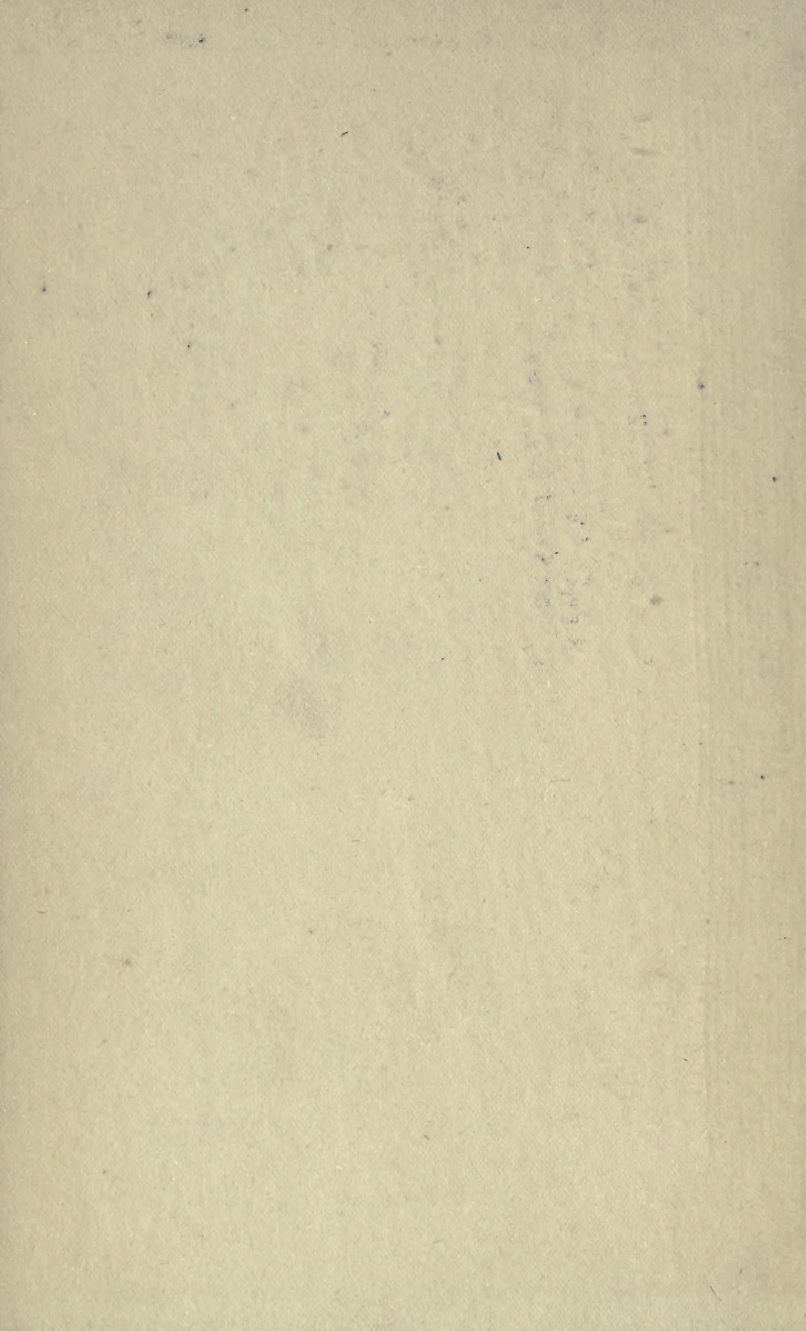
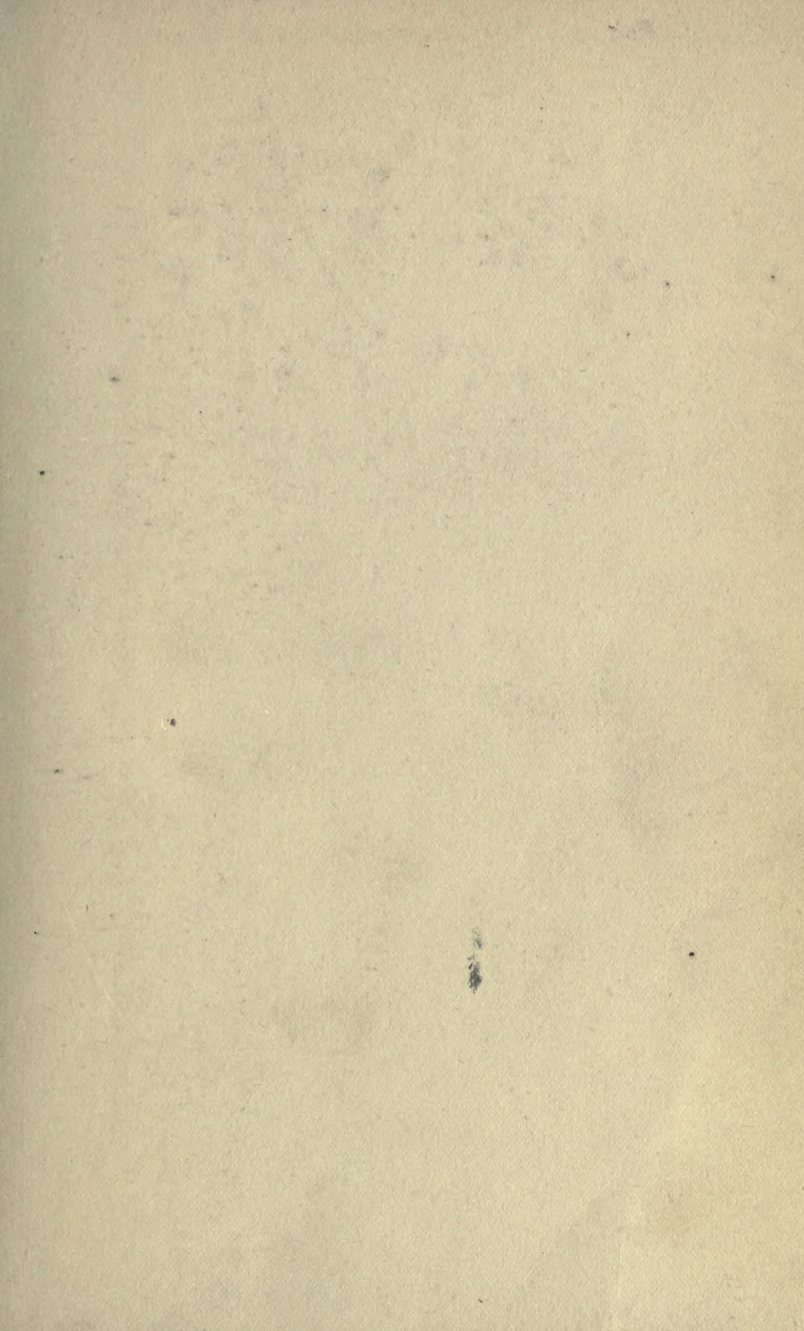


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# A Living Wage

ITS ETHICAL AND  
ECONOMIC ASPECTS

BY

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IN THE ST. PAUL SEMINARY

WITH AN INTRODUCTION BY  
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TO  
RICHARD T. ELY, Ph. D., LL. D.

Through whose Writings the Author  
first became interested in the  
Study of Economic  
Problems

**This Book is Dedicated**





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## AUTHOR'S PREFACE

This work does not profess to present a *complete* theory of justice concerning wages. It lays down no minute rules to determine the *full* measure of compensation that any class of laborers ought to receive. The principles of ethics have not yet been applied to the conditions of modern industry with sufficient intelligence, or confidence, or thoroughness, to provide a safe basis for such an undertaking. The conclusions to which it would lead would be either too general to be of any practical value, or too uncertain to yield more than a misleading approximation to ethical truth. At any rate, the doctrine advanced would probably fail to convince any considerable section of those to whom it was addressed. The great majority of fair-minded persons believe, indeed, that labor does not get its full share of the wealth that it helps to create, but they are not agreed as to the precise measure of that ideal share.

Upon one principle of partial justice unprejudiced men are, however, in substantial agreement. They hold that wages should be sufficiently high to enable the laborer to live in a manner consistent with the dignity of a human being. To defend this general conviction by setting forth the basis of industrial, religious and moral fact upon which it rests, is the aim of the present volume. Several considerations have



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led the author to think that this task is well worth while. In the first place, the Living Wage doctrine points the way to a very considerable amelioration of the condition of millions of American workingmen; in the second place, a Living Wage would enable those raised to its level to improve their position still further; and, in the third place, this volume shows that religion, as represented by the oldest and largest of the Christian denominations, professes, nay, urges, a definite and considerable measure of industrial justice.

While insisting that every laborer has a right to at least a Living Wage, the author does not commit himself to the view that this quantity of remuneration is full and adequate justice in the case of any class of laborers. His concern is solely with the ethical minimum.

The permission of the Editors of the *Catholic University Bulletin* and the *Catholic World* to reproduce those portions of the work that have already appeared in their publications, is gratefully acknowledged. In the same spirit the author wishes to record his indebtedness to the professors of the Catholic University of America under whose direction the first draft of the work was written, namely, Dr. Bouquillon, who has since gone to his reward eternal, and Dr. Neill, who is at present the efficient Chief of the United States Bureau of Labor; and to Dr. Ely of the University of Wisconsin, who read the work in manuscript and wrote the Introduction, and whose advice, assistance, and encouragement have been frequent and invaluable. If the author



## AUTHOR'S PREFACE

were to single out for especial acknowledgment any of the writers whose works have aided him in the preparation of his own, he would mention the names of Sidney and Beatrice Webb and of John A. Hobson; for these seem to him to have analysed and treated the principal industrial facts with which he has had to deal in a more adequate and vital way than any other writers with whom he is acquainted.

JOHN A. RYAN.

*St. Paul, Minn.*

*March, 1906*



## INTRODUCTION

I am glad to have an opportunity to point out briefly the significance of Professor Ryan's book, as it impresses itself on my mind. We have had repeated efforts to stimulate the conscience of the Christian world to a keener appreciation of its duties to the men, women and children who toil for wages. Christian socialism, so-called, has been presented frequently by men of various religious denominations. A greater sensitiveness to right and wrong in economic affairs has undoubtedly been the result of this preaching of righteousness. Enlightenment has, however, not kept pace with good intention. On the contrary, nothing is more noticeable than the confusion of mind which very generally accompanies good intention. The "plain man" of whom we hear so much, has a feeling that our teachers and preachers are vague and indefinite. Is there after all such a thing as a Christian doctrine of wages? The writer of this book, a priest in the Roman Catholic Church and a teacher in St. Paul Seminary, a theological school of that Church, presents to us in the following pages, a clear-cut, well-defined theory of wages, based upon his understanding of the approved doctrines of his religious body. There have been attempts in other lands to deduce from the teachings of this Church, clear and precise directions for our in-



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dustrial life. We recall the works of Bishop von Ketteler of Mainz and the more conservative writings of Professor Charles Périn of the University of Louvain in Belgium. While Cardinal Manning of England some years ago startled the English-speaking world by his enunciation of the right of man to a subsistence as prior to the rights of property as a doctrine of the Church, and while Cardinal Gibbons in the United States has on several occasions expressed himself firmly and positively in regard to the rights of labor, the present work is, so far as I am aware, the first attempt in the English language to elaborate what may be called a Roman Catholic system of political economy. When I say, a Roman Catholic system of political economy, I mean an attempt to show exactly what the received doctrines of the Church signify in the mind of a representative Catholic when they are applied to the economic life. It strikes me as a meritorious performance at the present juncture to endeavor to express as precisely as may be what Christianity has to say about wages.

While members of other religious bodies, Christian and Jewish, cannot receive the doctrine of wages here set forth merely because it is assumed to rest on the approved teachings of the Roman Catholic Church, they are not precluded from an examination of this question: Does or does not this doctrine of wages rest upon broad Christian, religious and ethical foundations? It will be observed that Professor Ryan combines economic and ethical arguments with those derived from authority and that it is by no means impossible to receive arguments of the first

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class, while refusing adhesion to those of the second class. My own feeling then is that this book is to be welcomed as an attempt on the part of a religious teacher to get beyond vague and glittering generalities to precise doctrine, and to pass from appeals to sentiment to reasoned arguments.

While I have ventured in these few words to show what in my opinion is the significance of the present work, it is manifestly altogether beyond my province now and here to express any views of my own in regard to the correctness of its conclusions.

RICHARD T. ELY.

*University of Wisconsin*  
*February, 1906*





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SECTION I  
INTRODUCTORY AND  
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## CHAPTER I

### ECONOMIC AND LEGAL PRESUMPTIONS AGAINST A LIVING WAGE

Wages at present determined by the unlimited use of bargaining power. Attitude of the bargainers toward the moral aspects of the wage-contract. The theory of a wage-fund. The supposed effect of economic laws. Nature of an economic law, and sense in which it determines the rate of wages. Teaching of the classical economists, and presumptions underlying it. Adam Smith's belief in individual liberty and enlightened self-interest shared by all his followers. These assumptions discredited by the facts of English industrial history, and rejected by present day economists. Modern legislation recognizes the method of unlimited bargaining. Causes of this attitude. Economic and legal presumptions against a moral standard of wages are invalid because their basis is unsound.

**I. The Present Method of Fixing Wages.**—The doctrine that every laborer has a moral right to a Living Wage is obviously in direct conflict with existing business practice and theory. In the great majority of wage-contracts, a decent livelihood for the worker is not among the aims that are consciously and earnestly sought by *both* parties. Sometimes it is not explicitly thought of by either of them. The amount of remuneration, as well as the hours and other conditions of employment, are fixed by

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the method of bargaining, according to which both employer and employee try to obtain the best terms possible. The latter strives to get as much as he can; the former, to pay no more than he must. Both will derive some advantage from the bargain, but more for one will mean less for the other. The greater share of gain will be reaped by the stronger bargainer. When, through a combination of laborers, or employers, or both, collective is substituted for individual action, the end, the procedure, and the determining factors are essentially the same: the decisive element is not moral, but psychical and economic, namely, the relative bargaining power of the contracting parties.

There are, indeed, many wage-contracts in which bargaining power has no place, and many others in which it is not the final determinant. The remuneration of a large proportion of government employees is fixed by law, and in some of the older trades and services bargaining is limited by custom.<sup>1</sup> Again there are to be found employers who will not force wages below what they regard as a fair level, just as there are laborers who will not exact compensation that they believe to be unjust. On the whole, however, the labor-contracts affected by these forces of law, custom and moral convictions are exceptional.<sup>2</sup>

So much for the prevailing practice; what of the underlying ethical theory? Are the laborers who

<sup>1</sup>Cf. Nicholson, "Principles of Political Economy," I, p. 325.

<sup>2</sup>Instances where the employer, believing in the "economy of high wages," willingly pays more than the bargaining power of the laborer could command, do not constitute exceptions to the general rule, for even here the former tries to get his work done as cheaply as possible.

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try to get all that they can, and the employers who pay no more than they must, utterly indifferent to the questions of right and wrong involved in the wage-contract? Or, has business become so widely separated from ethics that, although desirous of being fair to each other, the parties to the labor-contract do not advert in any way to its ethical aspects? Or, do they explicitly maintain that, despite frequent and grave differences in the bargaining power of the parties, the transaction is essentially just? All three of these attitudes are undoubtedly represented among both employers and employed. In fixing wages, as in other actions, there are men who will not hesitate to gain their ends by deliberate dishonesty and extortion. Others ignore the moral side of the wage-contract merely because it does not attract their attention; they are conscious only of a business transaction. The greater number, however, of those who strive to make the best possible bargain, regardless of any formal ethical standard of wages, seem to think that the contract is fair, inasmuch as it is free and made under the rule of competition. To a very large extent this notion, as well as the attitude of those who quietly ignore the moral aspect of the rate of wages, is the result of practical deductions from the teaching of the earlier English political economists. "Indeed we may say that political economy has importantly modified ethical conceptions; . . . . .so that the price which competition tends at any time to fix as the market price of any kind of services, has been taken to represent the universal or social—and therefore morally



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valid—estimate of the 'real-worth' of such services."<sup>1</sup>

Now if political economy warrants this popular conclusion it creates at once a presumption of some value in favor of the justness of wages that are determined by the method of unlimited bargaining. The method is, apparently sanctioned by the authority of science. To what extent is this true? It will conduce to clearness if a distinction be made between political economy as a system of supposedly rigid laws, and the practical precepts that have been laid down for the guidance of industry by a certain school of economists.

**II. Economic Law and the Rate of Wages.**—Throughout the first three-quarters of the Nineteenth century political economy was committed to the theory that the rate of wages was determined by forces beyond the immediate control of either laborer or capitalist.<sup>2</sup> Wages, it was said, are paid out of the fund of capital that has been saved from the product of the past. The amount of this wage-fund at any time was regarded as absolutely predetermined, and consequently not variable by agreement between the parties to the wage-contract. If any section of the laborers of a country succeeded in raising their wages some other section or sections would necessarily have their remuneration lowered. The general rate of wages was therefore fixed by an economic law that was as little subject to the wills and efforts of men as the law of gravitation. It

<sup>1</sup> Sidgwick, "Principles of Political Economy," p. 504.

<sup>2</sup> See chapter on "The Verdict of the Economists" in Webb's "Industrial Democracy."

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was consequently no more immoral than the action of the tides.

Although the wage-fund theory is no longer held, either by economists or by intelligent men generally, an equally irrational belief in the power of economic laws to prevent any lasting modification in the rates of wages by human action seems to retain a considerable body of adherents. It is cherished for the most part by men who have a personal interest in keeping wages low, or whose mental horizon is circumscribed by limitations of experience, education, intellect or will. In their opinion, the most convincing reply that can be made to the demand that the wage-contract be moralized, seems to be the assertion that the rate of wages is fixed by economic law. Is the assumption valid? and if so does the inference really follow?

According to Marshall, an economic law "is a statement that a certain course of action may be expected under certain conditions from the members of an industrial group."<sup>1</sup> Hence a particular economic law merely declares that, given certain external conditions, men may be expected to perform such and such economic actions. It does not say that they will act thus in all conditions, nor does it specify how frequently the assumed conditions will be present in actual life. For example, the law which causes the workers in the Southern cotton mills to be so poorly paid would not continue to operate there in changed conditions, and

<sup>1</sup>"Principles of Economics," Book I, ch. VII. Cf, Ritchie, "Darwin and Hegel," ch. V; Keynes, "Scope and Method of Political Economy," ch. VII.

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the existing conditions differ from those that obtain in the mills of Massachusetts. In the words of Marshall, "economic laws are applicable to a very narrow range of circumstances, which happen to exist together at one particular place and time, but quickly pass away." They are consequently quite different from the laws of mathematics, which are absolute and universal. The sum of the angles of a triangle will equal two right angles always and everywhere; but the law that an increase in the supply of labor lowers wages, will not produce the same effect among organized as among unorganized workingmen.

The question whether the rate of wages is fixed by economic law is chiefly a question of language. The affirmation is in a sense true, but it is not a very important or a very illuminating truth. At any rate, the inference drawn from it—that wages cannot be modified by human effort—is utterly invalid, and indicates a complete misunderstanding of the character of economic laws. For the laws are operative only in certain conditions, are descriptions of what is likely to happen in certain conditions, and are consequently dependent upon conditions. But the conditions themselves—especially in the field of distribution—are in large measure under the control of men. Thus, it is an economic law that in a competitive régime wages are regulated by the inter-action of supply and demand, but these factors are partly determined by the wills of the buyers and sellers of labor. Supply will be restricted by a combination of laborers; demand, by

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a combination of employers. Some of the dogmatic assertions made concerning the inflexibility of economic laws imply the notion that the latter are like the edicts of an all-powerful despot; whereas the simple fact is that they are to a considerable extent moulded by the human beings whom they affect. A strong Labor Union might meet the objection of the employer, that efforts to get more pay must prove futile, since wages are fixed by economic law, with the declaration: "Yes, but we will help to make the law."

The scope of economic laws is further restricted by the fact that they describe, not what men *must* do, but what they may be expected to do. Herein they differ from the laws of physical nature, which admit of no exception in the conditions to which they apply. The laws of economics are not concerned with purely physical forces, which operate uniformly, blindly and necessarily, but with human actions, and these are free. Hence, even where all the external conditions are suitable, a particular economic law may not work out its normal and expected effect. For example, the condition of supply and demand in a labor market may call for a reduction in wages, yet a generous employer may refrain from taking advantage of favorable conditions, may do otherwise than he is expected to do, and allow wages to remain at the present level. In a word, economic laws describe uniform tendencies rather than uniform modes of human action.

Indeed, the custom of speaking of economic laws as producing, or tending to produce, certain effects



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is confusing and ought to be avoided.<sup>1</sup> Subjectively, they are merely statements of uniformity; objectively, they are relations of uniformity. The element of compulsion or causality behind this uniformity is contained in certain physical, social and psychical *forces*. All of these can, to a greater or less extent, be counter-acted by forces within the control of man. In any concrete situation it is the comparative strength of the two sets of forces that decides the kind of economic action that will be produced. Whether any class of underpaid laborers must continue to receive the meagre wages that the system of unlimited bargaining now assigns to them, depends upon whether the economic forces that produce this result can be overcome by forces working in the opposite direction. The question has no real relation to the abstract bogey that is sometimes appealed to in the name of economic law.

**III. The Practical Teaching of the Economists.**—There is nothing, consequently, in the nature of economic laws to render existing rates of wages necessary, or the unrestricted use of bargaining power morally legitimate. Let us now see what warrant there is for the statement that economic writers have regarded a contract made under competitive conditions as just, and what value is to be attached to their pronouncements in this matter. In general, their views of the ethical aspects of economic facts ought to have special weight because of their superior knowledge of the facts, and

<sup>1</sup> Cf. Bonar, "Philosophy and Political Economy," pp. 194-196.

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their superior facilities for applying ethical principles. The authority attaching to their opinions on the morality of unlimited free contract can be overcome only through an examination of the logical process by which they reached their conclusions.

The assertion is sometimes made that economists have laid down no ethical doctrines of any kind, that their province is merely that of positive fact, and their work that of observation, analysis and induction. The best reply to this statement is an appeal to the facts of history. "While affecting the reserved and serious air of students, political economists have at all times been found brawling in the market place."<sup>1</sup> This is especially true of the "classical" or "orthodox" school of economists, who held undisputed sway in England during the first half of the Nineteenth century. With the great majority of these, says Edward Cannan, "practical aims were paramount and the advancement of science secondary."<sup>2</sup> As a rule they were men of strong moral convictions, and, of course, advocated no practical policy that in their view would be at variance with the right. On the contrary, they taught more or less explicitly that the measures which they favored—notably, unlimited freedom of competition and contract—would naturally and automatically bring about a régime of social justice. Professor Sidgwick, who cannot be accused of unfriendliness toward the traditional political economy, tells us that "the teaching of political economists has generally

<sup>1</sup> Toynbee, "Industrial Revolution," p. 25.

<sup>2</sup> "Production and Distribution," p. 384. Cf. Hobson, "John Ruskin, Social Reformer," p. 99.

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pointed to the conclusion that a free exchange, without fraud or coercion, is also a fair exchange."<sup>1</sup> The logic of their teaching, therefore, has been that wages freely bargained for would be just wages. What were the reasons that led them to hold and promulgate this theory?

The political economy of Adam Smith was based partly on *a priori* assumptions and partly on induction.<sup>2</sup> The *a priori* principles that he assumed as valid and that did most to give his system its distinctive character were (a) the philosophical doctrine of an order, or law, of nature in favor of individual freedom, and (b) the theological doctrine of an all-wise Being who will "maintain at all times the greatest possible amount of happiness."<sup>3</sup> The idea of a law of nature came to him principally from the Physiocrats and the political doctrinaires who flourished immediately before the French Revolution; the ideal to which it pointed, individual freedom, was the dominant aspiration of his age. The order of nature meant that system of relations between man and man which had obtained or would obtain in a state of nature. The *law* of nature, consequently, required that political institutions and restraints be reduced to a minimum. This being

<sup>1</sup> Article on "Political Economy and Ethics" in Palgrave's Dictionary.

<sup>2</sup> See Ingram, "History of Political Economy," pp. 89-93; Cohn, "History of Political Economy," chapter on Adam Smith; Cliffe-Leslie, "Essays in Political and Moral Philosophy," chapter on Adam Smith; Toynbee, "Industrial Revolution," pp. 11-26; Sidgwick, "Principles of Political Economy," pp. 19, 20; Bonar, "Philosophy and Political Economy," chapter on Adam Smith; Ely, "The Evolution of Industrial Society," chapter on "Industrial Liberty."

<sup>3</sup> "Theory of Moral Sentiments," Part VI, sec. II, ch. III.

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accomplished, the equality of men, which also was a part of the order of nature, would secure for them the greatest measure of well-being.<sup>1</sup> Unlimited individual freedom was the practical ideal of those "nature philosophers" who exercised so profound an influence upon Adam Smith. It was, indeed, the ideal of the age. Personal and political liberty was preached and longed for in England, France and America, as the one adequate remedy for the social ills then existing. Adam Smith sought to have it applied to industry. Every page of his writings, says Toynbee, "is illumined by one passion, the passion for freedom." The supreme need of the hour, to his mind, was the removal of those petty public and quasi-public restrictions that hindered in the industrial world freedom of movement and freedom of contact. Abolish these, and the laborers would of themselves be able to realize their natural economic equality and their longed-for economic prosperity. "All systems either of preference or restraint," he declared in a passage that has become famous, "being thus completely taken away, the obvious and simple system of natural liberty establishes itself of its own accord."<sup>2</sup>

It is surprising that Adam Smith, whose work abounds with proofs of his ability to observe facts accurately, could enunciate a principle so contrary to the fundamental facts of human nature and human conduct. Then as now, it must have seemed

<sup>1</sup> W. S. Lilly's interesting volume, "A Century of Revolution," contains a thorough, though severe, criticism of the Revolutionary assumptions of liberty and equality.

<sup>2</sup> "Wealth of Nations," Book IV, ch. IX, final paragraph.



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clear that the legal power to enter into contracts is not sufficient to obtain for men the conditions of well-being. Freedom from physical and political coercion does not of itself render men truly free and equal in bargaining. The explanation seems to be found in Smith's second *a priori* principle, which, as so frequently happens with preconceived theories, prevented him from seeing conditions as they actually were. This was the assumption of the all-pervading beneficence of the Author of Nature. Though man is by nature essentially selfish and aims only at his private gain, he is led by an "invisible hand" to promote the welfare of all. His most selfish acts redound, at least in the long run, to the common good. Hence both individual and social prosperity and justice are best secured and conserved by allowing each to seek his own interests in his own way, by setting up the system of complete liberty, which is founded on the constitution of nature and the benevolent designs of nature's God.

These two assumptions of the supreme value of individual liberty, and the sufficiency of enlightened self-interest, were adopted in substance by all the great economists of England down to the middle of the Nineteenth century. Most of them, indeed, cared little or nothing for—probably knew little of—the philosophical and theological prepossessions that underlay these theories of Adam Smith, but they had no hesitation in advocating as the correct principles of industrial action, abstention from combination and regulation, unlimited competition, and

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the fullest individual liberty.<sup>1</sup> They did not, however, preach competition and freedom of contract as invariable laws, to be disregarded only under the greatest peril; that fault was committed by the popular expounders of political economy, chiefly journalists and politicians.<sup>2</sup> They did not explicitly contend that wages fixed by bargaining in competitive conditions would in every case be just. Indeed, their primary aim was not with distribution at all. Professor Sidgwick says that Adam Smith and his followers sought before all else the improvement of production.<sup>3</sup> The question with them was how to make the national product as great as possible at a minimum of cost. And the answer seemed to them to lie in the one word, competition. That the existing inequalities were far from being ideal, they were well aware; but they thought that the injury resulting to production from any interference with competition would more than off-set the improvement in distribution.<sup>4</sup> They made an unquestioning act of faith in the beneficent and leveling influence of competition. "Unrestricted freedom of action and contract would tend to reduce the actually inevitable inequality of economic opportunities to the lowest attainable minimum."<sup>5</sup> With inequality of opportunity at a minimum, the prices of things, in-

<sup>1</sup> Sidgwick, "Principles," p. 399; Keynes, *op. cit.*, pp. 70-74. John Rae seems to be almost alone in opposing this view of the classical school of economists: "Contemporary Socialism," pp. 345-374, 2d edition.

<sup>2</sup> Cliffe-Leslie, *op. cit.*, p. 21.

<sup>3</sup> *Op. cit.*, pp. 24, 396.

<sup>4</sup> Sidgwick, *op. cit.*, pp. 22, 400.

<sup>5</sup> *Idem*, p. 506.

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cluding the price of labor, would correspond as closely to the requirements of justice as could be expected in a world inhabited by human beings. Now, this theory of the equalizing force of unfettered competition and unlimited freedom of contract, together with a very inadequate observation of the facts of industrial life, formed the basis of whatever claims the older economists had to be regarded as judges of the morality of wages fixed by the method of unlimited bargaining. That their theory was false and their study of facts one-sided,<sup>1</sup> was abundantly proved by the industrial experience of the land in which the theory was most widely preached and most thoroughly tested. The rise of the factory system in England and the introduction of the policy of *laissez-faire* were, indeed, followed by a remarkable increase in the production of wealth; but inequalities of opportunity were not reduced to a minimum; the remuneration of labor did not tend to conform to a measure of substantial justice. Nearly the whole of the increase in wealth went to the newly-made capitalists,<sup>2</sup> while the wages received by the laborers were barely sufficient to keep them alive. The leveling influence of competition was confined to the ranks of the workingmen, and its tendency was invariably downward. Starvation wages compelled husbands and fathers to send their wives and children into the mills, with the result that their

<sup>1</sup> Regarding the incomplete inductions of the classical economists, see: Marshall, "Principles," Book I, ch. IV, par. 6; Hobson, "The Social Problem," pp. 28-30; Ruskin, "Unto This Last," essay 1.

<sup>2</sup> Gibbins, "Industry in England," p. 381.

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own pay was still further reduced through this unnatural competition between husband and wife, between father and child. To such an extent did women and girls supersede men in the manufacturing industry that the latter frequently were obliged to remain at home to attend to the duties of the household. Children from the workhouses were impressed into the factories under a system of apprenticeship that rendered their existence "literally and without exaggeration that of slaves." In a word, "the obvious and simple system of natural liberty" advocated by Adam Smith and his successors, brought, instead of a régime of justice, a period of horror that is known in economic history as the period of English Wage-Slavery.<sup>1</sup>

That these beliefs and hopes of the classical economists concerning the ethical efficacy of competition were utterly mistaken, is well understood by the economists of to-day. The latter realize very clearly that in some lines of production, at any rate, the natural and normal result of the competitive system is to have "our work done by a large number of low-grade laborers, instead of by a comparatively small number of high-grade laborers."<sup>2</sup> Whole classes of laborers, for example, those employed in sweat shops, are "underpaid, underfed

<sup>1</sup> For a general description of this period, see: Gibbins, *op. cit.* pp. 381-406; "Alfred," "History of the Factory Movement"; Taylor, "Modern Factory System"; Engels, "Condition of the Working Classes in England"; Carlyle, "Past and Present," Books I and III.

<sup>2</sup> Hadley, "Economics," sec. 361. Cf. Lavasseur, "The American Workman," p. 449; and in particular, Walker, "The Wages Question," chapter on "The Degradation of Labor."



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and undersupplied with everything which contributes to civilized life." Contemporary economists feel and acknowledge that conditions such as these are at variance with the requirements of justice. They are consequently desirous that competition should be modified in various ways: by custom, philanthropy, labor organizations and moderate legislative action. Beyond this the majority of them seem unwilling to go. In so far as they touch the ethical aspect of the matter at all, they seem to hold that the system of bargaining for wages satisfies the demands of justice as fully as is at present practicable. The question of replacing the practice of unlimited bargaining with a definitely moral standard of wages is discussed not so much from the standpoint of ethics, as from that of feasibility. This is especially true of their attitude, in so far as they have any, toward the standard of a Living Wage. Their contention seems to be that even if this standard could be established in practice, for example, by legislation, it would be productive of more social harm than good. Professor Smart rejects the Living Wage, and defends the present method of unlimited bargaining on the ground that no more satisfactory plan is workable outside of socialism.<sup>1</sup> The existing freedom of contract secures for all "a certain rough kind of justice." President Hadley likewise declares against the Living Wage as impracticable, and accepts the sliding scale as the fair-

<sup>1</sup> "Studies in Economics," chapter on "A Living Wage"; and "Distribution of Income," ch. XXVIII.

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est method of determining wages that has yet been proposed.<sup>1</sup>

The position of the two writers just named probably reflects the general views of all present day economists except those who profess to give more than usual attention to the moral aspects of industry. These naturally lay greater stress on the immorality of unlimited bargaining, and pay less attention to the difficulties in the way of a better method.<sup>2</sup>

**IV. The Attitude of Nineteenth Century Legislation Toward Unlimited Bargaining.**—Since the beginning of the Nineteenth century the laws of England have allowed the fullest freedom of contract in the determination of the wages to be paid for all except government work. England is mentioned particularly because the history of her legislative attitude toward the wage-contract during the last century is typical of the greater part of Europe and of the whole of North America, and because she was the first to adopt the policy of non-regulation. The causes of the changed attitude of the law are very much the same as those which induced the economists to advocate unlimited competition and freedom of contract. The Industrial Revolution had rendered the old regulations of industry inadequate and harmful, and the dominant political ideal of the day was wider liberty for the individual. Thus the champions of non-interference with the

<sup>1</sup> "Economics," secs. 404-406. Cf. Leroy-Beaulieu, "Traité théorique et pratique," vol. ii, p. 484, sq.

<sup>2</sup> Cf. Ely, "Outlines of Economics," p. 206, 1st edition; Hobson, "The Social Problem," chaps. II, VII.

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industrial activity of the British subject were able to enforce their theoretical arguments by pointing to the disastrous results of the opposite policy. Prominent among these champions were the economists, whose influence upon English legislation during the first half of the Nineteenth century has not been equalled in any other time or country. Ricardo alone, we are told by Toynbee, revolutionized the economic thought of the British Parliament during his brief stay in that body. Again, the middle classes, who were rapidly gaining in wealth and political power, urged the *laissez-faire* policy because they felt that "with freedom they were more than a match for all competitors." The effect of these combined forces was to restrict state regulation of industrial life to the narrowest proportions known to history.

The causes of the régime of non-interference in America are included among those just described. The influence of the economists was not as great as in England; but the cult of individual freedom, and the self-confidence and self-assertion of the middle classes, were for a long period the dominant forces in shaping, both positively and negatively, the course of legislation regarding industry.

Obviously, the attitude of the civil law toward the wage-contract, or toward any other human action or institution, is not *per se* a criterion of the morally good. The ordinances of legislatures are not always in accord with the principles of right and justice. The fact that the laws of a country allow its citizens by means of free contract to depress

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wages to the starvation level, or enhance them beyond the limits of extortion, does not make the transaction just; but, since legislatures should, and generally speaking do, endeavor to promote just dealings in the more important social relations, there arises a presumption in favor of any institution that the law sanctions and protects.

In the present case the presumption vanishes as soon as we examine the causes of the legislation. As above described, these causes may be reduced to three: the insufficiency of the old restrictions; the fancied sufficiency of individual freedom; and the selfishness of the middle classes. The first afforded a good reason for such new legislation as would be appropriate to the new conditions of industry, but not for the anarchical policy of non-interference; the second was a hypothesis that has been utterly discredited by the subsequent history of industrial development,—individual freedom has not brought either economic equality or economic justice; while the third should have been checked, instead of fostered, by legislation.

The presumptions in favor of the existing method of fixing wages and against the principle of a Living Wage which are drawn from the teaching of political economy and the attitude of the law, disappear, therefore, when we realize the reasons upon which this teaching and this attitude were based. Economic laws are not inexorable, are not independent of the wills of the men whose actions they describe, do not compel wages to be adjusted by an unlimited use of the economic strength of the bargainers, and



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do not render existing rates of wages just. The practical recommendations of the economists and the ordinances of the legislators can be traced to false principles, false reasoning, incomplete analysis of facts, and the selfishness of the dominant industrial class. Consequently the doctrine of a Living Wage cannot be refuted or put in peril by any mere appeal to economic or legal authority. The contention of those economists of our own time who maintain that a Living Wage is impossible of application will be examined later. In the meantime it will, perhaps, not be unprofitable to review briefly the chief authorities, contemporary and historical, that are against the method of unrestricted bargaining and in favor of a professedly ethical standard.

## ✓ CHAPTER II

### SOME AUTHORITIES IN FAVOR OF AN ETHICAL STANDARD FOR FIXING WAGES.

Wages in England formerly regulated by law. Quasi-legal regulation through the guilds, custom, and the regulation of the price of goods. Teaching of Catholic authorities on the right to a livelihood and on just price. And on the customary rate of wages. Teaching of Leo XIII on a Living Wage. Was not the first to declare this principle. Attitude of representative Protestants. Contemporary opinion in favor of the Living Wage principle. Attitude of the labor unions. Some instances of a legal minimum wage. Conclusion that the weight of opinion is against the method of unlimited bargaining.

**I. Legislation Concerning Wages.**—The policy of indifference which nearly all governments pursue with reference to the wage-contract to-day has not prevailed always. From the year 1349 to the year 1563 the remuneration of the unskilled laborers of England, both in town and country, was regulated by law, by the various "Statutes of Laborers" that were re-enacted or amended by nearly every monarch that reigned during those two centuries. In the last named year was passed the famous "Statute of Elizabeth," which applied not only to the unskilled workers, but "to the greater part of the in-

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dustry of the period."<sup>1</sup> It continued on the statute books down to 1813, when, at the bidding of capitalists and political economists, but against the protest of the laboring class, it was "peremptorily repealed." A great economic historian has contended that from first to last these laws regulating wages were designed to, and actually did, benefit the employer at the expense of the workingman. The first of them was, indeed, framed for the express purpose of reducing the unusually high wages which prevailed in consequence of the Black Death of 1348. In general, the legal rate of wages was for a long time a maximum which both master and man were forbidden to exceed, and the "Statute of Elizabeth" was almost invariably administered unfavorably to the laborer. According to the provisions of this act, wages were fixed by the justices of the peace, who were in most cases employers or men friendly to the employing class. This policy, together with the disastrous effects of the debasement of the currency and the confiscation of the gild lands by Henry VIII, and the progressive separation of the workers from their little plots of land and from their rights over the Common, had no doubt gone very far toward making "low wages and famine wages traditional."<sup>2</sup> And yet we find that again and again during the Eighteenth century the workingmen appealed to the justices and to the House of Commons to enforce and re-establish the legal regu-

<sup>1</sup> Webb, "History of Trade Unionism," p. 42.

<sup>2</sup> Thorold Rogers, "The Economic Interpretation of History," p. 43.

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lation of wages.<sup>1</sup> However this may be, the question that concerns us now is not whether the laws fixing wages were favorable to the laborers, but whether the English people did not for centuries believe that wages determined by free contract were not necessarily just. That they believed in an objective standard of justice, a standard independent of the terms of the wage-agreement, is evident from their continued efforts to regulate the remuneration of labor by law.<sup>2</sup>

The policy of legal regulation was carried out not only by means of the formal enactments just described, but also through the rules and customs of the guilds. During a considerable part of the Middle Ages the rates of wages determined by the guilds had virtually all the force of public laws. There was, moreover, an indirect regulation through the legal or quasi-legal regulation of the price of goods. If a guild was able to fix wages so effectively that no one ever thought of departing from them, it performed the essential functions of a civil legislator; and if the central authority, or the municipality, or the guild, or even custom, determined the price of goods it virtually determined the price of labor.<sup>3</sup> And this legal supervision of the rewards of labor, direct or indirect, explicit or

<sup>1</sup> Webb, "History of Trade Unionism," pp. 42-54.

<sup>2</sup> A detailed account of the different "Statutes of Laborers" enacted by the English Parliament will be found in Thorold Rogers "Economic Interpretation of History," ch. II. See also articles, "Government Regulation of Industry," "I aissez-Faire," and "Statute of Laborers," in Palgrave's Dictionary of Political Economy.

<sup>3</sup> See Brants, "Théories Economiques aux XIIIe et XIVe Siècles," p. 201, sq.



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virtual, seems to have prevailed not only in England but throughout Western and Southwestern Europe during the whole of the later Middle Ages. The accepted principle of medieval society, say Sidney and Beatrice Webb, was that some kind of social organization was necessary in order to protect the standard of life of the workers, and to prevent their degradation.<sup>1</sup> The sense of solidarity, mutual dependence and mutual responsibility among the members of a community, the conviction that the industrial world should be ordered by law, rather than left to individual caprice and selfishness, were far more prominent in the thought of that period than they are to-day.<sup>2</sup> Hence, "every sort of economic transaction in which individual self-interest seemed to lead to injustice....." was regulated "by the general principle that a just or reasonable price only should be paid."<sup>3</sup>

**II. The Teaching of Christian Theological and Ethical Writers.**—This attitude of the public and of legislators was the result of Christian conceptions of fair dealing, and of the widespread influence of the Christian Church. Christianity succeeded in the Middle Ages in "moralizing industrial and commercial conceptions and institutions," and it impressed men "with a keen sense of personal responsibility in the employment of secular power of every kind."<sup>4</sup> It was the uniform teaching of the

<sup>1</sup> "History of Trade Unionism," p. 19.

<sup>2</sup> Cf. Gierke, "Political Theories of the Middle Age," p. 7. sq., translated by Maitland.

<sup>3</sup> Ashley, "English Economic History," vol. i, p. 181.

<sup>4</sup> Cunningham, "Western Civilization," vol. ii, pp. 104, 105.

