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An Equitable Wage Policy for War Labor

By CHARLES JOHNSON POST

I

THERE IS A CURIOUS and persistent belief that, when one speaks of labor as a group, it is an instinctive reference to those in the lower strata of earnings and who work for wages by the hour, or day, and quite without regard to the term "labor" in its economic sense. Why this should be is of little consequence—possibly it is merely the stirring of the mildest ego when it feels a sense, no matter how illusory, of economic security—except, perhaps, to those who like to sentimentalize in economics and dream of melodic utopias.

Yet, by the phenomenon itself we are made aware that the present society does recognize class distinctions and a class consciousness. Thus we may approach consideration of labor problems of the present and future in terms of this class consciousness, even though that class consciousness is so earnestly decried and denied by the very elements of the more privileged classes which give such acute evidence of their own class consciousness and their belief in it. To the present writer it seems rather mentally adolescent to deny either class consciousness, or class strata, when there are so many evidences of its actual existence. We cordially recognize a social class that lives in a world of music, or of art, or of literature, and all this recognition of the existent fact does not give us jitters about democracy; yet such classes are a menace, unquestionably. They are a menace to the esthetically illiterate and the culturally benumbed and to all the contentment of the spiritually underprivileged. But we welcome such a menace; in fact, it is often rather meagerly subsidized. In other words, in the realm of esthetics the intelligent mind recognizes class consciousness as beneficial to society; and he welcomes the urge of discontent in some of those outside the social groups and encourages the aspirations that are the reactions from such discontent. Thus a class consciousness, as such, is beneficial and no menace; in fact it is a part of the process of civilization. Further, discontent regarding cultural interests may be looked upon as an actual evidence of culture.

The contented artist is a poor artist; for the artist is forever seeking to give actual form and rhythm and color to the aspirations of his sensitive mind; and his goal always recedes a little beyond his new horizons. It is discontent that has moved men steadily to loftier heights; it is contentment

that has destroyed civilizations and that has deadened the souls of men. It was the contentment of the Roman patricians and their power to influence the social and economic institutions of Rome that destroyed the ancient empire. It was the pious contentment of Torquemada that laid the foundations for the destruction of imperial Spain. It was the contentment of the plump Louis, and of the Du Barrys and Pompadours and Antoinettes, and their denial of the right to any class-consciousness but their own that was a factor in producing the French Revolution. From our own history, one can cite the contentment of George III and the discontent of the founders of this country, which resulted in a newborn democracy. And it might not be amiss to recall the contentment of the late Mr. Chamberlain of Great Britain, the Prime Minister of the umbrella and of suave unsagacity, who was so great a factor in making a world holocaust inevitable. Contentment seems to be a form of appeasement, which, like Munich, appeases nothing. It is discontent that has moved minds, and elevated steadily our political, economic and other achievements; it is contentment that has been the demoralizing and destructive force in society.

It is entirely normal—setting apart morals, and the philosophy of history, in which we do not prefer to intrude—that there should be a class-consciousness among the contented. Similarly, it is quite normal that there should be discontent, and that this too should develop its own class-consciousness. Nor can it be admitted that class-consciousness is an evil thing in itself; it is only when there is a sense of class-consciousness without one of duty and of class responsibility that class-consciousness may develop an evil connotation, one cultivated by despots and demagogues. It is no more evil that the discontented should organize themselves into mass groups than that the contented themselves should agglomerate into their own groups. Specifically, the organized groups of labor are no more abnormal than are associations of employers. The unfair discharge is the weapon of one, and the strike is the weapon of the other. To disarm the wage-group, and allow the employer-group the uncontrolled right to trample wages and living conditions existing by virtue of group action is not to protect freedom of bargaining but to throttle it. Yet both have a common interest; both are wealth producers by any fair economic test. And both, not merely one, should be required to check their guns at the door when they step up to the bar of the economy for a drink. It is between the economic-employing group, and the employee wage-group, that the real economic problem lies; and one cannot solve a problem by exterminating either its victims or its beneficiaries—though Fascist sympathizers of all nationalities seem to think so.

