

CHAPTER III

Labor and Wages

DOES LABOR-SAVING MACHINERY PUT MEN OUT OF A JOB OR DOES IT INCREASE PRODUCTION, RAISE WAGES, AND INCREASE OPPORTUNITY? WHAT IS PRODUCTIVE LABOR?

All capital is wealth; but all wealth is not capital. Capital is wealth applied to the production of more or other wealth. It is stored labour, not applied by one further step to the ultimate end and aim of all labour, the satisfaction of desire; but in the production of more wealth to the further storage of labour.

—HENRY GEORGE in
The Science of Political Economy

WE HAVE a striking instance in our own history of the effect of labor-saving machinery in stimulating employment. The year before the cotton gin was invented our production of cotton was about eight bales, from which the seed was picked by hand; and certainly that meant a lot of labor. When the cotton gin was developed it was an enormous labor-saver; but instead of reducing the numbers employed, it increased them tremendously, because the diminished cost of treating cotton opened up a vastly expanded market and made the cotton industry possible. From a yearly production of eight bales we reached a production in excess of sixteen million bales, and this is almost wholly the result of labor-saving machinery. Doubtless an hour's run of a cotton gin would put out of a job all the girls who had been picking out the seed, but the gin so reduced the cost of cotton and so enlarged the market that the net result was to increase the consumption of cotton, broaden its market and give employment to hundreds of thousands—yes, to millions—where only a few hundred had been previously employed.

There is, however, a darker side to it. The demand for cotton, with the cost so reduced, became so great that white labor could not cope with it; and there was loud demand for slave labor with increased importation of Negroes, fastening upon us slavery which it took years of bitter war to stamp out. But this is beside the point; we only emphasize that the invention of the cotton gin created jobs for millions. But let's go back to the boat-builder.

Our boat-builder, finding his venture profitable and having

a steady supply of food, gives up all thought of being a fisherman and continues building boats until he has a fleet on the sea, leased to groups of fishermen who give him a share of their catch in payment for the use of the boats. Each boat is manned by nine men and they agree that the catch will be divided into ten parts, one tenth to go for the boat hire (to constitute interest to the capitalist who has built the boats) and one tenth to each fisherman—and division on a similar plan has long been the custom in fishing and whaling fleets. But difficulties arise.

Fishing is uncertain and irregular, depending on weather, season, and run of fish. Some fishermen have families to be provided for every day and can ill afford to take the hazards of an uncertain and precarious livelihood, and so one of the fishermen is chosen captain. He undertakes to manage the enterprise, assuming all risks and agreeing to pay the boat-owner and each fisherman a fixed amount each day, either in fish or in equivalent value, taking his chances on the outcome according to "fisherman's luck." These daily charges of interest and wages may be paid in fish, but for each one to peddle his share takes time and is inefficient; and so the captain undertakes to sell the entire catch and make payment to the others at so much a day, in whatever passes on the island as money. Incurring all risks, the payments will probably be a little less than the actual worth of the fish, the difference representing compensation for his labor in selling and insurance for the hazards which he assumes.

We now have in our little group the capitalist who built the boat and the fishermen who use it, one of whom is the captain and employs the others. Note that whatever form the payments of interest and wages take, all these payments are really paid in fish, for fish is their only product and there is no other product from which crew, captain or capitalist can be paid.

Furthermore it makes no difference whether they adhere to their first plan of dividing the fish or let the captain take over the management and pay the men and the capitalist in some other commodity; what the fishermen get is compensation for their labor; and, aside from what he receives as remuneration for assuming all hazards, this is just as true of the captain as of the men, and is not affected by any rearrangement of the method by which they divide the proceeds of their toil. *Wages are the compensation of labor, and are always paid out of production,* and the only way they can all increase their earnings and improve their standard of living is by catching more fish.

Production is not complete until the goods are in the hands

of the consumer; and all who collaborate in the task, from its first inception in the mind of someone with vision to the final handing over of the goods to the consumer, are links in the chain of production adding to the value of the product, and they can justly expect compensation for their contributions however humble and whether the contribution be by brain or by brawn. Were this principle better understood it would answer those who regard goods "in process" or in transit, or "in stock" as capital. The process of production is still incomplete and the goods are still acquiring value, and often sales expense—the cost of getting our wares from our shelves into the hands of the purchaser—is no small item. These goods yield no interest, but the final step in the long process of production, selling and delivery still yields a wage as compensation to those so employed.

