CHAPTER XIV.

DO HIGH WAGES NECESSITATE PROTECTION?

In the United States, at present, protection derives strong support from the belief that the products of the lower-paid labor of other countries could undersell the products of our higher-paid labor if free competition were permitted. This belief not only leads working-men to imagine protection necessary to keep up wages—a matter of which I shall speak hereafter; but it also induces the belief that protection is necessary to the interests of the country at large—a matter which now falls in our way.

And further than concerns the tariff this belief has important bearings. It enables employers to persuade themselves that they are serving general interests in reducing wages or resisting their increase, and greatly strengthens the opposition to the efforts of working-men to improve their condition, by setting against them a body of opinion that otherwise would be neutral, if not strongly in their favor. This is clearly seen in the case of the eight-hour system. Much of the opposition to this great reform arises from the belief that the increase of wages to which such a reduction of working-hours would be equivalent, would place the United States at a great disadvantage in production as compared with other countries.

It is evident that even those who most vociferously assert that we need a protective tariff on account of our higher standard of wages do not really believe it themselves. For if protection be needed against countries of lower wages, it must be most needed against countries of lowest wages and least needed against countries of highest wages. Now, against what country is it that American protectionists most demand protection? If we could have a protective tariff against only one country in the whole world, what country is it that American protectionists would select to be protected against? Unquestionably it is Great Britain. But Great Britain, instead of being the country of lowest wages, is, next to the United States and the British colonies, the country of highest wages.

"It is a poor rule that will not work both ways." If we require a protective tariff because of our high wages, then countries of low wages require free trade—or, at the very least, have nothing to fear from free trade. How is it, then, that we find the protectionists of France, Germany and other low-wage countries protesting that their industries will be ruined by the free competition of the higher-wage industries of Great Britain and the United States just as vehemently as our protectionists protest that our industries would be ruined if exposed to free competition with the products of the "pauper labor" of Europe?

As popularly put, the argument that the country of high wages needs a protective tariff runs in this way: "Wages are higher here than elsewhere; therefore, if the produce of cheaper foreign labor were freely admitted it would drive the produce of our dearer domestic labor out of the market." But the conclusion does not follow from the premise. To make it valid two intermediate propositions must be assumed: first, that low wages mean low cost of production; and second, that production is determined solely by cost—or, to put it in another way, that trade being free, everything will be produced where it can be produced at least cost. Let us examine these two propositions separately.

If the country of low wages can undersell the country of high wages, how is it that though the American farmhand receives double the wages of the English agricultural laborer, yet American grain undersells English grain? How is it that while the general level of wages is higher here than anywhere else in the world we nevertheless do export the products of our high-priced labor to countries of lower-priced labor?

The protectionist answer is that American grain undersells English grain, in spite of the difference of wages, because of our natural advantages for the production of grain; and that the bulk of our exports consists of those crude productions in which wages are not so important an element of cost, since they do not embody so much labor as the more elaborate productions called manufactures.

But the first part of this answer is an admission that the rate of wages is *not* the determining element in the cost of production, and that the country of low wages does not necessarily produce more cheaply than the country of high wages; while, as for the distinction drawn between the cruder and the more elaborate productions, it is evident that this is founded on the comparison of such things by bulk or weight, whereas the only measure of embodied labor is value. A pound of cloth embodies more labor than a pound of cotton, but this is not true of a dollar's worth. That a small weight of cloth will exchange for a large weight of cotton, or a small bulk of watches for a large bulk of wheat, means simply that equal amounts of labor will produce larger weights or bulks of the one thing than of the other; and in the same way the exportation of a certain value of grain, ore, stone or timber means the exportation of exactly as much of the produce of labor as would the exportation of the same value of lace or fancy goods.

Looking further, we see in every direction that it is *not* the fact that low-priced labor gives advantage in production. If this is the fact how was it that the development of industry in the slave States of the American Union was not more rapid than in the free States? How is it that Mexico, where peon labor can be had for from four to six dollars a month, does not undersell the products of our more highly paid labor? How is it that China and India and Japan are not "flooding the world" with the products of their cheap labor? How is it that England, where labor is better paid than on the Continent, leads the whole of

Europe in commerce and manufactures? The truth is, that a low rate of wages does not mean a low cost of production, but the reverse. The universal and obvious truth is, that the country where wages are highest can produce with the greatest economy, because workmen have there the most intelligence, the most spirit and the most ability; because invention and discovery are there most quickly made and most readily utilized. The great inventions and discoveries which so enormously increase the power of human labor to produce wealth have all been made in countries where wages are comparatively high.

That low wages mean inefficient labor may be seen wherever we look. Half a dozen Bengalese carpenters are needed to do a job that one American carpenter can do in less time. American residents in China get servants for almost nothing, but find that so many are required that servants cost more than in the United States, yet the Chinese who are largely employed in domestic service in California, and get wages that they would not have dreamed of in China, are efficient workers. Go to High Bridge, and you will see a great engine attended by a few men, exerting the power of thousands of horses in pumping up a small river for the supply of New York city, while on the Nile you may see Egyptian fellahs raising water by buckets and treadwheels. In Mexico, with labor at four or five dollars a month, silver ore has for centuries been carried to the surface on the backs of men who climbed rude ladders, but when silver-mining began in Nevada, where labor could not be had for less than five or six dollars a day, steam-power was employed. In Russia, where wages are very low, grain is still reaped by the sickle and threshed with the flail or by the hoofs of horses, while in our Western States, where labor is very high as compared with the Russian standard, grain is reaped, threshed and sacked by machinery.