The barons at Runnymede, wresting their social-political rights from King John, were nothing more than the Amalgamated Union of Journeymen Barons, Local No. 1, negotiating better working conditions for journeymen barons as they picketed the banks of the Thames and fluttered their union pennons before the executives of John Rex, Inc. Then the slow centuries drowsed and the former discontent grew sleek in the flickering warmth of the castle halls. Cromwell came—a mere flash in the pan between two jitterbug Stuarts—but he had struck his roots deep in a new class-conscious strata that was but a diffusion of the discontent that gave birth to the Magna Carta. Cromwell failed as it might be thought, for his head dried from a pike above the Tower of London; but Cromwell left footprints in the British structure as imperishable as were those of the barons at Runnymede. Our own American Revolution was but a milestone, though a great and first milestone, in the progress of a new awakening to human rights and the self-consciousness of a class that had been without them. It was the underprivileged merchants, squires, farmers, lawyers and working men who had made the thirteen colonies what they were—and who would have been hanged out of hand by the contented fascists of the Great Britain of their day or by the fascist Tories in our colonies. For the fascists of those days were quite as ready to defend their contentment with the lives of others as are the fascists of today; although the peril to General Washington was never as great from the wretched Hessians as it was from the fifth-column of the financial élite that glittered in the quadrilles of Boston and Philadelphia, the fifth-columnists to whom Benedict Arnold surrendered. It was out of the discontent of our fathers that a great and progressive people were born. For their descendants and inheritors to remain contented would be to dishonor such courage and atrophy both their and our own aspirations.

Discontent cannot be drugged, or lined up against a wall and shot. It is a massive human force that is generated deep down within the spiritual nature that makes man human instead of merely another animal. It is the use and the direction of discontent that has made it, and makes it, a force for vast social change and for the progress of civilization. It would seem, merely as a matter of common-sense, that an awakening of social or economic discontent would be welcomed. But it is a fact that it is, instead, deplored; when it is discovered, the spokesmen of the privileged groups send for the devil-doctors to exorcise the victim or the press-gang to ostracize him.

We laugh at the man who sighs for the good old days of horse-and-buggy

or saddle bags; yet even today there are many earnest souls who damn labor unions and cite either Scripture or Henry George—and both falsely—to sanctify their act.

II

WHAT SPECIFIC BEARING have the foregoing reflections on our current economic situation? We have a vast group of organized labor. It is a group that earns, and has earned, its daily bread piecemeal, by so much per hour, or so much per day, a group that is hired or discharged according to a day-by-day variation in need. By the ordination of Providence mankind lives by the year, from crop to crop. So this group that lives and is paid in cents per hour naturally gathers unto itself all others who exist on the same basis of hourly or daily insecurity. This group did not set itself apart; it was set apart by the terms of employers and has gained its adherents by adverse acts from the employers' side. This group has neither the security nor the tenure of employment upon which the very well-being of the human person depends. No pressure group has ever been nurtured more carefully into being, into consciousness of its own existence, than this one; and it was the product of those who now decry the very class-consciousness that they themselves had developed.

The right of the wage-earning employees to organize into groups is the same right that the employers have exercised when they formed their own employers' associations. Both groups are wealth producers. Both are, in their natural and proper functions, identically interested in the production of wealth from the resources of the earth we live on—resources that were created by neither and that should be available to both. Both are simply working for economic rewards. But there is cold comfort in this since the run-of-the-mill wage-earner is surrounded by insecurity in actual terms of food, warmth and shelter. With the first shadow of hard times he is the first to be without hourly wage, although the corporation-employer may have a fine surplus from which to pay executive salaries, interest, dividends, upper-bracket bonuses, instalments on the funded debt or on the *mort main* of ancient chicaneries. Merely to state the plain facts is to explain the rise of class-consciousness.

An employer is not merely a manufacturer. Frequently he is a consumer of the partly-finished products of other employers. Now, the ability of the employer to produce wealth is limited by the effective demand of the ultimate consumer, that is, the demand backed up by the power to buy. Likewise, our national ability to consume is limited by our national ability to buy; and our national ability to buy is related intimately

to the purchasing power released in wages. In spite of these considerations, employer groups, traditionally and instinctively, have bitterly opposed high-wage policies.

What chance has any individual clear-headed employer to oppose the policies of his own class-conscious pressure group? The answer is obvious: none. Yet at this time we are preparing for the post-war period, hoping that we can avoid the blunders of the last one. Outstanding among those blunders was the wage policy adopted at the close of World War I.

At that time the masters of business and industry very successfully deflated wages. They went back to "normalcy" with a rush, triumphantly destroying purchasing power at a time when purchasing power was vitally needed. The aftermath of this war will differ in no whit from the previous one. We will need to preserve purchasing power, and we must preserve it. This can only be done through wage payments—and yet if wages were permitted to rise during the war boom what about inflation?

Inflation, as I understand it, is a condition in which there is a definite scarcity of goods and a fund of purchasing power abnormally large in relation to the amount of goods, so that consumers, in seeking shares of the goods, bid up their prices. The argument against wage-rises during this war emergency is that they would start a vicious spiral in which higher wages would be met by higher prices, and each would neutralize the other.

