

## CHAPTER XIII

### OF WAGES

"The produce of labour constitutes the natural recompense or wages of labour." This self-evident truth, which, as thus formulated, we owe to the scholarly pen of Adam Smith, applies not only to the isolated individual working by and for himself, but also to any and every group of co-operative workers taken as a whole. In each and every case the full produce of their toil constitutes the natural recompense, or wages, of the toilers. It is the recompense which, in the absence of any interfering causes, would naturally accrue to them. Hence, any diminution thereof can only be attributed to some disturbing, dislocating element, to the workings of some custom, law, or institution they have adopted, or which has been enforced upon them, and therefore any such subtraction from the earnings of labour can only be regarded as arbitrary or artificial, or as "unnatural."

In every group of associated workers, however, the question of the apportioning of the results of their united activities is one they have always to take into consideration; and on its equitable solution the wellbeing and contentment of the individuals composing it, as well as the peaceful continuance and harmonious development of the group taken as a whole, will mainly depend. As already repeatedly emphasised, any given community may be regarded as such a group of associated workers, living in a social union the underlying principle of which is a reciprocal exchange of services. The gratifications at the command of every such community — in so far as they are due to labour, and are not the gratuitous offerings of Nature — are the results of their united activities; hence they constitute the "natural recompense," or wages, of the community taken as a whole. The question which now confronts us, the question raised by the eloquent and suggestive quotation with which the preceding chapter concluded, is as to the manner in which such gratifications would tend to be apportioned, or rather to distribute themselves, under equitable conditions, in a community in which there were no customs, laws or institutions, conferring special privileges on any class or caste. In other words, the question to which we desire an answer is: In the absence of any such privileges, would the tendency be to an equality or to an inequality of social conditions?

To throw some light on this question, as well as on other economic points and principles it is very necessary our readers should master before they can expect to follow our subsequent arguments, let us consider the establishment and probable development of a community accepting and obeying the Law of Liberty as already expounded. That is to say, of a community of men recognising and respecting the equal claims of each to dispose of his own activities, and the fruits of his own

individual exertions as he may deem most conducive to his individual happiness, and to share in the natural bounties, to avail himself of the natural resources and opportunities at their command. In other words, we shall consider the establishment and probable development of a community of honest men in the true sense of this much-abused term; of men recognising the full significance of the great commandment, "Thou shalt not steal," who therefore are not only themselves unwilling to be robbed or defrauded, but who shrink from robbing and defrauding others; of men desirous of relying solely on their own exertions, and of commanding the services of others only in return for equivalent counter-services; of men, in short, who have entirely rid themselves of all traces of the degrading and brutalising predatory instincts, and who implicitly and sacredly obey the promptings of the elevating and humanising industrial instincts, of those instincts which impel them to do unto others as they would have others do unto them, and to expect from others only what they themselves are prepared to concede to others.

Let us then suppose a country taken up and occupied by such colonists. We may assume that at first there would be land enough for all, and that each who desired to do so could be secured a holding of much the same unimproved value as his fellows — that is to say, of much the same size and fertility, and equally favourably situated as regards access to ports, rivers, or to any other natural advantage the country might possess.<sup>1</sup> Under such circumstances, and so long as similar holdings are available to any new-comer, or to any and every adult as soon as he (or she) desired to establish a home for himself, the equal claims of all to avail themselves of the natural opportunities, and to make their own labours minister to their own wants, may be said to be respected and enforced. Moreover, under such conditions, and each being left free to dispose of his own activities and the fruits of his own labours as he may deem fit, there would be no disturbing causes interfering with the production and distribution of wealth — of things conducive to wellbeing — and thus the gratifications at the command of all, due to the united industry of all, would tend to be shared by all in a natural and equitable manner.

<sup>1</sup> This latter proviso is inserted to obviate the necessity for any discussion of what is known in economic works as "unimproved land values," which in all cases are due to differences in natural advantages of fertility or situation. With this subject, and "the Law of Rent," we shall deal somewhat exhaustively in the next chapter.

To simplify matters, we may also suppose that at first each family undertook all its own work. The manifest advantages of co-operation and division of labour, however, would soon ensure its adoption. Let us suppose, then, that one of their numbers, a new-comer, or one who developed special aptitude or special liking for this branch of labour, offered to do the blacksmithing work for such as desired to avail themselves of his services. Under such conditions, what could such a man reasonably expect to be

able to earn, to receive in return for his services? Why, manifestly, at least, as much as he could gain by devoting his labour to Mother Earth. If he found himself earning less, he would soon relinquish blacksmithing, take up one of the holdings open to him, and start working on the same lines and in the same manner as the rest of his compatriots.