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Fathers of the Church and of the medieval theologians that every human being had an imperishable right to a livelihood from the common bounty of nature. This they regarded as a natural right, independent of and superior to all human laws, conventions and institutions. According to this doctrine, therefore, the laborer was endowed with an absolute right to at least sufficient remuneration to maintain his life. Moreover, the principle that the laborer should receive *just* wages was virtually contained in the canonist doctrine of just price. The theologians and canonists held that every commodity had a certain fair valuation, or just price, which was independent of the arbitrary and fortuitous valuation resulting from the higgling of the market.<sup>1</sup> The just price in any market being deter-

<sup>1</sup>The somewhat puzzling doctrine of "just price" is not always understood by either its critics or its defenders. The former sometimes assert that it was based on an incorrect analysis of the phenomena that give rise to commercial values, individual and social. This is a complete misconception; for the doctrine in question was not an attempt to explain the actual, but to describe the ideal. Comparisons instituted between it and modern theories of value are, therefore, entirely irrelevant. A theory of value is a scientific explanation of the ultimate causes of the values that prevail or tend to prevail in a régime of free contract. Now the medieval writers concerned themselves very little with this question: First, because values and prices were in their time fixed for the most part by law or by custom; and, second, because their main purpose was to lay down rules for knowing the price at which a thing *ought* to sell, not to tell the price at which it would sell. Even if they had held, as some modern writers have asserted, that the just price of a commodity was something strictly intrinsic—a belief that cannot be correctly attributed to any one of them—their teaching would not conflict with economic theories of value. (Cf. Cunningham, "Western Civilization," vol. ii, pp. 78-80.) The doctrine of just price may sometimes have been associated with incorrect views of industrial life, but all competent authorities agree that it was a fairly sound

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mined by the appraisalment of the general public, it was said to be measured by the "communis aestimatio." To ascertain the just price of any article, account had to be taken of its general utility, scarcity and cost of production. The last element, which in the Middle Ages was chiefly represented by labor expenditure, was regarded as the most important. When, therefore, the medieval theologians and canonists taught that a just price should be paid for every commodity, and that its chief determinant was labor-cost, they virtually insisted that the laborer should be paid just wages.<sup>1</sup>

To the searcher for explicit and precise rules for determining what is a fair remuneration for labor, the medieval writers are, indeed, disappointing. St. Thomas Aquinas says that, as justice demands that a fair price be paid for a material commodity,

attempt to define the equities of medieval exchanges, and that it was tolerably successful in practice.

On the other hand over-zealous apologists of the doctrine have tried to show that the "communis aestimatio," which was held to be the proximate criterion of just price, is essentially the same as that complex of social forces that fixes present market prices, and that some modern writers have called "the social estimate." The resemblance is only of name. The common estimate of which the canonists spoke was a *conscious social judgment* that fixed prices beforehand, and was expressed chiefly in custom, while the social estimate of to-day is in reality an *unconscious resultant* of the higgling of the market, and finds expression only in market price.

For a complete exposition of the doctrine of just price, with abundant citations and references, see: "L'Idée du juste prix," by Henri Garnier; and "Allgemeine Grundlagen der Nationaloekonomie," ch. XV, by Julius Costa-Rosetti. Brants in the work already cited, chap. V. and p. 193; Ashley in "Economic History," vol. i, p. 134, sq.; and Cunningham in "Growth of English Industry," vol. i, p. 323, sq., are also quite satisfactory.

<sup>1</sup> Cf. Brants, op. cit., pp. 107-116.

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so it demands that a fair price should be given for human labor.<sup>1</sup> Other writers likewise content themselves with the general declaration that wages should be in accordance with justice. Their failure to be more specific seems to be explained by the industrial conditions of the time. During the greater part of the Middle Ages there was, properly speaking, no such thing as a wage system; for there was no class of laborers, either in town or country, depending solely on employers to whom they sold their labor.<sup>2</sup> The master craftsmen in the towns and the men who tilled the soil on their own account, received just wages if they received a just price for their products. Even after the rise of a distinct laboring class—that is, men who could never hope to become master craftsmen, or men who spent the greater part of their time in the service of the lords of the domain—the question of just wages was not of supreme importance. In town industries the journeymen were quite commonly fed and lodged by their employers;<sup>3</sup> the relations between masters and journeymen were akin to those existing between father and sons;<sup>4</sup> and between the average earnings of the two classes there was not a great difference.<sup>5</sup> Agricultural laborers usually had possession of a piece of ground, to the cultivation of which they

<sup>1</sup> "Summa Theologica," 2a. 2ae., q. 144, a.1.

<sup>2</sup> Gibbins, *op. cit.*, vol. ii, p. 101; Ashley, *op. cit.*, vol. ii, p. 101; Levasseur, "Histoire des classes ouvrières avant 1789," vol. 1, p. 598.

<sup>3</sup> Levasseur, *op. cit.*, vol. i, p. 455; Brants, *op. cit.*, p. 123; Martin-Sainte-Leon, "Histoire des corporations des metiers," p. 155.

<sup>4</sup> Ashley, *op. cit.*, vol. ii, p. 103.

<sup>5</sup> Levasseur, *op. cit.*, vol. i, p. 313; Brants, *op. cit.*, p. 123.



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devoted their leisure time, and from which they obtained part of their sustenance.<sup>1</sup> These conditions were not, indeed, universal, nor did they always secure for the laborer a reasonable living, but they explain sufficiently the failure of medieval writers to treat specifically the question of just wages.

Later on, when the wage-earning class assumed greater proportions, we find the ethics of their remuneration explicitly discussed by theological writers. Molina, De Lugo, and Bonacina, writing about the beginning of the Seventeenth century, declare that in general that wage is just which is customary for a given service in a given place.<sup>2</sup> The two first mentioned say that a wage insufficient for the subsistence of some laborers, will nevertheless be fair when there are many who *willingly* sell their services for that amount. We are told that numerous workers do accept this lower wage, either because they have other sources of income, or because they can live more cheaply than fellow members of their own class. From the context it would seem that both Molina and De Lugo assume that the laborer has a right to a living from his toil, and that their chief concern in the passages cited is with cases in which the circumstances are exceptional.<sup>3</sup> At any rate, they do not discuss the question of a Living Wage adequately and in all its relations. The only general standard of just remuneration that they

<sup>1</sup> Gibbins, *op. cit.*, p. 111.

<sup>2</sup> Molina, "De Contractibus," disp. 506, nos. 2, 3, 4; De Lugo, "De Jure et Justitia," disp. 29, no. 62; Bonacina, "De Contractibus," disp. 3, q. 7.

<sup>3</sup> Cf. Vermeersch, "Quaestiones de Justitia," pp. 572, 573; Pottier, "De Jure et Justitia," pp. 234-241.

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lay down is custom. Whether the customary wages of those days complied with the requirements of a Living Wage, as then understood, is not easily determined. However, since wages remained stable during long periods of time, and since the direct influence of religious and moral teaching on economic life was very considerable—much greater than at present—it may well be that the essentials of a reasonable wage were fairly well realized.

From the time of the writers just mentioned down to the year 1891, the theological and canonist doctrine on the ethics of wages seems to have undergone no important development. The old phrases about customary wages and just wages are constantly recurring. A curious instance of this unprogressiveness is found in the pages of the canonist, Reiffenstuel, who wrote during the first half of the Nineteenth century. He maintained that it was wrong for an employer to pay a laborer less than was usual in similar circumstances, but that when the usual wage was paid all obligations of justice were satisfied, even though it did not suffice for a livelihood.<sup>1</sup> According to this interpretation, the "customary wages" of the medieval theologians and canonists become "current wages," and the "common estimate" of just wages becomes the wages that men actually pay in the strife of competitive bargaining. What was in the minds of the Schoolmen a conscious moral judgment is thus converted into an unconscious resultant of men's efforts to buy

<sup>1</sup>"Jus Canonicum," lib. III, Decretal., tit. XVIII, nos. 108-114.

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cheap and sell dear. The author's principle would justify starvation wages if these were common to a whole class.

In the year 1891, the late Pope Leo XIII formulated the doctrine of a minimum Living Wage in his celebrated encyclical, "Rerum Novarum," better known by the title, "On the Condition of Labor." Its most important passages relative to the present matter are the following:

"We now approach a subject of very great importance, and one on which if extremes are to be avoided right ideas are absolutely necessary. Wages, we are told, are fixed by free consent, and therefore the employer, when he has paid what was agreed upon, has done his part and is not called upon for anything further. The only way, it is said, in which injustice could happen would be if the master refused to pay the whole of the wages, or the workman would not complete the work undertaken; when this happens the State should intervene to see that each obtains his own, but not under any other circumstances.

"This mode of reasoning is by no means convincing to a fair minded man, for there are important considerations which it leaves out of view altogether. To labor is to exert one's self for the sake of procuring what is necessary for the purpose of life, and most of all for self-preservation. 'In the sweat of thy brow thou shalt eat bread.' Therefore, a man's labor has two notes or characters. First of all, it is *personal*; for the exertion of individual power belongs to the individual who puts it forth,

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employing his power for the personal profit for which it was given. Secondly, man's labor is *necessary*; for without the results of labor a man cannot live; and self-conservation is a law of nature which it is wrong to disobey. Now if we were to consider labor merely in so far as it is personal, doubtless it would be within the workman's right to accept any rate of wages whatever; for in the same way as he is free to work or not, so he is free to accept a small remuneration or none at all. But this is a mere abstract supposition; the labor of the workman is not only his personal attribute, but is necessary; and this makes all the difference. The preservation of life is the bounden duty of each and all, and to fail therein is a crime. It follows that each one has a right to procure what is required in order to live; and the poor can procure it in no other way than by work and wages.

"Let it be granted, then, that as a rule workman and employer should make agreements, and in particular should freely agree as to wages; nevertheless, there is a dictate of nature more imperious and more ancient than any bargain between man and man, that the remuneration must be enough to support the wage earner in *reasonable and frugal comfort*. If through necessity, or fear of a worse evil, the workman accepts harder conditions because an employer or contractor will give him no better, he is the victim of fraud and injustice."

Pope Leo XIII was not, indeed, the first Catholic authority to proclaim this principle of a Living Wage. It had already been more or less explicitly



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laid down and defended by Ketteler in Germany, Vogelsang in Austria, de Pascal in France, Pottier in Belgium, and Manning in England.<sup>1</sup> It was the principle of social justice that was clearest and most definite in the consciousness of those numerous groups of Catholic thinkers and agitators who during the preceding quarter of a century had been seeking a remedy for the industrial ills of modern Europe. It was at least a partial application to existing economic conditions and institutions of the traditional theological and canonist doctrine of just price. Indeed, it was the activity of this Catholic social movement that, more perhaps than all other influences together, led the late Pontiff to issue the encyclical, "On the Condition of Labor." In a conversation with the Swiss social reformer, Gaspard Decurtins, Pope Leo referred to the father of the movement, Archbishop Ketteler, as his "great fore-runner." Nevertheless, it was his encyclical that converted the Living Wage doctrine from an implicit into an explicit principle of Catholic ethics.

Owing to the individualistic tendencies of Protestantism, its many forms, and the nature of its organization, the Protestant teaching on an ethical standard of wages as against the standard of unlimited bargaining, is less pronounced and less uniform than that of the Catholic church. It is, therefore, much more difficult of adequate presentation in a brief survey. Attention may, however, be called to one or two important facts. No Protestant denomination has ever signified its approval of the

<sup>1</sup> Cf. Nitti, "Catholic Socialism," *passim*.

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principle of unlimited bargaining, either formally or through the expressions of its leading representatives. On the contrary, numerous and able representatives of the leading denominations have frequently protested against the doctrine, and insisted that to take advantage under the guise of a free contract of the necessities of the laborer is to violate the principles of Christianity. Chief among them are: Kingsley, Maurice, Hughes, and Headlam in England; Pastors Stöcker and Todt in Germany; Gide and Waddington in France; and Bishop Potter and Dr. Gladden in the United States. The first three groups of writers founded or identified themselves with organizations for Christian social reform which have had a very large influence. <sup>1</sup>

**III. Contemporary Opinion Regarding an Ethical Standard of Wages.**—The ethical theory underlying the method of unlimited bargaining, namely, that contracts made without force or fraud are necessarily fair, is, despite the prevailing practice, condemned by the majority of disinterested persons. This attitude of mind is most clearly shown in the widespread conviction that the exorbitant prices charged and the enormous profits obtained by some of the great trusts are not only a menace to public welfare, but positively unjust and dishonest. <sup>2</sup> Yet the contracts by which this result is brought about are all free. Speaking of the exorbitant profits made by a prominent corporation in the manufacture of steel rails, a capitalist and ex-

<sup>1</sup> Cf. Nitti, *op. cit.*, pp. 85-99; and Rae, "Contemporary Socialism," pp. 220-242.

<sup>2</sup> Cf. Sidgwick, "Methods of Ethics," p. 288, 6th ed.

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senator of the United States not long ago declared: "If this is not robbery I would like to find some stronger word to characterize it." With this view practically the whole of the American people would agree. Nevertheless, the purchasers of steel rails are neither deceived nor coerced; the transaction is free. Again, the money shark who trades on the distress or ignorance of the poor by charging exorbitant rates of interest, gives his victims the benefit of a free contract; yet he is restrained by the civil law and condemned by the public conscience. Similarly with bargains where the subject matter is human services. A drowning man calls to another for help. The latter replies: "I will save you if you pay me a million dollars." The distressed millionaire prefers life on this hard condition to death without it, and quickly closes the contract. The contract was free, was a source of some gain for both parties, but who would affirm that it was just? And the employer who takes advantage of the need of his fellow man and hires him at starvation wages, has merely made a free bargain. The laborer agrees to the harsh conditions because they mean for him the preservation of life; they represent an advantage as compared with the alternative of starvation. Still, with the exception of the employer and those who look at the matter from his point of view, the entire community would insist that somehow the transaction was wrong. In the words of Dr. Cunningham, "we feel that it is unfair for the economically strong to wring all that he can out

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of the economically weak.”<sup>1</sup> Hence, in a dispute between an employer and his poorly-paid laborers, public sympathy is invariably on the side of the latter. Indeed, it may be said with confidence that the common sense and unbiased convictions of the community not only repudiate the theory that free contracts are always just, but maintain that when the laborer is compelled to accept less than a certain decent minimum of remuneration he is in truth defrauded.

Belief in the Living Wage principle has always been more or less firm in the consciousness of the laborer himself, but only recently has it taken the form of an explicit demand.<sup>2</sup> In England the right to a minimum of pay has become one of the fundamental assumptions of Trade Unionism. “It is a vital principle,” says one of the Trade Union leaders, “that a man by his labor should live, and notwithstanding all the teachings of political economists and all the doctrines taught by way of supply and demand, a greater doctrine overrides all these, the doctrine of humanity.”<sup>3</sup>

The Labor Unions of America do not often use the phrase, “a Living Wage,” nor explicitly outline the concept that it represents, but they express the same idea in their “Union scale.” This is the rate of wages that the Union demands for its members in any particular industry. It is in reality the minimum that the Unionists regard as compatible with

<sup>1</sup> “Western Civilization,” vol. ii, p. 80.

<sup>2</sup> Webb, “Industrial Democracy,” p. 582, sq.

<sup>3</sup> *Idem*, loc. cit.



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right living. They reject, therefore, the standard of unlimited bargaining, inasmuch as they establish a minimum; and they substitute the standard of a Living Wage, inasmuch as they look upon this minimum as the lowest rate for which a man *ought to work*. It might be objected that the Union scale is not intended to be an ethical standard, but merely represents what the Unionists think they are strong enough to obtain. It is true that they try to get as high a wage as possible, but this is a matter of practical policy arising out of actual conditions. Behind it is always the conviction that there is involved a question of morals. They believe that they ought to have at least sufficient remuneration to afford them a decent livelihood. Many of them, indeed, hold that they have a right to more than this minimum; but this is merely an additional proof that the idea of an ethical standard is present to their consciousness.<sup>1</sup>

Nor is the principle of the minimum wage entirely unknown to existing legal codes. The Compulsory Arbitration act of New Zealand decrees that minors shall not be employed in factories for less than a certain sum per week, and that all laborers on public contracts shall receive at least the rates of wages that "are considered usual and fair in the locality." In Victoria, Australia, legal boards have been created with authority to establish a minimum

<sup>1</sup> Cf. the address, "A Living Wage," delivered by President Gompers before the Nineteenth Century Club, and printed in the "American Federationist" for April, 1898; also the testimony of Presidents Gompers and Schaffer before the U. S. Industrial Commission; vol. vii, pp. 397, 614 of the Report of the Commission.

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wage, for the express purpose of preventing the remuneration of any class of workers from being reduced below the cost of living. And the New Zealand Court of Arbitration is empowered to fix a minimum wage that will apply, not only to the parties interested in any particular dispute, but to all who are "connected with or engaged in the industry to which the award applies within the industrial district to which the award relates."

The brief discussion of the authorities for and against the practice of unlimited bargaining contained in this and the preceding chapters, is not, of course, an adequate historical review of the subject. It has, however, a certain value, inasmuch as it gives some notion of the different attitudes which men have taken toward the ethical side of the wage-contract. For if there is any field of study in which principles stand out in clearer light when they are seen as others see them, it is the field of ethics, and especially of applied ethics. Every new viewpoint that is taken, every new opinion, no matter how fantastic, that is considered, contributes something to our understanding of the nature and bearing of ethical truths.

Our conclusions from the present study are: first, that men have always regarded the fixing of wages as in some degree an ethical action; and, secondly, that the preponderance of human opinion is decidedly against the method of unlimited bargaining. The belief that the amount of remuneration given the laborer is entirely devoid of moral aspects, in other words, that "there is no such thing as fair wages,"

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has never been held by any considerable section of any community. Either explicitly or implicitly men have always been virtually unanimous in the conviction that the standard for determining wages should be a moral standard. Even the method of unlimited bargaining, which is on its face non-ethical, was advocated by economists and legislators chiefly because they believed that its results would be morally good. They expected it to bring about the greatest attainable measure of social justice. Indeed, so long as men remain ethical beings, they cannot ignore the moral aspects of any particular policy that they recommend.<sup>1</sup> Finally, although the method of unlimited bargaining is the prevailing one, it is less than one century in existence, and was established through the mistaken efforts of economists and legislators. Previously to that period, it was frowned upon by the political, religious and moral forces of society. It is condemned to-day, not merely by the laborers, but by the moral sense of the greater and saner part of the community.

<sup>1</sup> Cf. Professor Foxwell's Introduction to Menger's "Right to the Whole Produce of Labor," p. xi.

SECTION II  
THE BASIS, NATURE, AND CON-  
TENT OF THE RIGHT TO  
A LIVING WAGE





## CHAPTER III

### THE BASIS AND JUSTIFICATION OF RIGHTS

The claim to a Living Wage is a right. Character and purpose of rights. Sense in which natural rights are absolute. Men's natural rights are equal in the abstract, but unequal in the concrete. They are based on the duty of pursuing self-perfection. Other methods of establishing their validity. The doctrine of natural rights incompatible with individualistic hedonism. The positivistic theory of rights means in the concrete that some lives are worth less than others. It has less theoretical weakness when stated in terms of Hegelianism. Fallacy of the popular argument against natural rights. The exaggeration of natural rights in the system of the Revolutionary philosophers. The doctrine as here advocated holds a middle ground between semi-anarchism and state absolutism.

The thesis to be maintained in this volume is that the laborer's claim to a Living Wage is of the nature of a *right*. This right is personal, not merely social: that is to say, it belongs to the individual as individual, and not as member of society; it is the laborer's personal prerogative, not his share of social good; and its primary end is the welfare of the laborer, not that of society. Again, it is a natural, not a positive right; for it is born with the individual, derived from his rational nature, not conferred upon him by a positive enactment. In brief, the

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right to a Living Wage is individual, natural and absolute.

A right in the moral sense of the term may be defined as an inviolable moral claim to some personal good. When this claim is created, as it sometimes is, by civil authority it is a positive or legal right; when it is derived from man's rational nature it is a natural right. All rights are means, moral means, whereby the possessor of them is enabled to reach some end. Natural rights are the moral means or opportunities by which the individual attains the end appointed to him by nature. For the present it is sufficient to say that this end is right and reasonable life. The exigencies of right and reasonable living, therefore, determine the existence, and number, and extent of man's natural rights. Just as his intellectual, volitional, sensitive, nutritive and motive faculties are the positive, or physical, agencies by which he lives and acts as a human being, so his natural rights are the *moral* faculties requisite to the same end. He cannot attain this end adequately unless he is regarded by his fellows as morally immune from arbitrary interference. They must hold themselves morally restrained from hindering him in the reasonable exercise of his faculties. His powers of intellect, will, sense, nutrition and motion will be of little use to him if his neighbors may licitly deprive him, whenever it may suit their convenience, of his external goods, or his liberty, or his members, or his life. In addition to his positive powers, he stands in need of those moral powers which give to his claim upon certain personal goods that char-

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acter of sacredness which restrains or tends to restrain arbitrary interference by his fellows.

Man's natural rights are absolute, not in the sense that they are subject to no limitations—which would be absurd—but in the sense that their validity is not dependent on the will of anyone except the person in whom they inhere. They are absolute in existence but not in extent. Within reasonable limits their sacredness and binding force can never cease. Outside of these limits, they may in certain contingencies disappear. If they were not absolute to this extent, if there were no circumstances in which they were secure against *all* attacks, they would not deserve the name of rights. The matter may be made somewhat clearer by one or two examples. The right to life is said to be absolute because no human power may licitly kill an innocent man as a mere means to the realization of any end whatever. The life of the individual person is so sacred that, as long as the right thereto has not been forfeited by the perverse conduct of the subject himself, it may not be subordinated to the welfare of any other individual or any number of individuals. Not even to preserve its own existence may the State directly and deliberately put an unoffending man to death. When, however, the individual is not innocent, when by such actions as murder or attempted murder he has forfeited his right to live, he may, of course, be rightfully executed by civil authority, or killed in self-defense by his fellow man. He may also be compelled to risk his life on behalf of his country, for that is a part of his duty; and he may with en-



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tire justice be deprived of life indirectly and incidentally, as when non-combatants are unavoidably killed in a city that is besieged in time of war. Again, the right to liberty and property are not absolute in the sense that the individual may have as much of these goods as he pleases and do with them as he pleases, but inasmuch as within reasonable limits—which are always determined by the essential needs of personal development—these rights are sacred and inviolable.

With respect to their natural rights, all men are equal, because all are equal in the rational nature from which such rights are derived. By nature every man is a person, that is, a rational, self-active, independent being. Every man is rational because endowed with the faculties of reason and will. His will impels him to seek the good, the end, of his being, and his reason enables him to find and adjust means to this end. Every man is self-active, inasmuch as he is master of his own faculties and able in all the essentials of conduct to direct his own actions. Every man is independent in the sense that he is morally complete in himself, is not a part of any other man, nor inferior to any man, either in the essential qualities of his being or in the end toward which he is morally bound to move. In short, every individual is an "end in himself," and has a personality of his own to develop through the exercise of his own faculties. Because of this equality in the essentials of personality, men are of equal intrinsic worth, have ends to attain that are of equal intrinsic importance, and consequently have equal

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natural rights to the means without which these ends cannot be achieved.

Only in the abstract, however, are men's natural rights equal. In the concrete they are unequal, just as are the concrete natures from which they spring.<sup>1</sup> This is not to say that equality of rights is an empty abstraction, without any vital meaning or force or consequences in actual life. Men are equal as regards the *number* of their natural rights. The most important of these are the rights to life, to liberty, to property, to a livelihood, to marriage, to religious worship, to intellectual and moral education. These inhere in all men without distinction of person, but they have not necessarily the same *extension*, or content, in all. Indeed, proportional justice requires that individuals endowed with different powers should possess rights that vary in degree. For example, the right to a livelihood and the right to an education will include a greater amount of the means of living and greater opportunities of self-improvement in the cases of those who have greater needs and greater capacities. But in *every* case the natural rights of the individual will embrace a certain minimum of the goods to which these rights refer, which minimum is determined by the reasonable needs of personality. The rights that any person will possess in excess of this minimum will depend upon a variety of circumstances, individual and social. Hence, instead

<sup>1</sup> For an explanation of the distinction between abstract or specific and concrete or individual equality, see, Taparelli, "Droit naturel," nos. 354-363, and Naudet, "La democratie," ch. XV.

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of saying that the natural rights of all men are equal in the abstract but not in the concrete, it would perhaps be more correct, or at least less misleading, to describe them as equal in kind, number and sacredness, and in extension relatively to their particular subjects; but not in quantity nor in *absolute* content.

Such in bare outline is the theory of the character, purpose, and extent of natural rights. Do they really exist? Is the individual really endowed with moral prerogatives, inviolable claims, in virtue of which it is wrong, for instance, to take from him, so long as he is innocent of crime, his life or his liberty? Whence comes the validity and sacredness of these claims? The answers to these questions have already been briefly indicated in the statement of the *end* for which the claims exist. Natural rights are necessary means of right and reasonable living. They are essential to the welfare of a human being, a person. They exist and are sacred and inviolable because the welfare of the person exists—as a fact of the ideal order—and is a sacred and inviolable thing. It was Cicero who wrote: “*Fine in philosophia constituto, constituta sunt omnia.*” In problems of philosophy, when we have established the end we have established all things else. Let us look more deeply, then, into the scope and character of this end to which natural rights are but means.

Right and reasonable life, the welfare of the person, consist in the development of man's personality through the harmonious and properly ordered exercise of his faculties. He should subordinate his

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sense-faculties to his rational faculties; exercise his rational faculties consistently with the claims of his Creator and the reasonable demands of his fellows; and seek the goods that minister to the senses and the selfish promptings of the spirit in subordination to the higher goods, namely, those of the intellect and of the disinterested will. In a word, the supreme earthly goal of conduct is to know in the highest degree the best that is to be known, and to love in the highest degree the best that is to be loved. These highest objects of knowledge and love are God, and, in proportion to the degrees of excellence that they possess, His creatures. To prove that these moral and spiritual values are facts, we have only to appeal to the consciousness of any normally constituted human being. The average man has an abiding conviction that the rational faculties are higher, nobler, more excellent, of greater intrinsic worth than the sense-faculties; that consequently the goods of the mind are to be preferred to those of the senses; and that among the activities of the rational powers those dictated by disinterested love are intrinsically better than those which make for selfishness. These primary and general moral intuitions produce in the mind of the person who heeds them the conviction that it is not only reasonable but *obligatory* for him to pursue the path of conduct thus dimly outlined. The immediate objective basis of this obligation is the intrinsic superiority of the higher faculties, the infinite worth of God, and the essential sacredness of human personality. The ultimate source of the obligation



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is the Will of God; just as the ultimate source of the distinction between the higher and lower faculties, activities, and goods is the Divine Essence; and just as the ultimate source of the intuitions by which we perceive these distinctions is the Divine Reason.

Since, therefore, the individual is obliged to live a moral and reasonable life in the manner just described, the means to this end, *i. e.*, natural rights, are so necessary and so sacred that all other persons than the one in whom they reside are morally restrained from interfering with or ignoring them. The dignity of personality imposes upon the individual the duty of self-perfection; he cannot fulfil this duty adequately unless he is endowed with natural rights. Such is the immediate basis of natural rights and the proximate source of their sacredness; their ultimate source is to be found in the Reason and Will of God, who has decreed that men shall pursue self-perfection and that they shall not arbitrarily deprive one another of the means essential to this purpose.

This method of basing the individual's natural rights upon his duties is perhaps the one most commonly employed by those writers who hold individual perfection to be the immediate end and rule of conduct. According to another mode of reasoning, they rest, not upon the duties of their possessor, but upon those duties of other men toward him which are called *juridical*, that is, the "other-regarding" duties that cover goods which in the strict sense *belong* to him as his own. Thus the fulfilment of lawful contracts is a juridical duty, while assisting

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the needy is only a duty of charity. All juridical duties may be summed up in the command, "thou shalt not arbitrarily interfere with the external liberty of thy fellow man," for external liberty comprises all those opportunities of activity, acquisition and possession that are essential to the pursuit of reasonable self-perfection. Corresponding to and implied by these juridical duties in one man are those moral prerogatives in other men that we call natural rights. The foundation and source of these duties is that precept of the natural law (understanding by natural law that portion of God's eternal law which applies to human conduct and is written in the human reason) which enjoins men to respect the dignity of human personality in one another.<sup>1</sup>

This line of argument, however, suggests that not even the juridical duties of men are formally necessary as a basis and justification of natural rights. These duties are, indeed, imposed upon man by the natural law, but the reason why this particular precept of the law exists, as well as the reason that constrains us to believe that it does exist, is to be found in the intrinsic and inviolable worth of the individual. That is the ultimate basis—on this side of God—of both juridical duties and natural rights. To prove the existence of the latter, it seems, therefore, logically sufficient to show that because of his intrinsic dignity a person is morally *privileged* to pursue self-perfection, and his fellows are morally restrained from hindering his exercise of the priv-

<sup>1</sup> Cf. "Philosophia Moralis," by Julius Costa-Rosetti, 2d edition, thesis 114.

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ilege. Natural rights may be likened to the legal right by which a man holds a piece of land that he has bought from the State. His claim thereto is founded neither upon his duty to support his family (to which end the produce of the land may be assumed to be the necessary means) nor upon the obligation which binds his neighbors to leave him in undisturbed possession. Similarly, the individual's natural rights may be regarded as independent both of his own duties and of the duties which these rights occasion in his fellows.<sup>1</sup>

✚ Finally, natural rights can be logically defended on the principles of what may be called intuitive hedonism. There are men who maintain that the supreme end and rule of conduct is universal happiness. By this phrase they mean, not "the greatest happiness of the greatest number," nor the general happiness of the group or of society,—all of which are equivalent in the concrete to the happiness of the majority—but the happiness of each and every human being. They insist that, since human happiness is the good of a person, it has *intrinsic worth*, is in itself a sacred thing, and that all individuals have, therefore, essentially equal claims to the opportunity of pursuing it. This doctrine is hedonistic, inasmuch as it makes happiness the ultimate end, and intuitive, inasmuch as it postulates not merely the desirableness of personal happiness, but the intrinsic worth of all human happiness. The late Professor

<sup>1</sup> Cf. "The Theory of Morals," by Paul Janet, Book II, ch. IV, in which the author defends a doctrine very similar to the one just outlined, although he strangely calls a right a "responsibility."

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Sidgwick held substantially this view, although he admitted that it contains an inherent contradiction.<sup>1</sup> For if the intuition of "rational benevolence" be acknowledged as logically sufficient to compel me to forego my own happiness for the greater happiness of others, then the ultimate end, rule and determinant of right action is no longer *my* happiness—which is the only "desirable consciousness" that can have any meaning for me—but conformity to the dictates of reason. In other words, *reason* assures me that human happiness is valuable *per se*, while all my aspirations and experiences tell me happiness is a good only in so far as it provides *me* with agreeable states of consciousness. If, however, the general principle be admitted in spite of its inherent weakness, a system of natural rights can be logically deduced therefrom.

All of these methods, therefore, posit as the ultimate earthly basis of the individual's natural rights the inherent sacredness of his personality. This is true even of the argument which derives rights from the duty of perfecting one's self; for this duty is itself founded upon the intrinsic worth of the person, specifically of his higher faculties. Hence we find that those who reject the doctrine of natural rights, and who reason logically, reject likewise the principle of the essential and absolute dignity of every human being. They either deny that anything in the universe possesses intrinsic worth, or assert that social welfare is the highest good. To the former

<sup>1</sup> See his "Methods of Ethics," Book III, chapters XIII and XIV; and Book IV, concluding chapter, 6th ed.



class belong the believers in egoistic hedonism ; to the latter, the social utilitarians and the Hegelians.

For those who maintain that the supreme end of life and rule of conduct is one's own happiness, there can, of course, be no such thing as a right in the *moral* sense of the term. There is no sacredness, no intrinsic worth, no obligation-compelling force in either the concept or the fact of happiness unqualified and divorced from all consideration of the dignity of personality. The person who refuses to seek his own happiness can be condemned as unwise but not as immoral. And if he is not, in any true sense of the word, under moral obligation to procure happiness for himself, neither is he bound by any sort of duty to respect or refrain from hindering the happiness of others. As there is no sacredness in the end—happiness—and none in the persons pursuing it, so there can be no sacredness in the means—those opportunities of activity that we call rights—and no obligation to respect them. In such a system individual rights have neither logical foundation nor intelligible meaning. Again, if personal happiness be the ultimate aim and criterion of reasonable conduct it is altogether fitting and reasonable that each man should interpret happiness in his own way, and strive to obtain it by whatever means seem to him best, regardless of such unreasonable and unfounded restraints as rights and obligations.

This purely egoistic hedonism seems to be completely and consistently accepted by only a very small minority of the world's thinkers. Even with them it is a merely speculative belief. In practice they

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reject or at least modify it, in common with the overwhelming majority of the men and women who live outside of lunatic asylums. A formal refutation of it in the interest of the doctrine of natural rights is, therefore, unnecessary. Of much greater importance for our contention is the theory that all rights are positive, that is, derived from society, and conferred upon the individual primarily for the benefit of society and only secondarily for the sake of the individual.<sup>1</sup> Individual rights are valid in

<sup>1</sup> In substance this theory seems to be held by a majority of the non-Catholics of our time who write on justice and political philosophy. Not all state it in the same language nor restrict the concrete rights of the individual to the same extent, but all accept the principle that the individual has no right which society may not in certain contingencies annul for its own welfare. The sources of the theory are chiefly: (1) writers who opposed the doctrines of the French Revolution, such as, Edmund Burke in "Reflections on the Revolution in France," and Joseph de Maistre in "Essai sur le principe générateur des constitutions politiques"; (2) juristic writers who, in opposition to the Eighteenth century teaching on natural rights, endeavored to place all rights on a basis of historical facts and development, the most prominent of whom were F. C. de Savigny in "System des roemischen Rechts," and F. C. Stahl in "Philosophie des Rechts," (3) the Hegelian conception of the State as the highest manifestation of the Universal Reason and Will, the source of all rights, and the absolute end to which the individual must subordinate his particular aims and activity; see Hegel's "Grundlinien der Philosophie des Rechts," and Lasson's "System der Rechtsphilosophie"; (4) and finally, the doctrine of evolutionist utilitarianism, which emphasizes the importance of race progress at the expense of the individual.

Some indications of common points in the last two sources will be found in chapter II of Ritchie's "Darwin and Hegel," while recent statements of the general positivistic theory of rights are contained in "Natural Rights," by the same author, in Hobson's "Social Problem," and in Willoughby's "Social Justice." Good presentations of the doctrine of natural rights defended in this chapter are made by Taparelli, "Droit naturel," and Meyer, "Institutiones Juris Naturalis." Finally Hegel's general concept of personality is successfully attacked

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so far as they do not hinder the social weal. "By himself," says Mackenzie, "a man has no right to anything whatever. He is a part of the social whole; and he has a right only to that which it is for the good of the whole that he should have."<sup>1</sup> In this view the social organism becomes an end in itself; and its good becomes the final goal and rule of human conduct. Now society is, indeed, something more than an abstraction, something more than the sum of its component individuals. And its function is not simply to guarantee equal liberty to all its members, in the sense of Immanuel Kant and Herbert Spencer. It is a real entity, a moral body, an organism, whose purpose is to safeguard the rights and promote to a reasonable degree the welfare of every one of its members. It is an organism only by analogy, however; not literally or physically. It is an organism inasmuch as its members are mutually dependent, and have diverse functions; inasmuch as it persists amid continuous changes in its membership, and will retain its identity after all its present members shall have perished; and inasmuch as its health is determined by the health of its members, and in turn reacts upon the latter. When this much has been said the analogy between society and a biological organism is about exhausted. Society is not an organism in the sense that it is a finality. Its members do not exist and function for its welfare; they possess intrinsic worth and sacredness.

in Andrew Seth's "Hegelianism and Personality," especially on pp. 67-69 and in the concluding chapter.

<sup>1</sup>"A Manual of Ethics," p. 296.

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Hence it is not an organism in which the individual's personality is merged and lost, like the branch in the tree, to use the illustration of Hegel. Society has, indeed, rights that are distinct from the rights of the individuals composing it, and its scope and aims reach beyond the welfare of the men and women that live in it at any given time. It has the right, for example, to make war, which the individual has not; and to prevent the ruthless destruction of forests, which prohibition may be contrary to the interests and wishes of its present members. Nevertheless, every right that society possesses, every act that it performs, every assertion that it makes of its legitimate power over individuals, is ultimately for the sake of individuals. It cannot otherwise be justified, for it is not an end in itself.

Let us concede for the moment that society exists for its own sake, is its own highest good. All its powers, prerogatives and activities will be naturally used as a means to this end. Whenever individuals, however innocent of wrong doing, impede society's progress they are to be relentlessly blotted out of existence. Let us suppose that as a result of this social selection the general level of the race is much higher than it would have been had regard been paid to the "superstition" of natural rights. Society has been treated as an end in itself, and the result is a more excellent society.

It must be evident that the individuals who have been removed to bring about this result could not reasonably have been expected to make the sacrifice willingly. They could not have been satisfied



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to efface themselves for the sake of society as distinct from its members, since this would be to die for an abstraction. Nor is it likely that any considerable number of them were willing to forego existence in order that the individuals who were left behind might enjoy a more complete existence in the improved society; for the real meaning of this situation is that the former have been used as mere instruments to the welfare of the latter. It is not reasonable to expect men to devote themselves completely to any other end than their own highest good, and a superior society cannot be the highest good for those who must be annihilated as a condition of its realization. They will very naturally prefer to run the risk of securing their own welfare in a less perfect social organization. There is no duty constraining one section of the community—not simply to risk their lives, as in a just war—but to submit to be killed by the social authority, in order that the surviving citizens may have the benefit of a more efficient State. The same statement may be made concerning any other of the individual's natural and essential rights. And if the individuals whose rights are treated as non-existent are neither willing nor bound by moral obligation to make the sacrifice, the State has certainly no right, no *moral* power, to treat them as a means pure and simple to the welfare of those of its members who are permitted to survive. For, juggle as we will with the terms "social utility" and "social welfare," talk as obscurely as we may about regarding the individual from the viewpoint of society, the true meaning of

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the assertion that the rights of the individual are derived from and wholly subordinate to society, is that the lives of those who are less useful to society are essentially inferior to the lives of those who are more useful. And not until those who reject natural rights have succeeded in proving that some human lives are less sacred, have less intrinsic worth, stand on a lower grade of being than others, can they indulge the hope of winning over any considerable number of thinkers to the contention that the individual—even the poorest and lowliest person that breathes—has no rights that are indestructible by society.

The positivist theory of rights becomes more formidable, at least at first sight, when it is stated in terms of Hegelianism. The question is no longer one between the relative interests and importance of the stronger, wiser and more virtuous citizens on the one hand, and of the weaker, less intelligent and more vicious on the other. Organized society, or the State, is in this system regarded as a good in itself, the highest manifestation of the Universal Reason, which is the only final reality. The all-important consideration, then, is to see that this highest embodiment of the Universal Reason or World-Spirit called the State, shall reach the fullest possible development. Compared with this purpose, the welfare of individuals, who are merely particular and imperfect realizations of the one great reality, is insignificant. Their importance is analogous to that of the individual trees in a beautiful grove: the totality called the grove is the supreme end, to which

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the existence and condition of any particular tree is entirely subordinate. The rights of the individual are, therefore, derived from the State and intended for the greater glory of the State. The late Professor Ritchie, one of the ablest of the Hegelians who wrote in English, describes the rights and dignity of the human person thus: "Every human being may claim a right to be considered as such, because he *potentially* shares in the consciousness of the Universal Reason."<sup>1</sup> Each individual is, as it were, a receptacle of the Universal Reason, and derives therefrom all his worth and sacredness. When, consequently, the life or liberty of the individual begins to be an obstacle to the activity or unfolding of the Universal Reason, whenever the interests of the Universal Reason demand that any given individual should cease to embody it, he may lawfully be put to death, just as a diseased limb may be severed from the body, or a leaking pot be consigned to the scrap heap. If the Pantheistic basis of this deification of the State be accepted the theory of rights reared upon it is entirely logical. It may well be doubted, however, whether this blind, impersonal entity known as the Universal Reason seems to any considerable number of persons to have the moral authority requisite to oblige them to surrender their particular existence for Its aggrandizement. And of the few who may recognize the supreme rights of the Universal Reason, not all will acknowledge that Its loftiest manifestation is to be found in the very fallible and very imperfect State in which they happen

<sup>1</sup> "Natural Rights," pp. 96, 97.

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to live. An attempt to refute the metaphysical assumptions underlying the Hegelian theory of rights is, consequently, not much needed at this time.

One of the most frequent of the popular arguments against natural rights runs thus: All rights come into existence, become necessary, and obtain adequate protection only in society; hence they are derived from society, exist for a social end, and should be exercised chiefly for the social welfare. This presentation is vitiated by an incorrect analysis and by unwarranted inferences. Not all of man's rights require a social organization, or even social contact of any kind, in order that they should become existent. All that is necessary is that two men be alive at the same time. They may be thousands of miles apart, may not even know of each other's existence, yet each will possess in full validity such natural rights as those of life, liberty and property, and will be morally restrained from hindering his fellow in the reasonable exercise of these rights. As to the second contention, it is true that rights are not needed until men come into some form of social intercourse; for a right means the moral power of restraining others from interfering with one's personal goods, and if there is no one near enough to interfere the moral restraint is unnecessary and impracticable; but this does not prove that rights are created by society, any more than the fact that evening dress is worn only at certain "functions" proves that this form of apparel is created by or for the "functions." The clothes are intended for the individual wearers *on certain occasions*. In like man-



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ner, the individual's rights have for their primary purpose his own welfare *in society*. Finally, the fact that a man's rights can be sufficiently protected only in civil society is not a reason why they should be entirely subordinated to the ends of society, any more than the employer's dependence upon his employees puts him under obligation to turn over to them all his profits.

