

WAGES IN THE UNITED STATES

In comparison with former years, the wages situation in the United States during the year 1916 offers at least three features worthy of special note:

(1) Stated in terms of food and rent the day's wage is less than it was in 1915. In *The Bulletin* for December, 1916, of the U. S. Bureau of Labor Statistics, it is shown that while "in many industries there has been a decided increase in the rate of wages," the cost of the staple necessities of life has increased more rapidly. The *New York Times* review of trade and commerce for 1916 computes the average increase in the price of twenty-five foods at 38.2%, the average weekly wage being shown to have increased 12.6%. While the figures given in *The Bulletin* above-mentioned do not show so wide a discrepancy, they bear out the general statement as to the decreased purchasing power of wages. Since 1890, food prices have nearly doubled.

It appears to be true that unemployment has been reduced, especially during the latter half of the year, so that it is probably the fact that for the family unit an increase of 12.6% in average rate often counts for much more than that in the family aggregate, by reason of the larger number of the family who have found employment. But, on the other hand, production has been forced in many branches of industry, bringing about conditions destructive to health. This is notably true in the steel and munitions industries; and these and the woolen industries are the only ones which show an increase in the rate of wages for 1916 over the rate for 1915 which is greater than the increase in the cost of foods. (See List of Ten Industries, Comparison of Employment, Oct. 1915, Oct. 1916. December *Bulletin*, above-mentioned). An investigation completed in January, 1917, by the Russell Sage Foundation, discloses the fact that 4,000 women are employed by a single factory, the Remington-Arms-Union Metallic Cartridge Co., in Bridgeport, Conn. "In the case of these women munition-workers of Bridgeport three serious issues have come up. In the first place, in order to satisfy the urgent need of speed and a large output from the factories, women have been induced to work long hours and at night. Second, they are put to work near or with explosives in ways which sometimes mean accident, industrial poisoning or other illness. In the third place, the high price of labor has been paralleled by an exceptionally high cost of living, and the increase in the number of laborers attracted by the high wages has caused a phenomenal rise in rents."

(2) The year has been marked by a notable increase in the number of strikes and lock-outs reported throughout the country. For a period of nine months covered by the December report of the U. S. Bureau of Labor Statistics, the number for 1915 is 1,025; for 1916, it is 2,890.

(3) A third fact to be noted for 1916, is the enormous distribution of profits by industrial concerns among their employees. While there have been occasional instances of the adoption of this policy in past years, nothing has approached the record of 1916. Some large distributions have been made through the pay-envelopes, in the way of increased wages; but it is significant that by far the favorite method has been the "bonus;" the reasons given being that "it is more elastic than the wage advance and that it carries no promise for the future."

The real problem of wages is not that wages may have increased—that they may still be on the increase, but whether such increase is proportionate to the increase in product due to improved methods of production. This is the only real question. Opponents of the Single Tax claim an increase in wages, but such increase on their own showing has been but slight, while the increase in productive power has been enormous.

Another test that may be applied is the ratio of wages to reasonable wants. Everything goes to prove that by this test wages have declined and are steadily declining. The prevailing political economy has nothing to offer but abstinence—abstinence which would still further reduce reasonable wants.

Let us note briefly a few facts from authoritative sources. According to the Report of the Committee on Industrial Relations between one-third and one-fourth of the male workers of the United States earn less than \$10 a week and from two-thirds to three-fourths less than \$15 a week. One-half of the women workers get less than \$6 a week.

The whole industrial population of Lawrence, Mass. of twenty-two thousand souls received an average for each worker of less than \$7 a week.¹ The average yearly wage of six and one-half million workers in the largest and most representative industries of the nation was only \$518.²

Some plausible figures for an ascending scale of wages in certain industries are dragged forth every now and then and paraded with much ostentation. But the whole question has been so well dealt with by H. J. Chase, of Providence, some years ago in the columns of the *Single Tax Review* that we can do no better than to quote his conclusions, as follows:

"Wages are a fraction whose numerator is the amount received by the laborers and the denominator the total amount produced. Where wages are paid in kind, the fraction may be written thus:

$$\frac{\text{Am't rec'd by laborers}}{\text{Total produce}}$$

Where wages are paid in money, the fraction may be written thus:

$$\frac{\$ \text{ rec'd by laborers}}{\$ \text{ total produce}}$$

¹Report of Commissioner of Labor.

²Federal Census, 1910.

If we had a series of such fractions for each year of the nineteenth century, the question of whether it was ascending or descending could be determined without any difficulty. But we have no such series. What purport to be tables of American wages are nothing but series of numerators. The denominators are missing. We have statements of the amounts received by the laborers in various occupations at different periods, but no mention of the amounts produced. Until this omission is supplied, the profoundest mathematician in the world cannot determine from these tables whether American wages rose, fell, fluctuated or moved upon a dead level during the nineteenth century.

Carroll D. Wright's tables of wages (so-called) are supplemented by tables of prices, but prices have nothing whatever to do with the question under consideration. In many directions the purchasing power of money may be greater now than it was a hundred years ago; but suppose it were greater in all directions, would not that fact apply as much to the dollars in the denominators of the fractions that stand for wages, as to the dollars in the numerators? Would a hundred-fold increase of the purchasing power of money affect the values of those fractions in the smallest degree?

In other words, the evidence appealed to by those who assert the upward tendency of American wages is utterly inconclusive, so utterly inconclusive that it is difficult to believe that all who have cited it have been unaware of the fact. The only exception to be made to this statement is in the case of Mr. Edward Atkinson. He has given statistics in which there is some reference to the amounts produced, as well as to the amounts received by the laborers. But in his case, his own figures, so far as they can be interpreted, flatly contradict his contention that "in all the productive arts to which science and invention have been applied by capital, the laborer is receiving a constantly increasing share of a constantly increasing product."

For example, in 1830 the per capita amount paid the operators in a mill making cotton sheetings averaged \$164 per annum; in 1897 it averaged \$320. But the annual output in 1830 was but 5,000 yards per capita, worth at the then maximum price, 9 cents, \$450; while the annual output in 1897 was 32,000 yards per capita, worth at the then maximum price, 5 cents, \$1,600.

In other words, in 1830 the operatives got at least $\frac{1}{4}$ of, or a trifle over 36 per cent, of the total output; but in 1897 they got at most only $\frac{3,200}{18,000}$, or barely 20 per cent."

THE MINIMUM WAGE

Minimum wage laws fixing the lowest wages that an employer is permitted to pay, are in operation in New Zealand and Australia, and some of our States. There are many varieties of such laws. Thus, for example, Utah simply fixes a minimum wage which remains constant regardless of fluctuations in the labor market. Other commonwealths have adopted more reasonable provisions, by establishing boards that sit permanently or may be convened as required, to fix minimum wages for different industries and to readjust them.

The humanitarian impulse that inspires laws of this character is praiseworthy, but little can be said in their defense on economic lines. The wages of labor depend in the long run upon what remains out of total production after rent (and interest) has been deducted. One of the practical difficulties in fixing a minimum wage is to define what shall be a minimum production of labor to be exchanged for that wage.

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.