Supposing, however, which is more probable, he found himself enabled to earn much more, what would then be the natural consequence? Why, obviously, that others would be attracted to the blacksmithing industry; competition would set in for the available blacksmith's work; and the flow of labour in this direction would continue until all those employed in this branch of industry would find themselves earning the same as, or but little more than, their fellow-citizens deriving their livelihood direct from Mother Earth. Under such conditions, in no department of industry could earnings be forced below this natural level; for so soon as in any industry earnings tended toward or below this level, it would cease to be specially attractive, and instead of flowing to, labour would flow from it in other more attractive or more remunerative directions. Thus, by the working of competition under Freedom, under conditions securing to all equal opportunities to live, to labour and to enjoy, the tendency of all earnings — apart from differences due to differences in industry, energy, or ability, or to differences in attraction of the several branches of industry themselves — would be to an equality, to a "minimum wage," more than which, other things being equal, no industry would permanently yield, for less than which no body of workers would be willing to toil.

That this is not "mere theory" is proved by the fact that, other things being equal, wages are highest in countries where land is more readily available, and steadily diminish as the land comes under private control. Those who have lived in any new country, such as Australia or the Western States of America, will be well aware of this fact. Again, when the gold-fields were first discovered in Victoria, the wages of all labour rose, not only to the level of what men did earn, but to what men thought they might earn for themselves by digging for gold. It should be remembered that the gold was found on public land, on which each could work for himself without coming to terms with any landlord. Had such deposits been found on land already under private control, even though as many men had been employed, it could never have had any such influence on the earnings of labour. What is true of gold lands is just as true of potato land, coal land, slate land, and so on. Make land free to labour, and the wages of no body of workers can be forced below the level of those producing direct from Mother Earth.

As we hope to prove even more conclusively later on, what is known as "the power of the capitalists," i.e., the power of the privileged classes to appropriate to themselves

an ever-increasing portion and proportion of the fruits of the labour of others, their fellow-creatures as well as fellow-citizens, is not based and does not depend on any stores of wealth, of commodities, food, tools, gold, etc., they may already possess, but on their claims as a class to control the use of those natural sources and opportunities whence alone everything, by labour, is produced — drawn forth. There can be no water-trust so long as the sources of water are equally available to all; there can be no lumber-trust so long as the woods and forests are open to all; there can be no coal-trust so long as the coal lands are free to all. To enslave labour, to control the lives and liberties of the labourers, and to be enabled to appropriate the fruits of their toil, there is no necessity to re-establish the time-honoured institution of chattel slavery; all that need be done, all that today is done, is to regard and treat the natural sources and opportunities, the primary necessity of life and industry, as private property, as the special property, the heirloom and inheritance, of a favoured few. Break down this monopoly, and many things will become possible of which today the seers and prophets of our race only dream. Allow it to continue, and all efforts to improve the condition of the masses of our fellowcitizens, to elevate them as men and as citizens, must necessarily remain futile.

To return to our immediate subject. We do not mean to contend that under equitable conditions the earnings of each individual worker would necessarily be the same, but only that the tendency would constantly be toward an equality of earnings. This tendency of earnings, of wages, to an equality is everywhere manifest today, but, owing to causes yet to be fully elucidated, it is toward what has been well termed a subsistence level, toward the lowest standard of living the lowest stratum of workers can be compelled to accept. This "Iron Law of Wages," however, can in no way be attributed to natural causes, but rather to those artificial man-made customs, laws, and institutions we have inherited from the past, which, in our ignorance or indolence, we have allowed to continue, and the effects of which are apt to be regarded by superficial thinkers as both natural and inevitable. Under existing social institutions, the bounties of Nature are appropriated and the natural opportunities are monopolised by some, into whose hands is placed the key to the natural outlet to the national industry. Deprived of access to Nature, the disinherited masses are compelled eagerly to compete one with the other for every available outlet to their industry, for every possible opportunity to work and live, and in this blind, brutal, and unnecessary struggle for existence between man and man, not only are all the finer promptings and nobler aspirations of humanity ruthlessly stifled, but all earnings are steadily forced toward a subsistence level. Under equitable social institutions, under institutions based on the Golden Rule of Righteousness, however, such conditions would no longer prevail, and such competition could no longer exist; the tendency of individual earnings, owing to the workings of competition, would, we believe, still be toward equality, but it would be toward a natural level, determined by the richness or fertility

of the natural opportunities at the disposition of the community, toward the level of those engaged in the primary industries, in producing direct from Mother Earth.

In order more clearly to elucidate the beneficent workings of competition under Freedom, it is necessary that we should here say a few words on the question of "value." Like so many other terms current in economic literature, this term has two distinct and different meanings, which may, perhaps, best be distinguished by the addition of the qualifying term "utility" or "exchange."