Academic opposition to the doctrine of natural rights is directed not so much against the moderate conception of them that has always prevailed in Catholic ethical teaching, as against the exaggerated and anti-social form in which they were proclaimed by the political philosophers of France, and even by some of those of England and America, in the latter half of the Eighteenth century. The Catholic view, which is the one defended in this chapter, is, as already noted, that the individual's natural rights are derived from and determined by his nature, that is to say, his essential constitution, relations and end. They are also said to proceed from the natural law, which is simply that portion of God's eternal law that applies to actions of human beings. The natural law is so expressed in man's nature that its general precepts may readily be known, partly by intuition and partly by analyzing man's faculties, tendencies and destiny. In the view of the Revolutionary philosophers, however, "nature" and "natural" referred not to what is essential and permanent in man, but to that which is primitive and unconventional. Hence they laid more stress on the "state

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of nature" than on the "law of nature."<sup>1</sup> The natural law was merely that very simple and very primitive system of rules that would suffice for the state of nature, in which political restraints would be unknown, or at least reduced to a minimum. As the late Professor Ritchie has well said: "To the Thomist<sup>2</sup> the law of nature is an ideal *for* human law; to the Rousseauist it is an ideal to be reached by getting rid of human law altogether."<sup>3</sup> In the mind of the Revolutionist, therefore, to re-establish the law of nature meant to shake off the cumbersome and obstructive political regulations of the day, and get back to the simple state of nature, the semi-anarchic conditions of primitive times. This was, of course, a very inadequate interpretation of man's nature and of the natural law. No such "state of nature" ever existed or ever could exist compatibly with civilization. No valid conclusion regarding the individual's liberties, duties or rights could be deduced from his position and relations in this imaginary and irrational existence. Nevertheless, upon it were based and by it were measured men's natural rights in the Revolutionary system. As a consequence, the rights of the individual were exaggerated and the rights of society minimized. In practice this juristic liberalism has meant, and always will mean, that the State allows to the strong the legal right and power to oppress the weak. A good example of the evil is to be found in the results of the economic policy of *laissez-faire*. It is no wonder

<sup>1</sup> Cf. Bonar, "Philosophy and Political Economy," p. 186.

<sup>2</sup> And the Catholic philosopher generally.

<sup>3</sup> "Natural Rights," p. 43.

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that there has been a reaction against this pernicious, anti-social and really *unnatural* theory of natural rights.

The doctrine of natural rights outlined in the foregoing pages holds, then, a middle ground between the Revolutionary and the positivistic theories of the origin and extent of the rights of the individual. It insists that the individual is endowed by nature, or rather, by God, with the rights that are requisite to a reasonable development of his personality, and that these rights are, within due limits, sacred against the power even of the State; but it insists that no individual's rights extend so far as to prevent the State from adjusting the conflicting claims of individuals and safeguarding the just welfare of all its citizens. In other words, man's natural rights must not be so widely interpreted that the strong, and the cunning, and the unscrupulous will be able, under the pretext of individual liberty, to exploit and overreach the weak, and simple, and honest majority. The formula that correctly describes the limits of individual rights is not the one enounced by Kant and Fichte, namely, that a person has a right to do everything that does not interfere with the equal liberty of others.<sup>1</sup> Interpreted in one way, this formula is utterly incapable of application, since the doing of an action by one man means the limitation to that degree of the liberty of all other men. Understood in a completely subjective sense, it would justify and legalize theft, adultery and murder; for I may

<sup>1</sup> See Kant's "Metaphysik der Sitten," section C, and Fichte's "Science of Rights," p. 161, Kroeger's translation.

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claim the right to steal if I am willing that others should enjoy the same liberty. The true formula is, that the individual has a right to all things that are essential to the reasonable development of his personality, consistently with the rights of others and the complete observance of the moral law. Where this rule is enforced the rights of *all* individuals, and of society as well, are amply and reasonably protected. On the other hand, if the individual's rights are given a narrower interpretation, if on any plea of public welfare they are treated by the State as non-existent, there is an end to the dignity of personality and the sacredness of human life. Man becomes merely an instrument of the State's aggrandizement, instead of the final end of its solicitude and the justification of its existence. If all rights are derived from the State, and determined by the needs of the State, the laborer has no such thing as a natural right to a Living Wage, nor any kind of right to any measure of wages, except in so far as the community would thereby be benefited. President Hadley tells us that some workers are more profitable at a low wage than at a high one, that the "economy of high wages" is not a universal law. "There are some men whose maximum efficiency per unit of food is obtained with small consumption and small output. These go into lines requiring neither exceptional strength nor exceptional skill, and remain poor because the best commercial economy in such lines is obtained by a combination of low output and low consumption."<sup>1</sup>

<sup>1</sup>"Economics," section 363.



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Those who would measure the rights of the individual by the social weal must logically conclude that whenever "the best commercial economy" is secured by "low consumption," in other words, by low wages, the underpaid worker, let him be never so cruelly "sweated," is not treated unjustly and has no right to a larger remuneration. Hence the importance of the doctrine of rights to the subject of this volume; for it cannot be shown that every laborer has an ethical claim to a Living Wage unless the teaching of Christianity be accepted, to-wit: "That every individual by virtue of his eternal destination is at the core somewhat holy and indestructible; that the smallest part has a value of its own, and not merely because it is part of a whole: that every man is to be regarded by the community, never as a mere instrument, but also as an end."<sup>1</sup>

<sup>1</sup> Gierke, "Political Theories of the Middle Age," p. 82.

## CHAPTER IV

### THE RIGHT TO SUBSISTENCE AND THE RIGHT TO A DECENT LIVELIHOOD

The right to a Living Wage is derived from the right to live from the bounty of the earth. The latter right acknowledged by most nations and insisted upon by Christianity. It is evident from a view of man's nature and his relation to the earth. It is superior to and limits the right of private ownership. Meaning of a decent livelihood. Its rational basis is the sacredness of personality. Men have not natural rights to equal amounts of goods; for they are unequal both in individual needs and productive powers. Nor rights to equal satisfaction of the totality of their needs. Circumstances by which the right to a decent livelihood is conditioned.

According to the argument made in the last chapter, the source of natural rights is the dignity of the human person, while their scope is determined by the person's essential needs. A man's natural rights are as many and as extensive as are the liberties, opportunities and possessions that are required for the reasonable maintenance and development of his personality. They may all be reduced to the right to a reasonable amount of external liberty of action. Some of them, for instance, the right to live and the right to marry, are original and primary, inhering

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in all persons of whatever condition; others are derived and secondary, occasioned and determined by the particular circumstances of particular persons. To the latter class belongs the right to a Living Wage. It is not an original and universal right; for the receiving of wages supposes that form of industrial organization known as the wage system, which has not always existed and is not essential to human welfare. Even to-day there are millions of men who get their living otherwise than by wages, and who, therefore, have no juridical title to wages of any kind or amount. The right to a Living Wage is evidently a derived right which is measured and determined by existing social and industrial institutions.

The primary natural right from which the right to a Living Wage is deduced, is the right to subsist upon the bounty of the earth. All people have given more or less definite adhesion to the truth that the earth is the common heritage of all the children of men. Emil de Laveleye and Sir Henry Maine tell us that, "originally the soil belonged in common to communities of kinsmen"; and Cliffe-Leslie, speaking of the wild herbs, fruits, berries and roots which were the earliest forms of property, says: "Individuals did not regard these as their own absolute property, but as part of the common fund of the community."<sup>1</sup> Whatever objections may lie in the way of the theory of primitive communism in land, the facts at our disposal seem to indicate that

<sup>1</sup> Introduction to Laveleye's "Primitive Property," pp. vi, vii.

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scarcely any community has regarded as thieves those of its own members who seized their neighbor's goods as a last resource against starvation. This is especially true of the nations that have adopted the moral teachings of Christianity. In the early centuries of the Christian era the task of providing for the poor and needy was accepted and recognized by the bishops and secular clergy, the monasteries and other religious institutions, as an obligation of legal justice; in modern times it is most frequently discharged through the legislation known as poor laws. Underlying these various practices and institutions is the Christian conviction that every human being has not only a claim in charity, but a strict right to as much of the wealth of the community as is necessary to maintain his life. Such was the doctrine of the early Fathers of the Church, and such has been the doctrine of all her authoritative teachers down to the present hour. The teaching of Basil in the East and Ambrose in the West may be taken as representing the mind of all the Fathers. The former tells the rich man that the superfluous bread, shoes and clothes in his possession belong to his hungry and naked neighbors, while the latter declares that the man of wealth who gives to the poor is not bestowing an alms but paying a debt.<sup>1</sup> The greatest of the theologians, St. Thomas Aquinas, maintained that the man in extreme need who had no other resource was justified in supplying his necessities from the goods of his

<sup>1</sup>For a fairly good account of the attitude of the Fathers toward private property, see Capart, "La propriété individuelle et le collectivisme."



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neighbor, and that this would not, properly speaking, be theft.<sup>1</sup> Again, he says it is well that property should be *owned* privately, but that the *use* of it should be common, so that all persons may be sustained out of its abundance.<sup>2</sup> In this statement we have undoubtedly an echo and development of the saying of Aristotle that, "it is best to make property private but to have the use of it common."<sup>3</sup>

This claim of the individual to a livelihood, which seems to be allowed by the moral convictions of all peoples, and which is explicitly asserted in the Christian teaching, is obviously in accord with the dictates of reason. Since all persons are of equal intrinsic worth, the maintenance of life is of equal intrinsic importance in all. Relatively to his fellows, every man is an end in himself. No man can reasonably say to his neighbors: "My life is superior to yours, more sacred than yours, and your faculties and lives ought to be treated as mere means to my welfare." Nor can any man truthfully assert that there is anything in the designs of God, in his own nature, or in the nature of the earth that would justify him in maintaining that his right to the earth's material resources is superior to that of his fellows. On the one hand, then, we have the fact that all persons are of equal dignity and their lives of equal intrinsic importance; on the other hand, we see that all men stand on the same footing in relation to the common bounty of earth. It follows, therefore, that the right of access to the material means of liv-

<sup>1</sup> "Summa Theologica," 2a. 2ae., q. 66, a. 7.

<sup>2</sup> *Ibid*, a. 2.

<sup>3</sup> "Politics," Book II, ch. V.

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ing is as important and as valid in one man as in another. The man who is not in himself in extreme need cannot rightfully debar his perishing fellow man from the goods that are indispensable to the preservation of life.

What becomes, according to this doctrine, of the right of private property, and of the recognized titles thereto, such as occupation, inheritance, labor, acquisition by contract, etc.? Suppose the starving man wishes to take some of the bread that the honest mechanic has bought with his hard earned wages! The latter may meet the man in distress with the statement: "Yes, I concede that you have by nature, by the fact that you are a human being, the right to acquire and use property and, in general, to live upon the fruits of the earth; but my purchase has given me a particular claim to this particular bread, a specific and precise right against which your generic and vague right cannot prevail." The answer to this contention is simple. All the titles of private ownership are merely reasons or causes why a person can validly lay claim to a particular piece or article of private property. They show why the good in question belongs to the present claimant *rather than to any other man*; but they do not prove the validity of private property as an *institution*. Private ownership of the earth's resources is right and reasonable not for its own sake—which would be absurd—but because it enables men to supply their wants more satisfactorily than would be possible in a régime of common property. Human needs constitute the primary title both of com-

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mon and of private ownership. Private property is morally legitimate because it is the method that best enables man to realize his natural right to use the gifts of material nature for the development of his personality. It is, therefore, merely a means, and its scope is determined and limited by the end which it promotes, and which is its sole justification. The private right of any and every individual must be interpreted consistently with the common rights of all. When a private owner encroaches upon the latter he cannot justify his conduct by an appeal to the authority of his private right; for this is a mere means to the right of use, and his right of use ceases where the like right of his neighbor begins. Hence a man's right to a superfluous loaf which is his by a title of private ownership does not absolve him from the crime of injustice when he withholds it from his starving fellow man. In acting thus he treats a trifling want of his own, namely, the desire to continue in possession of that loaf, as a thing of greater worth than his neighbor's life. He uses the common bounty of nature to satisfy an unimportant want at the expense of an essential want in a being whose life is as sacred and as valuable as his own. As this use of goods is unreasonable, so is the means by which it is accomplished, namely, an undue extension and unwarranted interpretation of the right of private property.

So much for the right to subsistence, to a bare livelihood. By a *decent* livelihood is meant that amount of the necessities and comforts of life that is in keeping with the dignity of a human being. It

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has no necessary relation to the conventional standard of living that may prevail within any social or industrial class, but describes rather that minimum of conditions which the average person of a given age or sex must enjoy in order to live as a human being should live. It means, in short, that smallest amount of subsistence goods which is reasonable, becoming, appropriate to the dignity of a person. The content of this right will be stated in detail hereafter; at present let us say that if a man is to live a becoming life he must have the means, not merely to secure himself against death by starvation and exposure, but to maintain himself in a reasonable degree of comfort. He is to live as a man, not as an animal. He must have food, clothing and shelter. He must have opportunity to develop within reasonable limits all his faculties, physical, intellectual, moral and spiritual. The rational ground of this right is the same as that of the right to subsistence. It is the dignity and essential needs of the person. Those means and opportunities that have just been described as a decent livelihood are the minimum conditions of right and reasonable living, since without them man cannot attain to that exercise of his faculties and that development of his personality that makes his life worthy of a human being. When he is compelled to live on less than this minimum he is treated as somewhat less than a man. If it be asked, What proof can be given that a person really possesses this right to a decent livelihood? the answer must be that proof in the strict sense is impossible. If it is not self-evident, none



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of man's natural rights are self-evident, and the dignity of personality is a delusion. All that a defender of any of these rights can do is to offer what Mill called "considerations which induce the mind to accept." The only argument that can be adduced for the right *to live* is that the sacredness of personality is violated when one man uses the life of another as a mere means to his own welfare. Similarly a man's dignity is outraged when he is deprived of the opportunity to live a *reasonable* life, in order that some other man or men may enjoy the superfluities of life. A decent livelihood is just as truly an essential need of man, is just as absolutely demanded by his intrinsic dignity, as subsistence, or security of life and limb. In all these rights the vital and ultimate consideration is the intrinsic worth of the person. If this be ignored, if the principle that every man is an end in himself be rejected in the case of the claim to a decent livelihood, it can logically be ignored where life itself is at stake; for the difference between these rights and between the needs to which they respond is one of degree not of kind. Now, since a reasonable life and the reasonable development of personality are of equal intrinsic importance in all human beings, the fruits of the earth, the common heritage, ought to be distributed in such a way that this end will be realized. Consequently when any person is hindered from obtaining access *on reasonable terms* to this minimum of material goods his dignity and rights are violated, and some other man or men, or some social institution, has committed an act of injustice.

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Why content ourselves, it may be asked, with the assertion that men have equal rights merely to a decent livelihood? Since the earth was created for all, and since men are equal in personal dignity, have they not a natural right to *equal amounts* of the products of the earth? The first answer to these questions consists in an appeal to that very consideration of equal justice which, superficially regarded, seems to demand an equal division. Although men are equal in personal dignity, they are unequal in their individual powers and needs. Equal generically, they are unequal individually. The quantity that would constitute a decent livelihood, or any other given level of living, for one man, would mean now more and now less than this level in the case of other men. So that even if the ideal of distributive justice were that social condition in which all men would have the requisites of precisely equal degrees of life and development, the quantity necessary for this purpose would vary according to the varying constitutions and peculiarities of the individuals. All that any man could justly demand would be the amount that made this degree of life possible for him. With regard to their content, therefore, the equality of rights is proportional not arithmetical.

Another objection to the method of absolute equality in distribution arises out of the principle of productivity. The conviction is well-nigh universal that a man has a right to all that he produces. Any one not in extreme need who seizes the results of another's labor is everywhere regarded as a robber or a thief. And this judgment seems to be entirely

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correct. Certainly it is true of those cases in which the producer, using materials which are his by some valid title of ownership, turns out a product unassisted. Upon this product his, and only his, personality is impressed, and it is difficult to see on what ground, save that of dire need, any portion of it can be claimed by anyone else. The same principle would seem to hold in a lesser degree with regard to the joint product of a number of associated workers whose productive contributions have been unequal. Those who have produced most are, it would seem, entitled to the largest share of the product. It is not necessary, nor even proper, that they should be awarded in full proportion to their productivity—for the reasonable needs and the efforts or sacrifices of the other workers constitute superior titles—but they ought to receive something more than the less efficient contributors. Mr. John A. Hobson says that society must, as a matter of *expediency*, recognize in its members some kind of right to “all that portion of a product necessary to evoke the effort to produce it.”<sup>1</sup> It is true that society will do well to pay exceptional rewards in order to obtain exceptional services, but this necessity under which society labors does not of itself confer upon the doers of such services a *right* to unusual remuneration, any more than the conditions which compel a weaker nation to pay tribute to a stronger create a right in the latter to receive and retain such payments. Social expediency is frequently nothing more than forced toleration of something essentially evil. Independently, how-

<sup>1</sup> The Social Problem, pp. 105, 106.

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ever, of the attitude of society, superior productive power does seem to give rise to some sort of title to superior rewards, and therefore to refute the claims of arithmetical equality.

But if man's needs constitute the primary and most urgent title of ownership, and should be taken as the sole rule of distribution up to the point where all men are provided with a decent livelihood, why not apply the same principle to all the needs that clamor for satisfaction and all the goods that are to be distributed? Since men are of equal worth, does not ideal justice require that they should be enabled to supply the totality of their needs in equal degrees? Is it just that one man smoke cigars, while his neighbor, with the same human nature and the same tastes, is compelled to content himself with cheap tobacco and a clay pipe? One answer to these questions is found in the claims of the principle of productivity as outlined in the preceding paragraph. The man who produces more wealth or other forms of social utility than his fellow producers acquires some kind of right to a greater reward, independently of the extent or intensity of his needs. Again, some of the producers make greater efforts and greater sacrifices than others; and a large part of the world's productive resources is already held by legitimate titles of private ownership, such as occupation, inheritance and contract. Superior sacrifices undergone in the production of social utilities create a claim to superior remuneration; and the recognized titles of private ownership, when not extended beyond reasonable limits, are valid because



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they are in accordance with deep and universal human needs. They confer upon their holders some right to the *fruits* of the productive goods thus owned. Finally, the needs that remain after a decent livelihood has been obtained by all, ought, as a matter of *social welfare* and of concrete justice, to be satisfied unequally, inasmuch as men who can make a good use of the non-essential goods ought to obtain more of them than men who are incapable of any socially useful work. All of these considerations of productivity, sacrifice, existing private property, and capacity for public service, modify the claims of the principle of needs, and have to be taken into account in formulating a completely just system of distribution.<sup>1</sup>

It does not follow, however, that the man who has no private productive property, and whose efficiency and sacrifices in production are only ordinary, will never have a right to more than the minimum that constitutes a decent livelihood. If this were true the just wage and the Living Wage would mean the same thing for the great majority, and only the few would have a right to the means of progressing beyond the bare essentials of a reasonable existence. But to set forth the requirements of full and exact justice in the distribution of goods is happily not the object of this book. It is concerned only with the *minimum* that will satisfy the claims of right; hence the present contention is merely that a person has a right to *at least* a decent

<sup>1</sup> A very interesting and penetrating discussion of the different canons of distribution is found in Willoughby's "Social Justice," pp. 107-215.

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livelihood. It has been said above that this is a right of access to the appropriate goods "on reasonable terms." This phrase suggests the limitations of the right. It is not of such a pressing nature as the right to subsistence, and therefore does not justify the taking of private property, even when there is no other available means of securing its realization. It is, moreover, limited by the actual conditions of production and distribution. Subsistence goods are not as a rule provided by nature in the precise forms suitable to human use. The raw material of living is present in abundance, but the finished consumption goods must be furnished by labor. They cannot be obtained by a simple stretching forth of one's hand. "In the sweat of thy face thou shalt eat thy bread," is the great law of life which in some form is binding upon all. It must be obeyed, up to the limit of reasonable exertion, by all who would make good their claims to a decent livelihood. As all should be enabled to realize the right, so all should fulfil the conditions upon which it depends. On the other hand, the concrete existence of the right in all supposes that the total amount of goods to be distributed is sufficiently large to afford a decent livelihood for all. Where both of these conditions are realized the individual's right will be valid *in general* against the society of which he forms a part; for, to quote the words of Prince Liechtenstein of Austria: "Labor is not merely a matter of the private order; it is a kind of function delegated by society to each member of the body politic. The peasant who cultivates his field, the artisan who

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works in a manufactory, are, so far as society is concerned, functionaries, just as much as the government clerk in his office, or the soldier on the field of battle. Industrial labor creates, like every other function, a series of reciprocal obligations between the society which provides it and the worker who executes it." <sup>1</sup> The right holds *in particular* against the person or the industrial or social institution to whom society has transferred the function of distribution, and on whom the actual relations of men and the practical harmonizing and just interpretation of the natural rights of all, dictate that the obligation should rest.

<sup>1</sup> Quoted in Lilly's "First Principles in Politics," pp. 101, 102.

## CHAPTER V

### THE RIGHT TO A PERSONAL LIVING WAGE

Various ways of defending the Living Wage principle. The maintenance of industrial efficiency: theory not fully convincing, and it ignores the laborer's personal dignity. The theory of an equivalent for expended energy is inconclusive. The principle of just price demands equality of gain for the two exchangers, and a corresponding formulation of values and prices. In the opinion of the Schoolmen, this was best accomplished through the medium of the social estimate. Upon this doctrine of just price some writers try to base the right to a Living Wage. Criticism of the doctrine in its theoretical and practical aspects, and conclusion it cannot serve as a foundation for this right. Some remarks on the general validity of the doctrine of just price. The theory that the laborer's right to a Living Wage is merely the concrete form of his right to a decent livelihood. The former right holds against the members of the community in which the laborer lives, notwithstanding the complexity of modern industry and current exaggeration of the right of private ownership. A truer view prevailed in medieval society; and occasionally finds expression to-day. The wage-rights of women and children.

It is the purpose of this chapter to show that the workingman's right to a decent livelihood is, in the present economic and political organization of society, the right to a Living Wage. The term



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“workingman” is taken to describe the adult male of average physical ability who is dependent exclusively upon the remuneration that he is paid in return for his labor. And “a personal Living Wage” means that amount of remuneration that is sufficient to maintain decently the laborer himself, without reference to his family. At the close of the chapter a word will be said concerning the wage-rights of women and children.

The advocates of the Living Wage doctrine do not all reach their common conclusion by the same process of reasoning. Some of them base it on the social benefit to be derived from maintaining the workers in a condition of the highest industrial efficiency; others, on the manifest justice of giving a man sufficient to repair the energy that he expends in his labor; others, on the “common estimate” of what constitutes a just price for work; and still others, on the personal dignity of the laborer, or his right to possess the requisites of a decent human life.

Prominent among those who defend the principle of a minimum wage on social grounds are Sidney and Beatrice Webb, and their line of argument is typical of that large class of writers who habitually regard the rights and welfare of the individual from the viewpoint of society.<sup>1</sup> They maintain that the State ought to enforce a national minimum of wages which would provide the laborer with “the food, clothing and shelter physiologically necessary, according to national habit and custom, to prevent

<sup>1</sup> See “Industrial Democracy” 1st edition, pp. 766-784.

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bodily deterioration." By this means the community would rid itself of the industrial evil called "parasitism," that is, the existence of trades or businesses in which the wages paid are too low to maintain the workers in industrial efficiency, and to enable them to reproduce and rear a sufficient number to take their places. These industries take from the nation's capital stock of character, intelligence and energy more than they give back, and therefore steadily degrade the character and industrial efficiency of the whole people. Hence, as a matter of simple protection to the national life, both present and future, this practice ought to be prohibited, and all workers ought to be given, through appropriate legal measures, sufficient remuneration to maintain their productive power.

Admitting the premises, this conclusion is obviously correct, but it is only partially satisfactory to anyone who regards the laborer primarily as a being endowed with a personality and rights of his own. Like every other person, he exists primarily for himself, not for society; and he has rights that are derived from his own essential and intrinsic worth, and whose primary end is his own welfare. Society exists for the individual, not the individual for society, and when there is question of fundamental rights and interests the good of the individual, that is, of all the individuals, should be the supreme consideration. Social welfare when taken as an ideal of effort entirely apart from the welfare of the particular individuals of whom society is composed, is either an empty abstraction or, concretely, the wel-

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fare of a portion only of its members—the strongest, or most efficient, or most intelligent. Individual rights ought, indeed, to be interpreted consistently with the legitimate interests of society, but this is only another way of saying that no person's rights should be extended so far as to violate the rights of other persons; for the vital fact about injury to society is always that some wrong is done to a group of human beings. And, despite the alleged evils of "parasitism," it is quite conceivable that in some contingencies social utility would be promoted by paying some of the least efficient workers a wage insufficient to repair expended energy or to bring out their highest productive effort. The nation, like the individual employer, might find it profitable to wear out quickly a portion of its productive power. The difference between the product of some laborers at bare subsistence wages and at a wage adequate to replace their outlay of energy and evoke their fullest productivity, might not equal the difference in remuneration. In such cases the attempt to obtain the highest industrial efficiency would be economically unprofitable. No doubt the advocates of the view here criticized are too humane to conclude that society is justified in seeking its own utility at the cost of inhumanity to any section of its members. They would probably insist that this course would *in the long run* be productive of more harm than good, owing to the resulting *moral* deterioration. With this contention the defender of natural rights would agree, since he holds that true and permanent social utility, economic, moral and spiritual, can be

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secured only by a general observance of the moral law and the law of rights as deduced from the essential nature of man; but he would insist that the doctrine which derives the laborer's claim to a decent livelihood from considerations of social utility is not only unsound in theory but extremely dangerous in practice. Once this view becomes general, the condition of the "sweated classes" will be even more hopeless than it is to-day; for only the few are capable of perceiving, or anxious to secure, what will be beneficial to society "in the long run." The many will see only the apparent social utility of cheap goods and cheap services.

The Rev. Charles Antoine, S. J., declares that there ought to be an objective equivalence between the labor performed and the wage received.<sup>1</sup> That is to say, the laborer's remuneration must be sufficient to replace the energy that he has put forth in the service of his employer, and this as a matter not of social welfare but of individual rights. While this formula has a certain show of exact, rigorous justice, it can be interpreted and applied in such a way that the "equivalent" compensation will be less than a Living Wage. For the energy expended by the laborer is replaced, substantially, as long as he continues to work with his accustomed efficiency. *Any* wage that is uniform from day to day will provide him with the material means of realizing this end. The fact is that the amount of energy expended by the laborer who is wholly dependent upon his wages, is always limited by his wages, can never be in excess

<sup>1</sup>"Cours d'économie sociale," p. 601.



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of them. The subsistence received by the men and women employed in sweat shops does not repair a large amount of energy, but, on the hypothesis that they continue at work, it replaces all that they actually expend. The rule that Father Antoine proposes cannot be made the basis of a change for the better, since it is even now in force throughout the world of industry. In fact, it would work very well side by side with "the iron law of wages."

Other writers derive the right to a Living Wage from the principle of just price. Following the Schoolmen, they maintain that for every commodity, whether goods or labor, that men buy and sell, there is a price that is just and fair.<sup>1</sup> It is the price at which the things exchanged will be equal. Now the equality that may exist between economic goods can be nothing else but an equality of utility.<sup>2</sup> And this equality is to be understood, not absolutely, in the sense that both exchangers will derive the same amount of satisfaction from the goods *received*, but relatively to the inconvenience that each suffers by depriving himself of the good transferred.<sup>3</sup> It was as obvious to the Schoolmen as it is to us, that in every economic exchange both parties make a gain, or think they do—otherwise the transaction could never take place. The utility that each obtains from the thing received is greater than he would have enjoyed by continuing in possession of the thing

<sup>1</sup> Cf. Rev. A. Vermeersch, S. J., "Quaestiones de Justitia," theses, 25, 28, 29.

<sup>2</sup> Cf. Victor Brants, "Les théories économiques aux xiii<sup>e</sup> et xiv<sup>e</sup> siècles," p. 193, sq.

<sup>3</sup> Cf. St. Thomas, "Summa Theologica," 2a. 2ae., q. 77, a. 1.

## A PERSONAL LIVING WAGE

parted with. Now, justice requires that these net gains should be *the same for both sides*. Such is the precise and commonly accepted meaning of the scholastic formula: "In an onerous contract the two parties should be benefited equally." It is held to be a deduction from the personal equality of all human beings. Men have equal rights, not only to subsist upon and acquire the fruits of the earth, but to profit by the exchange of such goods as they have legitimately acquired.<sup>1</sup>

Since the price of goods is merely their *value* expressed in terms of money, their value must always be so assessed and determined that the price will be just—that both parties will obtain the same quantity of net advantage. Understood in this sense, the value of things is primarily an ethical attribute. It is measured and formulated with reference, not merely to economic facts, but to this objective moral standard of equality of gain.<sup>2</sup> If the gains resulting from the exchange of one coat for two pairs of shoes are unequal the goods have not been rightly valued, and the contract is not in accordance with ideal justice. In a word, justice is not realized by exchanging commodities at any valuation that the contracting parties see fit to put upon them, nor at any other valuation whatever, except the one that is just, the just price.

<sup>1</sup> Cf. Rev. A. Castelein, S. J., "Philosophia Moralis et Socialis," p. 208.

<sup>2</sup> While criticizing the scholastic doctrine of just price, on the ground that, as he incorrectly assumes, it took no account of the factor of human desire, M. Gabriel Tarde adopts in so many words the scholastic formula of contractual justice. That

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Who is to ascertain and fix this just value of things in actual transactions? Not those who make the exchange, for they are liable to form prejudiced estimates, and the stronger bargainer will be tempted to use his power at the expense of the weaker. In the opinion of the Schoolmen, the valuation could be most reasonably and justly determined by the community. They admitted, indeed, that the just price of goods was incapable of exact determination, and consisted in a "certain estimate" or approximation ("quadam aestimatione"). Hence, they said, it is susceptible of three grades, lowest, medium and highest, all of which are legitimate as rules of practical justice. This method of social appraisal seemed to them to be a fairly satisfactory advice, inasmuch as it reduced the influence of the individual bias and individual selfishness (against which the whole doctrine of just price was directed) to a minimum. Nor was the community to act arbitrarily in arriving at its common estimate; it was morally bound to take into account certain objective factors, chiefly, the cost of production, the scarcity, and the general utility of the goods appraised. Thus formulated, the "social estimate" was always the proximate determinant of just price.

Upon this doctrine the writers whom we are now considering base the laborer's right to a Living Wage. Their argument runs thus: the workingman has a right to a just price for his labor; the just valuation of any kind of labor is that formed by the com-

price, he says, will be just, "qui donnerait une satisfaction egale aux deux." "Psychologie économique," II. p. 44.

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mon estimate, or social judgment, of what is reasonable; now the social judgment declares that a man's wages ought never to be less than the equivalent of a decent livelihood; consequently, the just price of labor is never less than a Living Wage.

The defenders of this view are careful to point out that the social estimate to which they refer is not the *economic* social estimate. The latter is determined solely by the movement of demand and supply, is produced *unconsciously*, by the "higgling of the market," and is always expressed in actual market prices. The ethical estimate is a deliberate pronouncement of the social judgment, made independently of the price-determining action of competition. It declares the prices and wages that ought to exist, not those that do exist. In this sense the social estimate, we are told, maintains that when men are paid less than a Living Wage they are victims of injustice.<sup>1</sup>

In considering the bearing of the doctrine of just price upon that of a Living Wage, we must distinguish between its objective and subjective aspects. Equality of gain for the two exchangers is the objective standard of ideal justice; while the subjective application of the abstract rule to the concrete facts of industry is found in the social estimate, which is assumed to be the best available expression of the requirements of practical justice. Now, our contention is that neither the ideal standard nor the

<sup>1</sup> For an explanation of the difference between the scholastic theory of just price and a modern theory of economic value, the reader is referred to chapter II; references to authorities on the former theory will also be found there.



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method of applying it affords a satisfactory logical basis for the Living Wage principle.

The criterion of equal gains for the two parties to an economic exchange would seem, at first sight, to possess all the requisites of a correct rule of justice. Inasmuch as men are endowed with equal rights to acquire the resources of the earth, it seems reasonable to conclude that when two of them enter into a contract for the exchange of goods that they have lawfully acquired—a contract in which neither intends to enact the rôle of a philanthropist, but both wish to gain as much as possible—they have a right to *equal quantities* of gain. As we saw in the last chapter, equal rights to the earth do not, indeed, imply rights to *equal amounts* of it or its products; but this is owing to the existence of other titles of ownership, such as superior needs, efforts and productivity, which modify the content of the primary and fundamental title. No such considerations stand in the way of men's rights to equal gains from the exchange of their goods. When we look deeper, however, we find that there are other and very good reasons for rejecting this standard of equal gains. In the first place, there is the difficulty of putting it into practice. No statement of a just price in terms of money can be formulated which will enable the two contracting parties to make equal gains in the case of any good that is frequently bought and sold. Different men may purchase the same article from the same merchant at the same rate, and yet the personal advantage will not be the

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same for all of them.<sup>1</sup> According to the theory that we are discussing, all the buyers ought to profit to the same extent, provided that the merchant's gains on all the transactions are equal. And the chances of inequality are increased when the purchasers deal with different sellers. The situation is the same when the commodity dealt in is human labor. It is morally impossible to appoint a rate of wages from which the employer and every employee will obtain the same amount of net utility.

Not only is this standard impracticable (except by an approximation so broad as to render it superfluous), but in a large proportion of cases it is unsound theoretically. For example, the man who gives his last dime to a prosperous baker for a loaf of bread, gains far more by the transaction than does the baker. The profit made by the latter is very small, say, one cent, and represents the satisfaction of a very trifling want. The other party to the contract has stilled the keenest pangs of hunger, and possibly warded off imminent starvation. Any other utility that he might have procured for his dime is, in comparison with the one that he really obtained, insignificant. Consequently, the utility of the bread to him, whether considered in itself or relatively to any other good that he might have got for his money, is much greater than the advantage accruing to the baker. And yet no one would assert that in the ordinary conditions of production ten cents is not a sufficiently large price for a loaf of bread. In

<sup>1</sup> Cf. J. A. Hobson, "The Economics of Distribution," chap. I; Tarde, *op. cit.*, pp. 10-22.

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accordance with a well known law of value, the utility of a good to an individual is always proportioned to the importance and intensity of the want that it satisfies; hence the more dissimilar the material conditions of the exchangers, the more will the gain of the poorer exceed that of the richer. If the two are to gain equally the poorer man must pay a price that all fair-minded persons would regard as outrageously exorbitant. Only in contracts between persons whose incomes are substantially equal does the rule of equality or gains seem to accord with our everyday conceptions of justice. When, for instance, a shoemaker gives a tailor a pair of shoes in return for a pair of trousers, their gains are about equal, since the wants supplied are nearly equal in importance. The inequality that we are discussing is even more striking and more frequent in labor contracts. No matter how low the wage, the laborer gains more than the employer. The man who works for seventy-five cents a day satisfies in some fashion his most important and intense wants. Compared with this result the pain-cost of the exertion that he puts forth is quite small. The net advantage that he derives from the contract is, therefore, very large; whereas the employer's profit is a small amount of money which, in a great many cases, represents a few cigars or some equally secondary utility. According to the equal gain principle, the laborer is getting more than is just, although his remuneration is far below the limit of a Living Wage. As a general rule, the employer who has any considerable number of men on his pay roll does,

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indeed, obtain from the aggregate of his wage-contracts more utility—a greater satisfaction of wants both intensively and extensively—than any one of his employees, but his gain is less than the total gains of all of them; and in any one contract it is smaller than the advantage received by the other party, the laborer.

As a matter of fact, the Schoolmen never made any consistent attempt to apply the principle of equality of gains to industrial contracts. When they declared that the community, or, more precisely, those members of it whose reputation for fairness was highest, was the most competent agency to determine the concrete price that would safeguard equality between buyer and seller, they also declared, as we have seen above, that the decision of the community, the social estimate, ought to be based upon the general utility, the relative supply, and the cost of production of the commodity. Now these are objective factors, but they are in no sense an expression or interpretation of the objective standard of equality of gains. A price fixed in accordance with them would not always—would never, perhaps—enable both exchangers to obtain the same amount of profit. Hence the Schoolmen's working criterion of just price implies a complete setting aside of their ideal standard. Indeed, their insistence on the cost of production as one of the determinants of the just price of goods was a recognition of the principle of a Living Wage; for cost of production in medieval industry was labor cost, the just measure of which was the customary needs of the



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class performing the labor. "With the canonists, this idea of class duties and class standard of comfort is either explicitly or implicitly referred to as final test in every question of distribution or exchange. Thus Langenstein—who, after being vice-chancellor of the University of Paris, was called to teach at the New University of Vienne in 1384—lays down that everyone can determine for himself the just price of the wares he may have to sell, by simply reckoning what he needs in order to suitably support himself in his rank of life."<sup>1</sup> Thus, the Schoolmen measured the just price by a Living Wage, instead of basing the latter upon the former.

So much for the theoretical standard: the practical criterion, the "social estimate," is unsatisfactory, either as a justification or as a measure of the Living Wage. To begin with, it is too vague. Does it describe the unanimous, or morally unanimous, judgment of the community—what the older writers called the "sensus communis"? or, is it another name for "public opinion"? Does it mean custom? Possibly it refers to the deliberate judgment of a body of men chosen from the various classes, intellectual, industrial and religious, of the community. Let us see whether any of these social estimates will serve to-day as a working rule of industrial justice.

The first of them undoubtedly sanctions the *principle* of a Living Wage. Our knowledge of the average man's moral beliefs entitles us to assume

<sup>1</sup> Ashley, *op. cit.*, II, p. 391; cf. Brants, *op. cit.*, p. 119, where the text and reference are given; and Janssen, "Geschichte des deutschen Volkes," I, p. 447.

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that he holds, at least in the abstract, that the laborer ought to have the means of living comfortably and decently. But concerning the amount of subsistence goods comprised in the idea of a decent livelihood, the "sensus communis" lacks definiteness. The best that it can give us is a compromise derived from a multitude of individual or class estimates. We have, however, no means of ascertaining the content of this compromise, or average estimate, and, even if we had, we cannot be certain that it would be in harmony with reason and justice. In judging of the larger and more general questions of morality, the common convictions of mankind are sufficiently trustworthy; but in details its judgment is easily perverted by the influence of bad and long established custom.

Second, that somewhat capricious form of the social estimate, called public opinion, is vitiated by defects similar to those just enumerated. Its verdict concerning the precise requisites of a Living Wage will necessarily be too general, and too difficult of ascertainment. It is, moreover, essentially variable and therefore untrustworthy. Indeed, if we accept the press as its mouthpiece we must admit that it has not declared in favor of even the *principle* of a Living Wage.

In the third place, it is undoubtedly true that a fairly definite standard of industrial justice is found in custom; but it is not a reliable standard. The custom of our time approves of wages that are insufficient to afford the conditions of a decent livelihood—witness the remuneration of the "sweated"

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classes. As we saw in Chapter II, the canonist, Reiffenstuel, accepted custom as a criterion, and arrived at the conclusion that justice did not require a man's wages to be equivalent to a decent livelihood.

Finally, the pronouncement of a carefully selected and representative committee would, it is probable, be sufficiently definite and trustworthy. If the social estimate, thus understood, declared that every laborer ought to have a Living Wage, and defined what it meant by this phrase, its decision would probably satisfy all reasonable minds, and be the nearest approach to a correct estimate of a Living Wage that is practically attainable. Since, however, no such judicial body exists, its assumed pronouncements cannot be made to serve as the basis of the Living Wage doctrine.

The theory which founds a Living Wage upon the principle of just price has been discussed at this length because the concepts and formulas underlying it dominated the industrial theory and practice of Europe for centuries, and because they are still quite common in ethical literature. One after another the Schoolmen of the Middle Ages asserted and expounded the principle that goods and labor had a certain just price. And they were right; for when we admit that a commodity can be sold at an exorbitant price we tacitly assume that it has some other price which is not exorbitant, which is just. An action cannot be adjudged wrong except by reference to some standard of right. The precise determination of that standard is another matter. The Schoolmen's *theoretical* formulation of it—

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equality of benefit or gain for buyer and seller—is undoubtedly a particular application of the general principle that, since men are by nature equal, justice regards them as essentially equal in relation to their property, and demands that whenever private property changes hands (except in the case of gifts) equality should be maintained between the thing parted with and the thing received in return. “*Aequalitas rei ad rem*,” was the scholastic phrase.<sup>1</sup> According to this principle, property that has been unjustly taken away must be restored to the owner in its integral self or in its equivalent; and, secondly, in free exchanges the thing received should be equivalent to the thing transferred. This general statement is correct, expresses, in fact, the very essence of abstract justice between man and man; but, as we have seen, “equality between the things exchanged” cannot consistently with distributive justice be translated into “equal gains for the exchangers.”<sup>2</sup> We have seen, too, that the Schoolmen never made any practical use of this theoretical interpretation of equality; and we may be pardoned the wish that certain modern writers would discard, not only it, but certain kindred phrases and concepts that are equally ambiguous and misleading. A French economist, M. Charles Perin, has observed that many theological writers have hesitated to accept the reasoning of Pope Leo’s encyclical, accord-

<sup>1</sup> See Costa-Rosetti, “*Philosophia Moralis*,” thesis 107.

