

And a serious effect of such legislation is to deprive workers handicapped by age or otherwise, of any employment at all. Obviously if an employer must pay a fixed amount he will seek for those best able to produce the most in return for such wages. This difficulty has been admitted by so eminent an authority as Mr. Lloyd George. In advocating a guarantee of minimum wage for farm laborers in order to increase production during the war, he announced (March, 1917) that such legislation would apply only to able-bodied men, saying that to make such a law apply to an old man or one inefficient or crippled is the greatest unkindness you can do him." This was a tacit admission that it is impossible to guarantee a rate of wages appreciably higher than free bargaining will produce, for the simple reason that while an employer may be prohibited from paying less than a certain amount, he cannot be compelled to employ men at a rate which he does not consider profitable.

If therefore, minimum wage legislation does bring about an appreciable increase in current wages, it will only do so at the expense of depriving the less efficient of any employment at all, and if the minimum is fixed so low that it does not have such an effect, then it is of no practical benefit to the wage earners.

THE WAGE FUND THEORY

The Wage Fund theory holds that wages depend on the relative amount of capital to number of laborers, and that wages cannot rise except by an increase of the aggregate fund employed in hiring laborers, or a diminution in the number of competitors for hire. Conversely, wages fall because of a diminution of the fund set aside for the payment of labor, or by an increase in the number of laborers.

This theory was designed to set at rest all complaints of the condition of labor and low wages. It was therefore popular for a long time. But even before Henry George it was subject to brilliant attacks by Lange, Thornton Walker, and by Marx himself. There is no more entertaining reading than the criticism of these four named on the Wage Fund theory. Thornton, attacked it, but nevertheless clung to the old theory and maintained that wages were drawn from capital.

The theory constantly reappears in modern economic teachings, as if it had never been disputed, never recanted by Mill, and never finally relegated to the junk heap of exploded theories.¹

¹For a complete refutation of the Wage Fund theory and a demonstration of the true law of wages, see *Progress and Poverty*, pages 17 to 78.