"Utility value" denotes a quality: the quality of being of use or of service to us. This, in all cases, is entirely dependent on two factors, viz., (a) on the intrinsic or inherent properties of the article itself; and (b) on our capacity to enjoy or to avail ourselves of them. A bicycle, for instance, can have no "utility value" to a man unable to ride it; nor the most beautiful or most "valuable" picture to a man unable to see. But unless they could be appreciated by, unless they were likely to be of service, of use, or to minister to the desires of someone, the bicycle would never have been made, the picture would never have been painted. Men work to minister to their wants; they do not knowingly or willingly devote their labour to the production or acquisition of anything unless it is likely to be of service to them, or to someone else with whom they are in some way socially connected. "Exchange value," on the other hand, denotes a relation. The "exchange value" of any article simply expresses its relation to other articles for which it could be exchanged; or, in other words, the command of purchasable commodities (or services) its ownership confers. This value is generally expressed in terms of money; that is, by its relation to or by comparison with the commodity adopted by the community as a unit and measure of exchange value. This is called its "price." Thus we say that the price or the value of such and such an article — or of a certain quantity of a certain commodity of a given quality — is, say, four pounds sterling. This simply means that it could be exchanged for about one ounce of fine gold, or for any other marketable commodities obtainable in exchange for one ounce of such gold.<sup>1</sup>

<sup>1</sup> The reader would do well to bear in mind that, though there may be what is called "a general rise of prices," that is, though all commodities may rise (or fall) in value as compared with the one commodity in use as money (in England, gold), yet all commodities, including the one in use as money, can never be said to have risen or fallen in value. All things cannot rise or fall relatively to one another; the rise of some involves a fall of others, and vice versa. As Mill expresses it: "Things which are exchanged for one another can no more all fall, or all rise, than a dozen runners can each outrun all the rest, or a hundred trees all overtop one another."

With reference to "exchange value" generally, commodities may be divided into two

classes, viz., (a) those the supply of which is strictly limited, and (b) those the supply of which can be practically indefinitely increased by an increased application of labour.

With the former class we are not here immediately concerned. Under it can be ranged wines of a particular brand or vintage, pictures or sculptures by artists of repute, precious stones, rare books, coins, and other articles of antiquarian curiosity, and, in countries where the private ownership of land is recognised by law, the power to control any portion of the earth's surface. All such things possess what may be termed a " monopoly " or scarcity value; their cost of production may have been of the smallest, their utility may be of the slightest, but their exchange value is only determined by the demands of their owners, and by the necessities and means of would-be purchasers. As Mill expresses it: "The monopolist can fix the value as high as he pleases, short of what the consumer (or rather customer) either could not or would not pay."

The " exchange value" of the second class of commodities — viz., of those the production of which can practically be indefinitely increased by an increased application of labour — however, are determined by quite other causes. The relative value of such commodities, though it may be temporarily affected by variations in supply and demand, always tends to be determined by their cost of production; that is, by the amount of labour on an average necessary to produce them under the given conditions. This may be regarded as the natural exchange value of all such commodities.<sup>1</sup>

1 Karl Marx, in the first chapter of his celebrated work, "Capital," places this fact clearly before his readers. He says: "We see that that which determines the magnitude of the value of any article is the amount of labour socially necessary, or the labour time socially necessary for its production. Each individual commodity, in this connection, is to be considered as an average sample of its class. Commodities, therefore, in which equal quantities of labour are embodied, or which can be produced in the same time, have the same value. The value of one commodity is to the value of any other, as the labour time necessary for the production of the one is to that necessary for the production of the other,"

To make this quite clear by a concrete example: A given amount of labour could produce and place on the market, let us say, 40 tons of turnips or 20 tons of carrots. The natural value of turnip to carrot would be as 2 to 1; one ton of carrots should exchange for two tons of turnips. If their relative value in a free market were temporarily different, if, say, one ton of carrots could only command one ton of turnips, then less carrots or more turnips would be produced, until their relative market value approximated to their natural value.

To return to our imaginary community. Say that on an average each farmer could gain from Mother Earth a value equivalent to 100 bushels of corn per month; and that our friend, the blacksmith, could turn out 100 ploughshares per month; then the natural value of a ploughshare, as compared with corn, would be one bushel. If the value of ploughshares were less, fewer people would be attracted to that industry; if more, then more people would devote their labour to their production, until the market value of corn and ploughshares approached to their natural value.

Under conditions such as here depicted, not only would the advantages due to the co-operation and division of labour tend to be shared amongst all, but also any and every improvement in machinery or increase in productive power in any and every branch of industry. Services or commodities would constantly tend to exchange one for the other, proportionately to the amount of labour they respectively represented; hence, any increase in the productive power in any industry would tend to advantage all the co-operating workers; that is to say, not only to increase the productive power of the community taken as a whole, but also the gratifications at the command of each individual worker.