<sup>2</sup> In fact, it may be laid down as a general principle that the reciprocal gains ought to be *unequal* whenever, and to the extent that, such inequality will *reasonably* offset or correct previously existing inequality between the two parties.



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ing to which the minimum just wage is based upon the laborer's dignity as a person, and measured by his essential needs.<sup>1</sup> Apparently they dislike to part with traditional modes of expression, and so continue to repeat the old formulas about the laborer's right to a remuneration that is the "worth," or "equivalent," or "value," of his labor. In so far as these statements are true, they are truisms; in so far as they have any concrete, serviceable meaning they are not true. If, for example, the word value be taken in the sense of the actual economic, or market, value of labor, the statement in question becomes equivalent to the assertion that the laborer is justly treated whenever he receives the wages that are assigned to him by supply and demand, even though these may lie on the borderland of starvation. If *moral* value is meant the statement is correct, but not very illuminating, since it suggests no method of estimating the moral value of labor in terms of livelihood or wages. As to the *practical* interpretation of just price provided in the social estimate, it seems to have served very well for the small communities and simple economic relations of the Middle Ages.<sup>2</sup> When masters and men lived together in a relationship "like unto that of fathers and sons"; when the whole body of consumers and producers who were interested in arranging a scale of wages and prices was found within the limits of a small town; when the classes of goods and services that were to be appraised were few in number and simple

<sup>1</sup> "Premiers principes d'économie politique," 2d edition, pp. 389, 390.

<sup>2</sup> Cf. Ashley, "Economic History," I, p. 138.

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in character; and when the standard of living was nearly uniform throughout the community—in these circumstances the “*communis aestimatio*” of the just price of labor was apt to be more or less precise, and could be readily made manifest to all concerned. Moreover, the social estimate often became crystallized into custom. It was, therefore, not only definite and patent, but more or less constant during long periods of time. And, since it was formed under the immediate and powerful influence or moral and religious teaching, it was in fairly close conformity with ethical ideals.<sup>1</sup> As a working rule of fair dealing, it is even to-day valid in principle; for it implies the essence of the arbitration idea, a disinterested body of judges; but it stands in need of a new and more precise formulation. Its limitations, too, must be kept in mind: it is not an absolute but a subjective expression of right; and it must, as the Schoolmen insisted, always take account of certain objective factors, among which are man’s natural rights to life, liberty, and a becoming amount of the comforts of life.

Finally, we come to the doctrine which deduces the laborer’s right to a Living Wage from his personal dignity and his right to a decent livelihood.<sup>2</sup> It has been shown in the last chapter that, on account

<sup>1</sup> Cf. Ashley, *op. cit.*, II, 388.

<sup>2</sup> Cf. Rev. A. Pottier, “*de Jure et Justitia*,” pp. 220-265; Verhaegen, “*le minimum de salaire*”; Pope Leo XIII, in “*Rerum Novarum*”: “The preservation of life is the bounden duty of each and all, and to fail therein is a crime. It follows that each one has a right to procure what is required in order to live; and the poor can procure it in no other way than by their wages.”

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of his sacredness as a person, every member of a community has an abstract right to a decent livelihood, and that this right becomes concrete and actual when the material goods controlled by the community are sufficient to provide such a livelihood for all, and when the individual performs a reasonable amount of useful labor. It is assumed that the first condition is verified; and it is maintained that the second is fulfilled by the man who labors for hire during a working day of normal length. His general right to as much of the earth's fruits as will furnish a decent livelihood is clear; the correlative obligation of his fellow members of the community to appropriate and use the common bounty of nature consistently with this right, ought to be equally clear. Now, the simple and sufficient reason why this general right of the laborer takes the special form of a right to a Living Wage, is that in the present industrial organization of society, there is no other way in which the right can be realized. He cannot find a part of his livelihood outside of his wages because there are no unappropriated goods within his reach. To force him to make the attempt would be to compel him to live on less than a reasonable minimum. And the obligation of paying him this amount of wages rests upon the members of the industrial community in which he lives; for they have so appropriated the resources of nature, and so distributed the opportunities and functions of industry, that he can effectively realize his natural right of access to the goods of the earth only through the medium of wages. As long, therefore, as the

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present organization of industry exists, the obligation of not hindering the laborer from enjoying his right to a decent livelihood will be commuted into the obligation of paying him a Living Wage.

The right to a Living Wage is asserted to be valid against "the members of the community in which the laborer lives." Whether the term "members" refers merely to the employers, or to other persons as well, or to the community in its civil capacity, that is, the State, will be fully discussed in later chapters. For the present it is sufficient to point out that the right exists, and that it holds against those who are responsible for converting the laborer's opportunity of getting a living into the opportunity of receiving wages. "The industrial community in which the laborer lives" can be defined only approximately. It describes that section of the world's inhabitants with which the laborer comes into somewhat close economic relations, chiefly, those who are primarily benefited by his labor, and those who have appropriated that portion of the earth's resources that otherwise would be practically within his reach. Evidently these classes or persons are under obligations of justice toward the laborer that are shared only slightly, if at all, by men living on another continent. The latter may, indeed, have been beneficiaries of the laborer's toil, but they cannot practically do anything toward securing to him a Living Wage, beyond paying a fair price for his product; besides, they are under more pressing industrial obligations toward their immediate neighbors. It is also true that they have appropriated some of the



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common bounty of nature to which the laborer on the other side of the globe has, as one of the children of men, an indefinite birthright; owing, however, to the intervening distance, they have not vitally interfered with the realization of this right. Men's rights and obligations respecting their common heritage of material goods must be applied and interpreted with a reasonable regard to their various conditions of place, possession, ability, and opportunity.

One of the principal reasons why the right to a Living Wage has been obscured in the minds of the many, is the complexity of modern economic life. An example or two will illustrate this contention. Let us suppose that six men settle upon a no-man's land, and proceed to divide it amongst them. Although it is capable of affording a comfortable livelihood for all six, five of them—an undoubted majority—organize a government, and divide the land in such a way that the portion allotted to the sixth will barely keep him alive. Each of the other five is thus enabled to enjoy something more than a decent livelihood. Now, it is safe to say that ninety-nine of one hundred men would condemn this proceeding as unjust. They would maintain that the right of the sixth man to the whole amount of land distributed was just as good as the right of any of the others, and that no reason, title, or justification existed for depriving him of an equal share, when that much was essential to a decent livelihood. Imagine, now, a company of fifty men taking up their abode on a territory that no man has previously visited or claimed. Instead of

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dividing up the land, they till it in common, and distribute its produce. Not all of them, however, labor upon the soil; there is a shoemaker, a weaver, a tailor, a carpenter, and so on; every man performs the task for which he is best fitted. But the distribution of their common product is so carried out that forty-five can live in abundance, while the remaining five have merely the means of continuing to exist and work. The services of these latter, so the other five assert, are not *worth* more than this pittance. Again it is palpable that the common product of a common property has been unjustly apportioned by the arbitrary action of the majority; for the five, we assume, perform a reasonable amount of useful labor. The case is precisely the same, at least in principle, in the more complex and elaborate industrial conditions of to-day: the members of a community who are in control of its land and resources, violate the laborer's right to live decently out of the common bounty of nature when they so take advantage of the existing distribution of private property as to deny him a Living Wage. In exercising their right of access to the earth, they make it impossible for the laborer to exercise his as fully as is demanded by decency and justice. And they do it just as effectively, they are as truly responsible for the laborer's inability to enjoy his natural right, as the greedy and arbitrary majority in the above mentioned examples. For the laborer, generally speaking, is as little able to change his location as are the harshly treated members of those two isolated communities. A few workingmen could, indeed, find a living elsewhere,

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but the overwhelming majority must stay where they are, or merely exchange places with one another,— unless the whole machinery of industry is to stop, and mankind to perish off the face of the earth. The controllers of the industries and material resources of a community cannot get along without wage-workers; rather than make the attempt, they would gladly pay every one of them a Living Wage; which is a clear indication that they regard the laborer as really *worth* that amount. Hence the complexity of the present industrial system obscures, but in no way annuls, either the rights of the laborer, or the correlative obligations of his fellow citizens.

Another cause of the prevailing indifference toward these rights and obligations is ignorance and neglect of the common, or social, aspect of property. All too general is the notion sanctioned by the definitions of property in the Roman Law and in the Civil Code of France, that a man has a right to do with his own what he pleases.<sup>1</sup> Such a claim is obviously absurd, since men have not a right to do as they like with their faculties, to say nothing of the bounty of nature which was created for the benefit of all. They have a right to do with their own only that which is consistent with the rights of others. The private proprietor too often forgets that his right of ownership is valid only as a means to his right of use, and that the latter is a right common to all mankind, which he is obliged to interpret and exercise within such limits that its realization shall be possible

Cf. "Propriété, capital, et travail," by L'Abbé Naudet, pp. 29-31.

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for his fellow men likewise. He forgets that when he appropriates a portion of the earth's resources for his own use and benefit he diminishes by that much the amount available for private ownership by the rest of men. He forgets that his less fortunate neighbor, among whom must be counted the laborers, have, on account of their inborn right of access to the world's material goods, some sort of claim to that part thereof which he calls his own. The exaggeration of the scope of individual ownership, and of the ability of the propertyless man to take care of himself in the competitive struggle, has converted into a maxim of business ethics the contention that employer and employee have no property rights against each other except those expressly named in the labor contract. The fact that a contract may be the *occasion* of a right which it does not explicitly provide for, is entirely overlooked. It is forgotten that the laborer enters the wage-contract as a man endowed with a natural and indestructible right to a decent livelihood, which the contract renders impossible of realization except through the medium of wages. His right to a Living Wage is merely the former right as modified and determined by the contract. In so far as it is valid against his employer, it is produced neither by his contract with the latter nor by his right to a decent livelihood, taken separately, but by the two in conjunction.

A truer and more humane conception of the relation between the right of individual ownership and the right of use, and of the duties of the private proprietor, was developed and fostered in medieval



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society. The Christian doctrine that private ownership is not an absolute right, but merely a form of stewardship, according to which the individual holds his wealth from God and is obliged to administer it for the benefit of others, as well as of himself, was more frequently preached, and more generally and vitally accepted than it is to-day.<sup>1</sup> In the Thirteenth century, we find Pope Clement IV permitting strangers to occupy and till the third part of any estate which the proprietor refused to put under cultivation himself. Pope Sixtus IV, in the Fifteenth century, made the same regulation with regard to domains in the Papal territory.<sup>2</sup> Here we have a clear recognition of the principle that a man has not a right to do what he pleases with his own, but only that which is consistent with the right of common ownership in his needy neighbors. Every man performing a function in the medieval organization of industry, the lord of the land, the free tenant, the villain, the serf, the merchant, the master-craftsman, the journeyman, the apprentice, was regarded as rendering a *social* service. In return for this contribution to the community, the individual had a right, according to medieval theory, to security in his position or status, and to the means of living in conformity with the customs of his social rank.<sup>3</sup> This, again, was merely the doctrine of man's right to a living from the bounty of the earth, applied to the conditions of medieval society.

<sup>1</sup> Cf. Cunningham, "Western Civilization," II, pp. 104-107.

<sup>2</sup> Cf. Naudet, *op. cit.*, pp. 35, 36.

<sup>3</sup> Cf. Weiss, "Apologie des Christenthums," IV, 368, sq.; Ashley, "English Economic History," II, pp. 389-393.

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Concrete assertions of the same principle are heard to-day in the claim of the laborer that he has a right to work and a right to the job that he has held for a considerable time; in the conviction of the employer that his workmen commit an act of *injustice* when they arbitrarily quit work; and in the contention of the independent dealer or manufacturer that he has a right to the business of which he is deprived by the practice of temporary underselling pursued by the trust. The principle underlying all these beliefs, medieval and modern, is that formulated by Aristotle as a canon of social expediency, "it is best to have property private, but to make the use of it common"; and by Aquinas as a requirement of justice, "it is right that the ownership of goods should be private, but the use of them ought to be common, so that the owner may readily minister therefrom to the needs of others."

To the objection that some laborers possess other means of living in addition to their labor power, the answer is that these are rather rare exceptions. Whether they also have a right to a Living Wage, is of comparatively small importance. Still it would seem that the question ought to be answered in the affirmative, since they perform as much labor as their less fortunate fellows. At any rate, there are good social reasons for paying them as much as is received by the other workers of their group.

A word will not be out of place concerning the wage-rights of women and children. According to the foregoing reasoning, it is evident that those women who are forced to provide their own suste-

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nance have a right to what is a Living Wage for them. Since they have no other way of living but by their labor, the compensation therefore should be sufficient to enable them to live decently. Again, women doing the same work with the same degree of efficiency as men in occupations where both sexes are employed, have a right not merely to a woman's Living Wage, but to the same remuneration as their male fellow workers. Distributive justice requires that equally competent workers be rewarded equally. Moreover, when the women receive less pay than the men the latter are gradually driven out of that occupation.<sup>1</sup> Unless we hold that an increase in the proportion of women workers is desirable, we must admit that social welfare would be advanced by the payment of uniform wages to both sexes for equally efficient labor.<sup>2</sup>

Children of either sex who have reached the age at which they can, without detriment to themselves or society, become wage earners, but who cannot perform the work of adults, have a right to a wage sufficient to afford them a decent livelihood. They are entitled to this because their wages, generally speaking, constitute their sole source of maintenance. It must be noted that a Living Wage for children refers to their essential needs as members of a family, not to the requisites of boarding-house life, as this is not the condition in which working children are usually placed. Finally, children of either sex who perform the work of adults ought

<sup>1</sup> Cf. Smart, "Studies in Economics," chapter on "Women's Wages."

<sup>2</sup> Cf. Fairbanks, "Introduction to Sociology," p. 148.

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to receive the wages of adults, for the same reasons that justify the payment of men's wages to equally efficient women.<sup>1</sup>

<sup>1</sup>In speaking of a Living Wage, whether for men, women, or children, it is assumed that they are employed during the whole of the working time of the year. Consequently, women who are obliged to devote all their attention to household duties for a considerable portion of the year, and children who attend school, are not entitled to a Living Wage for the entire year. As we shall see, their right to a Living Wage must be secured in another way.



## CHAPTER VI ✓

### THE RIGHT TO A FAMILY LIVING WAGE

The controversy regarding the attitude of Pope Leo's Encyclical toward a family Living Wage. Cardinal Zigliara's peculiar interpretation of the principle of equivalence. His argument from the family's relation to the work done by the husband and father. The theory that a wage sufficient for family maintenance is due merely as a matter of social utility. The theory that bases it on "equity." And on the social estimate. A family Living Wage is due to the adult male laborer because of his dignity as a man and his essential needs. An objection answered. The family Living Wage is a uniform quantity, and is due to all adult male laborers. The size of family to be taken as a measure of this wage.

When Pope Leo XIII, in his encyclical, "On the Condition of Labor," declared that the remuneration of the workingman ought to be at least sufficient "to support him in reasonable and frugal comfort," a discussion immediately arose among Catholic moralists as to whether the phrase just quoted was intended to cover the conditions and requisites of family life. Those who held to the affirmative cited in confirmation of their position the following passage, which occurs in the next paragraph of the encyclical: "If a workman's wages be sufficient to

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maintain himself, his wife, and his children in reasonable comfort, he will not find it difficult. . . . . to put by a little property.”

Unquestionably the hypothetical wages referred to are assumed to constitute the compensation that is *normal*, but there is no explicit assertion that so much is due the laborer as a matter of *justice*. Within a few months after these words were written, a letter was addressed to the Holy See by the Archbishop of Malines, Cardinal Goosens, asking whether an employer would do wrong who paid his men a wage sufficient for personal maintenance, but inadequate to the needs of a family. Pope Leo did not himself send any official response, but referred the matter to Cardinal Zigliara, who replied that the employer in question would not violate justice, but that his action might sometimes be contrary to charity, or to natural righteousness. At present all Catholic writers on the subject hold that the employer is under moral obligation to give the workingman a wage that will maintain his family as well as himself, but they do not agree that this obligation falls under the head of justice. In other words, some of them deny that the laborer has a strict right to a family Living Wage.<sup>1</sup>

Cardinal Zigliara's explanation of his decision leaves something to be desired, both in clearness and in conclusiveness. He says that when a relation of equality exists between the labor performed and the compensation received the demands of

<sup>1</sup>A critical review of this discussion will be found in Vermeersch, *op cit.*, pp. 530-554. Cf. also, Turman, "Le Catholicisme sociale," pp. 58-68.

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justice are fully satisfied; and he plainly intimates that this condition is verified when the laborer is paid merely a personal Living Wage. According to this reasoning, the minimum means of a decent livelihood is likewise the maximum that any laborer can claim as a matter of justice. A Living Wage is in all cases a completely just wage. As this aspect of the wage problem does not come within the scope of our argument, it is given merely a passing mention to show the danger of attempting to base the right to a Living Wage upon assumptions of equality between labor and remuneration. He says that in labor-contracts the rule of equality must be interpreted with reference to the laborer's duty of self-support. The remuneration must be adequate, *equal*, to this end; hence the relation of equality has for one term the laborer's wages, and for the other his purely personal needs. In the last chapter something was said concerning the ambiguity to which the principle of equivalence is liable: the interpretation that we are considering looks like an abandonment, or, at least, an essential transformation of it; for the equality required is no longer between the things exchanged, labor and pay, or between the net gains of the two contracting parties, but between compensation and the laborer's welfare. The Cardinal defends his interpretation on the ground that human labor, being the product of a *person*, is of much greater dignity than merchandise, and ought not to be measured by precisely the same standard of contractual justice. Not merely the work itself, but the human doer of it, must be taken into account

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in determining its just equivalent. Undoubtedly; but why should it be assumed that a just equivalent is found in the bare essentials of decent living outside of the married state? Since the laborer has many other needs, the satisfaction of which is morally legitimate, does it not seem just that his wage should be capable of meeting all, or, at least, the more important of them? Ought it not to be the equivalent of a comfortable and care-free family life, of a college education for his children, an annual pleasure trip for himself and wife, and, for all of them, ample opportunities of cultivating the higher life? The assertion that the equivalence that ought to exist between pay and work is realized when pay equals a personal Living Wage, is really very like a begging of the main question. As an interpretation of the equality principle, it is quite as arbitrary and quite as incapable of proof as the one advanced by Father Antoine and noticed in the last chapter, namely, that the remuneration ought to be equivalent to the labor-force expended.

Cardinal Zigliara says further that, since the product for which the laborer is paid is not participated in nor increased by his family, justice does not require that his remuneration should be increased on their account. But those who defend the laborer's right to a family Living Wage do not deduce it from any relation, real or assumed, between his family and the work that he performs or the employer that he serves. They derive it from his own dignity as a man. It is a personal prerogative which has, however, his family as a secondary bene-



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ficiary. The Cardinal admits and maintains that the laborer has a right to a wage sufficient for his support outside of the marriage relation. Now this means that the laborer will give a part of his earnings to some merchant in exchange for the clothes that he wears, making the merchant to that extent a secondary beneficiary of his wages; yet Cardinal Zigliara would not have argued that, since the clothier has nothing to do with the work performed by the laborer, the latter has no right to the portion of his remuneration thus expended. Neither does it follow that he has not a right to the measure of wages necessary to provide for his family. The two cases differ, indeed, in degree, but they are alike in principle. In both the primary purpose of the right asserted is the welfare of the laborer himself, while the secondary end is in the former case the clothing merchant, and in the latter the laborer's family. As a matter of fact, the argument that we are criticizing looks like a different interpretation of the equivalence principle than the one discussed in the preceding paragraph. It points logically to the conclusion that the laborer has a strict right merely to the amount of compensation that will keep in repair those physical forces that are essential to the performance of his task. According to this interpretation, the relation of equivalence is not between wage and reasonable personal needs outside of the married state, but between wage and expended labor-force; and the laborer has a right, not to compensation that will support him in "reasonable and frugal comfort," but to that which will provide him

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with the bare necessities of life and working efficiency.

Father Antoine deduces the laborer's claim to a family Living Wage from considerations of social welfare.<sup>1</sup> In any rightly ordered society the father is the natural provider for all the members of the family; if he lacks the means of performing this duty adequately the result is pauperism, crime and other social evils. Hence the laborer who is the head of a family ought to receive compensation sufficient for the becoming maintenance of his wife and children. This much is due him from his employer, not by any relation of strict justice—for under this head the laborer can claim merely the means of repairing expended energy—but as a matter of “natural righteousness” or decency (“*honnêteté naturelle*”). Because of his relation to society on the one hand, and to his employees on the other, the employer is *morally* bound to discharge this task. Concerning this argument it will be sufficient to say that the positive part of it is entirely sound; for social welfare does require that the married laborer should command the means of properly providing for his family, and that the employer should furnish these means; while the assertion that this minimum of remuneration is not due the laborer by a title of strict justice, is based on the assumption, already criticized, that the equivalence between work and pay demanded by justice is fully satisfied by a wage that replaces the output of labor-force.

According to Father Castelein, the value of a

<sup>1</sup>Op. cit., p. 606.

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man's labor is always equivalent to a personal Living Wage, but not necessarily to a remuneration that will provide for the needs of a family. After the laborer has been paid a wage sufficient for personal maintenance, and after the other factors of production have been fairly remunerated, there will normally remain a certain gross profit which in "general justice," or "equity," ought to be divided between employer and employee. If this distribution is fairly carried out the laborer will, generally speaking, receive sufficient for his family's support. Like Father Antoine's, this view is correct on its positive side, but its denial of the laborer's *right* to anything more than the means of personal maintenance is but feebly defended by its champion. When Father Castelein turns from his perplexing and ineffective discussion of the kind of justice that is involved, he admits that a family Living Wage is due the laborer because of his dignity as a man.<sup>1</sup>

Father Vermeersch asserts that the social estimate, which is always the proximate determinant of the just price of labor, regards the labor of the head of the family as worth at least a family Living Wage. He does not, however, content himself with this argument. If the laborer, he says, fails to secure this amount his personal independence, or personal dignity, is ignored; the exercise of some of his most essential powers and faculties is hindered; his fundamental right to the use of the world's goods is violated.<sup>2</sup> The validity of the

<sup>1</sup> Op. cit., pp. 376-395.

<sup>2</sup> Op. cit., thesis 29.

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argument from the social estimate has been sufficiently criticized in the last chapter. The argument from the personal dignity of the laborer, however, is sound,—is, in fact, the only one that rests securely on the fundamental principles of natural justice.<sup>1</sup>

For the laborer who complies in a reasonable degree with nature's universal law of work, has a natural right to at least the minimum of the material conditions of decent and reasonable living. This proposition has received ample development and defense in foregoing chapters. Now a decent and reasonable life implies the power to exercise one's primary faculties, supply one's essential needs, and develop one's personality. Self-preservation is undoubtedly the "first law of nature," but, if the experience of the race is any criterion, self-propagation is the second. At least, it is the expression of one of man's primary and strongest instincts. One of his most essential needs is the permanent love and companionship of a person of the opposite sex. The marriage state is not so imperatively necessary for right living as is security of life and a decent personal livelihood, yet it is of primary importance. The difference between these three needs is merely one of degree. All must be satisfied in the average man before he can live a reasonable and normal life. Without a religious vocation, the majority of men cannot reach a proper degree of self-development outside of the conjugal state. This is not to say that the man who has not been supernaturally called

<sup>1</sup> Among the ablest presentations of this view are those of Pottier and Verhaegen in the works already cited.



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cannot be celibate and chaste—a doctrine becoming only to the fowl of mind and weak of will—but it means that for the average man celibacy is not normal, and consequently cannot be taken as a measure of reasonable and natural rights. The man who is forced by poverty to accept it supports an unnatural and unjustifiable burden, and is deprived of one of the chief means of normal self-development. Hence, “the minimum of the material conditions of decent and reasonable living” comprises, for the adult male, the means of supporting a family. To this much of the world’s goods he has a natural right which is valid “against the members of the industrial community in which he lives.” In the case of the laborer this claim must be formulated in terms of wages. To resume: the laborer has a right to a family Living Wage because this is the only way in which he can exercise his right to the means of maintaining a family, and he has a right to these means because they are an essential condition of normal life.

It has been objected that according to this reasoning, the laborer would be entitled to a wage sufficient to support his infirm and needy parents. To care for them is both his duty and his right; consequently he has a right to the one means adequate to this end, an increased remuneration for his labor. The cases, however, are not in all respects parallel. The right to become the head of a family is essentially different from the right to support infirm parents. The former is a necessary condition of normal and reasonable self-development, and implies the right to the material goods required for its realization.

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The right to the means of maintaining a family, therefore, is not finally derived from the *duty* of maintaining it—from the needs of the family—but from the laborer's *dignity*, from *his own* essential needs. True it is that if the support of wife and children did not in the normal order of things fall upon the husband and father, he would not have a right to the additional remuneration required for this purpose; but this merely shows that the duty is the occasion, or condition, not the ultimate cause of the right. The right to the conditions of being the head of a family, which is obvious, implies the right to a family Living Wage, because nature and reason have decreed that the family should be supported by its head. But the right to support one's needy parents rests upon an entirely different basis. Its existence is not an essential condition of right and reasonable life; for in the normal order of things the parents themselves will have, or should have, taken precautions against such an emergency. And, as rights are not to be interpreted by the abnormal and exceptional exigencies of existence, the laborer cannot justly claim an increased wage on account of them.

It is held by some that the laborer's remuneration should vary with the size of his family, but this seems an undesirable way of measuring it. There are many reasons why the cost of rearing the family should be regarded as a unit, and the laborer's wages as a uniform rate. Then the cost of maintaining himself and wife until death and the children until they are of an age to be self-supporting,

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divided by his working time as an adult in full vigor, will give in terms of money the family Living Wage. Hence the laborer who is not yet married has a right to this family wage, and not merely to a remuneration that will suffice for his present needs. The difference should be reckoned as a necessary provision for marriage, and, therefore, as slightly diminishing the rate of pay that otherwise would be necessary as soon as the laborer entered the conjugal state.

Moreover, the right to a family Living Wage belongs to every adult male laborer, whether he intends to marry or not; for rights are to be interpreted according to the average conditions of human life, and these suppose the laborer to become the head of a family. There is, too, a good social reason for treating married and unmarried alike in the matter of remuneration. If employers were morally free to pay single laborers less than a family Living Wage they would strive to engage these exclusively, and perhaps to exact a promise that they should not marry. Thus a premium would be placed upon a very undesirable kind of celibacy.

The family that it seems reasonable to take as a basis for estimating the proper remuneration of the husband and father, is that containing the average number of children found in workingmen's families. This standard is not entirely satisfactory, since it not infrequently happens that the mathematical average is exceeded in a large number (a majority sometimes) of the families of a place, but it seems to be the best that is available. We cannot take

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“the number of children that is usual,” as suggested by Father Vermeersch,<sup>1</sup> for the expression has no precise meaning; no such number exists. In five different groups of full-grown families (1636 in all) described in the Sixth and Seventh Annual Reports of the United States Commissioner of Labor, the following facts are to be observed: the number of children per family in a bare majority of the families of three of the groups, was represented by three different figures; in the other two groups the “usual number” was four different numbers. The problem will be made somewhat more definite by an example: in one group, consisting of 832 families, the numbers most frequently recurring were three, four, and five; that is to say, there were 149, 128, and 121 families containing respectively three, four, and five children. Now it could scarcely be said that the “usual number” of children per family in that group was from three to five, for all these families combined were less than a majority. The average number, therefore, seems to be the only serviceable criterion. Or, if that seems too low, since a majority of the families considered might be larger than the average indicates, the highest number that is found in a considerable proportion of the families, might be adopted as the standard. In the group just referred to, the average number of children per family was 4.3, while the number in one-third of the families (347) was five or more. The estimates of a family Living Wage made on the basis of these two numbers would not

<sup>1</sup> *Op. cit.*, pp. 577, 578.



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be far apart. Hence it is sufficiently accurate to say that the family that ought to serve as a standard of measurement in the matter of decent remuneration for the adult male laborer, is one having four or five children.

## CHAPTER VII

### A CONCRETE ESTIMATE OF A LIVING WAGE

A more precise determination of a "decent livelihood" necessary. It can be made with sufficient exactness for practical needs. A decent livelihood may be taken either absolutely or relatively to the conventional needs of a class. Estimates by various authorities of a decent livelihood in terms of goods. The slight discrepancies due to different viewpoints. Detailed statement of the elements of decent living for every section of the family. Professor Small's estimate of the minimum money wage is too high. John Mitchell's estimate. The cost of living in the home of an exceptionally economical housewife. The cost of living as deduced from the expenditures in families in the cotton industry. A "revised" estimate of \$601.03. This estimate confirmed by an analysis of the condition of families in two other industries. With a conservative allowance for lost time, \$600 per year is equivalent to \$2.10 per day. Conclusion that anything less than \$600 per year is not a Living Wage in any city in America, and that this amount is not sufficient in the largest cities.

According to the argument of the last chapter, a decent livelihood for the adult male laborer means a wage capable of maintaining himself, his wife, and those of his children who are too young to be self-supporting, in a condition of reasonable comfort. (Henceforth when the phrase, "a decent livelihood,"

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and "a Living Wage," are used without qualification they are to be understood in this sense.) The question naturally arises, what precisely does this imply in terms of goods or money? Unless an attempt is made to answer it, the whole discussion of wage-rights and obligations remains too abstract, too vague, to be of much practical value. There would, in fact, be some force to the objection that all the workmen of America are even now paid a Living Wage.

Evidently the question before us cannot be answered with absolute precision. The needs of men and their powers of making an effective use of a given amount of goods or money, are too dissimilar to find a perfectly exact expression in any common denominator. And even if a common rate of wages would bring precisely the same degree of comfort to all the families depending upon it, there remains the supreme difficulty of translating "reasonable comfort" into more concrete terms. In all probability the individual estimates of no body of men, however competent and well-meaning, would be in entire agreement. And no prudent person would assert that a slight deduction from the amount that he regarded as certainly sufficient for a decent livelihood would render the remainder certainly insufficient. Nevertheless, the question can be answered with sufficient definiteness to safeguard the human dignity of the laborer and his family, and that is all that any one cares to know. We can distinguish twilight from darkness, although we cannot identify the precise moment when the one merges into the other. Though

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we cannot say just when artificial light becomes more effective than that of the waning day, we usually call it into service before the approaching darkness proves notably inconvenient. Thus it is in the matter of a Living Wage. Some rates of remuneration we know to be certainly adequate, and others to be no less certainly inadequate. While we may not be able to put our finger on the precise point of the descending scale at which the rate ceases to be sufficient, we can approximate it in such a way that the resulting inaccuracy will not produce notable inconvenience. We can, at least, define a limit below which it is wrong to go, while not committing ourselves to the conclusion that the limit is sufficiently high. In other words, a wage under the limit would be regarded as certainly too low, but a wage at the limit, as doubtful. An estimate of this character can be so formulated as to have a very high practical value.

A decent livelihood may be understood either absolutely or relatively. In the former sense it is an unvarying standard that is applicable to all conditions of human existence. It takes no account of needs based on custom or on any subjective appreciation of the requisites of welfare, nor does it make any allowance for the possibilities of progress. It is measured solely by man's essential and universal needs, and describes in general terms the requisites of normal and reasonable human life. And it may obviously be either below or above what is known as the *conventional* standard of a community. For example, the men and women of America could live



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decent and becoming lives, absolutely speaking, without wearing shoes during the summer season. On the other hand, a conventional standard of living, though satisfactory to the people with whom it obtains, may fall short of the absolute norm. If the description given in Dicey's "Peasant State" is correct a large class of the inhabitants of Bulgaria, apparently contented, do not live reasonable human lives.<sup>1</sup> They have not the means of exercising that minimum of activity, physical, intellectual, and moral, which should differentiate the life of men from that of beasts.

While the conditions of existence indicated by the absolute standard constitute a minimum below which it is wrong for men to descend, they are not *sufficient* for decent living in the case of most civilized communities. Man is everywhere affected by two classes of needs: objective, or natural; and subjective, or acquired.

Through the influence of habit or custom he comes to regard certain of these acquired needs as essential elements of a decent standard of life. They differ relatively to different races, communities, ranks and classes of men, but to the persons among whom they have been developed they are of vital importance. Hence a decent livelihood, or a Living Wage, must conform in a reasonable degree to the conventional standard of life that prevails in any community or group. For, in order to live becomingly, men must possess not only those goods that are objectively necessary, but in some measure those that they think

<sup>1</sup> Quoted in Mrs. Bcsanquet's "Standard of Life," p. 9.

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are necessary. Indeed, the latter may become more indispensable to decent living than some of the things that are objective and primary; for men will sometimes procure them at the expense of the others. Thus, many persons, men as well as women, will deprive themselves of necessary food rather than appear among their neighbors in garments that are not in accordance with the conventional modes. At any rate, the inability to satisfy the more important of the conventional needs always involves a grave injury to self-respect, and therefore subjects human beings to hardships that are incompatible with normal and reasonable living. Finally, owing to the development of new wants, a decent livelihood now may be below the standard of decency that will prevail ten years hence. To ignore the newly developed wants then would be as harmful as to ignore existing wants now; hence a Living Wage is relative not only to the community or class, but to its different stages of development.

The content of a Living Wage for the laborers of America will be described first as a certain quantity of goods and conditions of living, and then in terms of money. The following estimates will prove suggestive and helpful:

“Undoubtedly the first moral charge on the national income is such a sum as is necessary to bring up a family, providing for health, education, efficiency of work, and the conditions generally of a moral life. Anything below such a level subjects human beings to hardships and temptations to which they should not be exposed, and to conditions in

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which men and women are not free but in bondage to physical wants. If the present system, or any system, did not promise this at some not distant period, we should have to say, like Mill, that, if this or communism were the alternative, 'all the difficulties, great or small, of Communism would be but as dust in the balance.'"<sup>1</sup>

✓ "The necessities for the efficiency of an ordinary agricultural or of an unskilled town laborer and his family, in England, in this generation, may be said to consist of a well drained dwelling with several rooms, warm clothing, with some changes of under-clothing, pure water, a plentiful supply of cereal food, with a moderate allowance of meat and milk, and a little tea, etc., some education and some recreation, and lastly, sufficient freedom for his wife from other work to enable her to perform properly her material and her household duties. . . . . . In addition, perhaps, some consumption of alcohol and tobacco, and some indulgence in fashionable dress are in many places so habitual that they may be said to be conventionally necessary, since in order to obtain them the average man and woman will sacrifice some things that are necessary for efficiency."<sup>2</sup>

✓ Professor Munro defines a Living Wage as, "a yearly wage sufficient to maintain the worker in the highest state of industrial efficiency, and to afford him adequate leisure to discharge the duties of citizenship."<sup>3</sup>

<sup>1</sup> Smart, "Studies in Economics," p. 302, note.

<sup>2</sup> Marshall, "Principles of Economics," Bk. II, ch. IV, sec. 2.

<sup>3</sup> "Economic Journal," June, 1894, p. 365.

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✓ Mr. Devas summarizes the minimum livelihood that should be guaranteed to all workers thus: the means of physical existence; practical possibility of marriage; separate homes; insurance against sickness, old age, and industrial accidents; and some access to the treasures of literature, art and culture.<sup>1</sup>

✓ "There is a growing feeling, not confined to Trade Unionists," say Sidney and Beatrice Webb, "that the best interests of the community can only be attained by deliberately securing to each section of the workers those conditions which are necessary for the continuous and efficient fulfilment of its functions in the social organism."<sup>2</sup>

✓ The Conference on the Christian Organization of Industry held at Holborn Hall, London, Nov. 29, 1893, interpreted a Living Wage as a remuneration that would "enable workers to maintain healthy and human homes."

✓ Professor Patten holds that the workingman has a right to a home; to become the head of a family; to self-development; to a share in the social surplus sufficiently large to make him comfortable; to the leisure that is necessary for the revival of physical and mental powers; to recreation for the sake of symmetrical development; to cleanliness in and about the home; and to some development of his sense of the beautiful.<sup>3</sup>

✓ According to President Gompers of the American Federation of Labor, a Living Wage is, "a wage

<sup>1</sup>"Political Economy," p. 498, 2d edition.

<sup>2</sup>"Industrial Democracy," p. 590, 1st edition.

<sup>3</sup>"The Theory of Prosperity," pp. 218-227.



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which, when expended in the most economical manner, shall be sufficient to maintain an average sized family in a manner consistent with whatever the contemporary local civilization recognizes as indispensable to physical and mental health, or, as required by the rational self-respect of human beings.”<sup>1</sup>

“In cities of from five thousand to one hundred thousand inhabitants,” says President Mitchell of the United Mine Workers, “the American standard of living should mean, to the ordinary unskilled workman with an average family, a comfortable house of at least six rooms. It should mean a bathroom, good sanitary plumbing, a parlor, dining-room, kitchen, and sufficient sleeping-room that decency may be preserved and a reasonable degree of comfort maintained. The American standard of living should mean, to the unskilled workman, carpets, pictures, books, and furniture with which to make his home bright, comfortable, and attractive for himself and his family, an ample supply of clothing suitable for winter and summer, and above all a sufficient quantity of good, wholesome, nourishing food at all times of the year. The American standard of living, moreover, should mean to the unskilled workman, that his children be kept in school until they have attained the age of sixteen at least, and that he be enabled to lay by sufficient to maintain himself and his family in times of illness, or at the close of his industrial life, when age and weakness render further work impossible, and to

<sup>1</sup> “The American Federationist,” April, 1898.

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make provision for his family against premature death from accident or otherwise.

"This, or something like this, is the American standard of living, as it exists in the ideals of the unskilled workingmen. . . . For the great majority of men, who are willing to work and are not incapacitated by physical, mental, or moral defects, the manner of living above described is an approximate statement of what their standard should be; and with the great productivity of American labor, I believe it not unreasonable to say that these things should now be possessed by every workingman, however unskilled."<sup>1</sup>

✓ Father Vermeersch's estimate of the content of a Living Wage is as follows: moderate food, clothing and shelter for the laborer and his family; festival days and some recreation; proper education for the laborer's children; and suitable provision against accidents, disease and old age.<sup>2</sup>

All of these estimates, however various the terms in which they are formulated, are in tolerably close agreement, except in the matter of provision for sickness, disability and old age. The cause of this discrepancy lies in the different viewpoints from which the problem is regarded. Writers who have in mind the requisites of *social* welfare, as Marshall and Munro, consider the Living Wage primarily in relation to the laborer's industrial efficiency. They do not take account of his needs during the time when he is unable to work because they are

✓<sup>1</sup> "Organized Labor," pp. 116, 117.

<sup>2</sup> "Quaestiones de Justitia," p. 576.

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not describing what he ought to have as a man, but what he requires as an instrument of production. This is, of course, an entirely proper subject of inquiry, just as is the cost of keeping a machine in repair or a horse in a condition of health and strength, but it has no necessary relation to that measure of the requisites of living which is due to the laborer as a man and an end in himself. The question that we are concerned with is not what a man must have in order to be a profitable producer, but what he ought to have as a human being. The estimates referred to, however, are instructive, inasmuch as they indicate that in the long run social utility and the demands of individual justice are in substantial accord.

The following is submitted as a rough estimate of the minimum amount of goods and opportunities that will suffice for decent living and the rearing of a family:

1. Food, clothing and shelter for the laborer and his family until his children are old enough to become wage earners.

(a) The Children. It was stated in the last chapter that the average number of children found in the workingmen's families of full growth, is the only practicable standard for estimating the extent of the family's needs under this head. A study of the families for which statistics are presented in the "Cotton Group" of the Seventh Annual Report of the Department of Labor leads to the conclusion that the average number of children in the families there described in which the mother had reached

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the end of the child-bearing period, was 4.4. The number of families enumerated was 2,132; they were distributed over seventeen states, North, South, East, and West, and represented fifteen nationalities.

Except possibly during school vacation, no child of either sex should be employed as a wage earner under the age of sixteen years. Below that age they are, as a rule, not sufficiently strong to work day after day under the direction of an employer. Besides, if they are taken out of school earlier they get less than a fair share of education, and of the industrial opportunities depending upon it.<sup>1</sup>

(b) The Wife. The welfare of the whole family, and that of society likewise, renders it imperative that the wife and mother should not engage in any labor except that of the household. When she works for hire she can neither care properly for her own health, rear her children aright, nor make her home what it should be for her husband, her children and herself. In the words of the Second Congress of Christian workingmen at Rheims, "*la femme devenue ouvrière n'est plus une femme.*"<sup>2</sup> Among the associations and individuals that have protested against the employment of wives and mothers, or at least of mothers, may be mentioned: the Union of Catholic Associations and Workingmen of Fribourg, Switzerland (1893); the Social Christians of Germany; the Christian Democrats of Belgium (1894); the Catholic Association of Holland (1897); the Second Congress of Christian

<sup>1</sup> Cf. "Poverty," by Robert Hunter, ch. V.

<sup>2</sup> "The wife become wage worker is no longer a wife." Quoted in Turman's "Le Catholicisme social," p. 55.



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Workingmen at Rheims (1894); the Catholic delegates to the Industrial Congress for the Protection of Workingmen at Zurich (1897); the Count de Mun; and Cardinal Manning.<sup>1</sup>

(c) Food. The laborer should have food sufficient in quantity, quality and variety to maintain himself and the members of his family in a normal condition of health and vitality.