The value which transportation gives to a product, the economist calls "place utility," meaning the added value acquired because of delivery where the commodity is desired. Often this represents a large part of the total cost—or value—of a product, particularly in the case of bulky commodities of low value—crushed stone, coal, bricks and the like. The cost of getting a fine watch from Switzerland to America is relatively trivial—except for the tariff, and of that more will be said—but the cost of moving brick or concrete blocks represents so great a part of costs that practically their sale is confined in a short radius. Coal or fire wood is worth far more delivered to your home than at the mine-head or in the forest, and milk delivered to your refrigerator is worth a lot more than the same milk in pails in the farmer's barn—or for that matter, in the udder of the cow. In this case the cost of transportation is heavy because of conditions of handling rather than of mere bulk, but the principle is the same.

Place utility is illustrated by the story told of General Sherman and a southern boy who offered him a fish for a nickel. The General said, "Why, my boy, if you had that fish in New York you could get a dollar for it." The boy came back with the rejoinder, showing a knowledge of economics, "Yes, and if I had ice-water in Hell, I could get a dollar a drop for it." The question of the location of any commodity is a most important factor in its value. There are extremely rich deposits of valuable minerals which have very little value because of inaccessibility and the difficulty of getting the ores out.

Thus far we have been considering the production of wealth, true material wealth, and how the three factors which unite in

its production share in the rewards. There is, however, another form of production, more obscure but just as real, which is often overlooked and which presents controversial aspects: it is confusing and involves points upon which many do not agree, for opinions depend upon point of view.

We have seen that the purpose of wealth is to satisfy human needs and desires: that is why we produce material things and why we are willing to compensate the producers. But how about those who labor to produce not material things to satisfy us but to accomplish this objective without the intervention of any material things? How about the "service" occupations of those who keep us well, amuse us, educate us, train us to see beauty, and generally further our enjoyment of life? What can we say of the economic place of physicians, dentists, teachers, actors, baseball players, barbers, bootblacks, musicians, undertakers, the clergy, and many in humble walks of life?

Some of these workers do produce material wealth. The shined shoes may be said to be worth more than the unshined, so it may be contended that the boot-black produces value by his efforts. We may also say that the pressed suit is worth more than the wrinkled, baggy garment and the clean linen worth more than the unwashed. This, however, seems like stretching it a bit, and there are border-line cases. If we give the boy in the barber-shop a dime for brushing us off and holding our coat are we really paying him for material values, or is it wages and, if so, why wages? We have said that wages are paid out of production; but nevertheless some of these service workers earn wages, and sometimes very high wages, and yet they produce nothing of a material nature. What is the position of the surgeon, the actor, the teacher, or the priest who shepherds our immortal souls?

It seems to us that these workers are true producers, not of wealth as defined, but of relaxation and rest, good music and peace of mind, of inspiration, encouragement, and happiness. These are not material things but they are worth a very great deal. They are intangible in the sense that they can not be traded. It is true, the schoolteacher can impart his knowledge to others, but in imparting it, he does not part with it and is none the poorer for having passed on his learning to another; indeed, the mere process of teaching increases the knowledge of the teacher, as any good teacher will bear witness.

The services which many workers render are among the truly valuable things of life. Sometimes the service worker is compensated justly, sometimes overpaid, as, in our opinion is the

case of a cheap comedian, a prize-fighter or a ball-player. Often he is underpaid, as is generally the case with teachers and the clergy. But, be the compensation much or little, fair or unfair, he is paid for his services ministering to our needs and desires. The Associated Press recently published an item about a teacher who resigned to take a job driving a beer-truck. As a school-teacher his salary was eighty-five dollars a week: driving a truck he gets a hundred and thirty-seven a week. Apparently it is more important to get beer to saloons than to teach!

We would classify these workers as true producers and regard the compensation which they receive as wages, though their production is not of what is technically called wealth. Of course in serving us directly they may impart to us some material wealth, as when the physician gives us medicine, the clergyman gives us a Bible, or the undertaker supplies a coffin, but generally the material contribution of such workers is small in comparison to the greater things they give us. Their services may be aided and made more efficient by capital, the blackboards and the books of the teacher or the instruments of the physician or the dentist, but these things are either merchandise in process of production or capital aiding production. The undertaker is the last link in the chain and "produces" the casket which he gets at last to the final consumer! Therefore he plays a part in production and a part in the distribution of material wealth.

These confusing aspects of certain economic questions enter into a consideration of what constitutes capital and interest. Some economists hold that wealth conserved and applied to mere personal satisfaction, but not the source of directly increased earnings, is not capital and does not earn interest. Some say, in line with this reasoning, that a house in which we live is not capital and earns no interest, and that the washing machine which saves a woman from bending over a sudsy tub is not capital and earns no interest, if it does only the family washing.