Thus, the employer-group not only opposes firmly any wage increases but urges adoption of tax and other laws to keep wages down below their real value in the pre-war period. It is true that control of prices is being attempted to keep the cost of living in some relation to the level of wages. But price control is being vitiated by Black Markets and similar dodges. There is no Black Market for wages. Wage regulation *is* effective against the wage-earning group. On this account labor has been told that its standard of living must fall. But labor cannot be expected to accept this dictum without assurance that it will recover this loss in the post-war period.

If it were possible to devise a plan for raising wages without starting a vicious circle of inflation, that plan, obviously, would be well worth serious consideration. The problem is to build up purchasing power, yet without releasing it—an apparent contradiction in conditions. But there is less of contradiction in it than there would be in an effort to preserve peace-time competitive conditions in war-time; for this latter cannot be done. We do not bargain with men we draft for the army; we induct them and give them in wages and subsistence a standard of living that, in general, is above that of the average wage-earner in peace time. Can we give less, or even

insist on less for the wage-earner who is working at arming and clothing his brother in the armed forces? Is the equity of the one a whit less than that of the other in the fundamentals of food and clothing, both being required for our national survival? The emergency demand for "freezing" or "stabilizing" wages has a most plausible appeal under the abnormal conditions of war. But it is plausible only so long as its equities are preserved. Had the wage-schedules of the nation been, in peace times, a harmonious and coherent pattern of wage equity measured in terms of economic productiveness and values, we would simply be stabilizing an existent equity as a temporary measure. But no such wage pattern existed, or now exists. In spite of the emergency, there is, and should be, adequate room for adjustments to equalize wage inequities wherever they exist, regardless of the complaints of the previous beneficiaries of such inequities. Wages always should be adjusted to living standards, and go hand in hand with the rationing of foods and commodities essential to the maintenance of those standards.

But this is not all. I believe in the competitive economy and, while we may depart from it under the demands of emergency, it must not be abandoned. The employer-group, for decades past has consistently held that low wages were the result of the working of the law of supply and demand, and that the employer could not be a philanthropist and pay wages above the market price of labor paid by his competitors; and they were quite correct from their premise. But nowadays, with employers competing for labor, producing pressure for higher and higher wages, it is difficult and demoralizing for the employer-group to demand that the law of supply and demand *as to wage-earners*, must only operate to keep wages low, and that that law must not be permitted to operate when wages tend to rise. Unquestionably, as a matter of equity, the wage-earner is earning—measured in terms of supply and demand—a greater wage than that which should be released if inflation is to be curbed. But is it equity that this shall be forever lost to the wage-earner? The employer-group defends its normal profits during war-time; it has even asked, in various instances, to have them increased. So that, so far as equity is concerned, the wage-earner should be entitled to his wage, but it must be kept in cold-storage for the duration and until normal times are established.

This is not impossible. We have the integrity and the immeasurable resources of our nation as a basis of credit. We are using it in our issues of bonds—war bonds. But we are only selling them for cash, for cash taken out of a wage-earners' pay envelope, regardless of how scanty its contents, or how inequitable the wage rate on which it was figured, may

be. Yet in the goods produced by the wage earner there is a greater value, measured in economic terms, than the wage-earner was paid; he has been denied a raise, or an adequate raise, or his wages have been frozen, or stabilized, and all the value produced above the fixed level of payment is lost to the worker. The wage earner, thus, has not received the wages of his real labor; the sacrifice he and his family are called upon to make is one that is not readily matched by any employing corporation or employer-group.

We are issuing war bonds in small denominations. We might now add another series to our issue of war bonds to be used in paying the wage earner the difference between the rate he is being paid for his work, and that which he should be paid for his output. That series need not be an element in prices. The bonds could be held in escrow for the duration of the war, and a suitable time thereafter. They would not be released to the wage-earner and thereby they could not become a part of the purchasing power of the nation and thus tend to create inflation. The bonds should be non-transferable, so that they would not be lawful collateral for any loan thereon or from any date; and any loans made on such collateral should be outlawed, so as to prevent loan sharks or usurers from defeating the end of the device by converting the securities into negotiable assets. It could be provided that the bonds would be redeemable prior to the end of the war for the wage-earner's estate if he or she died meanwhile. By such a device as this there would be placed in cold-storage a vast quantity of purchasing power that would be available when most urgently needed after the war's close. This cold-storage purchasing power would then allow the employer-group, on a rational basis, to develop their plants—or expand them—for peace-time production because there would be a definite volume of purchasing power ready at hand for the consumption of the products manufactured or proposed to be manufactured. This would be "back-to-normalcy" on the basis of an actual, existent purchasing power, instead of a "back-to-normalcy" based upon wage-deflation and an inspired destitution.