(d) Clothing. He should be able to provide himself and family with clothing adapted in quantity and quality to the reasonable requirements of comfort. In addition to being protected against the inclemency of the climate, they ought to have the means of appearing in becoming attire on "social" occasions, in school, in church, and in public gatherings. It is impossible to state precisely the minimum that is reasonable for this purpose, but speaking generally we may say that the laborer and his family should possess an outfit of "holiday" apparel, distinct from their ordinary or "everyday" garments. This is essential to enable them to appear among their fellows without hurt to that self-respect and natural pride which are indispensable to decent living.

(e) Shelter. Under this head it is sufficient to say that the dwelling occupied by the laborer and his family ought to consist of at least five rooms, and in general conform to the requirements of reasonable comfort. Three rooms (one for the parents, one for the male and one for the female children) are the minimum for sleeping accommoda-

<sup>1</sup> *Idem*, pp. 50-58.

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tions, and it would seem that at least two rooms are required for all other purposes. As to equipment, the house must, of course, be provided with a reasonable stock of furniture and utensils, and with the amount of heat, light and drainage essential to health and comfort.

✓ The *material* requisites of decent living may, therefore, be summed up as a reasonable amount of food, clothing and shelter for himself and his wife as long as they live; and for four or five children ✓ until these have reached the age of sixteen years.

2. Besides the needs that are constant, actually existent, there are others that are intermittent, and still others that will be felt only in the future. The laborer's remuneration ought to be sufficiently large to enable him to provide against accidents, sickness and old age. If it does not he will, when temporarily or permanently incapacitated for work, become a burden on the community or on his children. In the latter case the wages received by the children would have to be increased beyond their own requirements. This is not in accord with the normal order of things, which suggests that a man's life toil should bring him sufficient provision for his life needs.

✓ 3. Finally, the laborer and his family have certain mental and spiritual needs, the satisfaction of which is essential to right living. The chief among them are: a moderate amount of amusement and recreation; education in the primary branches of instruction for the children; some periodical and other literature; membership in certain organiza-

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tions, such as benefit societies and Labor Unions; and last, but by no means least, the means of fulfilling in a becoming manner the obligations imposed by charity and religion.

Food, clothing, shelter, insurance, and mental and spiritual culture—all in a reasonable degree—are, therefore, the essential conditions of a decent livelihood. Remuneration inadequate to secure all of these things to the laborer and his family falls below the level of a Living Wage.

How shall we express these requisites in terms of money? The varying cost of living at different times and in different sections of the country is alone sufficient to render a single general answer exceedingly difficult. Nevertheless, an approximation can be made that will appeal to all fair-minded men as conservative and just, and will indicate with considerable definiteness an ideal of practical and practicable justice that, alas! is yet very far from being realized.

Professor Albion W. Small, who is at the head of the Department of Sociology in the University at Chicago, and who is one of the leading authorities of the world in that science, declared a few years ago: "No man can live, bring up a family, and enjoy the ordinary human happiness on a wage of less than one thousand dollars a year. . . . All wages should be paid within a certain scale. Let no man be paid less than the purchase capacity of one thousand dollars, which, I think, is the least a man can live on comfortably, educate his children, provide comfortably for a family, and enjoy some human com-

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forts. Let no man be paid more than fifty thousand dollars, which is the salary of the President of the United States.”<sup>1</sup>

The Statistics presented in the Sixth, Seventh and Eighteenth Annual Reports of the U. S. Bureau of Labor indicate that Professor Small's estimate is not too high if two conditions be verified: first, that, as he would wish, women and minors do not become wage earners; and, second, that the laborer and his family be enabled to approach a certain degree of variety and fulness of life which is not absolutely required for what most men would regard as a reasonable and comfortable level of existence. To support his children, both boys and girls, from the years of sixteen until twenty-one, and his daughters from the latter age until they marry, would add very much to the cost of the family's living as above formulated. It is more than probable that society and, generally speaking, its women and minors, would be benefited if these were excluded from the ranks of the wage workers. Boys would have greater opportunities of general education and special industrial training, and girls would necessarily be better equipped for and more willing to accept woman's true functions, those of wife, mother, mistress of the home, and moulder of the moral and spiritual life of the race. Moreover, the withdrawal of these two classes from the field of paid employments would, by eliminating a most demoralizing and intractable form of competition,

<sup>1</sup>Lecture delivered before the Central Y. M. C. A. of Chicago, as reported in the "Chicago Chronicle" of Dec. 13, 1901.



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bring about a general rise in the wages of men which would go very far toward making actual the ideal of Professor Small. However, it must be admitted that this condition, however much to be desired, cannot in any accurate use of language be described as indispensable to right and reasonable living. Similarly with the added amount of general comfort that a wage of one thousand dollars per year would probably insure: the laborer would be greatly benefited by it; for he is a man, and man's capacity for progress is infinite; but our concern here is merely with the reasonable and irreducible minimum.

Mr. John Mitchell estimates the minimum wage that will maintain a workingman and his family according to the "American standard," as \$600 a year. "It is, of course, true that this estimate applies more exactly to workmen in towns of from five thousand to one hundred thousand inhabitants, than it does to other places. In speaking of \$600 for unskilled workmen, I do not mean to include farm hands or men in rural communities, where the cost of living is less and the standard of living not so high. On the other hand, in cities of over one hundred thousand, and especially in cities of over half a million, \$600 would, in my opinion, be insufficient to maintain this standard for unskilled workingmen. This is more especially true of the city of New York, where the cost of maintaining a fair standard of living would be much greater, owing to excessive rents, and where the ideal of a separate small house for the workman must itself be given up. For the

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great mass of unskilled workmen, however, residing in towns and cities with a population of from five thousand to one hundred thousand, the fair wage, a wage consistent with American standards of living, should not be less than \$600 a year.”<sup>1</sup>

On page 688 of the Sixth Annual Report of the Commissioner of Labor, there is a letter from Mrs. J. E. B., the wife of a workingman. The family is seven in number, and therefore may be regarded as normal. The earnings of the husband amount to \$576 per year. In her letter the wife gives a detailed account of the average family expenditures for all purposes except clothing and sundries, and describes at some length her truly ingenious planning to economize in the matter of food. It is safe to say that seven out of ten housewives would be unable to show as large results for the same outlay. Yet she is obliged to confess that in her efforts to make both ends meet she is like “the kitten that twirled round and round trying to catch its tail.” The object sought was always in view, but never within reach. Any humane man or woman who will peruse carefully this interesting and instructive letter will be forced to the conclusion that, among the goods and opportunities enjoyed by the members of this family, not one was in excess of the bare requisities of decent living, and that the cost thereof (\$576) was less than it would be in the majority of households.

The following is an itemized statement of the average cost of living for one year of 2,132 families

<sup>1</sup>“Organized Labor,” pp. 117, 118.

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described in the Seventh Annual Report of the Commissioner of Labor, pages 1678-1682. The average size of these families is 5.7, which is somewhat less than the number that we have taken to be normal.

Food .....	\$287.06
Rent .....	72.58
Fuel .....	35.75
Lighting .....	4.90
Clothing .....	107.40
Taxes .....	5.43
Insurance (property) .....	6.47
Insurance (life) .....	20.22
Organizations (labor) .....	6.06
Organizations (other) .....	6.60
Religion .....	10.29
Charity .....	2.80
Furniture and Utensils .....	19.79
Books and Newspapers .....	5.35
Amusements and Vacations .....	9.36
Intoxicating Liquors .....	15.98
Tobacco .....	10.48
Sickness and Death .....	22.31
Other Purposes .....	38.19
Total for all Purposes .....	
	\$687.02

The total average expenditure of the families included in this summary is stated in the Report to be \$610.61, instead of the figure just given. The discrepancy arises from the fact that hundreds of the families investigated made no outlay on account of several of the items specified in the list, or that their

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expenditures under some heads were not included in the computations of the Report. For example, the expenditure for insurance on property is given for only 198 families; the average contribution to labor organizations is based on reports from only 155 families, and so on. Hence the total actual expenditures of all the families, for all purposes, divided by their number (2,132) gave \$610.61, instead of \$687.02. The latter sum would constitute the actual average if the families that expended nothing (or whose expenditures were not taken into account) for certain of the items specified, paid out under these heads as much as did those families whose accounts were included in the Report. This is a legitimate method of computation, since all of the purposes indicated in the list are necessary elements in the cost of living. It was the total yearly outlay of such families as met all these wants, not the expenditures of those that were unable to meet some of them, that was normal. Let us examine briefly the separate items, to see whether any of them ought to be dispensed with, increased, or diminished, in estimating the content of a Living Wage.

The average expenditure for food was \$287.06. In all of the Northern states but one, and in two of the states south of Mason and Dixon's Line, the average was considerably above this sum. On the other hand, the average food account in the family that we have considered in particular (that of Mrs. J. E. B.) was only \$220.62. With regard to this difference of \$66.44, it is to be noted that the ma-



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majority of housewives are less competent managers than this lady, and that, despite her exceptional economizing, her family did not have a reasonable amount of healthful, nourishing food. Hence it seems fair to add some fifteen dollars to her expenditures under this head, making the reasonable minimum \$235.00, which is still \$52.06 less than the sum in the list of the Labor Report.

The annual outlay for rent in our list is \$72.58. The average number of rooms per family represented by this expenditure was 4.7, which is certainly the minimum that is consistent with the requirements of comfort, health and decency. In all the Southern States but one, the rent cost was below this average of \$72.58, but the houses which hired for this amount averaged only 3.4 rooms each. Moreover, it must be borne in mind that all the dwellings concerned were occupied by operatives in the cotton industry, and therefore situated in towns or smaller cities, where rent is considerably lower than in the great centers of population. To get anything like a fair, general average cost of decent housing, we must increase this figure to \$84.00. That is only seven dollars per month, which, if any reliance may be placed on ordinary experience, is less than five-room houses can be obtained for in most instances.

For fuel the average expenditures of the families in the Report was \$35.75. It cost Mrs. J. E. B. only \$24.00, but she was able to buy coal at two dollars per ton. This is notoriously less than the retail price of that commodity (even the "soft"

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varieties) in most localities. However, let us reduce the list figure to \$30.00.

"Lighting, \$4.90," is surely a sufficiently low estimate.

"Clothing \$107.40," with the average number of children 3.5 per family, while the average number in families of *full size* is, as already noted, four or five. The parents of the families entering into the Report were of various ages of matrimonial existence, from the recently wedded upward. The average number of children per family, and the average cost of clothing them, was consequently smaller than would have been the case if all the couples had been married some sixteen or seventeen years. It is obvious that the maximum present cost of rearing a family is not reached before that period. Nevertheless we shall allow the above figures to stand unchanged.

"Taxes, \$5.40." Nearly one-half of the families investigated made no returns for this account. Let us reduce the amount to \$3.00.

"Insurance on property, \$6.47." This seems sufficiently low, but we shall make it \$5.00.

"Life Insurance, \$20.28." Let this be entirely eliminated on the assumption that from the time of his majority until his family attains its full numerical size, and between the period at which the first of his children becomes self-supporting and that at which he ceases to work himself, he will put by enough to provide for his old age. His living expenses will, of course, be smaller during these two intervals than when he has to support four or five children. We shall also assume that his total sav-

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ings are sufficient to cover the annual expenditure for "Sickness and Death," which, according to the Report, is \$22.21. As human nature goes, this places upon the laborer an apparently unreasonable burden, but in order to guard against even the appearance of generosity, we shall let it remain.

"Labor Organizations, \$6.06"; "Other Organizations, \$6.60." When we recall the imperative necessity of Trades Unions, and when we reflect that "other organizations" include social and mutual-benefit associations, we are bound to conclude that these figures could not well be reduced.

"Religion, \$10.29"; "Charity, \$2.80." Both items seem very small.

"Furniture and Utensils, \$19.79,"—an irreducible minimum.

"Books and Newspapers, \$5.35." Schoolbooks for the children are included in this amount. It is a ridiculously small expenditure for the intellectual life of an American family in the Twentieth century. It may reasonably be raised to \$10.00.

"Amusements and Recreation, \$9.36." This is about one-third of the expenditures for these purposes by the same class of laborers in Europe.<sup>1</sup> It ought to be at least \$20.00.

"Intoxicating Liquors, \$15.98." Let us reduce it to \$10.00.

"Tobacco, \$10.48." Reduced to \$8.00.

"Sickness and Death, \$22.31." As already stated, we assume that the laborer makes provision for

<sup>1</sup> "Seventh Annual Report of the Department of Labor," p. 852.

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these needs from his savings during the earlier years of his adult life.

“Other Purposes, \$38.19.” To one who reflects for a moment on the numerous possibilities of legitimate expenditure that must come under this head, the figure given will seem incapable of further reduction.

A “revised list” of the minimum annual expenditures of a workingman’s family would, therefore, take the following proportions :

Food .....	\$235.00
Rent .....	84.00
Fuel .....	30.00
Lighting .....	4.90
Clothing .....	107.40
Taxes .....	3.00
Property Insurance .....	5.00
Labor Organizations .....	6.06
Other Organizations .....	6.60
Religion .....	10.29
Charity .....	2.80
Furniture and Utensils .....	19.79
Books and Newspapers .....	10.00
Amusements and Vacations .....	20.00
Intoxicating Liquors .....	10.00
Tobacco .....	8.00
Other Purposes .....	38.19
Total for all purposes.....	
	\$601.03

→ The Sixth Annual Report of the Commissioner of Labor presents the results of an investigation into



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the cost of living in the coke and iron ore industries.<sup>1</sup> The average yearly expenditure for all purposes of 249 families in the former industry was \$462.69; of 165 families in the latter, \$390.93. These costs are obtained by dividing the number of families in each group (249 and 165) into the total amount annually expended by the group. As we found to be the case in the cotton group, so here, the dividend, that is, the grand total of expenditures, is lessened by the fact that many of the families paid out nothing under the head of some of the items represented in said total. For example, only 211 of the 249 families in the coke group paid rent; of the remaining thirty-eight, five failed to send in reports to the investigators, and the other thirty-three owned the houses in which they resided. If these thirty-eight had paid the average rent paid by the 211 the total outlay entering under the head of rent into the grand total, would have been to that extent increased (38 times \$58.19). A similar observation is to be made concerning all but two of the other purposes of expenditure; not one of them appears in the expense accounts of *all* the families. The pertinent fact for our study revealed by the statistics of the coke group, is that a family which would annually spend for all of the purposes represented in the grand total the average amounts that actually were spent by those families that spent anything therefor, would have living expenses of \$562.94, instead of \$462.69. And every one of these purposes of expenditure

<sup>1</sup> pp. 1300-1311.

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forms a necessary part of a reasonable standard of living. Moreover, the average size of these families was only 4.8 members; the outlay per family on several of the accounts was palpably insufficient—rent being only \$58.19, and representing only 3.4 rooms per family; and, in general, the individual and detailed descriptions of those families paying rent, numbering more than five persons each, and expending less than \$600 per year, shows that they lacked the requisites of reasonable comfort.<sup>1</sup> With regard to the families in the iron ore group, it must be observed: first, that by computing their cost of living according to the method just employed, we get an annual expenditure of \$459.32, instead of \$390.93; secondly, there were only 5.2 persons per family, the yearly outlay for rent was only \$33.11, the houses (?) numbered only 3.4 rooms each, and many of the other costs, notably under the heads of food, clothing, religion, were entirely too low; and, thirdly, what has been said concerning those families of the coke group with a rent account, more than five members each, and a total outlay of less than \$600 annually—may be asserted with emphasis regarding similarly placed families in the iron ore industry—with the possible exception of those fortunate enough to own a vegetable garden, or cows, hogs, poultry, etc.<sup>2</sup> Hence the records of these two groups of families, whose cost of living was apparently so much lower than that of the families in the cotton industry, in reality confirms the

<sup>1</sup> pp. 1107-1135.

<sup>2</sup> pp. 1145-1165.

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conclusion that a normal family cannot live decently on less than \$600 per year.

Partly because of difficulties inherent in the situation, and partly because complete and definite statistics are lacking, it is impossible to state in terms that will be universally valid the equivalent of \$600 per year in daily wages. The reports of the Pennsylvania Bureau of Industrial Statistics show that in forty-seven industries investigated, the percentage of time during which the men were out of work varied from fifteen in 1893, to three in 1898. The New York Bureau of Labor Statistics exhibits the rate of the unemployed among organized workmen (where it is usually less than among the unorganized) from 1897 to 1901, as varying from nine per cent. to twenty-five per cent.<sup>1</sup> The Massachusetts Labor Report of 1887 placed the average unemployed of that state in 1885 at ten per cent., and the Commissioner of Labor of Illinois estimated it as twenty-five per cent. in his state in the year 1886.<sup>2</sup> Mr. Spahr is of the opinion that, "it is a prosperous year indeed when the average wage-receiver aggregates forty-four full weeks of employment."<sup>3</sup> That would make the percentage of lost time fifteen. Levasseur, however, declares that, "the average deduction which must be made for lost time is about ten per cent. under ordinary circumstances."<sup>4</sup> The widest investigation of

<sup>1</sup> Cf. Final Report of The Industrial Commission, p. 733.

<sup>2</sup> Cf. Charles B. Spahr's "Present Distribution of Wealth in the United States," pp. 100, 101.

<sup>3</sup> *Op. cit.*, p. 101.

<sup>4</sup> "The American Workman," p. 399.

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this question is the one made for the Twelfth Census, which covered every occupation in the United States. The returns show, not the average amount of time lost by each worker, but the number and per cent. that were idle during *any* portion of the year, and the per cent. of these that were unemployed during a part or all of different groups of months. For example, of those engaged in the manufacturing and mercantile industries 28.3 per cent. were unoccupied for some part of the year: of these 46.5 per cent. lost from one to three months; 42.2 per cent. from four to six months; and 11.3 per cent. from seven to twelve months.<sup>1</sup> A conservative computation from this table of returns indicates that the percentage of unemployment for all occupations except agriculture and the professions, during the year covered by the investigation, 1899 and 1900, averaged between eight and ten per cent. And those years were unusually prosperous. However, if we assume that the average workingman loses only eight per cent. of his possible working time—about 310 days per year, exclusive of legal holidays—an annual income of \$600 would mean a daily wage of \$2.10. In case employment is absolutely uninterrupted, these rates are equivalent to \$1.94 per day.

Since our estimate of \$600 is based on the cost of living of families in the cotton industry in the year 1891, it is undoubtedly too low to serve as a standard for the whole country at all times. House rent, car fare, recreation, social position, would make living dearer in the large cities than in the smaller

<sup>1</sup> Volume on "Occupations," p. ccxxxv.



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centers of population in which these families resided. In New York, or Boston, or Chicago, \$600 would not, even during periods of low prices, obtain the irreducible minimum of necessities and comforts described in our "revised list." It would not command that amount of goods to-day<sup>1</sup> in those towns in which the figures of the original list were gathered; for the cost of living was six per cent. less in 1891 than in 1903.<sup>2</sup> The conclusions that seem to be abundantly justified by the facts brought out in this chapter may, therefore, be stated as follows: first, anything *less* than \$600 per year is *not* a Living Wage in any of the cities of the United States; second, this sum is *probably* a Living Wage in those cities of the Southern States in which fuel, clothing, food and some other items of expenditure are cheaper than in the North; third, it is *possibly* a Living Wage in the moderately sized cities of the West, North and East; and fourth, in some of the largest cities of the last-named regions, it is certainly *not* a Living Wage.

<sup>1</sup> October, 1905.

<sup>2</sup> See Bulletin No. 53 of the Bureau of Labor, pp. 712, 723.

SECTION III  
ECONOMIC FACTS BY  
WHICH THE RIGHT  
IS CONDITIONED



## CHAPTER VIII

### THE UNDERPAID LABORERS OF AMERICA: THEIR NUMBER AND PROSPECTS

Place of this and the following chapter in the discussion. No complete statistics of the underpaid obtainable. Partial statistics showing the proportion in several industries at the beginning and end of the last decade. Conclusion, that at least 60 per cent. of the male adults get less than \$600 per annum. Wages have greatly increased since 1850, but not so rapidly in the last 25 years as in the preceding 30 years. The forces that have restricted, and seem likely to continue to restrict, the upward tendency of wages are: (a) monopolistic combinations, which can dispense with a considerable amount of labor power; (b) the rapid displacement of men by machines; (c) the unnecessary multiplication of productive instruments, causing overproduction and unemployment. Mr. Hobson's analysis of this phenomenon. It may be operative at all times except those of unusual industrial activity. Fallacy of the older theory which affirmed the impossibility of general over production. Combined effect of the three forces described. Summary and conclusion.

The endeavor of the foregoing chapters has been to show that the laborer has a right to a Living Wage, and to state the content of this right in terms of goods and money. The correlative obligation rests, it has been declared, "on the members of the industrial community in which the laborer lives."



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The next step would naturally be an attempt at a more specific definition of the phrase just quoted. Before entering upon this task, however, we shall try to get some idea of the proportion of American adult laborers that to-day fails to receive a Living Wage, and to ascertain whether this proportion is likely to change in the near future. This inquiry will form the subject matter of the present chapter. In the chapter immediately following we shall strive to answer the question which asks whether the natural resources and productive powers of the country are sufficient to afford a Living Wage to all its inhabitants. The discussion of these questions will make the whole treatise more concrete, and will give it more practical significance. As used hereafter, the phrase, "underpaid laborers," refers to adult male workers whose remuneration is less than \$600 per year.

No investigation has ever been made which shows the total number of workingmen in the United States employed at any given rate of wages. There was, indeed, an attempt in this direction by the officials in charge of the Eleventh Census, but it was not successful. From the results of various partial investigations, however, we can form a fairly accurate and sufficiently definite estimate of the number and proportion of the underpaid.

The Eleventh Census (1890) gives the weekly rates of wages and the number of persons employed at each rate in fifty leading industries of 165 cities.<sup>1</sup> The investigation from which these results were ob-

<sup>1</sup> Part II of the Report on Manufactures, p. xxix.

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tained was the most extensive of its kind that has ever been made, as it covered one-fourth of the employees in the manufacturing and mechanical industries. The number of establishments investigated was 44,225, and the number of males sixteen years of age and over whose rates of wages were obtained was 757,865. None of the reports of the Eleventh Census gives the number of employees who were above twenty-one years, nor the number of those between sixteen and twenty-one; but from the tables of the Twelfth Census we learn that in 1900 the proportion of males sixteen years of age and over in manufacturing and mechanical pursuits who were minors, was eleven per cent.<sup>1</sup> If the same proportion existed in 1890, and if all the minors were among the 407,693 workers who received less than twelve dollars per week, forty-eight per cent. of the male adults failed to get a Living Wage.<sup>2</sup> But the wage returns upon which this estimate is based represent not merely wage receivers in the ordinary sense, but also company officers and firm members. According to the Eleventh Census, the average income of males above sixteen in the manu-

<sup>1</sup> Volume on "Occupations," p. cxlii. That is to say, the minors formed 11 per cent. of the whole number of males,—laborers, employers, and company officers,—above 16 years of age in these occupations. They were, consequently, a slightly higher percentage of the laborers alone, but the difference is so small that it may safely be disregarded.

<sup>2</sup> The assumption that all minors and women are in the underpaid class is made in the case of every group of employees considered in this chapter. The effect is to make the proportion of male adults in the class slightly less than it actually is, since some women and minors certainly get more than \$600 per year. But there is no other available method of even approximately distinguishing the wages of adult males.

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facturing and mechanical industries was nine per cent. higher when the latter classes were included than when they were omitted. Taking account of this fact and of the number of income receivers appearing in the highest paid group in the table that we are considering, we may safely conclude that the per cent. of adult male wage earners getting less than twelve dollars weekly was at least fifty-one.

The Seventh Annual Report of the Commissioner of Labor indicates that eighty-four per cent. of 17,650 employees in typical establishments in the iron and steel industry received in 1891 less than \$2.01 per day.<sup>1</sup> According to the Twelfth Census, seventeen per cent. of this class of workers in 1900 were females and boys.<sup>2</sup> Assuming that the same percentage obtained nine years previous, we find the proportion of underpaid adults among the iron and steel workers at that time to be eighty-one per cent.

The Fifth Annual Report of the Commissioner of Labor presents the rates of wages paid to railway labor in 1889.<sup>3</sup> Of the 224,570 employees represented eighty-six per cent. received less than \$2.01 per day. When eight per cent. is deducted on account of females and boys the proportion of adult males that failed to get this rate appears as eighty-five per cent.<sup>4</sup>

In the special report of the Twelfth Census (1900)

<sup>1</sup> pp. 840, 841.

<sup>2</sup> Volume on "Occupations," p. cxlii.

<sup>3</sup> p. 83.

<sup>4</sup> As in the case of the iron and steel workers, the percentage of women and minors is assumed to be that prevailing when the Twelfth Census was made. See the volume of the latter on "Occupations," p. cxlii.

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on "Employees and Wages," returns are presented from what was undoubtedly the most careful investigation that has yet been made of the rates of wages obtained by different classes of workers.<sup>1</sup> Representative establishments were studied in thirty-four "stable and normal industries," classified under the more general heads of textile, woodworking, metalworking, and miscellaneous. As the chief purpose of the investigation was to show the movement of wages in the manufacturing industry between 1890 and 1900, statistics were obtained for both of these years. The returns for 1890 indicate that sixty-nine per cent. of 105,106 males sixteen years of age and over received less than \$12.50 per week.<sup>2</sup> Allowing eight per cent. for lost time, this is less than \$600 annually. When eleven per cent. is deducted on account of minors the proportion of underpaid adult males appears as sixty-six per cent.

So much for the wages prevailing in 1889, 1890, and 1891. Of the condition of industry in 1900 the report on "Manufactures" of the Twelfth Census says: "It was a time of special activity and productivity of manufactures"; "the volume of industry had nearly reached its high-water mark"; and furthermore, "the same general conditions prevailed in 1890"; "there has been no decade in which business conditions were so nearly alike at its beginning and at its end."<sup>3</sup> The language of the Census Report is confirmed by the "Aldrich Report" and the monthly Bulletins of the Bureau of Labor, which

<sup>1</sup> pp. 2-779.

<sup>2</sup> pp. 2-614.

<sup>3</sup> Part I, p. lix.



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show that in 1889, 1890, and 1891 the general level of wages was higher than the average of the decades immediately preceding and following.<sup>1</sup>

The special investigation discussed in the last paragraph but one, found that sixty-eight per cent. of 160,267 males of sixteen years and over were paid less than \$12.50 per week in 1900.<sup>2</sup> Eliminating eleven per cent. for minors, we see that the proportion of adult males that failed to get a Living Wage in typical establishments in the manufacturing industry was sixty-four per cent.

Another table based upon this same investigation, containing returns from some establishments not represented in the table just considered, and omitting some of those included in the latter, discloses the fact that sixty-six per cent. of 156,552 males sixteen years and over obtained less than \$12.50 per week.<sup>3</sup> With eleven per cent. deducted for minors, the proportion of underpaid male adults in this group in 1900 was sixty-two per cent.

According to the Thirteenth Annual Report of the Interstate Commerce Commission on the Statistics of Railways, eighty-two per cent. of the 1,008,068 persons, exclusive of officers, in this industry in 1900 received at that time wages that averaged less than \$2.05 per day.<sup>4</sup> The Sixteenth Annual Report of the Commission shows that in 1903 sixty-nine per cent. of the 1,302,494 railway employees—officers of the roads again being excluded—obtained

<sup>1</sup> Cf. Ely, "Evolution of Industrial Society," pp. 112, 113.

<sup>2</sup> "Employees and Wages," pp. 2-614.

<sup>3</sup> "Employees and Wages," pp. 616-779.

<sup>4</sup> pp. 34, 40.

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average wages of less than \$2.09 daily.<sup>1</sup> Eliminating eight per cent. on account of women and minors, we see that the average per cent. of underpaid adult males for the two years was seventy-two. It must be noted that this estimate is based on the Commission's statement of the *average* rates paid to the different classes of employees, and consequently that many individuals in some of the classes in which the average level was below \$2.10 per day, received a higher remuneration. On the other hand, many members of classes whose average was above that rate obtained less. Probably one group balances the other.

A partial confirmation of these estimates of the proportion of underpaid male adults at the beginning and end of the last decade of the Nineteenth century is obtained from statistics presented by several of the state labor bureaus. A noteworthy feature of these returns is that they represent a much larger proportion of all the employees in their respective states than do the foregoing statistics with regard to the country at large. Moreover, they are all from states in the North and West, in which wages are at least up to the average rates for the whole United States. Only a summary will be given of the estimates based on state statistics. For the sake of a more satisfactory and comprehensive view of the entire field, the table includes a summary of the estimates already given in detail.

<sup>1</sup> pp. 38, 43.

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Employees and Years Represented:	Number of Adult Males Represent- ed:	Per Cent. of Adult Males Under- paid:
In 50 Manufac. Industries, 1890, <sup>1</sup>	757,865	51
In Iron and Steel, 1891, <sup>2</sup>	17,650	81
In Railway Occupations, 1889, <sup>3</sup>	206,604	85
In 34 Manufac. Industries, 1890, <sup>4</sup>	93,544	66
In 34 Manufac. Industries, 1900, <sup>5</sup>	142,638	64
In 34 Manufac. Industries, 1900, <sup>6</sup>	138,331	62
In Railway Occupations, 1900 and 1903, <sup>7</sup>	2,125,717	72
In Manufac., Mass., 1890 and 1891, <sup>8</sup>	367,311	59
In Manufactures, Wis., 1891, <sup>9</sup>	70,326	61
In Manufac., Minn., 1899 and 1900, <sup>10</sup>	99,872	53
In Manufac., Mass., 1899 and 1900,	511,727	64
In Manufac., Wis., 1899, 1900, 1901, <sup>12</sup>	217,522	75
In Manufac., N. J., 1899, 1900, 1901, <sup>13</sup>	387,903	60
In Manufac., Ill., 1900 and 1901, <sup>14</sup>	135,890	58

No attempt is made to estimate the total number of underpaid workers represented in the table, because many of them are counted more than once in

<sup>1</sup> Eleventh Census, "Manufactures," Pt. II, p. xxix.

<sup>2</sup> Seventh Annual Report of Com. of Labor, pp. 840, 841.

<sup>3</sup> Fifth Annual Report of Com. of Labor, p. 83.

<sup>4</sup> Twelfth Census, "Employees and Wages," pp. 2-614.

<sup>5</sup> Ibidem.

<sup>6</sup> Idem, pp. 616-779.

<sup>7</sup> Thirteenth & Sixteenth Reports of Interstate Com. Commission, pp. 34, 40; 38, 43.

<sup>8</sup> Annual Statistics of Manufactures for 1891.

<sup>9</sup> Report of Bureau of Labor Statistics for 1891-92.

<sup>10</sup> Report of Bureau of Labor for 1899-1900.

<sup>11</sup> Annual Statistics of Manufactures for 1900.

<sup>12</sup> Report of Bureau of Labor Statistics for 1900-01.

<sup>13</sup> Reports of Bureau of Labor Statistics for 1900 & 1901.

<sup>14</sup> Report of Bureau of Labor Statistics for 1902.

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the summaries, and the entire number represented is small relatively to the whole number of underpaid in the United States. The important feature of the table is the percentages, which may be taken as fairly representative of average wage conditions in manufacturing and railway industries. And the general level of remuneration in these two fields is undoubtedly quite as high as the average of all the other urban occupations. It is to be noted, moreover, that these percentages reflect the conditions of 1890 and 1900-1903, when wages were about as high as they are at present (1905) fully as high as the average of the last fifteen years, and higher than that of the last twenty-five years.

The majority of the percentages are above sixty, while the only notable percentage below that figure is the first one in the table. The Eleventh Census indicates that only fifty-one per cent. (approximately) of the male adults employed in manufacturing industries in 1890 received less than twelve dollars per week. Yet the special investigation undertaken by the director of the Twelfth Census shows that the proportion obtaining under \$12.50 per week in the same industry the same year, was sixty-six per cent. The investigation from which the smaller figure was drawn covered a much larger number of men than did the one just mentioned, but there is every reason to believe that it was less scientifically and carefully carried out. Moreover, investigations of the manufacturing industries of Massachusetts and Wisconsin for this same year 1890 developed the fact that the percentages of underpaid in these states were re-



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spectively fifty-nine and sixty-one. It is probable therefore that sixty-six per cent. is nearer the actual figure than fifty-one. When due weight is given to all the percentages in the table the conclusion seems justified that at least sixty per cent. of the adult male workers in the cities of the United States are to-day (1895) receiving less than \$600 annually.<sup>1</sup>

What of the future? Do the wages of the poorest paid classes show any tendency to increase? All students of the subject admit that wages as a whole have greatly increased since 1850. The necessities and comforts of life, on the other hand, seem to be at about the same price-level that prevailed at that date.<sup>2</sup> The net result, therefore, is a considerable improvement in the condition of the laboring classes generally, since the middle of the last century.

There are, however, serious reasons for thinking that the upward movement of wages has been much smaller during the last twenty-five years than it was during the preceding thirty years. The census of 1890 gives us no definite information concerning the course of wages during the decade immediately preceding that date, because it differed in the scope and form of its inquiry from the census of 1880. Hence

<sup>1</sup> Writing in the "Annals of the American Academy of Political and Social Science," September, 1904, Mr. Wm. English Walling estimates that more than two-thirds of the male adult laborers fail to get \$600 per year, but his argument is not altogether conclusive.

<sup>2</sup> According to the Aldrich Report (pp. 8, 9) the cost of living (rent excluded) was considerably higher in 1860 than in 1850, but there was a decline of 5.6 per cent. from 1860 to 1891. Between the latter year and 1903, it rose (rent again excluded) 6.3 per cent. (Bulletin No. 53 of the Bureau of Labor, p. 723.) Since 1903 prices have fallen somewhat.

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we are warned by those in charge of the former that the wage statistics of the two censuses can not be compared.<sup>1</sup> The Aldrich Report declares that the rise in wages during this decade amounted to twelve per cent.<sup>2</sup> This estimate has been severely criticized. It has been asserted that the establishments selected for investigation were not truly representative of their respective classes. For example, one dry goods store and one grocery store, employing together less than thirty clerks, were taken as typical of the whole retail business; and the exceptionally high wages that they paid, as representative of the remuneration of the whole of this class of workers. Again, it is charged that the statisticians who summarized the returns of the investigation were in sympathy with its political aim, which was to show the greatest possible increase in wages.<sup>3</sup> Thus, in computing the average wages paid in a certain brewery—the only establishment in that industry from which returns had been secured—they put the head brewer, who received \$23.96 per day, in a series by himself. He was, accordingly, given as much weight in determining the average for the whole establishment as each one of the other *classes* of workmen. One of these classes contained thirty-three men. In consequence of this method, the average wage of the brewery appeared as \$4.12 per day, although a majority of the employees actually received less than two dollars. A further and more far reaching result

<sup>1</sup> "Abstract of the Eleventh Census," p. 139.

<sup>2</sup> p. 14.

<sup>3</sup> Cf. Spahr, "Present Distribution of Wealth in the United States," p. 106, sq.

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was that the quotations for the brewing industry presented in the Aldrich Report are seventy per cent. too high. As Professor Bullock remarks, "this typical brewer who receives over \$6,000 per year. . . . was certainly worth that amount for statistical purposes."<sup>1</sup> Finally, an investigation made by the United States Bureau of Labor into the wages of twenty-five occupations in a few of the leading cities of the country, showed an increase for this decade of eight per cent.<sup>2</sup> After due allowance has been made for the various defects in the three sources of information considered in this paragraph, the conclusion seems valid that a real rise in general wages took place between 1880 and 1890, but that it did not amount to twelve, nor, in all probability, to eight per cent. The Aldrich Report states that prices fell nine per cent. during the same period.

According to the table given above, the number of male adults receiving less than \$12.50 per week in thirty-four manufacturing industries was sixty-six per cent. in 1890 and sixty-four per cent. in 1900,—a gain of two per cent. for the decade in the proportion of those getting a Living Wage. An investigation made by the United States Bureau of Labor of forty-two manufacturing and mechanical industries shows that weekly wages increased eleven per cent. and the cost of food nine per cent. between 1890 and 1904.<sup>3</sup> The net gain to labor between

<sup>1</sup> Quarterly Publications of the American Statistical Association, March, 1899.

<sup>2</sup> Bulletin No. 18, p. 668.

<sup>3</sup> Bulletin No. 59, p. 18.

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1890 and any year in the present century seems, therefore, to have been inconsiderable.

The incomplete and in some respects unreliable statistics at hand indicate, therefore, that the immense improvements in production that have been brought about within the last quarter of a century, have not been followed by a corresponding improvement in the condition of the laborer. His wages have risen, indeed, during this period, but neither so steadily nor to such an extent as might with reason have been expected. These statements refer to general wages. Since the greatest advances in remuneration have occurred among the organized—who are also the better paid—workmen, there is some reason to think that the wages of the poorest paid have not kept pace with the general increase.<sup>1</sup>

Now those features in the evolution of the processes of production which seem to have restricted the upward trend of wages in the recent past, will in all probability show the same tendency for a long time to come. The first of them is the prevalence of monopoly. In his Minority Report as member of the Industrial Commission, Mr. Phillips estimates the value of the industries of the country that are more or less monopolistic in character at \$17,000,000,000, "or probably one-fifth of what the present census will find to be the estimated true value of all property in this country."<sup>2</sup> As a matter of fact, the great combinations formed in recent years have paid at least as high wages as their independent

<sup>1</sup> Cf. the table of the relative wages prevailing in various occupations found in the Aldrich Report, p. 111, sq.

<sup>2</sup> Final Report, p. 684.



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rivals.<sup>1</sup> This, however, is but one phase, and very probably a temporary one, of the situation. Because of their more economical organization, the so-called trusts can turn out a given amount of product with a much smaller labor force than is required in a régime of competition. Unless they make their output larger than it would have been under the old system, they will consequently be able to reduce the number of their employees. They cannot profitably increase the output without reducing prices to the consumer, and this, as experience shows, they will not do. Their usual practice runs in the opposite direction. The result is that men are thrown out of employment, to enter into competition with their fellows both within and without the combinations, and thus bring down the wages of all. On the other hand, the increased cost of living which follows a monopolistic organization of industry affects the laborer precisely as it affects other consumers.

The second disquieting fact among the present tendencies of the productive process is the displacement of men by machines.<sup>2</sup> Professor Smart gives

<sup>1</sup> Cf. Final Report of the Industrial Commission, p. 625; and Clark's "Problem of Monopoly," p. 69.

<sup>2</sup> Referring to the last decade of the Nineteenth century, the Twelfth Census tells us: "A factor that has had a real tendency to lower the actual average earnings of the wage-earner in many of the industries is the displacement of the skilled operative by machinery, which permits the substitution of a comparatively unskilled machine hand. This tendency is noticeable in many lines of industry. Its effects are twofold; to reduce the number of employees producing the same or an increased quantity of product; and to reduce the average rate of wages because of the lower degree of skill required." "Manufactures," Pt. I, p. 123.

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it as his opinion that we are only at the beginning of the machine age, and that the need for man is for the moment becoming less and less in all fields where machinery is entering.<sup>1</sup> If the need for man grows less, will not the proportion of unemployed grow greater? One obvious answer to this question is a reference to the experience of the past. Up to the present the substitution of machinery for hand processes does not seem to have caused any permanent increase in the proportion of unemployment. The number of idle men is probably no greater, relatively to the whole working population, than it was before the coming of the machine régime. And yet, it must be borne in mind that this result is a mere accident, for there is no necessary connection between the introduction or extension of machine production and the continuity of employment.<sup>2</sup> On the contrary there is reason to fear that a more or less direct ratio exists between the increase in the *rate* of machine substitution, and the increase in the rate of unemployment. Assuming that the former will be quite marked for some time to come, we must, it would seem, expect the percentage of the unwillingly idle to increase likewise. Every time a new labor-saving machine is introduced some men are thrown out of work; consequently, the greater the amount of such machinery that is put into operation in a given year, the greater is the number of men that are unemployed during some part of that year. Ultimately they may all be absorbed in the old industry or in

<sup>1</sup> Cf. "Distribution of Income," p. 235, note.

<sup>2</sup> Cf. Hobson, "Evolution of Modern Capitalism," ch. VIII.

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related occupations, but there is at least an increase in the number of those who are temporarily unemployed; and the more rapidly their number is augmented, the larger will be the sum total of unemployment, for the process of readjustment will not keep pace with the acceleration of machine substitution. Thus, if the new forms of machinery brought into use in a community this year supplant one thousand men, whereas those introduced last year displaced only five hundred, it is more than probable that the amount of unemployment will be greater this year than last. Each of the one thousand men will be out of work for more than half the number of days during which each of the five hundred was idle. Any increase in the *rate* at which men are displaced by machines, therefore, increases unemployment, and thus tends to lower wages.

In addition to the rapid introduction of new forms of capital, the unnecessary multiplication of existing forms seems liable to impede the upward movement of wages by augmenting unemployment. We save too much and consume too little. Too much of the annual product of the nation is converted into machinery. "In a given state of the arts and with given habits of consumption, a certain amount of machinery can be advantageously utilized; a larger amount than this is waste. We have for generations been cultivating notions which should make individuals reduce their consumption and increase their investment until we could obtain the required amount; and we have apparently overdone the matter."<sup>1</sup>

<sup>1</sup> Hadley, "Economics," sec. 161.

