

XI: WAGES

An unjust distribution of landownership is not the only problem besetting under-developed countries. The wage structure in these countries is also inadequate - so many people with jobs do not enjoy a reasonable standard of living. However, if landownership became a universal option, then wages would soon rise - as we shall see if we examine wages and the factors that cause wages to rise.

Land, Labour and Capital

Wealth is created by a combination of land, labour and capital. Once created it then distributes:

to labour - as wages,

to capital - as machinery costs including depreciation and the cost of fuel used by machines, or as interest or dividends paid in order to secure machinery, and:

to land - as site rent, as the purchase price of land, as interest paid on land purchases, and as rates or taxes on land.

That being so, there are only two means whereby wages can rise. These are:

- 1: More wealth must be distributed to labour, at the expense of land and capital, or:
- 2: More wealth must be produced.

Limitations

Capital costs and land costs must be met, so there is a limit to labour's share in any distribution of wealth. Therefore, if wages are to

rise substantially, then productivity must increase so more wealth is produced.

Work Harder, or Use More Machines

To increase productivity, workers must either work harder or use more labour-saving machinery. If wages are to increase when the second alternative is adopted, then the machinery must cost less than any labourers it may replace.

This is what usually happens in industrialized nations. Our high standard of living depends upon the use of machines that:

- (a) allow men to produce far more than they could ever produce unaided, and:
- (b) cost less than any labourers they replace.

The welcome result is a plentiful supply of food, clothes, houses and furniture, of motor vehicles and electrical goods, of schools, libraries and hospitals, of sporting, recreational and cultural facilities, and of various other luxuries and necessities.

Union Activity

The situation could be very different without the activities of unions and other labour groups. These workers' organizations strive continuously to maintain wages as high as possible, and to contain or reduce the profits that pass to shareholders as rent or dividends.

In this way, unions keep the cost of capital within reasonable bounds. At the same time, they exert a partial check on land costs - because most "dividends" include the rent payable for factory buildings and for the land they occupy.

Both land costs and capital costs are kept down by union activity. This, in turn, allows wages to rise. If the amount of wealth which passes to land and capital is kept low, then the proportion available for the payment of wages can be increased.

An Indirect Effect on Wages

However, this is not the main benefit of union activity. Union activity also increases wages indirectly. By keeping wages up, unions force employers to consider replacing men with machines wherever possible. Machines do not agitate for increased wages or more amenities. They do not become sick or take holidays - although they do require maintenance. But, overall, machines are probably more predictable than human workers. In addition, machines do not become weary and they cannot be distracted, so they tend to make fewer mistakes than human employees. Hence, if a machine and a worker cost about the same, then the machine will probably get the job.

If machines increase productivity, then unionists soon demand (and usually get!) a share in the higher earnings. This leads to the use of still more machinery. So unions foster a steady increase in mechanization and overall productivity, which then allows wages to rise - both in monetary value and in terms of what the wages will buy.

Higher Wages = More Self-Employed Persons, More Jobs

Union activity also increases the number of job opportunities in the community.

Workers can save when wages are high. Savings allow many workers to become self-employed - as photographers, printers or professionals, in the

building industry, as shopkeepers, or in numerous other ways.

In time, many ex-employees enlarge their business and become employers themselves. So an increase in self-employment tends, eventually, to increase job opportunities as well.

Higher Wages = More Landowners

Savings also allow workers to buy their own home sites and homes or, if they are moving towards self-employment, to purchase premises from which to work. In this way unions, by increasing wages and helping workers to save, increase the number of landowners in society, and exert some check on the aggregation of land, power and wealth.

Low Wages = Fewer Landowners and Fewer Jobs

The situation is very different in the under-developed countries.

Union activity is minimal in under-developed countries. In some of them, anyone who tries to organize labour may be denied employment or even attacked or killed. Because of this, wages remain low, and net earnings are largely split between owners and management.

Thus, in the real estate market, a fortunate few can outbid most competitors. Labourers can rarely hope to own land, to set up in business for themselves, or to become employers in their turn.

At the same time, while labour remains cheap, very little machinery is used. Hence, in general, productivity remains low. And even when machines are used, most of the extra earnings go to owners and management. As a result, machinery does little to improve the lot of landless,

luckless and non-organized labourers. Instead, it merely drives more and more of them out of work, increases competition for the few remaining jobs, and allows wages to fall still further if this is possible.

No Easy Remedy

This situation will not be altered easily. Wealth, landownership and political power go hand in hand, and those who profit from injustice do not ordinarily allow it to be remedied without a real fight.

However, labourers in poorer countries could gain some respite if richer countries taxed their land.

As noted above, land taxes would reduce the price of food grown in industrialized societies. Multinationals would then forsake agriculture - thereby making untold acres in the poorer countries available to the inhabitants there. That would lift wage levels in those countries, as the following comment shows:

"Throughout the middle ages there was plenty of uncultivated land available for anyone with the energy to bring it into cultivation. Consequently, all who wished to farm on their own behalf did so and there was a chronic scarcity of landless labourers available at harvest and other busy seasons. There are a number of recorded statements of the resentment felt by small farmers at the substantial wages they were obliged to pay landless labourers. Their indignation sounds astonishingly similar to that of a twentieth-century bourgeois declaiming at the cost of getting a plumber."¹⁹

The government did its best to help these landlords of the middle ages - but to no avail.