If it be argued that a similar result might be secured by handing out bonds helter-skelter on street corners, without plan or purpose, it might be retorted that such was about what we did during the last war so far as any economic stability for our nation was concerned. Those to whom the vast share of war bond profits fell were not of the wage-earning group. And those to whom they did fall spent them in speculative enterprises that contributed to the succeeding slump. We had made bonds available to so narrow a group that economic collapse naturally followed.

The Government has the power, and is using it, to influence prices and

wages. The Government has the power, and is using it, to guarantee prices on a basis of competitive values; but upon wages the trend of policy seems to have been to hold them closely down on an arbitrary basis. Nothing could more quickly accentuate class feeling and class-consciousness; and such consciousness merely hampers the approach to the problem and injects inequities and hostile antagonisms that solve nothing. Any effort to hold wages within any predetermined groove, regardless of the equities involved, is to parade the contempt for the law of supply and demand that has been the employer-group's traditional approach. The problem is simply one of avoiding inflation on the one hand, and flagrant inequity on the other. We can put a portion of economic wage-earnings in cold-storage to be used when we most need it. Or we can destroy forever those wage-earnings and thus create an inequity that will raise far more serious problems. I believe that inflation is a danger, but that a policy of obvious inequity presents a greater danger, and a danger that will persist longer and be the more destructive.

By putting such a portion of the wage-earners' purchasing power in cold-storage until the war's end we can solve an immediate problem. But we then face another problem: these bonds must be redeemed. The war products by which, in large measure, they have been earned will have been shot away, sunk, or become obsolete. We can create new values by the production of new wealth, but this, by our present thinking, would simply be to add another tax-burden on the bent backs of wage-earners and productive industry. Business and industry, the entire field of wealth production, is already taxed to an almost fantastic degree. Since our national prosperity and economic earning power depend upon the production of wealth through the planning and leadership of business and industrial executives, as well as of the work of labor in its actual physical production, it would seem to be folly to lay the oppressive restrictions of taxation upon some of the chief factors in developing our well-being. For in the power to tax lies the power to destroy, as our Supreme Court has soundly held, and the amount of the tax is simply a measure of the degree of its destructiveness in its actual operation. Business and industry must be encouraged, not restricted and this out of utter self-interest. But there is a source of revenue as yet untouched.

Today realty values are as unstable and fluttery as a sick man's pulse. War has always made them so. But when the war is over, and security is once more established for our nation, there will come a vast upsurge of value. Security, for example, from Hitler and Fascism, and from the revealed savagery of the Japs, will be, in simplest terms, its basis. What

would be the value of the right to live in America, with a Hitler in control! Values will have been created (or re-established, if you choose) that will have been produced by no individual or corporation. These will be values created by the men who have fought in American uniforms around the world or at the bench in war industry. They will be values created and preserved by the American people as a whole, and to which the American people as a whole, through the American Government, are entitled by right and equity. There will have been created, or preserved, an unearned increment—an unearned increment created by all through national sacrifice and made by no one individual. It is this unearned increment that should be the sole basis upon which these war bonds should be redeemed.

These bonds should be paid off by a special levy that should rest solely upon the unearned increment of the nation. No portion of the value of these bonds should be levied upon manufacture or the productive business enterprise of our nation. The administrative problem of such a source of revenue is not complex. The machinery for a national cadaster already, to a very large degree, is in existence in the Department of Agriculture and the Census Bureau; in fact it is not only possible but probable that a large part of such a survey, or the basic materials for it, are already within the government's files. The collection of such a tax would be no more complex—less so, if anything—than the compilation and collection of the income tax. It should be a part of the income tax structure.

This tax would be levied on the same principle as the income tax, that is, it would lie against the unearned increment that accrues regardless whether the owner has realized it (taken his profit) or not. The owner possesses the unearned increment; therefore he should be taxed on it for these war bonds.

It may be argued, and with reason, that this would be, in substance, a tax against speculation and speculators. If it did operate to curb speculations as distinct from productive economic risks, it may be said that such a tax curb on monopoly and non-productive speculation would be definitely beneficial. For we can again recall the aftermath of World War I when we tried by deflating wages and our purchasing power to get "back-to-normalcy" and only succeeded in speculating ourselves into depression. If we cannot profit by that recent experience then we will deserve no more than "normalcy" gave us then. Let us plan the home front peace now by considering how to preserve labor's purchasing power, instead of depressing or limiting it.