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The influence of over-accumulation of capital upon employment is so well described by Mr. Hobson that his words are worth quoting at some length:

“In order to test the case, take a community with stable population where there has existed a right economic relation between forms of capital and rate of consumption. Suppose an attempt is initiated to increase savings by abstention from consumption of some class of goods, say cotton. . . . Since no trade requires increase of capital, the new savings may as well be invested in the form of new cotton mills as in any other way. Let us suppose that the over-saving of the first year is capitalized in this form. What has occurred during this first year is that an increased employment of capital and labor in making cotton mills has balanced a diminished employment in making cotton goods. Assuming an absolute fluidity of capital and labor, the net employment for the community is not affected by the change. People have simply been paid to make cotton mills instead of to make cotton goods. At the end of the year there exists an excess of cotton mills over what would have been required if consumption of cotton goods had stood firm, a double excess over what is needed to supply the now reduced demand for cotton goods. If it seems unfair to any one that I should apply the over-saving to the only trade where the demand is absolutely reduced, I can only reply that it simplifies the argument and makes no real difference in its validity. If we assume the saving to be equally distributed among all trades, then at the end of the year all trades would be to a minor degree in



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the same condition as the cotton trade is according to my illustration.

“If savers were mad enough to continue this policy, preferring the growing ownership of useless cotton mills to the satisfaction of consuming commodities, the process might continue indefinitely, without reducing or affecting in any way the aggregate employment of labor and capital. It would simply mean that a number of persons take their satisfaction in seeing new cotton mills rising and going to decay.

“But it is conceivable that in the second year of over-saving, the savers instead of continuing to pay people to put up more mills might employ people to operate the excess of cotton mills, lending their money to buy raw material and to pay wages. Cotton goods which *ex hypothesi* can find no markets are thus accumulated. If the savers choose to take their pleasure in such a way, they might go on indefinitely without the aggregate of employment of capital or labor being affected. If they continue this impolicy for a twelvemonth, we should say that whereas in the first year they saved useless mills, in the second they saved useless cotton goods. In neither the first nor the second year is there any net increase or decrease of employment due to the new policy of saving. In fact, assuming sanity of individual conduct, affairs would work out differently. Admitting an attempt to work the surplus mills, the actual over-production of goods could not proceed far. Let us assume savers to use, throughout, the agency of banks, which are to find investment for

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their savings. Suppose the banks, not realizing the mode of this new saving, have invested the first year's savings in superfluous cotton mills. These cotton mills or others in the next year cannot continue to work without advances from banks, since they are unable to effect profitable sales. Soon after the beginning of the second year the banks refuse to make further efforts for over-production: markets being congested and prices falling, the demand for bank accommodation will grow, but banks will not be justified in making advances. Now the weaker mills must stop work, general short time follows, and the result is unemployment of labor and forms of capital. This is the first attempt to over-save upon employment. We have now for the first time a reduction of the aggregate of production. The result of reduced employment (under-production) will be a reduction of real incomes. This will tend to proceed until the reduced reward of saving (real interest) gradually restores the right proportion of saving to spending—a very slow and wasteful cure.

“It thus appears that so long as saving can be vested in new forms of capital, whether these are socially useful or not, no net reduction of employment is caused, the portion of income which is saved employs as much labor as, though not more than, that which is spent, but when the machinery of production is so glutted that attempted saving takes shape in the massing of loanable capital unable to find investment, the net production and the net employment of labor in the community is smaller than it

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would have been had saving been confined to the minimum required by the needs of the society.

“From the standpoint of employment the injury done by over-saving is thus seen to consist not in the over-production of plant or goods but in the condition of *under-production* which follows the *financial recognition* of this glut. The real waste of power of capital and labor is measured by the period and the intensity of the under-production in which forms of capital and labor stand idle.”<sup>1</sup>

Over-production induced by over-saving is, of course, most widespread, as it is most striking, during an industrial crisis. But it may exist to a more limited extent during periods that are regarded as substantially normal. There may be an excess of productive instruments in the greater number, or even in all, of the industries of a country at all times except those of extraordinary prosperity. Something very like this seems to have become true of the United States. Between 1886 and 1896 the average product of more than two thousand manufacturing establishments in Massachusetts was only fifty to seventy per cent. of their full capacity.<sup>2</sup> It has been estimated that with their existing equipment of capital and labor, the shoe factories of the country could meet the current annual consumption by running

<sup>1</sup>“The Problem of the Unemployed,” pp. 94-97. See also, “The Evolution of Modern Capitalism,” ch. VII, by the same author. Professor Smart observes that this theory has not met with the attention that it deserves. Anyone who will carefully examine it cannot fail to be impressed with its superior value as an explanation of the phenomena that constitute an industrial depression.

<sup>2</sup> Eleventh Report of the Annual Statistics of Manufactures, pp. 99-104, 169.

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steadily for four months.<sup>1</sup> In the absence of larger statistics, no precise estimate of the extent of the phenomenon can be attempted, but if everyday observation may be relied upon the amount of productive power that is unused is enormous. At every turn we seem to see efficient machinery abandoned or running on short time. And the cause is almost never a scarcity of labor. Now if the idle or partially idle capital-instruments were the worst of their kind, and if the new machinery invariably and immediately crowded out all the poorer instruments that were not needed to supply the current rate of consumption, the excessive accumulation of capital would cause neither over-production nor diminution of employment. The savings that might have been exchanged for consumption goods would have been expended in making machines that were allowed to perish as fast as newer machines adequate to the current demand were put in operation. Thus labor would be kept employed and excessive production restricted. But the industrial mechanism does not work so smoothly. The owners of the older instruments of production are not doing business on this lofty plane of philanthropy. They continue to produce, and to compete for a share in a market that is beginning to be over-supplied. The directors of production see prices, and therefore profits, declining, and endeavor to recoup by lowering wages. Profits, however, continue to diminish until some of the industries are closed, others are running only a part

<sup>1</sup> Final Report of Industrial Commission, p. 752.



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of the time, unemployment has increased, and wages are further reduced.

This theory is at variance, obviously, with one of the common-places of the older political economy. We have been assured very frequently that general over-production is an absurdity, since a supply of goods always means a demand for goods, and since the wants of men are never fully satisfied. Undoubtedly the existence of goods implies the power to purchase other goods, and the existence of unsatisfied wants means a desire to purchase; but what Adam Smith called "effective demand," the only kind of demand that will take the surplus goods off the market, requires that the purchasing power and the desire exist in the same persons. As things are, those who can consume more have not the desire, and those who have the desire have not the power. And there is assuredly nothing in the nature of our industrial mechanism to prevent this condition, which is obviously possible in one or two lines of production, from being realized in all. This failure of production and consumption to function harmoniously in the economic organism seems to have escaped the notice of so able a writer as Professor Clark, when he wrote: "The richer the world is in capital, the richer the worker is in productive power."<sup>1</sup> Richer in productive *power*, yes; but what if the condition of consumption, the actual demand for products does not call for the full exercise of this power? The very excess of productive power relatively to the needs that are combined with purchasing power,

<sup>1</sup> "The Distribution of Wealth," p. 172, note.

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means an excess of supply of labor, which in turn means unemployment and low wages.

The three forces of combination, rapid introduction of new forms of machinery, and excessive multiplication of existing forms, seem likely to continue operative for a long time to come. In a general way they are mutually helpful in their detrimental effects on labor. The powerful and highly organized industrial combinations are able to put in new forms of machinery on a more extended scale than would be possible in a régime of small industries. It is true that these combinations will check oversupply of capital in the fields in which they are supreme, but in so doing they limit the opportunities of new capital. Outside of the province dominated by the great industries, therefore, the danger of a too abundant supply of capital instruments is increased; it has gained in intension what it has lost in extension.

To sum up, sufficient data have been presented to justify the conclusion that the proportion of adult male wage earners (outside of agriculture, where the remuneration is much lower but the cost of living not so high) obtaining less than \$600 per year, is at least sixty per cent. A partial confirmation of this estimate is seen in Mr. Robert Hunter's calculation that, "not less than 10,000,000 persons in the United States are in poverty"; that is, "they may be able to get a bare sustenance, but they are not able to obtain those necessities which will permit them to maintain a state of physical efficiency."<sup>1</sup> Ex-

<sup>1</sup>"Poverty," pp. 60 and 5.

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plaining "physical efficiency," he says: "No one will fail to realize how low such a standard is. It does not necessarily include any of the intellectual, aesthetic, or social necessities; it is a purely physical standard, dividing those who are in poverty from those who may be said to be out of it."<sup>1</sup> Allowing one male adult to every five persons, we see that Mr. Hunter's estimate is equivalent to the statement that two million *men* in the United States do not get a wage sufficient to supply their normal physical wants. They are on a physical level below that of a well kept horse or cow. This condition alone makes it altogether probable that sixty per cent. of the adult male wage earners among the 13,113,590 males above sixteen years engaged in gainful occupations other than agricultural and professional, receive less than \$600 annually. As to the prospects of the underpaid, wages have increased less rapidly during the last quarter of a century—the period of our greatest industrial improvements—than during the previous thirty years. Whence the inference seems valid, that side by side with the progress of production there have existed forces which have prevented the laborer from obtaining his full share of the results of that progress. Three of these forces, namely, monopolistic combinations, rapid displacement of labor by machinery, and excessive multiplication of the instruments of production, will in all probability be with us for many years yet, increasing the rate of unemployment and restricting the upward movement of wages. From these evils

<sup>1</sup> *Idem*, p. 7.

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the poorest paid, being the least able either to resist a reduction or to utilize the possibilities of a rise in their remuneration, will naturally be the greatest sufferers.



## CHAPTER IX

### OUR INDUSTRIAL RESOURCES AND A LIVING WAGE FOR ALL

The national income may be regarded as a sum of products or as the total of personal incomes. In the first sense it cannot be satisfactorily estimated. From an estimate in the second sense no definite conclusion can be drawn concerning the amount of income per family that would result from an equal distribution. The consequences of a better utilization of the nation's industrial resources: (a) an immense increase in the national product on account of the increased productivity of those who are now underpaid; (b) a very considerable increase from the abolition of luxury; (c) a sufficient increase to make possible a decent livelihood for all from the employment of idle labor and capital.

The fact that so large a proportion of the laborers of America fail to get a Living Wage naturally raises the question, whether this condition is not in some measure due to the insufficiency of our resources of production? If the facts call for an affirmative answer it cannot be maintained that all the laborers of America have a present, actual right to a Living Wage. There are no rights to conditions or actions that are impossible of realization. Let us first examine whether the *present* national income would afford a universal Living Wage if it were equally

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distributed, and then whether our productive capacities, actual and possible, are adequate to this end.

The national income, that is, the aggregate of utilities put at the disposal of the inhabitants of the nation in the course of the year, may be conceived of and described in two ways: either as the total amount of goods and services made available, or as the sum of all the incomes received by the owners of the instruments of production, the makers of the products, and the performers of personal services. In the first sense, the national income comprises the sum total of food, clothing, housing, fuel, lighting, and material goods generally, and all immaterial services, such as, the advice given by the lawyer, the instruction furnished by the teacher and the clergyman, the entertainment afforded by the actor, the tasks performed by the domestic servant, etc.,—that are annually produced and made available for the satisfaction of human wants. Now if we could estimate this total of goods and services in some comprehensive way and express it by some common term, we should be in a position to answer the first of the questions proposed above. As this condition is obviously impossible, owing to lack of statistical data and the inherent difficulties of the problem, we turn to the second measure of the national income. We ask, how much money have the capitalists, landowners, laborers, entrepreneurs, professional men, domestic servants, and the rest, received during the year for the part that they have taken in producing or rendering available all these goods and services? Instead of measuring the latter direct-

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ly, we get an indirect measure in the money that has been paid for producing them. Nor is the sum of individual incomes an excessive measure of the national product. It is, indeed, greater than the value of the *material* product, inasmuch as the sums received for making the latter are frequently duplicated and sometimes tripled in the income calculation. A part of the net profit obtained by the manufacturer, for example, is paid out to domestic servants, and thus figures twice in the summary of personal incomes. It must be kept in mind, however, that the national product, national income, the annual sum of utilities put at the nation's disposal, consists not merely of material goods, but of material goods plus immaterial personal services. The services rendered by the physician, the barber, the coachman, or the cook, are as truly utilities, are as much a part of the good things that are annually made available for the use and comfort of the people, as are wheat, iron or cotton. They must consequently find a place in any calculation of the nation's total income or product.

What is the present national income of terms of personal incomes? Anything like a definite answer is impossible, but Dr. Spahr's estimate will furnish a basis for a rough guess, and, moreover, will serve to show the unimportance of the question as far as concerns the purpose of this chapter. According to his computation, the total amount obtained by all classes of income-receivers in 1890 was \$10,800,000,000.<sup>1</sup> This divided equally among the 12,500,000 families then in the country (reckoning five persons

<sup>1</sup>"Present Distribution of Wealth in the United States," pp. 104, 105.

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to a family) would have provided each with an annual income of \$864,—a very liberal Living Wage. Unfortunately, however, the problem is not one of simple division; for the national income does not exist as a lump sum, and is not distributed all at once. It is divided among the producers according as it is produced, and this *method* of distribution determines the direction of the productive forces and the amount of the product.<sup>1</sup> An equal division of the national income among all the income receivers in 1890 would necessarily have been made within a few days, or at most a few weeks, of the time when the goods and services were produced. As a consequence, the demand for products would have been other than it actually was during that year. Since workers of every description would have been in receipt of comfortable but not large incomes, the demand for luxuries would have been considerably less, and the demand for necessaries and comforts immensely greater. Hence the amount and kind of products brought into existence in response to this different demand would have been other than they really were, and there is a probability equivalent to a certainty that the sum total of incomes received by the contributors to these products would have been either more or less than \$10,800,000,000. The income per family would, therefore, have been represented by some other figure than \$864. Moreover, this sum would in all probability not have had the

<sup>1</sup> Cf. Seager's review of Smart's "Distribution of Income" in the "Annals of the American Academy of Political and Social Science," vol. xvi, p. 140.



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same purchasing power that it had in the system of distribution that actually existed in 1890.

The difficulties called up by this partial statement of the problem render any attempt to estimate the income that men would receive from an absolutely equal distribution, a waste of time. Let us, therefore, abandon this line of inquiry, and ask ourselves whether the natural resources and productive forces of the country would, if fully utilized, provide all laborers and their families with the requisites of a decent livelihood. What, in the first place would be the probable effect of a Living Wage on the productive efficiency of those workers who are at present receiving less than that rate?

According to the theory of "the economy of high wages,"—at least, when stated in its extreme form—every increase in the laborer's remuneration will be followed by a relatively larger increase in his product. The higher his wage, the more profitable will he be to his employer. If these assumptions were valid the possibility of a universal Living Wage would be abundantly proved, and the only practical task remaining would be to convince employers that the theory was sound.

The evidence of Sir Thomas Brassey, founded mainly upon his own and his father's experience as railway builders in every quarter of the globe, tended to show that highly-paid labor is the cheapest in occupations requiring great muscular exertion.<sup>1</sup> Schulze-Gaevernitz,<sup>2</sup> Schoenhof<sup>3</sup> and Brentano<sup>4</sup>

<sup>1</sup> "Work and Wages."

<sup>2</sup> "Der Grossbetrieb."

<sup>3</sup> "The Economy of High Wages."

<sup>4</sup> "Hours, Wages, and Production."

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maintain that the same principle holds good in machine industries.<sup>1</sup> The widest and most searching of the investigations upon which these authors base their conclusions was that made by Schulze-Gaevernitz in the field of cotton manufacture. He found that in America, where wages are highest, the cost of producing a yard of cotton goods was lower than in any other country. On the other hand, Mr. Hobson is of the opinion that, "while a rise of wages is nearly always attended by a rise of efficiency of labor and of the product, the proportion which the increased efficiency will bear to the rise of wage will differ in every employment."<sup>2</sup>

The theory is of interest here only in so far as it applies to those laborers who are at present underpaid. If the receipt of a Living Wage by them would result in a corresponding increase in their productivity, the latter would, of course, be sufficient to provide the increased remuneration. President Hadley seems to hold that no such universal augmenting of productive power would occur. Low-grade labor, he says, is the cheapest in some employments, but not in work requiring a great amount of physical strength.<sup>3</sup> If this view is correct a large proportion of the underpaid, namely, those engaged in exhausting muscular activity, would prove more profitable to their employers if they were paid a Living Wage; but the workers in industries that involve not so much a large output

<sup>1</sup> Cf. Walker, "The Wages Question," ch. III.

<sup>2</sup> "The Evolution of Capitalism," p. 271. Chapter X of this work gives a concise presentation and a critical analysis of the theory under consideration.

<sup>3</sup> "Economics," secs. 361-363.

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of physical energy, as the long-continued and monotonous exercise of a few muscles, for example, garment workers and machine tenders, would fail to "make" the increased compensation. Professor Marshall says that all consumption by the laborer within the limits of the necessities for efficiency is "strictly productive consumption; any stinting of this consumption is not economical, but wasteful."<sup>1</sup> And his estimate of the necessities for efficiency "comprises, as we saw in the last chapter but one, a decent livelihood for the laborer and his family. In view of the complicated nature of the problem, however, the only general conclusion that seems justifiable is that the payment of a Living Wage to the underpaid would be followed by an immense increase in the national product."<sup>2</sup>

A second means of helping to make possible a Living Wage for all might be sought in the abolition of expenditures for luxuries. According to Professor Marshall, "more than one-half of the consumption of the upper classes of society in England is wholly unnecessary."<sup>3</sup> The same is probably true of the wealthier classes in America. If the labor and capital now employed in producing the superfluities of life were utilized in adding to the stock of necessities and comforts, the supply of the

<sup>1</sup> "Principles of Economics," p. 123, 1st ed.

<sup>2</sup> Sidney and Beatrice Webb are firmly convinced that a universal Living Wage would be an economic and social gain to Great Britain, and they seem to have made a most careful and searching analysis of the whole matter. See the chapter on, "The Economic Characteristics of Trade Unionism," especially, pp. 715-739, in the first edition of "Industrial Democracy."

<sup>3</sup> Op. cit., p. 124.

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latter would be vastly increased. Professor Smart's illustration of the enormous amount of the nation's resources that may be diverted to the production of luxuries that will satisfy only a few persons, is so clear and striking that it is worth quoting in full:

"Indeed, a small minority of the world's inhabitants may take up all the increase in wealth, leaving the majority at the old level, or sinking them below that level. Plant a field with potatoes, and leave enough grass to pasture a cow, and the field will maintain a dozen farmers in sound, healthy life. But sow the field down in the finer vegetables, and plant gooseberry bushes on the pasture, and the field will now yield vegetables for perhaps half a dozen. Finally, suppose the field to be sown down in flowers, not only does it not support anybody, but it cannot support enough of flowers to satisfy a few rich people. By this it may be seen that a certain amount of labor and capital may be devoted to maintaining an entire nation in plain but sound life. Or it may be so employed as to yield a high level of comfort to a good many, while keeping a majority at the twenty-shilling-a-week level. Or it may be laid out to supply the intellectual, spiritual, and aesthetic wants of a few, while the majority are on the twenty-shilling level, and a minority is at the starvation level. It is not true that the well being of society as a whole is secured by the accumulation of wealth and capital. The great majority may be very little the richer for it."<sup>1</sup>

<sup>1</sup>"Studies in Economics," pp. 323, 324.



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The effect of transferring productive energies from the field of luxuries to that of necessities and comforts, is touched upon only to show what might be expected from that quarter in the event that recourse to it were necessary. In the present state of our industrial resources no such necessity exists. The material requisites of a decent livelihood for all could be provided without curtailing in the slightest the present production of superfluities. The problem of the underpaid is not a problem of production at all, but of distribution. Indeed, so long as the existing extremes of distribution, personal incomes, and individual purchasing powers obtain, it is better, *from the purely economic viewpoint*, that the present outlay for luxuries should be continued, yes, increased, than that it should be converted into capital, and intensify the evils of overproduction and unemployment. This phase of the problem seems to escape entirely the notice of those superficial writers who condemn luxury chiefly on the ground that it is a waste of wealth that might have gone to swell the fund of productive capital. It is true that lavish expenditures for articles whose cost of production is out of all proportion to their real utility, and which minister only to vanity or still lower perversions of passion, constitute a grave moral and social evil; but as long as consumption lags so far behind production, they are the lesser of two *economic* evils.

The third and chief source from which the increase in the wages of the underpaid can be drawn, is the vast amount of productive power that is at

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present unutilized or only partially utilized. The question of the increased productivity of the underpaid themselves has already been discussed; reference here is to the unemployed workers and especially to the material factors of production. No one who is at all acquainted with the unused industrial resources of America,—the lands, mines, and fisheries; the machinery that exists and that could readily be called into existence, the numbers of men that are nearly always unemployed in nearly every industry,—can doubt for a moment that if all these were fully utilized in addition to the productive forces actually employed, the national product would be abundantly adequate to provide a decent livelihood for every man, woman, and child in the country. The tendency of production to outrun consumption, which was spoken of in the last chapter, is in itself almost a sufficient proof of the proposition for which we are contending. One of the most striking indications of the tendency is to be found in the recent political phenomenon of "Imperialism." America has been drawn into a tremendous rivalry with the other great world powers for the possession of "spheres of influence" in the less developed regions of the earth. Only on the surface and in some of the means employed, is this contest political; fundamentally and in its final aim, it is economic, commercial. The activities of international politics are to a large and increasing extent busy with the problem of finding a foreign outlet for products and capital that cannot be consumed and employed at home. <sup>1</sup>

<sup>1</sup> Cf. Reinsch, "World Politics," p. 31, sq. The following

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The possibilities that are bound up with an increase in the productivity of the underpaid, the abolition of luxury, and the full utilization of idle productive power of all kinds, prove as conclusively as any reasonable mind could ask, that the problem of the underpaid is wholly one of distribution. What Professor Smart says of England may be applied with emphasis to the United States: "The abolition of poverty is now within our reach if we, as a society, are really bent on its abolition. The resources of the nation in capital, invention, and labor are now so great that the one want of the time is organization, so that there shall be no misdirection of production, no waste in consumption,

sentences taken from John A. Hobson's "Imperialism," ch. VI, suggest what seems to be the only adequate explanation of the attitude of America toward the imperialistic movement. They were written in 1901. "The spirit of adventure, the American 'mission of civilization,' are, as forces making for Imperialism, clearly subordinate to the driving force of the economic factor. The dramatic character of the change is due to the unprecedented rapidity of the industrial revolution in the United States during the last two decades. During that period the United States, with her unrivalled natural resources, her immense resources of skilled and unskilled labor, and her genius for invention and organization, has developed the best equipped and most productive manufacturing economy the world has yet seen. . . . The power of production has far outstripped the actual rate of consumption. . . . It is sufficient to point out that the manufacturing power of a country like the United States may grow so fast as to exceed the demands of the home market. No one acquainted with trade will deny a fact which all American economists assert, that this is the condition which the United States has reached within the last few years, so far as the more developed industries are concerned. . . . It is this sudden demand for foreign markets for manufactures and for investments which is avowedly responsible for the adoption of Imperialism as a political policy and practice by the Republican party to which the great industrial and financial chiefs belong, and which belongs to them."

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no friction from the currency.”<sup>1</sup> So far as productive resources are concerned, modern life is not, as Malthus supposes, a lottery in which “some unhappy persons have drawn a blank.”<sup>2</sup> There remains, then, the problem of distribution. The discussion of that phase of the problem which has to do with the obligations of the different economic classes to provide the laborer with a Living Wage, will be the burden of the remaining chapters of this volume.

<sup>1</sup> “Studies in Economics,” p. 330.

<sup>2</sup> “Population,” vol. ii, p. 34, London, 1826.



## CHAPTER X

### THE FORCES THAT REGULATE PRICE

The obligation of providing the laborer with a Living Wage is conditioned by the forces controlling the present distributive system. All the factors of production are paid for out of the price of the product. The latter is determined immediately by the quantitative relations between supply and demand, remotely by natural resources, expenses of production, the desires of the buyers, and the purchasing power of the buyers. Incorrectness of the Socialist theory of value.

The obligation correlative to the right to a Living Wage falls upon "the members of the industrial community in which the laborer lives." After the laborer himself, they are the immediate and the principal beneficiaries of his exertion; and they are chiefly responsible for his success or failure in realizing his fundamental right of access on reasonable terms to as much of the common heritage of material things as will enable him to live a decent life. Only to a secondary extent are the members of other industrial communities gainers by his toil or determining factors in the matter of his industrial opportunities. Besides, they are burdened with responsibilities of their own toward the laborers with whom they are in immediate relations. What, then,

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is the concrete meaning of the phrase, "the members of the industrial community in which the laborer lives"? A negative answer may be given at once: it does not chiefly refer to the community as a political entity. The duty of paying all laborers a Living Wage does not rest *primarily* on the State, or on any provincial or municipal subdivision of it. The present economic system is not an institution or a function of the State; it is shaped, controlled and maintained by individuals. Upon individuals or classes of individuals, therefore, rests immediately and chiefly the responsibility of directing the system along the lines of justice. In order to know the class or classes of individuals that are charged with the obligation in question, and the degree in which it is shared by each class, we shall find it profitable, necessary in fact, to make a brief review of the present distributive process.

The national product is divided among the factors of production in the following manner: One share goes to the laborers, or wage earners, in the form of wages; another, to the organizer, director, undertaker, of a business, in other words, the employer of the laborers, and is known as profits; a third portion is taken by the owner of capital as interest; a fourth share is paid to the landowner under the name of economic rent. Other classifications of the factors of production and their rewards are preferred by some writers, but the one here given is the most common, and seems to be the most convenient. Two or more of these productive functions may be discharged by the same person, as, in the case of the

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manufacturer who directs the operation of a factory with his own capital on his own land. Such a person is at once employer, capitalist, and landlord, and receives the three appropriate shares of the product. Even here the several shares can be reckoned separately.

Now the product of an industry, or of all the industries of the nation, is not distributed among the various productive contributors in its material form. The men who furnish the labor, and directive ability, and capital, and land for running a shoe factory are not paid for their services in shoes. What they receive is a certain proportion of the *price* for which the shoes are sold. The same is true of all other industries, extractive, agricultural, manufacturing, transport, or trade. Hence the total price, or value—for price is only the concrete money form of social value—of the product determines the total amount that will be distributed among the owners of the various factors of production.

The total price obtained for the product of any industry during a period of time depends upon the selling price of the separate units of product. In other words, it is determined by the market price. And the market price depends upon the conditions of supply and demand. No doubt, it would be more scientific to say that the market price is fixed by the “subjective valuation of the two Marginal Pairs,” or, by “the valuation of the Least Capable Buyer.” Since, however, we have the assurance of Boehm-Bawerk himself that, “the law of price may be correctly, though less expressively and less un-

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ambiguously, formulated in terms of supply and demand," our present aim will be better realized through the medium of the older and simpler phraseology. There is no objection, says the author just mentioned, "to treating the theory of price under the good old catchwords, Supply and Demand, if care is only taken to avoid the errors and misunderstandings which so plentifully surround them, and to inform the old forms and formulae with new and clear knowledge."<sup>1</sup> To guard against error and misunderstanding, therefore, let us define supply as the amount of a commodity that is or will be offered for sale *at a given price*; and demand, as the amount that buyers are able and willing to take *at a given price*.

Market price, therefore, is always determined by the *quantitative relation* existing between supply and demand, that is, by the relation which the amount offered at a price bears to the amount that buyers are willing to take at that price. In any market the quantity of goods to be had will vary directly with the price demanded; sellers will be ready to proffer more at a high price than at a low price. On the other hand, the amount that will be demanded will vary inversely with the price offered; buyers

<sup>1</sup> "Positive Theory of Capital," pp. 214, 215. For a technical and scientific treatment of the subject of value, see: Smart's "Introduction to the Theory of Value"; Wieser's "Natural Value"; Boehm-Bawerk's "Positive Theory of Capital," Books III and IV; Macfarlane's "Value and Distribution," Part I; Carver's "Distribution of Wealth," ch. I; and Hobson's "Economics of Distribution," ch. III, which contains a brief but effective criticism of the excessive emphasis put upon the element of utility by the writers of the "Austrian School."



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will take more at a low price than at a high price. Out of the differences that exist between the quantities offered at various prices on the one side, and the quantities asked for at those prices on the other, the actual market price emerges as a sort of resultant. When the amount offered at a given price is great relatively to the amount asked for at that price, the resulting market price will be lower than when the amount offered at any price is small relatively to the amount desired at the same price. The market price will always be at that point at which the quantity offered is equal to the amount desired; or, where supply and demand are equal.

While the statement just made is necessarily indefinite and not entirely satisfactory, it is not a mere identical proposition. It tells us by implication that different amounts are offered or are available at different prices, that different amounts are desired at different prices, and that the market price cannot be any of these except one at which the amounts offered and demanded are equal. And it is quite as expressive as the more technical formula that market price will be at or about the valuation of that one among the *actual* buyers whose valuation is lowest. It suggests, moreover, a sufficient notion of the causes that bring about changes in price. These are either immediate or remote. The immediate cause of a change in price is a change in the quantitative relation between supply and demand. When supply decreases relatively to demand or when demand increases relatively to supply, prices will rise; when supply increases relatively to demand or

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when demand decreases relatively to supply, prices will fall. Thus a change in price may be effected by forces acting either from the side of supply or from the side of demand. Supply remaining the same, a change in demand will produce a change in price; demand continuing constant, price will change through a change in supply.

It has been contended that, since price change is a process rather than a static fact, supply and demand should not be considered as stationary amounts but as flows. The movement of goods in a market is best represented as a continuous inflow and outflow, and the operations of supply and demand as varying *rate* of such movement. "Where goods flow out of a stock at the same pace as they flow in, the price remains firm and demand and supply will be said to be equilibrated; where the inflow is faster than the outflow, prices fall and supply will be said to exceed demand; where the outflow is faster prices rise, and demand exceeds supply."<sup>1</sup>

The remote causes of a change in price are: on the side of supply, a change in the condition of natural resources or in the expenses of production; on the side of demand, a change in the desires or in the purchasing power of the buyers. In the matter of coal, for example, the exhaustion of certain fields, or a rise in wages or profits, will cause a rise in price, while changes in the opposite direction will bring about a fall. This statement assumes, of course, that there has been no proportionate increase in demand. On the other hand, with no correspond-

<sup>1</sup> Hobson, "The Economics of Distribution," p. 60.

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ing increase in supply, an increased desire for coal in those whose purchasing power is ample, or an increase in the purchasing power of those whose desire has heretofore exceeded their purchasing power, will produce a rise, just as changes that point the other way will produce a fall in price. Two or more of these forces may operate simultaneously, either assisting or counteracting one another.<sup>1</sup>

From this brief review of the forces that determine price, we can readily perceive the unsoundness of the theory of value defended by the founders of socialism. According to Carl Marx, the value of goods is determined and created solely by labor, is, in fact, merely the quantity of labor they embody.<sup>2</sup> More precisely, the value of any commodity is determined by the average labor time required to produce it in a given condition of industry. If one coat has as great a value as two pairs of shoes, the explanation is to be found in the fact that the average coat maker—not any particular individual—needs twice the time to turn out one coat that the average shoe maker takes to produce one pair of shoes. Value, therefore, is something inherent in goods, put there solely by the laborer.

Now labor is neither the sole determinant of value nor sufficient of itself to produce value. One of the most obvious facts of the market is that commodities change in value while the labor contained in them remains unchanged. The amount of labor expended on the millinery "creations" that were in

<sup>1</sup> Cf. Hobson, *op. cit.*, 81-84.

<sup>2</sup> See "Capital," Part I, ch. I.

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vogue last year is in them still, but they no longer have the same value or sell at the old price. Again, new and fertile land has value, although it has not cost labor. Marx attempts to meet cases of this kind by saying that such commodities have a price but no value, but, since he admits that price is only "the money form of value," he escapes the difficulty at the cost of self-contradiction. At any rate, if value in the Socialist theory be not equivalent to price it has no bearing on the present discussion; for the problem of distribution is primarily concerned with the price of things, their market price. On the other hand, labor cannot of itself produce value. Men may expend indefinite quantities of labor on commodities, yet if the latter are not wanted by someone they will have no value and bring no price. No amount of labor embodied in wooden shoes will give them value to a community that will not wear wooden shoes. To objections of this nature Marx replies that in order to produce value the labor exerted must be *socially useful*, that is, they must have a certain utility for consumers; but this is a virtual admission that labor is not the sole determinant of value.<sup>1</sup>

The simple and obvious truth of the matter is that the value, or price, of goods is determined, caused, regulated, by the quantitative relations between supply and demand, and that the determinant forces act from both sides. On the side of supply one of the determinants is labor, but it is not the only one,

<sup>1</sup>A good analysis of Marx' theory of value and the contradictions into which he falls will be found in John Rae's "Contemporary Socialism," 2d ed., pp. 160-166.



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and even if it were it would not be all-important; for the forces implied in demand exercise an additional and distinct influence.

The total amount of money, therefore, that is available for division among the owners of the factors of production—landlords, undertakers, capitalists, and laborers—in any industry or in all industries, is the total price that is received for the product. This in turn is determined immediately by the quantitative relations existing between the supply of and the demand for the product, and remotely by the condition of natural resources and the expenses of production, on the one hand, and, on the other hand, by the desires and purchasing power of the buyers. Supply and demand are likewise the immediate determinants of the price that is paid for the use of any factor of production. In order to ascertain the possibilities of increasing the present price of underpaid labor, and the extent to which the employer and other industrial functionaries are able and obliged to convert these possibilities into reality, we shall make a brief examination of the remote forces that govern the rewards of each factor. A chapter will be devoted to each of the subjects of rent, profits, interest, and wages.

## CHAPTER XI

### RENT

The surplus produced by the better soils and locations is called rent. Examples of both kinds. The greater the difference between a better field and the poorest field in use, the higher will be the rent of the former. Rents will not increase with every actual extension of cultivation. Price determines rent, not *vice versa*. The rent of city locations is governed by the same laws as that of agricultural lands. Meaning of commercial rent. All economic rent tends to go to the owner of the land.

In any agricultural region land varies both in fertility and in convenience to the market. As a consequence, equal expenditures of labor and capital on different fields do not produce equal net returns. The better grades of soil will yield larger crops than the poorer soils, and the fields nearer to the market will, owing to the smaller cost of marketing their product, yield a higher net profit than equally fertile fields that are not so well situated. Hence differences in fertility and differences in situation relatively to the market will cause differences in the profits received from the cultivation of land.

Let us take an example of differences in fertility. An expenditure of \$100 in capital and labor is applied to the cultivation of each of three fields

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with the result that the first produces 120, the second, 110, and the third, 100 bushels of wheat. Assuming that the price of wheat is one dollar per bushel, and that the cost of marketing is included in the outlay of \$100, it is seen that the product of the third soil just meets the expenses of production, while the second and first soils yield respectively ten and twenty bushels—or ten and twenty dollars—above the amount expended upon them and in excess of the return obtained from the third field. To this surplus is given the name of economic rent. With regard to lands differing in fertility, it may be defined as the difference between the product of any better land and the product of the poorest land that is put to the same use with the same expenditure of labor and capital. It represents, therefore, superior productivity of soil.

In a precisely similar way, rents will arise in connection with lands that are variously situated with respect to the market. If three fields yield 120 bushels of wheat each with expenses of cultivation of \$100 each, and if the greater distance of the second and third fields from the market necessitates an additional expenditure of ten and twenty dollars respectively, it is clear that the first field will produce a surplus of twenty dollars and the second a surplus of ten dollars. These amounts are rent, and represent not superior fertility but superior location. Hence a definition that would apply to both kinds of land differences might be framed in these terms: Rent is that surplus which is yielded by all the superior soils or locations above the poorest soil

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or location, devoted to a given use with a given expenditure of labor and capital. It may also be defined as, the excess yielded by land beyond the expenses of production. As long as the poorest land returns nothing more than the expenses of production, one definition is equivalent to another; but as soon as it produces a surplus, the former definition ceases to express as much as the latter.

Manifestly the greater the difference between the more fertile or better situated fields and the poorest fields in use, the higher will be their rent. Using the first of the two examples above given, and assuming an increase in the demand for wheat that brings the price up to \$1.25 per bushel, we see that \$100 worth of capital and labor could now be applied to the cultivation of a field that would yield only eighty bushels. At \$1.25 per bushel the crop would cover the expenses of production. But the three superior fields are still producing respectively 100, 110, and 120 bushels, which, at \$1.25 per bushel, means a surplus of \$25, \$37.50, and \$50. Thus the third soil now pays a rent for the first time, while the rent of the second has been increased by \$27.50, and that of the first by \$30. As a matter of fact, the increase in rent will be greater than this if, owing to the enhanced price of wheat, an additional amount of capital and labor expended on the better fields will produce a surplus in excess of the new outlay. If an additional expenditure of \$25 will be followed by an addition of twenty-two bushels to the product, the rent of that field is increased by \$2.50. Should the price of wheat rise sufficiently to



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make profitable the cultivation of a still poorer field, the differential advantages of the three better soils would be further augmented, and the fourth would yield a rent equal to its superiority over the new field. Therefore, the poorer the land that may profitably be cultivated—the farther is extended the “margin of cultivation,”—the greater will be the number of soils yielding rent, and the higher will be the rent from each.

The rent of lands already in use will not, however, increase with every *actual* extension of cultivation. It would not be true to say, the greater the amount of land in use, the higher the rent of the better fields. The cultivation of new land will cause a rise in rent only when the new land is poorer, either in fertility or situation, than the old. This is not always the order in which successive increments of land are taken up. Owing to ignorance, inertia, or want of opportunity on the part of the cultivators, some of the better lands are often brought into use long after those that are less profitable. The effect of this process is to reduce instead of raising the rents of the older lands. The extension of cultivation to lands that are better than some of those already in use may be sufficient to increase the supply of produce, say, wheat, faster than the demand for it, and thus reduce its price. This means a reduction in profits and in rents.

An example is afforded by the movement of rents within the last half century in England and in our own Eastern States. The opening up of immense tracts of land in the West in conjunction with

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the improved facilities of transportation, has lowered the price of farm products in the older regions, thus throwing the poorest lands out of cultivation and lowering rents.

Since rent comes into existence only in consequence of a rise in the price of the product, it is in general not a determinant of price. The order of causality is: increase of demand for product; rise in price of product; extension of cultivation to poorer land; appearance of rent on better lands. Strictly speaking, the last two phenomena are co-ordinate effects of increased price of the product; for even in the absence of any poorer land, the fields already in use would now yield a surplus above the expenses of production. Though not a differential gain as between one soil and another, this surplus is a differential relatively to costs, is due to land as distinguished from the other factors, and usually obtains the name of rent. In a sense this absolute rent, which may arise both when all lands under cultivation are equally advantageous and when the poorest land yields a surplus, does determine the price of the product, inasmuch as the owners of such lands could, if they chose, transfer it to the consumers in the form of lower prices. In this sense price is likewise, within certain limits, determined by profits, interest and wages. Whatever view may be taken of the relation between the rent of the poorest land and price, there can be no question that the rent of all the better lands is not a cause of price but an effect. Price is not high because some lands pay a high rent, but some lands pay a high rent because

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price is high. That part of the necessary supply which is raised on the poorest land—the last portion of the supply—must bring a price sufficiently high to cover the expenses of producing it; those portions that come from all the better lands will sell at the same price. Hence the emergence of rent. Whether the rent is retained by the owners of the land, or handed over to the State, or destroyed, the price will remain the same; for it is determined by the relation between demand and supply. The increase in demand which precedes the appearance of rent or its increase, is caused by an increase in the purchasing power or in the desires of the consumers; the failure of the supply to keep pace with the enhanced demand is due to the scarcity of the better soils or locations. From the side of supply, therefore, the last mentioned factor is fundamental in producing the rise in price, the extension of cultivation to poorer lands, and the appearance and increase of rent.<sup>1</sup>

<sup>1</sup> The assertion that rent does not determine price, or rather, that prices are not higher because of the existence of rent, assumes individual management of agriculture. If the State were to direct the cultivation and sell the products of all the lands in a community, with the present outlay for tilling and marketing, it could obviously reduce the price of the product to an extent equivalent to the present payments for rent. The expenses of production on all of the four fields referred to above were \$400; the total product, 410 bushels of wheat; and the rent on all three of the better fields, \$112.50. Under a system of unified management the whole crop could be sold for \$400 instead of \$512.50, or \$0.975 instead of \$1.25 per bushel. Still, the true cause of this difference in price is not rent but the private management of production, which requires that the common price be sufficiently high to cover the cost of production of the most expensive portion of the supply, and automatically leaves a surplus to the owners of the better lands. This point is made, not as an argument for collectivism—in

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The same general laws that govern agricultural rent apply to the rent of city lots and locations. All the better locations will produce a surplus above the return from an equal amount of capital and labor employed on the site whose situation is poorest. The expense of producing a given amount of goods will be less on some sites than on others, as in the case of a mill that has superior water-power facilities, or a jobbing establishment that is nearer to the railway station. Again, the volume of business done with a given expenditure of capital and labor will be different on different locations. If a clothing merchant in the center of a city can in one year make twice as many sales as a competitor who employs the same quantity of capital and labor and sells at the same price on the outskirts of the city, he will obtain a surplus gain that will be due solely to his more profitable situation. Since the surplus represents the superior earning capacity of the better site, it is rent.

Commercial rent, the rent of ordinary business language, is economic rent plus interest on the capital invested in improvements. If a merchant pays \$1,200 annually for the use of building and lot, if the building is worth \$10,000, and if the prevailing return from such investments is six per cent. only one-half of the \$1,200 is economic rent. The other half is interest on the capital invested in the building.

Under the present system of landholding, all economic which the writer most emphatically does not believe,—but as an attempt at a complete statement of the relations between rent and price.