When land is readily available, even the government cannot force wages down, and:

"In the end economic forces asserted themselves and the lords and employers found that the most effective way of retaining labour was to pay higher wages just as the most effective way of retaining tenants was to lower rents and reduce servile obligations."²⁰

Unions, Please Take Note!

Today's unions should take note of these historical events. Wage justice and good working conditions are more easily obtained when jobs are plentiful, and jobs are more likely to be plentiful when land costs are low. Therefore, if unions really want to help their members, they should push governments to increase land taxes and rates, and to reduce income tax, sales taxes, motor vehicle taxes and so on. By doing so, they would not only help themselves. They would also, indirectly, help many of the world's poor to improve their standard of living and - through owning land - to acquire a measure of independence. That, in turn, would:

- 1: Force employers in poor countries to pay more for labour,
- 2: Help protect the poor from exploitation, and:
- 3: Decrease the dumping, into countries like our own, of cheap goods produced by under-paid workers in other parts of the world.

Automation

The use of site rents for revenue would also soften the effect of automation and make it easier for any worker who is displaced by machinery to find another job.

If land were dirt cheap (if the reader will pardon the pun) then - when the worst came to the worst - a displaced worker could always buy a small farm and grow his own food. However, if land were properly taxed, the situation would rarely deteriorate to that extent - at least for most people.

If land were readily available at reasonable cost, then intelligent and industrious people would soon find ways to occupy themselves by producing goods and services for themselves and their fellow men. After all, man is perennially unsatisfied. Very few persons have everything they want. And even those who have "everything" can sometimes think of additional means whereby they can amuse or instruct themselves, give pleasure to others, or lift their standard of living higher still - thereby providing themselves and their fellows with further opportunities for satisfying and/or profitable work.

Technology and Disappearing Jobs

Nowadays, technology and automation seem to be creating unemployment - as computers and micro-processors make more and more workers redundant and literally "gobble up jobs". However, that effect is more apparent than real. In the long run, the situation with computers and automation is identical with that of agricultural workers in under-developed countries.

Mechanization in agriculture increases the area of land a man can farm. It allows farmers to increase their income substantially - IF they can obtain additional land. Mechanization therefore increases the demand for land.

If - as often happens - there is no reservoir of spare land available, then mechanization must drive the price of land up - beyond the reach of

labourers displaced by the machines. Displaced workers are then forced into unemployment, or into shanty towns.

Higher Output = Higher Land Prices

Automation in industrialized countries has much the same effect, although here the effect appears in a roundabout way.

If automation increases output in a unionized industry, the workers in that industry soon gain an increase in pay. These workers can then pay more for home sites. By bidding against one another in the real estate market they give an upward push to the price of building blocks.

Similar considerations apply to factory owners whose earnings have been increased by automation. Thus, new technology gives an upward push to the price of both home sites and industrial land.

A Normal Process...

These happenings are part of the normal process that allows land costs to rise as technology advances and as cities grow and become more densely populated. If land were adequately taxed, such price rises would remain reasonable. They would not impose a burden on anyone.

...Which Becomes Malignant!

However, when land taxes are inadequate (as in most economies), these price rises tend to be excessive - even on their own. They are further aggravated by people who speculate or invest in land.

Speculators and investors "take note" whenever land begins to rise in price. They immediately add a contribution to land prices - by bidding

against anyone who wants to use land immediately, or by hanging on grimly to whatever sites they own in the vicinity.

These factors turn a normal process into a malignant growth. They put landownership beyond the reach of any ordinary worker who has lost his job to a machine, and - in many cases - beyond the reach of anyone who might employ the worker concerned. Technology is then blamed - wrongly - for a process with roots much closer to the ground.

UNNECESSARY UNHAPPINESS AND STRIFE

Nowadays, advances in technology seem to cause misery and unhappiness, and to precipitate industrial strife.

But these things are not caused by technology. They are caused by illogical taxation systems that raise excessive revenue through taxes on labour and capital, and far too little through taxes on land.

If the proportions were reversed, unemployment would not follow in the wake of automation, and the benefits of progress could be shared much more equitably.

CURBING UNION EXCESSES

Effective land value taxation could also curb the power of certain unions, and bring an end to political strikes.

Few workers will disagree with union officials when jobs are scarce. Any worker who did so might lose favour with the union. In the long run, he could also lose both his job and his livelihood.

Hence, when unemployment is rife, unscrupulous union leaders can call strikes for purely political or personal ends, or for so-called industrial reasons that are quite trivial or even totally unjustifiable.

A Damaging Process

This practice wreaks untold havoc on the community. It would be much less prevalent if unemployment were overcome.

Workers cannot be compelled to join a union, or to strike, when jobs are plentiful. Under those circumstances, if union officials tried to brow-beat a worker, he would soon find another job.

Therefore, militant unions could be forced to moderate their activities if land taxes were raised to optimum levels. The nation may then enjoy a little industrial harmony.