Exodus From New York

THE HIGH WAGES received by garment workers in New York are driving garment firms out of the city at such a rate that the mid-town garment

center "will soon look like a series of Grant's Tombs"—according to a prominent realtor testifying at a hearing of a New York State legislative committee. The remedy he suggested was an adjustment of wage scales. Nothing was said about an adjustment of rental charges.

The exodus of manufacturers from New York—with which the writer is familiar, having been instrumental in encouraging it twenty years ago—is not due to any differential in wages. For the same degree of skill, the same quantity and quality of output, laborers in New York are paid no more than in other cities. The worker whose skill qualifies him only for cotton picking in the South—that is, a strong back—will get the same net wages as a rag picker in New York. Keep in mind the word "net."

The higher wages received by some workers in New York are due to higher skills only. True, there may be workers in other places—say, nearer the margin of production—who have innate productive ability equal to that of better paid New York workers. But wages are paid out of production, and inherent ability has no market value; it must be expressed in production before it can claim remuneration. The saying that "the small town boy makes good in the big town" merely means that in the more highly-geared productive capacity of a big city does the small town boy's inherent ability find opportunity for expression. The bank cashier in a town of five thousand may be able to handle more accounts; but there are no more accounts in the town. Therefore his wages are correspondingly limited. In a New York bank he would have to develop the skill necessary to its requirements to hold a job.

The exodus of manufacturers from large cities to small cities is to some extent due to the interference with the management of business by dictatorial union leaders. But unions, and their methods, are in themselves an effect, not a cause, of economic maladjustment. Since union leaders are not economists, it is hardly to be expected that they would know the cause for low net wages in New York in spite of the high scales which they try to impose on industry. All about them they see monopoly methods being used to obtain wealth without production; so they adopt monopoly methods. But wages cannot be raised by force, or by law. Only by increased production can the level of wages be raised, and the net wages to labor can be increased only by removing the peculations of politicians, through taxes, and of monopoly interests, through speculative rent.

The net wages of the New York worker are determined by the net wages of the workers at the margin. When manufacturers move from New York to smaller cities they do pay lower money wages. But the unit of cost of production is the same, not only because of the lower skills of "country" workers, but also because of the cost of training workers, the greater labor turnover, and the higher overhead costs resulting from distance from the market.

Just a simple instance. A clothing factory situated 150 miles from New York had to keep a five-hundred-dollar stock of needles on hand at all times. In New York they need not keep any needles on hand, for there is always a supply store around the corner. Interest on needles is an overhead cost—and it must be remembered that the needle is the smallest item in the maintenance of a clothing factory.

When skills in "country" shops are developed to a degree comparable with the skills of big city workers the demand for more wages is quickly expressed. But, are these "country" workers any better off after they get their well-earned raises? No. And for the same reason that the New York worker with the high wage scale is no better off. The cost of living goes up correspondingly. Suddenly the fatter pay envelope brings about an increase in rent for his dwelling. The household budget begins to feel the pinch of rent in the cost of food, raiment and entertainment. The net wages—the amount of satisfactions which the money wages can buy—remain the same.

Why, then, do manufacturers leave New York? Mainly because of free rent or free tax inducements offered to them by small town real estate boosters. The coming of a large factory to a small town means, for a time at least, an influx of workers, and a corresponding increase in land values. That is what the booster is looking for: more rent. The manufacturer gains, for a time at least, the overhead cost of rent or taxes, or both, but not wages. There are minor, non-economic advantages, which also result—such as temporary freedom from union irritations—but these are inconsequential.

No New York manufacturer—particularly one engaged in the highly styled garment industry—would pioneer with "green" help if the same rent-free or tax-free inducements were offered to him in the greatest market in the world.