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conomic rent, even the surplus arising on the poorest soils or locations in use, will go or tend to go to the owners of the land. The tendency will invariably become a reality when the owner of the land is also its cultivator or occupier. When the owner hires the use of the land to someone else he will usually get practically all the rent, at least in the long run. The cultivator of the 120-bushel wheat tract that we have already considered might for a time obtain the use of it for, say, \$10 per year. With wheat selling at \$1 per bushel and the cost of producing the crop only \$100, he would, therefore, secure half the economic rent. Ordinarily, however, he could not long retain this advantage, as other cultivators would offer the owner a higher rent, or the latter would himself discover the advantage enjoyed by the present tenant. Sooner or later the owner would get substantially all the excess over the usual cost of production. The same law holds for locations in cities.<sup>1</sup>

<sup>1</sup> For a more extended exposition of the theory of rent any standard manual of economics will be found satisfactory. A very thorough discussion of the subject in all its phases is contained in Walker's "Land and its Rent." Clark takes exception to the prevailing statement of the relation of rent to price in his "Distribution of Wealth," ch. XXIII.

## CHAPTER XII

### PROFITS

Profits constitute the share of the undertaker. They tend, in the case of the majority of undertakers, to a common and minimum level. This minimum determines the price of the product. Exceptionally large profits have no influence on price. The elimination of some of the existing undertakers would result in a reduction of prices and of the total volume of profits. In the case of joint-stock companies profits do not arise as a distinct share of the product.

In the strict sense the term profits denotes that share of the product that is taken by the owner of a business for his services as the director of its movements and the taker of its risks. Such a person is variously called the employer, the entrepreneur, the undertaker, the business man. His function in industry is to estimate the public demand for goods, and to organize, direct and pay for the capital and labor required to meet the demand. Being the responsible head of the business he controls, he does not look to someone else for his remuneration. This he must himself provide out of the gross profits of the undertaking, that is, out of that part of the product that remains after wages and salaries, interest on borrowed capital, commercial rent, and the

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cost of materials have been deducted. Out of this gross profit must come interest on his own capital used in the business, an allowance to replace the wear and tear of productive instruments, a certain amount for insurance against unfavorable years, and finally his personal reward for labor and for such risks of the business as are not covered by an insurance or reserve fund.

The undertaker's share of the product of industry is evidently a variable one. Its size will depend upon his ability to forecast the demand for his goods, and his success in putting the latter on the market at a minimum cost. The more accurately he can gauge the tastes and purchasing power of the public, and the lower he can reduce the outlay for capital and labor, the greater will be his net profits. However, the rewards of the majority of business men, at least in undertakings of the same general kind and size, tend toward a common and minimum level. Those who possess exceptional ability, or who occupy a favored position on account of established reputation, patents, government assistance, or some kind of monopoly advantage, will, of course, get more than this minimum.<sup>1</sup>

As long as the goods produced by those undertakers who obtain the minimum amount of profits

<sup>1</sup>The theory even in a modified form of an equal rate of profits is criticized as inaccurate by Devas; "Political Economy," pp. 437-442, 2d ed. But after all due allowance is made for the presence of monopoly profits, the statement in the text still seems to be substantially correct. For a fuller treatment of profits the reader is referred to Marshall's "Principles of Economics," Hadley's "Economics," and Carver's "Distribution of Wealth."

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are a necessary portion of the supply, the price of the entire supply will be determined by this minimum. If the lowest paid class of business men cannot put a certain kind of goods on the market at a lower cost for capital and labor than ninety cents per unit of product, and if they will not accept less than ten cents as profit, the selling price of the goods must be one dollar. Any lower price would drive these men out of business and stop a necessary part of the supply. With supply thus curtailed, prices would again rise to the point required to attract their services. Hence the normal or minimum rate of profits is an essential part of the cost of production, and enters into the determination of the price of the product.

Undertakers having exceptional ability or exceptional opportunity will sell their goods at the common price, and therefore obtain exceptional profits. This surplus, sometimes called pure profit, is a differential gain, just as the rent of land is a differential gain. It is due to advantages, not of fertility or location, but of ability and opportunity. Like the rent of land, it does not influence price; for it comes into existence as a consequence of the price that is required to cover the higher cost of production entailed by the other undertakers.

From the fact that the price of goods must be sufficiently high to yield the minimum amount of profits to all those undertakers who furnish a necessary portion of the supply, it does not follow that none of the undertakers who at present contribute regularly to the product and obtain the normal rate



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of profit could go out of the business without causing a rise in price. Since all the existing undertakers are not turning out the full product of which they are capable, some of them, especially in the retail trades, could be dispensed with, while those who remained would be able to keep up and even increase the current supply. That the survivors would increase the total supply is practically certain, owing to the larger volume of individual profits that would be assured from a larger individual output. The final results would be a fall in price and a decrease in the size of the total share of industry obtained by undertakers in the form of profits.<sup>1</sup>

Profits in the strict sense of a necessary return to one of the agents of production, arise only in connection with the private business or firm, as distinguished from the joint-stock company or corporation. In the latter the function of active direction is discharged by the officers and the board of directors who receive fixed salaries, while the risks are assumed by the whole body of stockholders, and are provided for either by a reserve fund or in the form of a sufficiently high rate of dividend. Hence the product of these businesses is regularly divided into only three shares, namely, wages and salaries, interest, and rent.

<sup>1</sup> Cf. Veblen, "The Theory of Business Enterprise," ch. III.

## CHAPTER XIII

### INTEREST

Interest is the price paid to the capitalist for the use of the material instruments of production. It comes out of the product that these instruments help to create. But it is reckoned on the basis of capital-value. All capital tends to yield the same rate of interest. The rate is determined immediately by the relation of supply to demand, remotely by two factors on the side of supply and three on the side of demand. It is measured by the productivity of the least productive material capital that continues to be used and to attract investments. The relation between interest and wages: (a) when there is no change in the organization or in the methods of production; (b) when such changes take place.

Interest is the share of the product of industry received by the capitalist. By the capitalist is meant the man whose money is invested in the material instruments of production: he may own the instruments himself, or he may have loaned his money to someone else who assumes the function of investor and owner. Fundamentally, therefore, interest is a return for, a price paid for, the use of material capital. For when a man borrows money and agrees to pay interest on it, his final motive is always the utility that he expects to derive from the things that the borrowed money will enable him to

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obtain. These things may be either consumers' goods, such as food and clothing, or producers' goods, such as factories and railroads. In either case, the ultimate reason why he pays interest is to be sought not in the money that he has borrowed, but in the concrete utilities for which the money is exchanged. With the interest that is paid on loans for purposes of consumption we have no concern; we deal with interest only in so far as it is one of the shares of the product of industry. Hence the definition of it as, the share received by the capitalist, or, the return for the use of the material instruments of production.

The source of this interest is to be found in the product which is created through the agency of material capital. A plow manufacturer, for example, agrees to pay interest on money that he has borrowed and exchanged for machinery, because he knows that the plows which will thereby be produced will sell for a price that will enable him to pay interest in addition to all the other costs of production. The product that is turned out with the aid of machinery is so much larger than the product that would have come into being without it, that it covers wages, profits, rent, depreciation and interest.<sup>1</sup> If the owner of the business has invested some of his own money in its equipment he will likewise

<sup>1</sup> A moderate statement of the productivity-theory of interest, and an effective criticism of Boehm-Bawerk's theory, will be found in Hobson's "Economics of Distribution," ch. IX. The statements contained in the text above are, however, consistent with either theory; for no *explanation* is attempted of the fact that the product will have a value sufficiently large to cover interest.

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levy interest on the product, according to the amount of his investment. In this case he will retain the interest payment himself.

Although interest is ultimately paid for the use of the material instruments of production and out of the product that is created through their agency, it is reckoned and measured in terms of percentage and value. The man who has equipped his business with borrowed capital does not pay a certain rent adjusted according to the number and kind of certain instruments, such as machinery, wagons, buildings, etc. On the money that he has borrowed, considered as a sum of value, say, \$100,000, he annually pays a fraction of this amount, say, five per cent. He will measure in the same way the interest that he gets or desires to get on any money of his own that he has invested. To put the matter technically, the rate of interest is estimated not on capital-instruments, but on capital-value.

Since interest is measured in this way, and since there is always new capital seeking investment, all portions of capital within a region in which active economic inter-communication exists are in competition, and the tendency is toward one rate of interest. Those borrowers who conduct exceptionally profitable businesses can obtain money as cheaply as those whose enterprises yield smaller returns. Those who happen to be paying an unusually high rate will cease to do so as soon as the time of the existing loan expires. They will either compel their present creditors to reloan the money at the prevailing rate, or replace it with money borrowed from



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someone else. The ability of new capital-value to displace that already invested prevents the latter from returning an exceptional rate of interest to the man who has loaned it, just as the presence of a second merchant in a market makes it impossible for the first to charge an arbitrary price for his wares. Even in the case of capital-instruments that have been purchased with the money of their owner, and that are yielding abnormally high returns, as, for example, the machinery in a very rich mine,—there is a sense in which the rate of interest is only normal. For the owner will capitalize the extra returns, and value his capital, not according to the amount of dollars invested, but in proportion to its actual earning power. If the interest return is equivalent to ten per cent. on his investment and if the prevailing rate is five per cent., he will reckon the business as worth twice the amount he put into it. And this will be its market or selling price. On this basis, therefore, the actual revenue will provide only the ordinary rate of interest.

How is it, then, that capital brings different rates even in the same local market? Strictly speaking, those percentages by which the normal or prevailing rate is exceeded are not of the nature of true interest. They are either a compensation for the unusual risk involved in the loan, an extortion levied upon the ignorance or dire need of the borrower, or a monopoly tribute exacted on account of a temporary stringency in the money market. When it is asserted that there is a common rate of interest, what is meant is that capital loaned in average conditions

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of security, knowledge, and bargaining power, yields approximately one rate of interest.

The rate of interest, the price paid for the use of capital, is, like the price of any other economic good, proximately regulated by the quantitative relations between supply and demand. Supply is made up of the different amounts of money that men are willing to lend at different rates; demand of the various quantities that men will take at various rates. The actual rate is a resultant of this two-sided competition, and must always be at that point at which supply and demand are in equilibrium. A change in the rate can occur only in consequence of a previous change in the quantitative relation of these immediate determinants. When the supply of capital increases faster than the concurrent demand, the rate of interest will fall, and *vice versa*. The remote, or ultimate, forces regulating the rate are chiefly: on the side of supply, the industrial resources of the community, and the relative strength of its habits of spending and saving; on the side of demand, the productivity or perfection of existing capital-instruments, the comparative intensity of men's desires to lend their money for a small but secure gain and to invest it themselves for a larger but less certain return, and the relative supply of land, business ability, and labor. A community that is rich in productive resources, natural or artificial, will evidently be able to create more capital than one that is poorer in these conditions, while a thrifty or parsimonious people will have more than a shiftless or extravagant one. On the other hand, when the existing forms

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of material capital turn out a large product in proportion to their cost, when the amount of capital owned by persons who prefer large risks and large gains to small risks and small gains is great, or when the supply of land, business ability, and labor is abundant relatively to the supply of capital, the demand for the latter will be greater than when the opposite conditions prevail. These assertions concerning the influence of the remote factors on the rate of interest assume, of course, that in each instance all the other conditions remain unchanged.

The rate of interest may properly be compared with and stated in terms of each of the five remote factors, provided that the causal influence of the other four be not denied but merely assumed to continue stable in the midst of the variations of the factor under discussion. In any such presentation of the matter the single factor is regarded, not as wholly determining, but as accurately measuring the level and movement of the rate. Of these comparisons the most suggestive and fruitful relate to the productivity of capital-instruments and the supply of labor. Different businesses yield different rates of profit per unit of capital-value contained in them, but the poorest of them must, if they are to continue to attract investments, produce a return equivalent to the prevailing rate of interest on loans. Material capital that fails to yield this minimum may, indeed, continue to be used, especially when it has been bought with money owned by the owner of the business, but it will not become the receptacle of new capital-value. In other words, concrete capital of

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this kind will not, generally speaking, be replaced or increased, and consequently will have no definite relation to the current rate of interest. But the productivity of, the percentage of profit returned by the least productive instruments into which capital continues to flow, will fix, or measure, the remuneration of all capital. Those portions of capital that are loaned to the users of instruments which have a higher productivity, will not command a higher rate, any more than a pair of shoes sold to a rich man will fetch more than the market price. This class of borrowers can afford to pay more for loans than those who are putting money into the poorer instruments, but they need not and will not do so, as long as capital is freely and continuously offered and obtained at a lower rate in the same market.

In order to estimate the effect of labor supply on the rate of interest, let us first take a situation in which labor and capital continue for sometime to be combined in the same forms, in the same manner, and in the same proportions. Labor is displaced neither by new types of machinery nor by improvements in the old types. All the conditions of the productive process are so stable that a given quantity of a given kind of goods is produced by precisely the same amounts of labor and capital that were required five years ago. In these circumstances equal increases of labor and capital will not disturb the relation between their rates of remuneration. Wages will bear the same relation to interest after as before the change. Neither will gain relatively



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to the other ; for each addition to the supply of labor is balanced by an equal proportion of increase in the supply of capital, and, since there has been no change in the methods of production, the demand for both is affected in the same degree. It is not maintained that the owners would get the same proportion of the total product as formerly, for the shares of the undertaker or landowner might be augmented at the expense of the capitalist and the laborer ; nor that the rates of wages and interest would remain the same numerically,—that, for example, the former rates of two dollars per day for labor and six per cent. per annum for capital would still be maintained,—for they might suffer a change on account of a rise or fall in the price of products. A change of the latter kind would, however, affect wages and interest in equal proportions.

When capital and labor do not increase in the same degree, the existing ratio between the rates of interest and of wages will be disturbed. If capital increases faster than labor, interest will fall relatively to wages, and *vice versa*. A decline in the rate of interest from six to five per cent. will not be accompanied by a fall of wages from \$2.00 to \$1.66 $\frac{2}{3}$ . In fact, wages might rise above two dollars. Whatever the new wage-rate might be absolutely, it would be relatively higher than the new rate of interest. The laborer would have gained in comparison with the capitalist. Obviously these statements are merely a particular application of the law of supply and demand. When the price of wheat falls in consequence of an increase in supply, the decline is

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relative to the price of other goods. The vital fact is that the supply of other goods has not increased as rapidly as the supply of wheat. In like manner when the supply of capital increases at a more rapid rate than the labor supply, its price will fall relatively to the price of labor. Demand for labor is now larger than the demand for capital; the extra amount of capital will, so to speak, run after labor; competition is less active among owners of labor than among owners of capital.<sup>1</sup>

The analysis contained in the two preceding paragraphs assumes, as already stated, that no change takes place in the organization of industry or in the methods of production. The assumption evidently does not correspond with actual conditions. Under our régime of large-scale production, the organization of the productive factors suffers continuous modification. The new forms in which labor and capital are combined effect a saving in the amount of each that is required to make a given amount of product. When a number of independent establishments are consolidated a considerable portion of the former labor force is rendered unnecessary, while the poorer factories can be closed and the better ones operated at their full capacity. Assuming that the total price received for the product remains what it was before, the result will be an in-

<sup>1</sup> Cf. Sidgwick, "Principles of Political Economy," vol. i, p. 347; Clark, "The Distribution of Wealth," chs. XI and XII; and Hobson, "The Economics of Distribution," ch. VI. The student of the general subject of interest may consult, in addition to the volumes just mentioned, Boehm-Bawerk's "Capital and Interest," and "Positive Theory of Capital," and the works of Marshall, Hadley, and Carver cited in the last chapter.

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crease in the supply of labor and capital relatively to the demand for them, and a decrease in their remuneration. Reference is to the whole amount of labor and capital in an economic community, and to what will happen in the long run. These unfavorable changes in earnings will bear less harshly on that factor in which there has been less saving. If the proportion of capital that has been dispensed with is greater than that of labor—say, one-sixth in the former case and one-seventh in the latter—the advantage will be on the side of labor, and interest will fall relatively to wages.

Such changes in the methods of production as the introduction of new forms of machinery and of improvements in existing forms, will supplant labor by capital, and increase disproportionately the supply of labor. As a matter of fact, capital is increasing much faster than labor, but the gain to the latter is not correspondingly large.<sup>1</sup> Some of the new capital is not merely competing with other capital for an opportunity to engage labor, but becomes a competitor with labor in operations that have hitherto been monopolized by the latter. In these operations capital is no longer labor's auxiliary; it is now labor's rival. For example, capital that under the old conditions would have gone into type and typesetters' cases is now embodied in typesetting machines which take the place of men. The process of substitution, of which this is only one instance,

<sup>1</sup> Between 1890 and 1910 the increase of capital in the manufacturing industries of the country was 51 per cent., that of labor only 25 per cent.; but there was no corresponding fall of interest relatively to wages. Cf. "Final Report of the Industrial Commission," pp. 491-2.

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means an increase in the demand for capital relatively to the demand for labor, and consequently a tendency toward a high rate of interest relatively to the rate of wages. If the laborers that have been supplanted by the new machinery cannot readily find employment in other occupations, this tendency will become a reality. The increased amount of unemployment among laborers will offset to a greater or less degree the advantage that comes to labor from a disproportionately rapid increase in the supply of capital. While, therefore, capital is actually increasing faster than labor, a part of it is displacing labor, and the relative movements of interest and wages are determined on the one hand by the extent of the displacement and on the other by the demand for the displaced labor in other departments of industry.



## CHAPTER XIV

### WAGES

Wages are a return for utilities created by labor. Since laborers are divided into non-competing groups, there is no common rate of wages. The three chief limitations of competition among the different groups. Wages in any group are determined immediately by supply and demand, remotely by a number of distinct forces. They approximate the productivity of the least productive members of the group, that is, the value of the product of these members. The relation between wages and interest. The determinants of general wages.

Wages denote the remuneration of the man who sells his labor to an employer at a certain rate per unit of time or per unit of product. The last clause points to the division of laborers into time workers and piece workers. The energy exerted by the laborer brings into being utilities, which are either immaterial, as the personal services rendered by the valet and the coachman, or material, as in the case of the weaver and the bricklayer. What is ultimately paid for in every instance is the utility that is created, rather than the energy that is expended; just as interest is paid for the utility that is derived from the use of the borrowed money, and not for the mere transfer of the money in the form of a

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loan. In the great majority of labor contracts the utility that the laborer creates or helps to create is re-sold by his employer; and the remuneration that he receives is simply his share of the joint product to which he has contributed in conjunction with the other factors of production. His wage comes out of his product. Sometimes, however, the employer, instead of re-selling the utility created by his employee, consumes it himself. In this case wages are derived from the employer's personal income, not from the product of the labor given in exchange for them. Examples will readily occur in many forms of domestic and professional service. Even this class is remunerated ultimately out of the total product of the nation's industry; hence the truth of the general statement that wages are labor's portion of the national product.

While the assertion that all capital tends to yield but one rate of interest is substantially correct, a similar affirmation concerning wages would be misleading, or rather, untrue. Competition among laborers is not nearly so immediate nor so extensive as among the owners of capital. Locomotive engineers have no fear of being displaced by "section-hands." The world of labor is divided into a series of "non-competing" groups which rise one above another, from the lowest grade of common labor to the highest form of special ability and skill. Within each group there is competition, more or less immediate and unlimited; but among the various groups it is indirect in action and restricted in extent. The latter kind of competition is maintained

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not so much by present members of the groups as by those about to become members. Aside from the difficulty of moving from a lower to a higher group, there is always a certain influence exerted by inertia and custom which tends to compel workers to continue at their present tasks. From this influence persons who have not yet entered any particular occupation are, of course, free. Now groups that are relatively under-supplied, in which wages are consequently high, will naturally attract a greater proportion of new members than groups that are overcrowded. And if all the persons who are regularly called upon to select an occupation were in a position to exercise a perfectly free choice, the different groups would be in unlimited competition with one another in all but two respects, namely, relative attractiveness and relative cost of preparation to enter them. Thus occupations of equal attractiveness would be supplied in inverse ratio to the cost of becoming fitted for them, while occupations standing on the same level in the latter respect would be filled in accordance with their attractiveness. Since the more pleasant occupations are very frequently the ones entailing large costs of preparation, the two kinds of inequality would, to a considerable degree, balance each other. Labor would not flow into disagreeable occupations more rapidly than into the opposite kind unless the training cost of the latter were regarded as a greater evil than the unattractiveness of the former. In the long run, therefore, competition among the different groups of laborers would be limited only by the net advantages or dis-

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advantages of cost of preparation as against disagreeableness of work. As a matter of fact, however, the majority of those about to take up a life work cannot choose from the entire field, for they have not the financial resources required to make such a wide choice effective. Despite increased educational and other opportunities, the greater number of the young in the lower walks of life are under the practical necessity of entering one of the lower groups of workers. Competition between the lower and higher groups is, therefore, less thorough than it would be if a larger proportion of the prospective workers were financially able to fit themselves for the latter; and the apportionment of new arrivals among the various groups is not made solely on the basis of a balance between disagreeableness of work and cost of preparation. Taking the groups as a whole, we may say that competition among them is limited by unequal attractiveness, unequal training cost, and unequal opportunity of selection.<sup>1</sup>

It is to be noted that groups are distinguished from one another, not so much by differences of industry or of kinds of work, as by differences of working power and skill. The group known as "common laborers" has representatives in almost every industry. Digging sewers is not the same kind of work as shoveling coal, yet diggers and

<sup>1</sup> The classic description of non-competing groups is that given by J. S. Cairnes in "Some Leading Principles of Political Economy," pp. 65-73. In addition to the three forces mentioned above, which are peculiar to the world of labor, the general limitations of competition are, of course, operative with regard to the different groups of laborers. These are chiefly ignorance, inertia, immobility, benevolence, and monopoly.



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shovelers belong to the same group because each can do the work performed by the other. The group, therefore, is composed on the basis of similarity in the working efficiency of its members,—its members are interchangeable.

The level, and movement, and laws of wages may be studied both in the single group and with reference to the whole of the laboring class. Let us consider first the single group. Here, as in the case of all other commodities that are bought and sold under conditions of competition, the price is *immediately* regulated by the forces of supply and demand. The wages of any group of laborers will always be at that point at which the quantity of labor offered is equal to the quantity asked for. Conversely, at any existing rate of wages, supply and demand will be in equilibrium. The equilibrium will be disturbed, a change will take place in the rate of wages only in consequence of a change in the quantitative relations of demand and supply. When the quantity of labor that is wanted at the current rate of wages increases faster than the supply that is offered at this rate, the change will be upward; when the supply outruns demand there will be a variation in the opposite direction and wages will fall.

The remote forces, the ultimate causes, that determine the movement of supply and demand and the rate of wages, are many and complex. From the side of supply they are chiefly: the mobility of labor, that is, its power to move into or out of a group; custom, the tendency of which in some occu-

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pations is to continue long established rates of remuneration in spite of changes in the labor supply; the standard of living of the laborers, which checks competition and counteracts the decline in wages that otherwise would follow an increase in supply; the cost of subsistence and reproduction in the case of the members of the lowest paid groups; labor organizations, whose effect on supply is similar to that produced by established standards of living; the birth rate and the rate of immigration with reference to the potential supply of any group; finally, the productivity of labor, that is, the size of the product turned out by the group with its actual equipment of implements and machinery. The principal demand-factors are: competition for labor among employers; activity of production, or the general conditions of industrial prosperity; activity of consumption and the rate of saving, which is merely an important element in the last-mentioned factor; and the supply of land, business ability, and capital relatively to labor supply. All of these factors are to some extent original causes of the rate of wages, and each of them is assisted and counteracted by one or more of the others. The actual wages of any group are a resultant of their inter-action.

In the last chapter the rate of interest was described in terms of the productivity of capital: the rate of wages may be advantageously compared with the productivity of labor, more precisely, with its marginal productivity. Let us assume that all the members of a group are equally productive, that they all contribute equal amounts to the making of

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their combined product. The disappearance of one from the group—the positions of the others remaining unchanged—would lessen the total product in exactly the same degree as the disappearance of another. Since all are equally capable and perform equally important tasks, they will turn out products of equal value, and, assuming competition to be perfect, will receive equal amounts of wages. Now it is evident that the sum of the wages paid to the group cannot exceed the value of the total product; for the product is their source.<sup>1</sup> If the margin between the total wages of the group and the total value of its product is unusually wide, and if all the members of the group are fully employed the employers will strive to increase their product by enticing laborers from one another. As a result of this competition for labor, wages will rise until the employers have only enough left to pay rent and interest, and obtain for themselves the minimum profit. In case all the members of the group are not fully employed, the employers will increase the total labor force and product, thus depressing the price of the latter and raising the remuneration of the former,

<sup>1</sup>The product is obviously not the source from which is drawn the remuneration of those groups whose product (personal services) is consumed instead of being sold by the employer. Of this nature are some of the professional classes, for example, lawyers and physicians. There is, however, scarcely a single group of laborers—using the word group to comprise all who are interchangeable in working efficiency, and the word laborer in the ordinary sense—that is wholly of this kind. Practically all of them are composed partly, the majority of them dominantly, a large proportion wholly, of persons whose product is sold by their employer, in other words, of *industrial* workers. Hence it may be safely said that the wages of these groups are regulated by the product of the industrial members of the group.

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until the unusual margin of profit disappears. Thus the total wages paid to the members of a group always equals the selling price of the product, minus rent, interest, and normal profits; and since all receive the same remuneration and turn out the same amount of product, the wage of each may be said to be fixed by his productivity.

Usually, however, all the members of a group do not produce equal quantities. While they are all equally capable, and in similar conditions would be equally productive, they are not all in a position fully to utilize their capabilities. Laborers under the direction of an incompetent employer, and those working with poor tools or machinery, cannot turn out as large a product as their fellows of the same group who are more advantageously situated. Yet the amount of product that is dependent upon any man's presence, the amount that would not be in existence if he were removed, his "associated product," must have a value at least equal to the wage that he receives. The laborer whose product does not provide his wage is not a profitable investment, and cannot, on business grounds, be retained. This principle applies to even the least productive members of a group.

On the other hand, the wages received by any member of a group will not fall far below the value of the product of its least productive members; for an employer will continue to add laborers to his force as long as the product resulting from their presence is sufficient to provide their remuneration. All the employers will pursue this course until the money



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return from the product that is associated with the activity of the least productive or least important laborers will approximate their wages. These are the "marginal" members of the group; their productive power is the group's "marginal" productivity; and the product dependent on their presence is the "marginal" product of the group, because they stand at the margin of profitable employment. Now the wages obtained by these men will fix the remuneration of all the other members of the group; for they are all equally capable. What one man can do every other man can do. In the actual organization of industry some are, indeed, less productive than others, but this is because they are for the time being engaged in less important tasks, or are not so well provided with auxiliary capital. Any one of them could, if called upon, take the place of any one of the more productive workers. Consequently an employer will pay the latter no more than the former. Thus the mobility of laborers of the same group has the same effect on their wages as the mobility of new capital on the rate of interest. Capital that is loaned for investment in highly productive instruments can command no higher interest than capital that goes into the least productive enterprises because other capital stands ready to take its place. Laborers engaged in highly productive tasks will get no higher wages than their equally capable fellows in the least productive employments because they can be readily displaced by the latter.

Evidently this analysis assumes a perfection of competition that does not exist. On account of ig-

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norance, immobility, or failure to assert themselves, some members of the group are paid much less than the value of the group's marginal product. On the other hand, one employer will often pay higher wages than another, either through habit or for reasons of humanity or expediency, or because his employees are strongly organized, or owing to ignorance of the wages prevailing elsewhere in the same group. The assumption that every employer's business is of such a nature that he can increase the number of his laborers one by one and stop at the precise point where an additional man would be unprofitable, is likewise far from being universally valid. In a given establishment the least productive men may turn out a product that is worth considerably more than their wages, but the circumstances of the business may be such that no addition short of five men will be practicable. Now the product brought into being by the five may be less in value than the amount of wages that they must receive. In that case new men will not be employed, and the remuneration of the least productive laborers actually at work will not approximate the selling price of their product.

Nevertheless this presentation of the matter correctly describes the *tendency* of wages. The remuneration of all the members of a group of equally capable workers will tend to equal that of its least productive members, and the wages of the latter will tend to approximate the value of their product.

The *value*, not the *amount* of the product, it must be noted, regulates wages. With the same expendi-

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ture of skill and energy, but aided by better tools or machinery, the laborers of a group may turn out double the amount of their former product; yet if the price of the product has fallen in the meantime they will certainly not receive twice as much wages as when their product was only half its present size. And the value of the product is itself determined by the condition of supply and demand, which is in turn governed, as we have seen in a former chapter, by more remote forces. While, therefore, the value of the product is a convenient measure of wages, it is not an ultimate determining factor.

As seen in the last chapter, the relation between wages and interest is dependent on the relation between the supply of labor and the supply of capital. Methods of production remaining the same, the wages of a group will rise relatively to interest when the capital supply of the group increases faster than the labor supply. When productive conditions change in such a way that labor is displaced by capital, the more rapid increase of the latter will be partially or wholly neutralized, so that the gain of wages relatively to the rate of interest will be diminished or entirely prevented.

So much for the determinants and measures of the wages of any group. Concerning wages in general, the sum total of remuneration obtained by all the groups within a period of time, it may be said that they are governed immediately by supply and demand, ultimately by the several remote forces that regulate group wages. To say that general wages are measured by the marginal productivity of

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the least productive group of workers, would be obviously unmeaning, misleading and, indeed, untrue; but the assertion that the ratio between them and the rate of interest depends on the relation between increase of labor and increase of capital conveys an important truth. Perhaps the most fruitful single proposition that can be laid down is this: in any given conditions of production and consumption, wages, labor's share of the national product, will be determined by the ease or difficulty of increasing the supply of labor relatively to the supply of land, business ability, and capital.<sup>1</sup>

<sup>1</sup> Cf. Hobson, "The Economics of Distribution," pp. 201-217. The subject of wages is ably treated in the works of Nicholson, Clark, Sidgwick, Marshall, Hadley, and Carver which have been cited in the chapters immediately preceding. See also Walker, "The Wages' Question"; Levasseur, "The American Workman"; Gunton, "Wealth and Progress"; and Smart, "The Distribution of Income."





**SECTION IV**  
**THE OBLIGATIONS**  
**CORRESPONDING**  
**TO THE RIGHT**



## CHAPTER XV

### THE OBLIGATION OF THE EMPLOYER

Restatement of some fundamental conclusions. The obligation of providing the laborer with a Living Wage falls upon the employer because of his economic position. Neither labor contracts nor the productivity of labor are necessarily correct measures of justice. The employer who cannot pay a Living Wage is not bound to do so, but the laborer's right to a decent livelihood is superior to the employer's right to enjoy goods that are superfluous to his social position. The employer is obliged to pay a Living Wage before he obtains interest on his invested capital. The productivity of capital and the sacrifice of saving are to some extent valid titles of interest, but they are inferior to the title of needs. A corporation is under obligation to pay a Living Wage at the expense of dividends.

Three of the more important conclusions arrived at in preceding chapters may with advantage be restated. First, the laborer's right to a Living Wage is merely the concrete expression of the general right, which inheres in him as in all other men, to obtain on reasonable terms as much of the common bounty of nature as will enable him to live decently. Those who reject this general right are logically compelled to reject the intrinsic worth and sacredness of personality, to deny the reality of *moral* rights, and to maintain that the only determinants



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of property titles are the potency of physical force and the ordinances of the civil law. Those who admit the validity of the general right will logically conclude that in the laborer it becomes the right to a Living Wage because, in the present economic and political order, there is no other reasonable way by which it can obtain a concrete existence. Second, the corresponding obligation falls upon "the members of the industrial community in which the laborer lives," since they are the primary beneficiaries of the laborer's exertion and the only persons who can reasonably be expected to remunerate him. The members of other communities than that in which a given laborer lives have not the control over his product that would enable them to pay wages therefrom; besides, they are under obligations toward their own neighbors who are wage earners. Any reasonable determination of the duties that have to do with the resources and opportunities of the earth will hold each community responsible for the realization of the wage-rights of its own members. Finally, the existing distributive system, which by means of certain psychical, economic, and social forces, apportions the national product among the owners of land, business ability, capital, and labor, determines the particular classes of persons upon whom the obligation rests, and sets certain limits to their power to discharge it.

Just as the obligation to provide particular laborers with a Living Wage holds in general against their own community, rather than other communities; so it binds specifically the employer, rather than

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other economic classes of his community. All classes, landowners, employers, capitalists, and laborers, are obliged to refrain from unreasonably hindering the gaining of a decent livelihood by their fellow men; but the refusal of landowners and capitalists to pay a Living Wage to laborers who are not in their employ cannot fairly be regarded as an *unreasonable* hindrance. Since they do not own the laborer's product, they are not in control of the source from which, under the wage-system, labor is remunerated. But the economic position of the employer is such that the obligation falls naturally and reasonably upon his shoulders. In the case of industrial labor, he gets possession of and sells the product; in the case of personal services that are utilized solely by him, the obligation is still more clearly his, inasmuch as he is the only beneficiary of the laborer's exertions. To shift the wage-paying obligation, or any portion of it, to other classes would involve an essential change in the present industrial system. The distribution of duties that would be necessitated by vital changes does not concern us; we are dealing with the obligations that arise out of the order now existing. Among all the economic classes of the community, therefore, the employer is primarily charged with the obligation of providing the laborer with a Living Wage because this is a reasonable consequence of his position and function in the economic organism. His refusal to fulfil it can fairly be interpreted as an unreasonable interference with the laborer's right to get a decent living from the resources of the earth.

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Another method of describing the employer's obligation turns upon the human dignity of the laborer as an essential element of the wage-contract. The employer is bound to compensate the human exertion that he buys at its *ethical* value. He should deal with it as the attribute, the output, of a *person*, of a rational creature who is endowed with an indestructible right to live a decent human life. This aspect of the thing that he buys ought to receive explicit recognition in the contract; that is, the contract should be made on such terms that the dignity of the laborer and his right to a decent livelihood will be safeguarded.

According to a third view, the wage-paying function is a social one, delegated by society to the employer. Society, or the community, owes its labor members a Living Wage in return for their social services as workers, but it has transferred the obligation to a special agency. The distributive function of the industrial organism has been specialized. True, society has not, either in its political or industrial capacity, explicitly commanded the employer to pay a Living Wage, but this negligence does not release him from a duty that arises out of the very nature of the function that he has undertaken to perform. He accepts the task of social paymaster, and is morally bound to discharge it in accordance with the dictates of reason and justice.

Finally, the employer's obligation may be stated in terms of social utility. As a social functionary he ought to perform his task in a manner consistent with social safety. Consequently, he is obliged to

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give his employees a wage that will enable them to live decently, to marry, and to bring up a family in conditions of reasonable comfort and security; for when any considerable section of its members fails to reach this level, the security and the existence even of society is endangered.

The last argument considers the worker's rights and interests as mere means to social well being. The second and third are fundamentally the same as the first, since they assume that the obligation to safeguard the laborer's right to a decent livelihood, and to discharge this one of society's responsibilities toward him, is a necessary corollary of the employer's economic position. The last word of the ethical argument, therefore, is the *reasonableness* of assigning the duty of providing the laborer with a Living Wage to the employer, rather than to any other economic or social agency. If it be objected that this principle is too indefinite, the answer must be, none of the recognized titles of ownership rests on a more definite or more urgent basis. What justification exists for John Brown's claim to the land that he has been the first to occupy? or has bought? or inherited? or to the crop that he has produced therefrom? And why should other men be denounced as unjust when they prevent him from enjoying these claims? In other words, why are these morally legitimate titles of property? No final answer can be given except that they are *reasonable* methods of distributing the common heritage of nature, of determining and concreting the general rights and obligations of men with regard to the common bounty



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of the earth. Under the wage-system the payment of a Living Wage by the employer is an equally reasonable method of concreting the laborer's general right to a decent livelihood. And the obligation binding the employer to perform this function is just as reasonable and valid as the obligation which constrains men to respect the traditional titles of ownership.

Men who deny that the employer is under this obligation may be comprised in two general classes: first, those who maintain that the terms of the labor contract constitute the sole measure of rights and duties; and, second, those who assert that the laborer's productivity determines his valid claims in the matter of wages. To the former contention we can only answer that every free contract is not necessarily just. An agreement to rob or kill for a price is legitimate neither in morals nor in law. The man who consents to pay blackmail rather than suffer injury to his reputation enters a free contract, yet the other party to the contract is guilty of an act of injustice. When a body of consumers is forced to pay an extortionate price for a monopolized commodity, they are given the benefit of free contracts, which nevertheless all reasonable men pronounce unfair. Those in control of the monopoly are condemned as unjust because they take an undue advantage of the necessities of their fellows. Now the employer who makes use of the dire need of the laborer in order to force him into a wage-contract that is incompatible with reasonable living, commits precisely the same offense; for it cannot be main-

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tained that the laborer is free to reject the terms offered and get his living in some other way. No such alternative exists practically. Individual workmen may change their abode and their employment, but other individuals must take their place. The class remains. While the present industrial system exists every community must contain a body of laborers and a body of employers. And the members of both groups depend upon labor contracts for their livelihood. Hence, these contracts ought to be made in such a way that the natural rights of the participants to a *decent* living will be provided for and safeguarded. This is a moral limitation imposed upon the wage-contract by the very nature of existing industrial institutions.

The contention that the laborer ought to be rewarded according to his productivity, may mean three different things. Productivity may be interpreted as the value of the product that comes into being as the result of the activity of any particular laborer; as the productive power of one worker relatively to that of another; or, as the productive importance of labor in comparison with the other factors of production. Let us examine each interpretation separately.

If the value of the laborer's product be taken as the just measure of his remuneration, he ought to, as in fact he usually does, receive an increase of wages when his product sells for a higher price. Yet he works no harder than before, turns out no more product than before. His additional compensation bears no relation whatever to any quality or achievement,

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physical or moral, of the laborer himself. Now a theory of justice that measures a man's desert, his rights, by conditions for which he is in no wise responsible, and which takes no account of his human dignity, stands refuted as soon as it is stated. It may be a canon of expediency; it is certainly not a canon of justice. If, however, it be maintained that there is no obligation to pay the laborer *more* than the value of his product because there is no possibility of doing so, no objection can be offered; but this is merely a practical conclusion that would follow from any theory of industrial justice that might be adopted. It is consistent with the Living Wage principle, and with the assertion that the laborer ought *not* to be paid the value of his product.

The argument from productivity in the second sense assumes that one man is paid more than another because he produces more, and contends that higher productive achievement is a valid reason for higher remuneration. But in most cases it is utterly impossible to measure the relative productivity of different classes of workers. Does the bookkeeper in the cotton factory produce more than the spinner? Or the locomotive engineer more than the "section-hand?" In the factory as on the railway, both classes of workers are essential to the existence of the product, and their productive efforts have an organic character. One could not function successfully without the other, and there is no portion of the finished product to which both have not in some measure contributed. Each is in his own order a cause of the whole product. Consequently, no part

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of it can be set apart as the exclusive creation of either. We cannot say that the bookkeeper gets more than the spinner because he produces more, for we do not and cannot know whether the assumption be correct. The difficulty is the same when we consider laborers in different industries. Do the skilled workers in an automobile factory produce more than the common laborers who pave streets? There is no third term by which the two products can as such be compared. A basis of comparison might be found in their relative general utility to society, but this is not, strictly speaking, a test of productivity. Besides, it would dictate that the street laborers ought to receive higher wages than the automobile makers. The relative productivity of different workers can be ascertained only in those cases in which all the conditions of work are precisely alike, when, for example, men use the same kind of tools or machines. We can readily compare the products of two coal-heavers who are equipped with shovels of the same size, or of two operators who use the same kind of sewing machine, or of two bricklayers who work in equally advantageous circumstances. When, however, the working conditions vary, and especially when every portion of the product requires the activity of all the producers whom we wish to compare, we cannot tell to what extent one man is more productive than another. As a matter of fact, different kinds of labor are rewarded differently on account of differences in the conditions of supply and demand. Were



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bookkeepers as plentiful, relatively, as spinners their remuneration would be as low.

The third interpretation of productivity as a measure of industrial desert holds that labor, and consequently any particular group of labor, is at present rewarded in conformity with its *importance* relatively to the other productive agents. The contention is evidently true if "productive importance" be taken to mean relative scarcity in the actual circumstances of industry, for this is only another way of saying that labor's share of the product is fixed by the laws of supply and demand. When, as usually happens, this phrase is employed to describe in some vague way the relation of *causality* existing between labor and the product, the theory is as impossible of verification as the less ambiguous assertion that labor is remunerated according to the portion of the product that it creates in conjunction with the other factors. As we cannot determine how much of the joint product is due to each factor, so we cannot measure their relative importance in the work of production. The productive importance of the employer is sometimes assumed to be indicated by the share of the product that he actually receives, but this inference from income to productivity is merely an ordinary instance of the logical fallacy known as "the vicious circle."<sup>1</sup> "What determines the employer's remuneration?" "His productive importance." "How can the latter be ascertained?" "By referring to his remuneration." Those who take the trouble to get behind formulas, and to examine

<sup>1</sup> Cf. "The Social Problem," by John A. Hobson, p. 160.

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the actual working of industrial forces, realize that the income of any factor depends upon its "indispensableness" and not on any proportion to its productive efficiency.<sup>1</sup> When undertaking ability was less plentiful than it is now, employers in competitive enterprises received larger rewards; therefore, their productive importance was either exceeded by their former profits or is at present inadequately remunerated. Undoubtedly the employer is in most cases a more important productive factor than any single laborer, as is easily shown by comparing the respective consequences of their withdrawal from an enterprise. The productive importance of different employers can likewise be partially measured by referring to the different results that are obtained when they direct production with the same quantities and qualities of land, capital, and labor. But it is not possible to estimate the productive importance of any employer, efficient or inefficient, relatively to the productive importance of the entire labor force under his direction. Mr. Mallock has made an ingenious attempt to show that by far the greater part of the product of modern industry is due to mental ability (or simply Ability, as he writes it,) and that labor gets more instead of less than it produces; but he cannot be said to have conspicuously succeeded. He ignores almost entirely the advances in skill made by labor during the last century, and the vast differences of directive ability required and displayed in different industrial enterprises; "ascribes" a certain portion of the product to labor, and says that labor

<sup>1</sup> Cf. Smart, "The Distribution of Income," pp. 237, 238.