These arguments seem to us to be drawing it too fine. Owning the house in which we live saves us from paying interest (which we mistakenly call rent) for the house which we would otherwise hire, so the house is capital and earns interest in the amount saved by owning it. The washing machine saves time, labor, and perhaps health, thus directly satisfying human needs and desires. True, it may save you downright cash, in making it no longer necessary to send your laundry out, but it earns interest in either event and the machine is truly capital. The barber produces nothing but satisfaction, and maybe a little smug self-approval pleas-

ing to our vanity and, though this is not true wealth, he is a producer of satisfaction. Your doctor and dentist produce an invaluable thing, health and freedom from suffering, while the clergyman gives you peace of mind, comfort and inspiration. These workers are to our mind all producers of service and are servants worthy of their hire, and when they use in their labors instruments, tools, equipment, of one kind or another, they may also be in receipt of interest on capital.

These considerations go a bit beyond the scope of this book—controversial questions which may come up in a discussion. Many wise thinkers and students will differ with the writer, and we do not state these ideas dogmatically. They serve a useful purpose as an example of the subjective thinking inescapable in the social “sciences.” Think about them and form your own opinions.

We commonly think of wages as paid by an employer in cash, but compensation received for work done is a wage whether it be in a pay envelope, salary check, professional fees, one’s share in cooperative labor or in the direct products of self-employment. The fish caught, the potatoes grown, the share-cropper’s part of the harvest, constitute a wage as long as they are the earnings of labor, as is also a bonus payment or the dividend to workers in a profit-sharing enterprise.

Henry George tells of the custom of paying Chinese helpers in a sealing undertaking first in cash but later in certain “inwards” of the seal and in the long whisker-hairs of the male seal, which, he says “they esteem for some purpose which, to outside barbarians, is not very clear.” To the economist there is no difference between paying regular cash wages and compensation “in kind,” based on the success of the undertaking, but to the employer in this case it meant greater net returns and to the Chinaman a greater satisfaction.

If the boat builder continued to fish from his own boat the situation would not have been altered one particle, for if he uses the boat himself he is still both capitalist and fisherman. Ten fish, the catch without the boat, would constitute his wage; the other ten fish, procured by the use of capital, would be his interest, for it is the boat and not greater labor which makes possible the greater catch, and to earn wages, one need not necessarily be employed by another. In early California days gold miners spoke of each day’s panning out of gold as their daily wage and many an independent artisan speaks, and quite correctly, of his earnings as his wage.

Our community grows: there are fish salters and packers,

wholesale and retail dealers, shipyards and chandlers, sail-makers, engine-builders, and others contributing to the life of the colony. There are school-teachers relieving the fishermen of the task of educating their young, physicians to keep them well and treat their accidents, lawyers who settle their disputes, architects and artisans; and gradually the settlement acquires a well-rounded development. However, if fishing continues to be the only industry productive of wealth, and all others are only contributory to the lives and activities of the fishermen, it must be from fish that all derive their support. In a sense, the entire population is engaged in fishing, directly or indirectly, and all wages and interest must ultimately be paid out of fish caught, for *there is no other material production and no other source of revenue*. It is only out of production—in this case fish—that wealth can come to pay wages to labor or interest to capital, for the capital is used directly or indirectly to increase the catch of fish.

Undoubtedly some tradesmen are simply "middlemen," using that word in its disparaging sense of one who simply takes a toll from trade, rendering no useful service—a useless link in the chain of distribution. Some traders are mere manipulators of the markets and certainly those who "corner" a necessity of life, buying up all the available supply and taking advantage of the monopoly which they create, hamper rather than help in distribution: they are mere gamblers and parasites. In the broader field of cultural life there are doubtful questions of what constitutes useful service. Some of the drama is educational, uplifting and productive; some is cheapening; but where do we draw the line? Some books are an inspiration and an education; others a waste of time or even worse, and one cannot generalize. It is subjective rather than objective, for it depends upon our attitude, capabilities and reactions.

There is a common idea that wages are drawn from capital; but were this true, it would be impossible for the worker to receive recompense for his toil until capital had been accumulated, and production would involve the exhaustion of capital. Lincoln well said, "Labor is prior to and independent of capital. Capital is only the fruit of labor, and could never have existed if labor had not first existed."

QUESTIONS

If, instead of enjoying consumption wages, we produce capital goods, how are we compensated for our labor?

Do we profit by specialization of labor?

Is it wise to cripple free exchange by taxation or tariffs?

Does labor-saving machinery generally create opportunity or destroy it?

Are processing, transportation, and distribution parts of production?

Does the boat of the fisherman earn interest?

Does the home you own and occupy earn interest?

Does capital save labor?

Does it profit more to use capital if wages are high than if they are low?

Does the use of capital tend to increase wages?

Do the capitalist and the worker have a common cause and do the exactions of rent injure them both? If so, can this be prevented by collecting ground rent for the support of government?