The Long Term Decline in Wages—By WILLIAM C. LEON

FOR CENTURIES men have realized that the standard of living for most individuals is substantially lower than it might be. At times it was apparent that the simplest sort of change would restore to the producer the full product of his labor. Vigorous defense against raiding tribesmen secured possessions against outright robbery. Successful revolt against slaveholders ended the continual confiscation that once lasted from birth until death. Civil wars finished the power of monarchs and courtiers to take, in taxation, the production of their subjects.

With the rise of democracy and the recognition of each individual's rights, there developed the land tenure system in which, despite apparent freedom of opportunity and competition, the vast majority of people through free choice willingly paid for the right to work. They fondly hoped for a day when they could sell this privilege to another at a higher price. At the same time these people directly or indirectly voted for taxation on their earnings. These were to finance the administration of the community and the construction of civil improvements which would add to the cost of an opportunity to engage in production. The financing of wars and sustenance of the destitute was eventually paid for with government debt which is the only escape for those able to defray such expenses.

The most subtle confiscation of wages which came after the abolition of slavery and the suppression of tyranny drew the attention of political economists who attempt to explain why living standards remain lower than they might be. Henry George describes the problem as a tendency of wages to a minimum which will give but a bare living in spite of an increase in productive power.

Economists for and against the *status quo* have wrangled for two centuries. Some argue that the system is just and equitable while others insist on changes for material and moral reasons. The more violent revolutionaries in recent years have gained the upper hand and there is a strong tide running in the direction of state collectivism. Many concessions have been wrung from the reactionary elements in society while the middle of the road people vainly cry out in protest.

Many who agree with Henry George's analysis of the problem of poverty and accept his proposed reforms do not agree with his original description of the problem: that there is a tendency for wages to decline. These people insist that wages over a long period of years have persistently tended to rise. The accompanying record indicates that wages have increased as a quantity while they declined as a proportion of the total product. No doubt a further decline in proportion will eventually overtake the quantity of wages accruing to producers.

This evidence has been obtained from the Federal Reserve Bulletin and the bulletins of the Department of Commerce. These sources contain indexes of the unit production of wealth in the United States as well as total factory wages paid out, commodity price indexes and the number of people employed. In order to reduce money wages to real wages the amounts paid are divided by commodity prices. Since the Federal Reserve Board's Index of Production is expressed in unit terms, we can calculate from the number employed what the unit production was per man in any given year. Division of production per man by unit wages per man, then indicates the proportion of the product received by the producer. The figures in the column headed "proportion" are not actual percentages, as the FRB Index of Production is a statistical compilation of industrial output of key enterprises reduced to an index figure using the years 1935-39 as a base of 100. The accompanying index denoting proportion therefore is also only an indicator, but it adequately points up the tendencies under investigation.

This record reveals that real wages rose from 82 to 92 between 1919 and 1929. Meanwhile production per man increased from 69 to 106 so that the portion of production retained by the producer declined from 118 to 87. During the ensuing ten years real wages followed an erratic course as attempts were made to manage the economy. In 1938, when artificial stimulants were temporarily removed, real wages fell from the 1937 peak of 99 to 84. Production per worker was still under the 1929 level despite the increase of population, and improvements in the arts of production. The stimulus of war was required to raise productivity above the 1929 level and with this fresh demand for labor real wages rose well above the 1929 level. However, the increase in real wages as a portion of product was negligible despite the fact that the demand for labor was sudden and drastic. The figures for real wages during the war years are of little significance as the money income is adjusted to ceiling prices for commodities, and

Year	FRB Index 1935-39 - 100	Factory Employment 1939 - 100	Factory Payrolls 1939 - 100	Wages Per Man 1939 - 100	Consumer Prices 1935-39 - 100	Real Wages	Production Per Man	Index of Proportion	After Income Taxes: Real Wages	After Income Taxes: Index of Proportion
1919	72	103.7	103.9	100	123.8	82	69	118		
1920	75	104.2	124.2	118	143.3	90	72	127		
1921	58	79.7	80.2	100	127.7	79	73	110		
1922	73	88.2	86.0	98	119.7	82	83	98		
1923	88	101.0	109.1	108	121.9	88	87	101		
1924	82	93.8	101.7	108	122.2	88	87	101		
1925	90	97.0	107.2	110	125.4	87	93	95		
1926	96	98.9	110.5	112	126.4	88	97	92		
1927	95	96.8	108.5	112	124.	90	98	92		
1928	99	96.9	109.7	113	122.6	92	102	90		
1929	110	103.1	117.1	113	122.5	92	106	87		
1930	91	89.8	94.7	106	119.4	88	101	87		
1931	75	75.8	71.8	95	108.7	87	99	88		
1932	58	64.4	49.5	76	97.6	78	89	89		
1933	69	71.3	53.1	74	92.4	80	97	83		
1934	75	83.1	68.3	83	95.7	87	92	95		
1935	87	88.7	78.6	89	98.1	86	98	88		
1936	103	96.4	91.2	94	99.1	95	106	90		
1937	113	105.8	108.8	102	102.7	99	106	93		
1938	89	90.0	84.7	93	100.8	84	99	85		
1939	109	100.0	100.0	100	99.4	100	109	92		
1940	125	107.5	114.5	106	100.2	106	117	90		
1941	162	132.1	167.5	127	105.2	120	123	98		
1942	199	154.0	245.2	158	116.5	136	129	106	122	105
1943	239	177.7	334.4	188	123.6	152	134	113	137	102
1944	235	172.4	345.7	200	125.5	160	134	119	140	104
1945	203	151.8	293.4	194	128.4	150	132	114	135	102
1946	170	143.4	269.6	188	139.3	135	119	114	122	102
1947	187	157.3	332.1	210	159.2	132	120	110	119	100
1948	190	159.	356.0	220	168.0	130	118	110	117	100

we know that there was little to be had which means that there were less real wages. Where commodities were obtained in the black market the prices were so much higher that a properly adjusted real wage index would necessarily be substantially lower.

Beginning with the year 1941 the index of real wages is adjusted for personal federal income taxes so that it represents "take home pay." The index for wages as a portion of product is readjusted accordingly. The tax rate used is only ten per cent of wages received and well below the average that could be arrived at were all exemptions properly calculated.

Of the utmost significance is the fact that wages as a proportion during the war and post-war period rose toward the levels of 1919 and 1920 on a pre-income tax basis. On an after-tax basis they have followed the pattern of the earlier era. This means that the increase in productivity does not any longer accrue to land in the form of rent but rather to the State in the form of taxes.

Incidentally, a study of national income and federal income tax statistics as published by the Department of Commerce indicates that our income tax policy is political rather than economical. In 1947 total compensation of employees in the United States amounted to $127.5 billion. Proprietor's and rental income was $46 billion or a total of $173.5 billion. Federal personal income tax receipts were $19.7 billion for the year. This is equal to 11.3 per cent of wages and proprietors' incomes. Our personal tax rate starts at a level near this figure, which means that it is economically not necessary to "soak the rich." While those with very high incomes pay fabulous amounts in taxes—where they do not escape into tax-free municipal bonds—there are so few of these that the aggregate amount paid is negligible in proportion to the total paid by all the people. We therefore can see that the government is "flaying the rich patricians to the delight of the masses." The modern Caligula, like his forebear, is giving the people exactly what they want. He must, in order to be elected.