To explain this, let us suppose, after our hypothetical community had settled down, a sufficient number of men had been engaged in each separate branch of industry, and all commodities had reached their natural value, all wages or earnings their natural level, that suddenly some new method of production were introduced, enabling, say, blacksmiths to get through the same quantity of work, say, making ploughshares, in half the time. What would be the inevitable result? Why, that, owing to the working of the causes already indicated, the exchange value of ploughshares would be proportionately reduced, to the manifest advantage not only of every utiliser (or consumer) of ploughshares, but also of every consumer of those innumerable commodities in the production of which ploughshares serve as an auxiliary of labour. Having less to pay — in other words, less of their labour time to give up — for ploughshares, and for the commodities these assist to produce, the community would have a greater command of other, probably less necessary, commodities, to the common advantage of all. Other things remaining equal, fewer makers of ploughshares would, it is true, be employed. About half their number would have to seek other employment, which some, at least, would find in producing direct from Mother Earth, thus again increasing the demand for ploughshares. Thus gradually things would again adjust themselves, but not until every member of the community was sharing in the advantages due to the improved methods of production in the

blacksmith's industry. Such would be the effect of competition under Freedom, in a community where the equal claims of all to existence were recognised and respected.

Strictly speaking, however, the exchange value of any such commodities as we are now considering will not be determined by the amount of labour on an average necessary to their production, but rather by the amount of labour necessary to their production from the worst sources, and by the worst means, to which the necessities of the community may compel them to have recourse. It is their cost of production, or the amount of labour necessary to their production, from these sources which will determine the exchange value of all similar commodities. The less productive these sources, the higher will be their exchange value, and vice versa. Thus, if we assume the cost of production of ploughshares to remain the same, but that the demands of the community compel them to make use of less productive sources of corn, then the exchange value of corn, as compared with ploughshares, would appreciate, even though its cost of production from the other sources in use remained the same. This, however, does not affect our explanation, but brings us to the question of "rent," which will be considered in the next chapter.

To sum up: Thus, under Freedom, under conditions securing to all equal opportunities to work and to live, the advantages due to the co-operation and division of labour, as well as of improved methods of production, would tend to be shared amongst all the co-operating workers, irrespective of the particular branch of industry to which they were devoting themselves. Under such conditions, the tendency of labour from the less to the more remunerative branches of industry would constantly tend to maintain the exchange value of all commodities, as of all services, at their natural value, and to make all industries equally advantageous to those engaged in them. Under such conditions, apart from differences due to differences in industry or capability, all earnings would be determined by and constantly tend toward the level of those employing themselves on the natural resources equally available to all. Paradoxical though it may sound, under such conditions the tendency of earnings, of "wages," would constantly be toward both the maximum and the minimum. Towards the maximum in so far as every improvement in productive power would tend to increase the enjoyments at the command of all and of each. Towards a minimum in so far as all individual earnings would constantly tend toward the level of those producing direct from Mother Earth. Thus, under such conditions, the gratifications at the command of the community, and due to the united activities of its members, would tend to be shared, or rather to distribute themselves, equally amongst all the co-operating workers, the only manifest cause of inequality being differences in desires and



differences in capability.

There is also another possible cause of inequality, directly attributable, however, to differences in desires, with which we shall presently have to deal somewhat exhaustively, but which it may be well to mention here. Instead of consuming, some may desire to save their earnings for future use or enjoyment. And, as over his own activities and the fruits of his own exertions the individual can claim to be sole arbiter, such a step is well within the rights of every individual, who can equitably claim to be secured the full possession and enjoyment of any such accumulations, as well as of any advantages their possession or control may bestow. If by their aid he is enabled to render greater services to himself or his fellows, he is entitled to their benefit, or to equivalent counterservices, to the full value of the services he is able to render. Naturally enough, this tendency to save, or to accumulate, would be greater in proportion to the prevailing fear of want, and in proportion to the advantages which the possession or control of such accumulations may yield. In a time of scarcity, or in a community where such accumulations were but small in proportion to the requirements of its people, and the power to produce more was limited, the right to control such accumulations might be of great advantage, and a high premium for their use (Interest) might be readily obtainable. The question we shall presently have to consider will be, as to whether any such premium would be obtainable in a community such as here depicted — in a community where all were enjoying equal rights to work and to live? In other words, the question to which we shall seek an answer is: Is Interest due to natural causes? Is it the result of "the laws of the universe which underlie society." Or is it simply due to our artificial social arrangements, the result of a particular social organisation?

Here, however, we can only state the problem as it presents itself to us; its full consideration must be left to a subsequent chapter. The main object of this chapter was to show that under equitable conditions — under conditions securing to all equal opportunities to live and work, the tendency would constantly be toward an equality of social conditions: a conclusion we hope to demonstrate even more convincingly in the pages that are to follow.