Wage - fixing, Quixotic Windmill

Legislation fixing minimum wages and maximum hours for labor has an enticement for all students of labor problems that ought to be admitted at the outset: it seems a simple, direct method of attacking low wages and long hours, concededly curses of our present economy. But does it attack the evils? There is the crux of the present controversy and the answer should dispose of the issue; if it does, one should favor it, if it does not, one should oppose it.

For the contention of advocates of the legislation that marginal wages are too low and the upper range of the work-week too long should be beyond dispute. Southern sweat-shops provide the best examples, but their counterparts can be found from New York to San Francisco, and even in the most humane plants there are sweated marginal workers. The Tennessee Labor Department provides an interesting case, a plant in Manchester, Tenn., one of twenty-one towns offering sites, tax exemptons, buildings, free power, water and light to carpet-bag "manufacturers," which pays $7 a week to men, $5 to women for the standard ten-hour day and then checks off 6 per cent of this miserable wage for the town to meet the subsidy. The carpet-bagger had run away to Manchester seeking to escape unionization and the costs of social legislation.

But what would the wages and hours plan offer these exploited workers? The form of the plan is a matter of technical detail. If it were administered by a small board, it would centralize virtually unrestrained authority in the hands of a few men, sparing the conflict of sectional interests, perhaps. If it were administered by Congress it would diffuse authority but promote sectional conflict. The large power, so liable to corrupt them who possess it, would remain the same.

The magnitude of the task which would confront the administrators must be noted. Factory hourly wages in 1937 ranged from 43 cents in tobacco to 93 cents in tires, a difference of 116 per cent. Factory weekly wages in the eight divisions of the country ranged in 1935 from $14.25 in the South Atlantic States to $22.02 in the East North Central States. The board would have to know which group, not only in each industry but in each branch of industry, was the marginal group, for each locality. It would have to determine, for each market area, the purchasing power of the dollar, to adjust the money wage paid and obtain the real wage; for money wages are low when the claims upon wealth which they represent are small. The real wage would have to be adjusted to achieve what might be called the social wage; living standards vary from one section of the country to another and their components are by no means identical as to cost.

This is but a brief summary of the task, and it should be enough. But it does not simplify the job to suggest that instead of setting standards which vary from industry to industry, blanket standards should be set. The same facts would have to be known; the only virtue in blanket standards, as NRA experience should have made clear, is that the effects of the legislation make their appearance somewhat more slowly.

One should not rue the impracticality of the legislation because not enough is known of the facts of wages and hours. For, apart from the monumental task facing a Federal agency, the ability of a State agency, such as exists today in twenty-four States, to deal with the question is limited almost to the point of futility. Limited State laws can sometimes give temporary aid to special groups of workers, but not to workers generally.

It must be remembered that the Southern factory worker cited above, the "Uncle Tom" of the legislation's advocates, is in competition with the agricultural worker. The latter's average earnings were shown by the recent study of Tom Vasey and Josiah C. Folsom for the United States Bureau of Agricultural Economics to range from $62 a season for female Negro cotton pickers in Louisiana; $125 for white male pickers in a Tennessee county; $178 for male Negro cotton pickers in Louisiana; $238 for sheephands in Montana; $347 for white farm laborers in Pennsylvania to a top of $748 for Orientals in Placer County, California. Secretary Wallace, after a trip through four southern States, said 20 per cent of the farmers "are living with a standard far below that of any peasantry in Europe I know about."

If by fiat the marginal wage in the factories were raised, the agricultural workers would flock from the farms to the cities, breaking down the margin no matter how large is the force of factory inspectors added to the State bureaucracy. If inspection were adequate, the premium offered would nurture the "kick-back" or graft, apart from its eventual subversion of civil liberties. For the bill specifically exempts farm labor.

Inclusion of agricultural laborers

would not overcome the plan's impracticality. For if the ordained rise in wages tended to reduce rent—as it always would except where the worker compensated for the rise by an equal rise in labor productivity, possible in some cases but improbable in most—the landowners near the margin would call a halt to production and wait. Labor starves when the landowner goes on strike; the land fattens. Unemployment would put another premium on the "kick-back"; taxes on non-landowners to support the jobless would lower real wages; raising the actual rent line above the necessary rent line by changing the margin of cultivation would tend to raise all prices, lower real wages further.

Here the economic fallacy upon which the theory of the plan is built becomes apparent. It is assumed that the State has the power to regulate wages, the power to order capitalists to give part of their capital to laborers. It is a reincarnation of the old discredited wages-fund theory, which students of economic science had thought was buried in oblivion long ago.

The State has not that power, for capitalists do not support labor. Indeed, capitalists do not even employ labor; it is labor which employs tools, machines, plants, raw materials—or what is properly capital. And in this day and age, when most employers use capital borrowed from capitalists and not capital which they may own themselves and which may be available to them in their other capacities as capitalists, it ought to be clear that an order to the employers to meet higher labor costs out of "their" productive capital is one that will not be obeyed because it cannot be.

Labor creates its own wages in its contribution to the product. If it does not get its full share of the product, it is because monopoly has intervened, monopoly of natural opportunities and forces, either creating immediate unemployment and thereby dislocating the market for labor; or raising prices and thereby reducing purchasing power (lowering real wages) and curtailing the market—eventully more unemployment. The plan, instead of curbing monopolies, fosters them by limiting competition and by increasing the anti-social powers of large accumulations of capital as opposed to smaller ones.

Here, too, the actual danger of the scheme becomes clear. Not merely did the similar attempts abroad, which failed in every case, divert attention from the fundamental cause of low wages and long hours, the private appropriation and exaction of rent. For the reasons cited, the plans themselves actually contributed to lowering labor standards further. Not only laborers, but all classes of society suffered from the check to production. This "treadmill" type of social legislation can only change the social problem from one of poverty in the midst of plenty to one of poverty in the midst of scarcity.

—W. L.

See: "The Condition of Labor."