in England He doubted if there was really an excessive surplus of food The consumption of many products could easily be enormously increased Professor O'Brien had rightly drawn attention to the danger of increasing bargaining power by methods which were capable of being imitated all round the circle.

Dr. Kiernan said that this was his first visit to the Society's meetings, and he hoped later to be more impressed by the quality of the thought to which utterance was given He did not like the paper He doubted if it was the type of paper suitable for a Society of that kind It did not deal with statistics or pure economics, but largely with practical politics There was a strange emphasis on the doctrine of satisfaction, and a rough definition of bargaining power as including anything which increased payment That was a definition of bargaining ability rather than of bargaining power Bargaining power was the objective thing that covered productive costs, high efficiency, particularly as between industries turning out goods capable of being substituted. They were dealing entirely with bargaining power as a force in international trade, and any addition to productive costs and productive efficiency, and to other things mentioned by Colonel Edgeworth—monopoly and collective bargaining—had to include geographical and climatic conditions This cut across the theory of the economist Monopoly had been brought to a logically extreme conclusion since the U.S.S.R. had entered the international markets What the Soviet Government did was to enter international markets as a unit, refusing to deal with other governments. That gave a tremendous bargaining power, but that kind of thing would defeat itself if other countries did the same thing. Other countries, however, were not in the same position Some of them had gone a little distance in the same direction, as was instanced by our coal and cattle pact with Great Britain, and by the agreement with the German Government.

When the paper went on to deal with the Irish Free State, Colonel Edgeworth got away from theoretical principles and suggested that what he meant by bargaining power was international statesmanship. He talked on the one hand of a country that bought one-fifth of the world's exports, 100 per cent. of the world's exports of meat and cattle, and 30 per cent. of the world's export of wheat, and on the other hand of a country trying to recover from a position which had kept it economically vulnerable.

This was not an economic matter, it cut across economic principles, and was something the economist could not explain. That was the kind of thing he had in mind when he said that the paper was not of the type which should be discussed by a Society like that.

Mr. Colbert said he was interested in what Dr Kiernan had said, and agreed with him for a different reason. When he read part one of the paper he found what appeared to be an attack on the classical doctrine of value. But the attack petered out in a sentence which said that the writer of the paper was not rejecting the doctrine but merely saying that too much emphasis had been laid on it, and that he begged to draw attention to bargaining power. Was he seriously putting forward bargaining power as a factor in the determination of value? Then the second part of the paper might have gone on to an analysis of bargaining power. Instead it merely gave some ideas on how bargaining power might be better used. Colonel Edgeworth had suggested that the bargaining power of the Irish Free State could be increased by making a bargain with the British Government that if they were attacked in time of war the Irish Free State would supply them with food and bases for naval defence. That was a political question and he resented the whole tone of that section of the paper. It was not economic or ratiocinative; it was purely and simply political, and he agreed with Dr Kiernan that it was not the kind of paper that should be presented to a learned Society.

The Chairman intervened to say that the Society had a procedure for determining whether or not a paper was proper to be read, and that that procedure did not contemplate that this should be a matter for discussion. There were certain officers who read in advance and reported whether a paper was in accordance with the rules, which contemplated a comprehensive sphere within which a paper might be drawn. This paper had been treated in the normal fashion and reported as proper to be read before the Society. He did not himself entertain any doubt that the paper was quite in accordance with the rules.

Colonel O'Brien remarked that he had wished to say that politics and economics are inextricably mixed, and that it was impossible to discuss such a question as bargaining without entering into the question of politics. He thought it a pity that Colonel Edgeworth had said nothing about the individual in relation to economic bargaining, since bargaining was a fundamental function in all lives. He thought it would have been desirable that some facts should have been given in relation to the statement that the farmer's power of bargaining had been restored. He doubted whether this was so. The farming class was completely at a disadvantage in the question of bargaining. Even in this country they were a minority of the population—completely out-voted and their power of bargaining taken away. The only power of bargaining they had was a threat to limit output, and this was negated by the fact that transport and the docks were in the hands of the industrialists. He thought that farmers would gradually be reduced to the position of being an enslaved part of the population.

The Chairman said it seemed to him that the earlier part of the paper which had been subjected to a good deal of criticism had one merit not allowed for by some of the critics—that the line taken by Colonel Edgeworth was to some extent a reflection of the times. It might be true that bargaining power did not furnish a key to the

understanding of fundamental economic problems to the same extent as satisfaction, but if the realities of the situation were to be faced it must be recognised that the freedom of the citizen to satisfy himself in the economic sphere was subject to very great limitations, which were largely comprised in what Colonel Edgeworth meant by bargaining power. The term bargaining power might have been improved upon, and some of the criticisms might have been avoided if some more felicitous expression could have been found. It was both too wide and too narrow to describe accurately what Colonel Edgeworth had dealt with. Monopoly as an instance of bargaining power suggested to him that bargaining power was too euphemistic an expression, since bargaining implied a certain amount of liberty on the part of those concerned. He suggested that it was necessary to distinguish between bargaining power as exercised in the domestic sphere within the nation and bargaining power in its application to international trade. The extent to which bargaining power within the country could be successfully applied was subject to considerable limitations when its reactions upon external trade were considered. That was particularly important in the case of the bargaining power of sheltered occupations to which Colonel Edgeworth attached importance. He did not agree with the statement that only lack of knowledge prevented the wage-earners from assuming control of the situation. He thought it was too easily assumed that control could be exercised by sections. The position was more complex and every section contributed to the ultimate result.

The bargaining power of persons in sheltered occupations was of great practical importance and interest. The excessive pressure of bargaining power by particular sections was apt, especially in the case of a country with a relatively large external trade, to meet a check through the necessity of having to maintain exports if the standard of living was to be upheld.

He would like to join with other speakers in expressing to Colonel Edgeworth his thanks for a paper which had provided a stimulating and obviously not one-sided discussion.

Colonel Edgeworth in his reply said that one of his objects in writing his paper had been to stimulate discussion.

Professor Duncan had objected to his remarks about satisfaction, but his criticisms had only been directed against some—not all—uses of the term. It had been said that he had not defined bargaining power, but he had not attempted to give a definition, and he had noticed that no one else had done so either.

Professor Duncan objected also to mention of the iron law, but he had merely selected it as a well-known example of what he had been trying to convey by bargaining power. He was sorry that Professor O'Brien had left, and there was an effective retort to his remarks about gravitation; Professor O'Brien had evidently forgotten the old story about the apple. Mr Johnston had made some interesting remarks. One difficulty in dealing with the problem of surplus commodities was that the surplus was often not in the place where it was wanted. The question of transport had to be dealt with as well as that of stimulating increased consumption.

With regard to the criticisms that his paper was political, he was not a politician, but the point he wanted to make was that there were questions in this country that had both political and economic aspects. Economic thought could not be stifled merely because it had also sometimes a political aspect.

Colonel Edgeworth concluded by thanking the President for his interesting comments.