If it were true that equal amounts of labor always produced equal results, then cheap labor might mean cheap production.

But this is obviously untrue. The power of human muscle is, indeed, much the same everywhere, and if his wages be sufficient to keep him in good bodily health the poorly paid laborer can, perhaps, exert as much physical force as the highly paid laborer. But the power of human muscles, though necessary to all production, is not the primary and efficient force in production. That force is human intelligence, and human muscles are merely the agency by which that intelligence makes connection with and takes hold of external things, so as to utilize natural forces and mold matter to conformity with its desires. A race of intelligent pygmies with muscles no stronger than those of the grasshopper could produce far more wealth than a race of stupid giants with muscles as strong as those of the elephant.

Now, intelligence varies with the standard of comfort, and the standard of comfort varies with wages. Wherever men are condemned to a poor, hard and precarious living their mental qualities sink toward the level of the brute. Wherever easier conditions prevail the qualities that raise man above the brute and give him power to master and compel external nature develop and expand. And so it is that the efficiency of labor is greatest where laborers get the best living and have the most leisure—that is to say, where wages are highest.

How then, in the face of these obvious facts, can we account for the prevalence of the belief that the low-wage country has an advantage in production over the high-wage country? It cannot be charged to the teaching of protection. This is one of the fallacies which protectionism avails itself of, rather than one for which it is responsible. Men do not hold it because they are protectionists, but become protectionists because they hold it. And it seems to be as firmly held, and on occasion as energetically preached, by so-called free traders as by protectionists. Witness the predictions of free-trade economists that trades-unions, if successful in raising wages and shortening hours, would destroy England's ability to sell her goods to other nations, and the similar objections by so-called free traders to similar movements on the part of working-men in the United States.

The truth is that the notion that low wages give a country an advantage in production is a careless inference from the every-day fact that it is an advantage to an individual producer to obtain labor at low wages.

It is true that an individual producer gains an advantage when he can force down the wages of his employees below the ordinary level, or can import laborers who will work for him for less, and that he may by this means be enabled to undersell his competitors, while the employer who continues to pay higher wages than other employers about him will, before long, be driven out of business. But it by no means follows that the country where wages are low can undersell the country where wages are high. For the efficiency of labor, though it may somewhat vary with the particular wages paid, is in greater degree determined by the general standard of comfort and intelligence, and the prevailing habits and methods which grow out of them. When a single employer manages to get labor for less than the rate of wages prevailing around him, the efficiency of the labor he gets is still largely fixed by that rate. But a country where the general rate of wages is low does not have a similar advantage over other countries, because there the general efficiency of labor must also be low.

The contention that industry can be more largely carried on where wages are low than where wages are high, another form of the same fallacy, may readily be seen to spring from a confusion of thought. For instance, in the earlier days of California it was often said that the lowering of wages would be a great benefit to the State, as lower wages would enable capitalists to work deposits of low-grade quartz that it would not pay to work at the then existing rate of wages. But it is evident that a mere reduction of wages would not have resulted in the working of poorer mines, since it could not have increased the amount of labor or capital available for the working of mines, and what existed would still have been devoted to the working of the richer in preference to the poorer mines, no matter how much wages were reduced. It might, however, have been said that the effect would be to increase the profits of capital and thus bring in more capital. But, to say nothing of the deterrent effect upon the coming in of labor, a moment's reflection will show that such a reduction of wages would not add to the profits of capital. It would add to the profits of mine-owners, and mines would bring higher prices. Eliminating improvements in methods, or changes in the value of the product, lower wages and the working of poorer mines come, of course, together, but this is not because the lower wages cause the working of poorer mines, but the reverse. As the richer natural opportunities are taken up and production is forced to devote itself to natural opportunities that will yield less to the same exertion, wages fall. There is, however, no gain to capital; and under such circumstances we do not see interest increase. The gain accrues to those who have possessed themselves of natural opportunities, and what we see is that the value of land increases.

The immediate effect of a general reduction of wages in any country would be merely to alter the distribution of wealth. Of the amount produced less would go to the laborers and more to those who share in the results of production without contributing to it. Some changes in exports and imports would probably follow a general reduction of wages, owing to changes in relative demand. The working-classes, getting less than before, would have to reduce their luxuries, and perhaps live on cheaper food. Other classes, finding their incomes increased, might use more costly food and demand more of the costlier luxuries, and larger numbers of them might go abroad and use up in foreign countries the produce of exports, by which, of course, imports would be diminished. But except as to such changes the foreign commerce of a country would be unaffected. The country as a whole would have no more to sell and could buy no more than before. And in a little while the inevitable effect of the degradation of labor involved in the reduction of wages would begin to tell in the reduced power of production, and both exports and imports would fall off.

So if in any country there were a general increase of wages, the immediate effect would only be so to alter the distribution of wealth that more of the aggregate product would go to the laboring-classes and less to those who live on the labor of others. The result would be that more of the cheaper luxuries would be called for and less of the more costly luxuries. But productive power would in no wise be lessened; there would be no less to export than before and no less ability to pay for imports. On the contrary, some of the idle classes would find their incomes so reduced that they would have to go to work and thus increase production, while as soon as an increase in wages began to tell on the habits of the people and on industrial methods productive power would increase.