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must be "held to produce so much," when the question, in so far as it has any ethical interest, is one of objective fact, not of practical expediency; and exaggerates the mental endowments of inventors, and does not sufficiently distinguish between their achievements and those of the employing class.<sup>1</sup>

Even if the claim that labor is at present rewarded in proportion to its productivity—in any sense of which the term is susceptible—were irrefutably established, the conclusion that labor is *justly* remunerated would not follow. "We might raise the question, whether a rule that gives to each man his product is, in the highest sense, just."<sup>2</sup> The question must be answered in the negative. While a man has an indisputable right to all the utilities that he creates with the aid of his own materials and without assistance from other men, his claim to be rewarded in proportion to his activity is by no means so clear when there is question of a joint product. In the latter case productivity would seem to be the lowest of all the titles of ownership. It is inferior to effort. Of two men who contribute to the creation of a common product and who have made equal efforts and sacrifices, why should the stronger, or more skilfull or more intelligent receive a greater recompense than his less efficient fellow? The latter has done his best, the former can say no more. It is not denied that achievement ought to be considered

<sup>1</sup> See his "Labor and the Popular Welfare," passim; and "Aristocracy and Evolution," Book III, ch. I. He has been effectively answered by Mr. Hobson in the "Contemporary Review," August, 1898.

<sup>2</sup> Clark, "The Distribution of Wealth," p. 8.

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to some extent in apportioning a reward among co-operators, but it is maintained that our native sense of justice always dictates that the distribution should be made in accordance with individual merit, good will, self-sacrifice, conditions that are within the control of the workers, rather than aptitudes and qualities for which they are not personally responsible. This is certainly the standard by which we hope to be judged in the Life Beyond. Measured by the rule of efforts and sacrifices, the laborer, generally speaking, has as large a claim to remuneration as the landowner, the employer, or the capitalist. Again, the title of productivity must give way to that of needs, which is the end to which all other titles are but means. The primary reason why men should own property of any kind is to be found in their wants. By these must all other claims to ownership be determined and conditioned. Since all men are equal as persons, the essential needs of personality are of equal moral validity in all. Hence, the person's right to the minimum of goods necessary to satisfy these fundamental needs is superior to any of the merely secondary claims.

When the employer cannot pay a Living Wage he is for the time being freed from actual obligation, as no one is morally bound to do the impossible. The contention that such a man ought to cease to be an employer will scarcely hold in the face of the hardship that he would thus undergo. A man's fundamental right to get a living on reasonable terms carries with it some kind of claim to remain in the economic position in which he has become



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established; and this claim will cease to exist only in the presence of grave contrary reasons. On the other hand, the inability of one or many employers to discharge the obligation will not free those who are better situated. The prosperous employer cannot exculpate himself on the ground that he is paying as high wages as his neighbors.<sup>1</sup>

“Cannot pay a Living Wage” is, however, extremely vague. To one it may mean that if he does so he will be unable to increase his personal expenditures, or better his social position; to another, that the profits remaining will not be a fair remuneration for his skill, energy, and directive ability; to a third, that he will have nothing left with which to extend his business or make new investments; to a fourth, that he will not receive a fair rate of interest on his capital. The first three of these interpretations are morally invalid because they imply a subordination of the essential needs of the laborer to the non-essential needs of the employer. All the ends that the employer seeks to realize in these three ways lead ultimately to the satisfaction of wants that are superfluous relatively to his present standard of living. Now employer and employee are equal in personal dignity, and their essential needs are of equal worth and moral importance. Consequently the essential needs of one are morally superior to the accidental needs of the other. The laborer’s need of the requisites of a decent and reasonable life is more important in the moral order than the employer’s need of life’s conveniences and superfluities. If

<sup>1</sup> Cf. Vermeersch, “*Quaestiones de Justitia*,” pp. 579, 580.

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the individual's obligation to use and distribute the resources of the earth consistently with the rights of his neighbors thereto is more than a vague and empty formula, it surely means in the concrete that the employer is bound to distribute the product of industry and his personal income in such a way that his own secondary and unimportant wants shall not be preferred to the primary and vital needs of those who expend all their working time and energy under his direction and for his benefit.

The industrial employer, the employer of men who produce for the market, has obviously a right to get a decent livelihood from his business. And this means not merely goods absolutely necessary for right living, but also conventional necessities. Since the latter vary according to a man's station—the position that he holds socially and economically, and the scale of personal and family expenditure to which he has become accustomed,—a decent living for the employer will, as a rule, include more of the good things of life than in the case of the laborer. In both cases it corresponds with the standard of life peculiar to the class. The absolute necessities of life are approximately the same for employer and employee, namely, a reasonable minimum of food, clothing, shelter, education, and recreation; their conventional necessities differ on account of the different ways of living to which they have become accustomed, and which they have come to regard as essential. Undoubtedly the employer would suffer a slighter hardship if his expenditure for things conventionally necessary were diminished by, say,

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ten per cent., than would the laborer whose outlay for his conventional needs was curtailed in the same degree; yet the general statement remains true, that the loss of conventional necessities entails suffering upon both. Hence the rule above laid down does no injustice to the laborer, since it merely treats laborer and employer unequally in so far as they are unequal, that is, in regard to their habits of living, but treats them equally with reference to inconveniences that affect them equally. It is altogether just that the employer should retain a sufficient amount of the proceeds of his business to maintain himself and family in reasonable conformity with the standard of living that he has come to look upon as proper to his station. Until he has paid all his employees a Living Wage he ought to refrain from all costly expenditure for the purpose of amusement and recreation, and in general from everything that comes under the head of luxurious living. The term luxury is, indeed, very vague and very relative. No general rule can be framed that will distinguish sharply between luxuries and conventional necessities. Again, the different social classes in American life merge into one another by insensible gradations, so that men frequently regard the grade just above them rather than the one in which they actually live, as the standard to which their expenditures ought to conform. And yet, some general observations may be made which are sound and helpful. The employer who cannot at the same time pay a Living Wage to all his employees and live in his customary manner, ought not to go beyond the

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moderate satisfaction of the physical, intellectual, moral, and spiritual wants of himself and his family. He ought to avoid all lavish feasting, all extravagant forms of amusement, and all ostentation in dress, equipage, and household appointments. His right to satisfy any of these wants yields to the right of his employees to the conditions of a decent livelihood.

The claim of the employer to a fair rate of interest on his capital at the cost of a Living Wage for the laborers in his employ, likewise puts his non-essential needs above the essential needs of the latter, and is consequently unsound. The right of capital to obtain interest is sometimes asserted in such a way as to indicate a belief that this is the supreme right in the field of distribution. Capital is personified. There should be no need to insist that capital is not a moral and rational being, and can have no moral claim to a share in the product. It is a condition of production, but not a producer in the same sense as the laborer and employer, nor has it any moral and rational needs to be supplied out of the results of production. Its claim to a portion of the product must be made on behalf of its owner and in terms of his rights. Now the only titles that justify the receipt of interest by the capitalist are these two: the productivity of capital, and the sacrifice involved accumulating instead of spending income.

The formula, *res fructificat domino* ("a thing fructifies to its owner") unquestionably states a general truth, but it must be differently interpreted with regard to different kinds of property. A man



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who, unaided by others, uses his own land, raw material, tools, and machinery to bring into existence a product, say, wheat or shoes, has a right to the whole of that product, including the share of it that represents the productive action of capital. In such cases the owner's claim to the fruits of his property is unconditionally valid. The utility produced by a rented dwelling goes to the occupier immediately, but redounds to the proprietor in the form of rent. The latter gets the product of his property, inasmuch as he is paid what is regarded as the product's value. To him this virtual fruit rightfully belongs, as there is no one else who can establish a shadow of counterclaim. When a field or a building that is used for commercial or industrial purposes, is hired out, its fruits become merged in the general product and are indistinguishable therefrom. They are, however, assumed to be adequately represented by the price that is paid for the use of their material cause. Here, again, the owner reaps the virtual fruit of his property. Similarly the interest that a man receives on money he has loaned to a business man, for example, a manufacturer, is regarded as the equivalent of the product of the material capital into which the loaned money has been converted. The owner of the money receives the fruit of his virtually productive property in the shape of interest. Whether these methods of measuring the product, according to which it is valued in terms of rent and interest, ever represent the precise physical contribution made by land and capital to the combined product, cannot be known; but they are the only methods that are practicable.

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Now the right of the money lender to take this equivalent of the fruit of his money is just as valid as the corresponding right in the owner of the field, the owner of the building, or the owner of capital instruments. All of these claims are essentially the same, namely, the claim asserted by the owner of a material factor of production over the commercial equivalent of the factor's product. Is this claim morally valid? Our special concern here is with material capital which the owner has purchased without the assistance of a loan, and which he manages in his capacity of employer and director of industry.

It seems clear that the right of such a man to the imputed fruit of his property, in other words, to interest on his capital, is as real and legitimate as any other right of ownership. Who else can rightfully claim this portion of the general product? Not the laborer, for if we assume that his needs and efforts are already fully remunerated, the only title that can be urged in his behalf is that of productivity. Now it is true that the co-operation of the laborer is necessary to make capital actually productive; but it is also true that the presence of capital causes the laborer's efforts to be followed by a larger product and a higher wage than would be possible if he worked alone. Consequently the labor is not the sole cause of the product. Some part of it has been as truly produced by capital as some part of a potato is produced by moisture. In so far as this portion of the product is adequately represented by interest, the latter cannot justly be claimed by the laborer on the ground of productivity. Can it

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be reasonably claimed by the consumer in the shape of lower prices for the finished product? As director of production, the capitalist-undertaker receives the equivalent of his exertion in profits; as capitalist, he performs no labor nor undergoes any sacrifice when he allows his capital to be used as a factor of production; why then should he claim its product? Does not the latter properly belong to the whole people? The theory that is implied in these questions maintains that interest should be abolished, on the ground that the productive forces of nature, artificial as well as natural, cannot rightfully become the subject of private ownership, but are the common property of the community. This being so, the product of capital should go to the community, and not to any one individual. To the community it will go if no interest is paid and the price of the product is reduced accordingly. Even in this theory the principle, "to the owner of a thing belongs its fruits," is acknowledged and asserted. The obvious answer to the theory is that the assumption underlying it is unsound. There are in men certain ineradicable convictions, desires, and aspirations which make it impossible that social welfare and the welfare of the majority of individuals should be as well conserved by common as by private ownership of capital. Now what the race firmly believes to be just and necessary in the matter of opportunities of ownership must be taken as fairly representative of objective justice; and social welfare must be accepted as a sufficient justification of private ownership of capital. After all, the primary title and reason of

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possession is the needs of men, and if these are better provided for by the institution of private property in the productive resources of the earth the institution is morally legitimate. The question of right at issue here does not hinge on any metaphysical consideration of the intrinsic qualities of capital-goods, but solely on the comparative utility of the two kinds of ownership to attain the end of all ownership. This principle, too, is admitted by the opponents of private ownership; for their opposition is based on the assumption that human needs and human welfare would be better subserved if capital were owned collectively. If they are mistaken in this, individual proprietorship of capital is right, and the individuals may justly claim its product.

Again it must be insisted that we can never know whether the productivity of capital relatively to that of the other factors, is precisely expressed in the rate of interest. Yet interest is the only available measure of such productivity, and is, therefore, a sufficient recognition of the moral principle, "to the owner of a thing belongs its fruits."

This principle is valid, but it is not the only valid principle of ownership. Consequently, a fair rate of interest is not necessarily one that will yield to the owner the full product of his capital. It is rather that rate which will safeguard the right of the capitalist consistently with, and in subordination to, the claims of needs, efforts, and the productivity of labor. For the productivity of property, natural or artificial, is the least and lowest of all the titles of property. All the other titles are based upon the



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personal dignity, personal exertion, or personal achievements of their beneficiary: interest accrues to the owner of capital without any reference to his present needs, efforts, or achievements. The employer's right to obtain the ordinary rate of interest on his capital is, therefore, subordinate to the right of his employees to receive the means of supplying their essential needs in accordance with the standards of decent living.

Concerning the second title to interest, it must be noted that the accumulation of a great part of the capital now in existence has not cost its owners any real pain of abstinence. Some of it has been inherited, and some of it saved out of incomes that were in excess of all the existing wants of the recipients. None of the inheritors of wealth have practised the self-denial incidental to continuous saving, though a portion of them, namely, the beneficiaries of small legacies, undoubtedly made some sacrifice when they converted their inheritance into capital, instead of immediately consuming it. But a man enjoying a very large income suffers no notable inconvenience when he devotes a goodly portion of it to the purposes of production. As applied to this kind of "saving," Lassalle's sarcastic comments on the "abstinence theory" are fully justified.<sup>1</sup>

On the other hand, much of our present stock of capital represents a real sacrifice of desires that clamored for satisfaction when the saving took place. According to Mr. Devas, even this species of saving

<sup>1</sup> See his work, "Herr Bastiat Schultze von Delitsch," ch. IV.

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“is amply rewarded without any need of interest or dividends. For the workers with heads or hands keep the property intact, ready for the owner to assume whenever convenient, when he gets infirm or weak, or when his children have grown up and can enjoy the property with him.”<sup>1</sup> Saved wealth cannot, indeed, be continued in existence unless it is embodied in material goods; money must be either spent or converted into capital-instruments; and yet there is grave reason to doubt whether all of those who save at the expense of present desires would regard the mere preservation of their wealth as sufficient recompense for the abstinence undergone. It would seem that those savers who do not take this view have a just claim to an additional remuneration in the form of interest,—unless sufficient capital would come into existence without their contribution. In that case they would be in the position of those who make sacrifices to produce something that society does not want.

No definite answer can be made to these questions of fact, and, so far as our present purpose is concerned, none is necessary. Even those employers who have accumulated capital at the cost of self-denial, and who would not have saved had there been no prospect of interest, have a less urgent claim to interest than have their employees to a Living Wage. When both claims cannot be satisfied, or fully satisfied, the former must yield. For the supreme title of ownership is that based on the dignity of the person, on his essential needs; and the employer is

<sup>1</sup>“Political Economy,” p. 507, 2d edition.

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morally bound to so distribute the product of his business that, after he has taken out the requisites of a decent living for himself, the claims of his employees to a Living Wage will be fully satisfied, even to the complete neglect of such claims as unusual productivity of labor, the productivity of his capital and his sacrifices of saving.

The obligation that in private business rests upon the employer is distributed in a corporation, or joint-stock company, among all the shareholders. Since the direction of the business resides ultimately in them, they are the real employers, and they cannot reasonably shirk the responsibility of paying just wages. This responsibility falls in a particular manner upon the board of directors and the officers, but it extends in some degree to the owner of even one share of stock. Like the private employer with regard to the money that he has invested in his business, the stockholders of a corporation are morally bound to pay all the employees, including, of course, those who are actively engaged in its direction, a Living Wage before they pay themselves dividends. And it would seem that those shareholders whose labor of direction is confined to annual or semi-annual meetings, and who have no means of living except the dividends accruing to them, have a less urgent right to receive a decent livelihood therefrom than have the employees to obtain a Living Wage. The needs of the latter are no more important than the needs of the non-working stockholders, but they are associated with labor, personal effort, which is a stronger title of ownership than

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the productivity of capital or past sacrifices of saving.

To sum up: the obligation to pay a Living Wage falls upon the employer as a reasonable consequence of his position in the economic organism. From this responsibility he cannot free himself by appealing to the labor contract or to the productivity of labor; for the former is consistent with extortion, while the latter is usually unknowable, and is always inferior to needs as a canon of distribution. Inability to perform the obligation suspends it, but inability must not be so interpreted as to favor the superfluous needs of the employer at the expense of the essential needs of the laborer. The employer's right to obtain interest on the capital that he has invested in his business, though real, is subordinate to the laborer's right to a Living Wage.



## CHAPTER XVI.

### THE OBLIGATION OF THE LOAN-CAPITALIST, THE LANDOWNER, THE CONSUMER, AND THE MAN OF WEALTH

The loan-capitalist and the landowner are under no practical obligation to supplement directly the wages of the underpaid laborer. The consumer can discourage the payment of insufficient wages by refusing to patronize the offending manufacturers and merchants. And he is morally bound to do so. The meaning of "superfluous" goods. These ought to be given without reservation for the relief of the underpaid. Methods by which such distribution could be carried out.

The employer may fail to pay a Living Wage either because he cannot or because he will not. Does the obligation, thus unfilled, revert to other members of the community? to whom? and in what measure?

Undoubtedly a part of the responsibility of treating the laborer justly is shared by the capitalist who has loaned money to the employer for use in his business, and by the landowner who has rented him land for the same purpose. They are beneficiaries of the laborer's exertion, and consequently are indebted to him in a particular way; they also receive a portion of the product of industry, and are thereby

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enabled, in many cases, to do something toward supplying what is wanting in the laborer's remuneration. Yet if the employer's failure to pay a Living Wage is not due to inability on his part, it seems sufficiently clear that the loan-capitalist and the landowner have no direct obligation to make good the difference. In so far as their incomes surpass their reasonable needs, they are, of course, bound to make a righteous use of the excess; but their *economic* position scarcely obliges them to do more than exert pressure upon the employer to compel him to discharge fully his wage-paying obligations.

When, however, the employer is really unable to give all his employees the means of a decent livelihood, the right of the loan-capitalist and landowner to receive the product of their property in the form of interest and rent seems to be inferior to the right of the laborer to obtain a Living Wage. The latter has contributed his labor power, the former have contributed the use of their goods to the making of the common product. In the distribution of the product the claims of labor, personal effort, ought to be preferred to those of mere ownership in the product's material cause. Consequently, the employer should be allowed and constrained to provide his employees with a Living Wage before returning rent to the landowner or interest to the loan-capitalist. This seems to be the theoretical justice of the situation. An attempt to put it in practice would probably be followed by greater evils than those that are sought to be remedied. Let us assume that the landowner and the loan-capitalist do their

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share by instructing the employer to give them their portions of the product only after he has fully remunerated all the laborers. In a large proportion of cases they cannot know whether the residue is really insufficient to yield them the whole amount of rent and interest conditionally stipulated. The employer will in such circumstances be able to retain for himself what he owes to them. Even if he acts with entire honesty in this respect, he may, without being compelled to, continue to sell his product at a price that will render full payments of rent and interest impossible. To be sure, if the loan-capitalist and the landowner could always be certain that the employer did his best to make them a complete return for the use of their property, their obligations, as above outlined, would seem to be actual and concrete. As things are, however, their responsibility toward the underpaid laborer who works with their property must be discharged in some other way.

When the employer's inability to pay a Living Wage is due to the low price at which he is compelled to sell his product rather than to his own incompetence, the chief beneficiary is, of course, the consumer. Yet the average consumer is wholly indifferent to any responsibility toward the underpaid producers of the cheap goods that he so vigilantly and avidly seeks to secure. In this connection the following paragraph from the pen of Mr. W. S. Lilly is extremely suggestive:

"One afternoon I chanced to meet in Regent Street three lady friends who had come up to town

for shopping, and I remember their surprise and delight at finding in one of the establishments which they visited shirt blouses, of a dainty kind, on sale at half-a-crown each. They purchased a dozen, and evidently regarded this cheapness as simply miraculous. They were so good as to invite me to dine with them that evening at a restaurant of which I will not mention the name, for I have no desire of advertising it. Nor indeed is that necessary. The perfection of its cuisine and the excellence of its wines have deservedly won for it a world-wide reputation. It is as deservedly celebrated for its high charges. I could not help noticing that on the occasion of which I speak my kind hostess received very little change from the five pound note which she tendered in payment for our dinner. The evening was fine: and after taking leave of my friends I set out to walk to South Kensington. When I reached Hyde Park Corner a carriage dashed rapidly out of the Park, and a young girl, who was walking just in front of me, was almost run over. Apparently she had not noticed it: fortunately I had seized her by the arm and pulled her back in time. She seemed a good deal frightened and inclined to be hysterical. A constable came up, and I looked at him interrogatively, wondering whether she was quite sober. He caught my meaning and after a swift glance at her, said: 'No, sir, it's not drink: it's hunger. If she sits down for a bit she will pull herself together.' He helped her to a seat just inside the Park and left her there, after a minute, murmuring something which I did not quite catch about



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sending someone to her. The girl said to me: 'Thank you for saving me; I was nearly killed, I think'; and she shuddered. She was a slight, delicate-looking creature, of plaintively prepossessing appearance, neatly dressed, and quiet in manner. I replied: 'Yes, you had a narrow escape; now that you have recovered from your fright, shall I put you into a hansom and send you home?' 'Thank you,' she answered, 'but I mustn't go back yet: I have come out to try to earn a little money; I spent my last shillings in buying those shoes to come out in, and I owe my landlady a fortnight's rent: I haven't been able to get any work lately.' I inquired what she worked at. She told me she made ladies' shirt blouses, but could not live on what she earned in that way; she was paid four shillings for making a dozen: it was the usual rate; she worked for Messrs. ———, mentioning the tradesmen whose shop my fair friends had visited that afternoon. It is a dictum of Renan that the miraculous is the unexplained; and this was the explanation of those miracles of cheapness at which my friends had marveled."<sup>1</sup>

The obligation of the consumer toward the underpaid laborer involves two questions: can he do anything to bring about better wages? and is he morally bound to make use of whatever power he possesses in this direction?

Since all production and trade are carried on with a view to the wants of the consumer, the latter holds

<sup>1</sup> "The Cost of Cheapness," "The Fortnightly Review," April, 1905.

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the dominant position in industry. Goods will be produced of such quality, in such amounts, and under such conditions of employment as he effectively demands; that is, in accordance with his wishes plus his readiness to pay the necessary costs. If he says to the manufacturer or to the merchant, "unless you pay your employees a Living Wage, I will not buy your goods," his terms will be accepted. Consequently an organization embracing the majority of consumers, and employing agents to ascertain the wages that have been paid for the production of the various commodities on the market and the prices for which the latter must sell in order that the producers may be decently remunerated, could soon put an end to the evil of underpaid labor in industrial employments. While an association of such magnitude is not inherently impossible, it is clearly impracticable, or at least so unlikely as to render serious consideration of it a waste of time. As things are, the consumer who wishes to discourage low wages must act individually or as a member of local and incomplete organizations. When the goods that he wishes to buy can be obtained from manufacturers and dealers that treat their employees fairly, he can patronize these in preference to firms that are unfair. How is he to distinguish between the two classes of employers? Not infrequently the necessary information will come to him casually and through various unrelated channels; more often perhaps it will be available through the systematic work of Labor Unions and the Consumer's League. The former affix their Union Label to those goods that

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have been produced in accordance with their standard of remuneration, hours, workshop conditions, etc. The Consumer's League also has a Label which it puts upon articles manufactured in the conditions that it regards as satisfactory, and a "White List" of merchants who treat their employees fairly. It may be assumed, therefore, that the producers of goods that bear any of these marks of approval are receiving, if not a Living Wage, at least a nearer approach to it than their fellows in the same employments. Purchasers who call for these goods, and especially those who affiliate themselves to the Consumer's League, will contribute very materially toward the encouragement of fair employers and the discouragement of the unfair.

Is the consumer morally bound to exercise such discrimination in making his purchases? He is not directly responsible for low prices and low wages, for he takes no active part in the making of either.<sup>1</sup> Yet he encourages the continuation of existing bad conditions when he seeks out and patronizes the dealers in cheap goods, regardless of the wages that have been paid to the producers. The fact that he is not primarily responsible does not acquit him of all responsibility and all obligation; for, as Dr. Cunningham observes: "There is always this double responsibility to be looked to, responsibility for not doing our best to cure the evil, and responsibility for its existence."<sup>2</sup> If a Living Wage is to prevail in industry the consumer must provide the means

<sup>1</sup> Cf. Webb, "Industrial Democracy," pp. 671-673, 1st ed.

<sup>2</sup> "The Use and Abuse of Money," p. 157.

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of paying it. This is a function that he cannot shirk or shift to others. He is obliged to pay a fair price for the goods that he buys, and a fair price necessarily means one that will enable the producers to be decently remunerated. This elementary and fundamental obligation is indisputable: the practical question concerns the form that the obligation assumes when a combination of forces, partly within and partly without the control of the consumer, has brought or threatens to bring wages below the minimum of justice. Suppose the consumer finds himself so placed that the issue depends upon his action: if he buys goods from A all the laborers will get a Living Wage; if he patronizes B—who is selling more cheaply—they must continue to be underpaid, since the returns are not sufficient to give them more. Here there cannot be a shadow of doubt concerning his responsibility to the laborer, and his obligation to make his purchase from A. This hypothetical case is in some measure realized to-day whenever a consumer finds it within his power to choose between merchants who deal in goods that have been produced under humane conditions and merchants whose goods have involved injustice to labor. The difference is one of degree only; for the actual consumer can do *something* toward the abolition of insufficient wages. What he can reasonably do in this direction he is morally bound to do, and the same is true of the merchant in relation to different manufacturers. The effects of any single individual may seem insignificant, but the combined actions of all who are in a position to exercise the discrimination here



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advocated would lead to very large results. Besides, the reform of existing conditions will not be accomplished by any single agency or method; the co-operation of many and diverse forces, persons, and classes will be essential. Among all the classes that might contribute to this end, the consumer is perhaps the least conscious of his power and responsibility. In the simpler economic relations of the Middle Ages, when the consumer usually dealt directly with the maker of the goods that he bought, the obligation to pay a price that would cover fair wages was easily perceived and acknowledged. To-day he is so far removed from the original producer, the causes of low wages are so various, and the whole mechanism of industry is so anarchic, that he seldom gives a thought to the relation between himself and the man who ultimately makes cheap goods possible. Yet to divide and obscure responsibility is not to destroy it; consequently the consumer is morally answerable for insufficient wages in proportion to his power to make reasonable efforts toward bettering them.

Thus far of the obligation of those persons who are directly benefited by the toil of the underpaid laborer, and who stand in more or less immediate *economic* relations to him. Let us consider briefly that class of persons who are bound to the insufficiently remunerated workers, as to other sections of the unfortunate, by the general duty of *charity* or beneficence. These are the possessors of superfluous goods, the rich. From St. Paul <sup>1</sup> to St. Basil <sup>2</sup>; from

<sup>1</sup> "Let your abundance supply their want," II Cor. VIII, 14.

<sup>2</sup> "Are you not a despoiler, since you have made your own

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St. Basil to St. Thomas of Aquin<sup>1</sup>; and from St. Thomas to Pope Leo XIII,<sup>2</sup> the Christian teaching has been that superfluous goods are a trust to be administered for the benefit of the needy. The classification of private possessions, or private income, made by St. Thomas indicates the meaning that all Catholic authorities attach to the phrase, "superfluous goods." A man's goods, he says, may be divided into three categories: first, those that are absolutely necessary to sustain life: second, those that are required for the proper maintenance of social position: third, those that are left over after both of these ends have been met.<sup>3</sup> It is not easy, however, to mark off the last named possessions—those that are "superfluous"—from those of the second category. The majority of men can readily persuade themselves that their whole income is needed either to support their present style of living, to provide liberally for the future wants of themselves and their families, or to better their present condition. "Bettering their condition," means for some men the indefinite accumulation of wealth merely for the sake of the consequent power and prestige, and for some women the progressive ability to outshine their neighbors in extravagant entertainment, dress, equipage, etc. It is admitted on all sides that that which you have received to distribute?" Migne, "Patrologia Graeca," vol. xxxi, col. 275.

<sup>1</sup>"To give alms from one's superfluous goods is strictly commanded," "Summa Theologica," 2a. 2ae., q. 32, art. 1.

<sup>2</sup>"When one's necessities have been fairly supplied, and one's position fairly considered, one is bound to give to the indigent out of that which remains," Encyclical, "On the Condition of Labor."

<sup>3</sup>"Summa Theologica," 2a. 2ae., q. 32, art. 6.

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luxury is reprehensible, but the principle of the relativity of luxury has been converted into the doctrine that luxury is merely expenditure in excess of income. According to this interpretation, all incomes, except possibly a few of the very largest, can be legitimately utilized in maintaining or expanding the social position of their recipients. Utterly insignificant, therefore, is the number of persons who possess superfluous goods, and are held to the duty of almsgiving or philanthropy. This apotheosis of groveling selfishness is not, however, peculiar to our own time. In the last quarter of the Seventeenth century, Pope Innocent XI condemned the following propositions: "It is scarcely possible to find among people engaged in worldly pursuits, even among kings, goods that are superfluous to social position. Therefore hardly anyone is bound to give alms from this source." If these doctrines were false then they are a hundred times false to-day. In a general way it may be said that all of that portion of a man's income is superfluous that cannot be used for the satisfaction of his *reasonable* wants. As unreasonable must be regarded all wants whose satisfaction involves injury to health, mind, or character. Consequently, excessive quantities of food or drink; dyspepsia-breeding delicacies; clothing, dwellings, and household furnishings that satisfy the desire to outdo one's neighbors in costliness and showiness, instead of increasing comfort or developing the esthetic sense; indefinite amounts of idleness, amusements, entertainments, and travel,—are all unreasonable and unjustifiable. They all spell deterioration

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and debasement, the pampering of what is lowest in man at the expense of what is highest. Good clothes and good houses are legitimate and useful inasmuch as they promote comfort, self-respect, and the appreciation of the beautiful; but they are clearly harmful to character when they respond to the vulgar desire to excel in what one has rather than in what one is or what one does. Recreation, amusement, social diversion, entertainment, and travel are all helpful within certain narrow limits; when they take up more than a small portion of a person's time and attention they become not merely useless but demoralizing. Indeed, the amount of money that can be expended for the conveniences of life, the ornamental and hedonistic side of life, consistently with a due regard for health, mind, and character, is very much smaller than the majority of men, rich and poor, habitually assume. And everything beyond this belongs in the category of superfluous goods.

Is a man obliged to devote *the whole* of his superfluous goods or income to works of benevolence? Mr. Andrew Carnegie answers in the affirmative. "This, then, is held to be the duty of the man of wealth: to set an example of modest, unostentatious living, shunning display or extravagance; to provide moderately for the legitimate wants of those dependent upon him; and, after doing so, to consider all surplus revenues which come to him simply as trust funds, which he is called to administer, and strictly bound as a matter of duty to administer in the manner which, in his judgment, is best calculated to pro-



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duce the most beneficial results for the community—the man of wealth thus becoming the mere trustee and agent for his poorer brethren, bringing to their service his superior wisdom, experience, and ability to administer, doing for them better than they would or could do for themselves.”<sup>1</sup> The Reverend L. Garriguet is substantially of the same opinion: “A man is obliged to give to the poor all his superfluous goods. . . . To keep back a portion of them, even an inconsiderable portion, is to go against the order of Providence and to retain for self what ought to benefit the neighbor.”<sup>2</sup> The position of these writers seems to be in harmony both with the law of the Gospel and the dictates of reason. Catholic moralists of authority generally deal with the matter somewhat more precisely. They divide human distress into three classes: extreme, grave, and ordinary. A person is said to be in extreme need when he is so placed that he cannot, morally speaking, escape death, or some almost equivalent evil, such as loss of health or of limb, unless he is assisted by others; in grave necessity, when perils of this magnitude are not actually imminent but merely probable, or when things that are necessary cannot be procured without great difficulty; in ordinary need, when extreme or grave evils can be avoided by reasonable personal effort, or when minor inconveniences must be suffered continuously if assistance come not from without.<sup>3</sup> The authorities that we are considering are not agreed as to the proportion of superfluous goods

<sup>1</sup> “The Gospel of Wealth,” p. 15.

<sup>2</sup> “La propriété privée,” tome II, pp. 40, 42.

<sup>3</sup> Cf. Lehmkühl, “Theologia Moralis,” vol. ii, No. 601.

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that ought to be given for the relief of *ordinary* need: many of them say that "something" must be given; others, that each possessor should give as much as would be sufficient to remove all such need if all other possessors gave proportionately; others, that two per cent. of a person's income should be so expended; and still others, that two per cent. of one's superfluous goods would satisfy the obligation. They seem to be virtually unanimous, however, in maintaining that persons having superfluous goods are morally bound to give away as much of these as is required to relieve all *extreme* and *grave* need.<sup>1</sup> Practically, this would seem to mean that a man is bound to devote his surplus income unreservedly to the alleviation of such cases of extreme or grave need as come under his notice. Now it can scarcely be doubted that a large section, perhaps a majority of the laborers who get less than a Living Wage are in *grave* need as this phrase is understood by the moral theologians; for to be without the minimum requisites of decent and humane living is certainly as great an evil as the inability to live according to one's social position, which the theologians use to illustrate their meaning. "Necessitas gravis" is not too strong to describe the distress endured by persons whose habitual condition is to be insufficiently fed, clothed, housed, and provided against sickness and old age. Consequently the doctrine of the moral theologians seems to be in substantial accord with the views of Mr. Carnegie and Father Garriguet.

Obviously the obligation of distributing super-

<sup>1</sup> Cf. Bouquillon, "De Virtutibus Theologicis," pp. 343, 344.

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fluous goods among the underpaid workers would not, except in extreme cases, be wisely discharged by direct gifts of money. These would tend not only to pauperize the recipients but to deter the employer and the consumer from making any effort to improve existing wage conditions. Inefficient remuneration can be effectively supplemented by philanthropy only through methods that reach this end indirectly. A few such methods may be mentioned here. The underpaid could be financially assisted to organize and maintain Labor Unions. "The great problem of poverty," says John A. Hobson, "resides in the conditions of the low-skilled workman. To live industrially under the new order he must organize. He cannot organize because he is so poor; so ignorant; so weak. Because he is not organized he continues to be poor, ignorant, and weak. Here is a great dilemma, of which whoever shall have found the key will have done much to solve the problem of poverty."<sup>1</sup> Two of these obstacles to organization, namely, poverty and weakness, would be very considerably reduced if means were available for the support of organizers, the renting of halls for meetings, the maintenance of a reserve fund, and for various other expenditures that are essential to efficient organization. Then, there is the matter of industrial education, provision for which is so meagre in America, and so inferior to that of some European countries.<sup>2</sup> Greater opportunities of industrial

<sup>1</sup> "Problems of Poverty," p. 227.

<sup>2</sup> Cf. "Labor Problems," by Adams and Sumner, ch. XI; The Seventeenth Annual Report of the Commissioner of Labor; and vol. xxiii of U. S. Consular Reports, "Industrial Educa-

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training would enable many young persons to rise who under present conditions must enter the overcrowded ranks of the unskilled, and thus diminish both the number of and the competition among the underpaid. In the third place, attention may be called to the unlimited amount of good that could be accomplished through the building and maintenance of hospitals for the treatment of insufficiently remunerated laborers and their families. Sickness always means distress, and it comes at some time or other to all; but among the poor it is exceptionally frequent and exceptionally burdensome and disastrous. "Unnecessary disease and death are mainly active in bringing misery to the working classes and especially to those in poverty. The well-to-do classes are relatively free from preventable, disease-producing conditions of work and of living." "To the poor sickness means more than illness. It means misery of the severest kind." "Sickness assumes a new and more terrible meaning when one realizes that the mass of wage-earning families are pathetically dependent upon some one person's health." "It is a fertile and lively cause of poverty, constantly active and supremely powerful." "Among 10,000,000 well-to-do persons the number of yearly deaths is probably not more than 100,000; among the highest class of wage earners the number is probably not less than 150,000; and among the poorest, or those in poverty, the number is probably not less than 350,000."<sup>1</sup> Adequate hospital accommodations and pro-

tion and Industrial Conditions in Germany."

<sup>1</sup> From chapter IV of Robert Hunter's "Poverty."



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vision for efficient nursing in the home, would mitigate and lessen these evils indefinitely. Finally, there is a method that would perhaps be more direct and more immediately fruitful than any of those already mentioned. "The overcrowding of the population on the acre in certain sections of Chicago exceeds that of the densest portions of London. In New York the conditions are three times as bad as they are in London." "There are about 360,000 dark rooms in Greater New York."<sup>1</sup> An investigation made a few years ago in Boston showed that twelve per cent. of the total number of persons in rented tenements, or 37,613 persons, lived in habitations "having poor or bad outside sanitary conditions."<sup>2</sup> From the tables of the Sixth and Seventh Annual Reports of the Commissioner of Labor it is seen that out of 2,954 families in the cotton and woolen industries 538 lived in houses the average size of which was less than four rooms, and that only 592 out of 1,782 families in the iron and steel industries occupied dwellings averaging four rooms or more each. Considered from the viewpoint of comfort, health, or morality, the housing of working people constitutes one of the most acute and difficult of our modern social problems. It provides a most fruitful field for philanthropic and charitable effort. Money expended to enable the underpaid laborers to become the possessors and owners of decent, comfortable, and sanitary homes would contribute more effectively to their permanent economic and moral better-

<sup>1</sup> "Poverty," pp. 342-344.

<sup>2</sup> Eighth Special Report of the Commissioner of Labor, p. 421.

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ment than any other work of benevolence that could be undertaken. The worker would not be utterly helpless; he would have at least a place of shelter and a foothold in the struggle for existence. The resulting gain in health, energy, courage, and ambition would aid him very materially in resisting the forces that threaten to press him down, and in his attempts to rise above his present level. This is a consideration of the gravest importance; for in the words of Professor Walker: "Nothing, economically speaking, can save industrial society from progressive degradation except the spirit and the power in the working classes to resist being crowded down."<sup>1</sup>

In these methods the loan capitalist and the landowner who profit directly by the existence of insufficient wages will find ample opportunity to discharge the obligations that arise out of this condition. And their obligations would seem to be graver than the obligation resting upon the man of wealth who stands in no such relation to the underpaid laborer. The duty of the latter is solely one of charity, while the duty of the loan-capitalist and the landowner seems, as already explained, to partake of the nature of justice.

<sup>1</sup> "Elements of Political Economy," p. 266.

## CHAPTER XVII

### THE OBLIGATION OF THE LABORER

The limitation of their number by the underpaid. It would increase the demand for their kind of labor, but in the concrete it means immoral practices and anti-social consequences. And it misplaces the responsibility for low wages. To increase productive efficiency, and therefore wages, is impracticable, except for a few individuals. Saving and total abstinence could raise but a small section of the underpaid to the level of a Living Wage. Organization, while most effective among the better-paid, can accomplish much even for the poorest-paid.

Having considered the obligations of all the other economic classes relatively to the right to a Living Wage and to the existence of insufficient wages, let us glance briefly at the responsibility and obligation of the laborer himself. What can the underpaid worker do to raise himself to the plane of a decent livelihood?

A remedy for low wages that has for a long time been recommended to the laborer, especially by economists, is the practice of what is somewhat euphemistically termed "sexual self-restraint."<sup>1</sup> Former-

<sup>1</sup> Cf. Malthus, "Essay on Population," Bk. IV, chs. I-V; Roscher, "Political Economy," sec. 163; Mill, "Principles of Political Economy," Bk. II, ch. XII; Hadley, "Economics," secs. 355-357.

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ly it was preached to all sections of the laboring population, but it seems to be no longer thought necessary to the welfare of the better-paid classes. All the evidence at hand seems to show that these reproduce much less rapidly than the poorest classes.<sup>1</sup> Throughout Northwestern Europe there has occurred during the last thirty years a steady decline in the birth-rate, but only among those workers who are above the level of bare subsistence. If everyday observation may be relied upon, the same conditions obtain in America. It is the more prosperous laborers that are consciously restricting their numbers, by marrying later and by reducing the size of their families. While denying that the larger comforts enjoyed by the better-paid is the *cause* of the lower birth-rate prevailing among them, President Hadley admits that high comfort and low birth-rate commonly go together.<sup>2</sup> It would seem that the economically degraded propagate rapidly through utter lack of ambition and a feeling of hopelessness.<sup>3</sup> The result is that their kind of labor, unskilled labor, continues to be excessively plentiful relatively to the demand for it. Hence the vital importance of lessening its supply through a diminished birth-rate.

Considered apart from its moral and social consequences, this remedy would undoubtedly be highly efficacious. Other conditions remaining the same, the wages of a group fall, or tend to fall, at every

<sup>1</sup> See the very significant statistics cited in "Industrial Democracy," pp. 632-642, 1st ed.

<sup>2</sup> "Economics," sec. 57.

<sup>3</sup> Walker, "Elements of Political Economy," p. 267.



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addition to its membership, and rise, or tend to rise, whenever increasing supply fails to keep pace with increasing demand. If the laborers in the lowest-paid groups should confine the number of their offspring within sufficiently narrow limits, the generation succeeding to their tasks would certainly be able to command living wages. It is a simple question of the quantitative relation between demand and supply. Walker was so thoroughly convinced of the necessity and utility of the measure that he recommended the strengthening and development of any economic desire that would crowd out the desire to propagate. "Almost anything is better than that the desire to propagate should not be, by some cause, restrained."<sup>1</sup>

As to the morality of this recommendation, it must be noted in the first place that the laborer is not, as is so frequently assumed, bound by any obligation of justice to follow it. The man who marries and brings into the world children whom he cannot maintain in the minimum conditions of decency, will sometimes sin against prudence, but he violates no rights, either of his wife, his offspring, or his fellow laborers of the group to which he belongs. His wife freely consents to the union; his unborn children have no rights sufficiently potent to annul his right of fatherhood; and the right of his fellow workingmen to the larger advantages that they would obtain if fewer children were born to the group, is inferior to his right to become the head of a family. Indeed, it is doubtful whether even charity toward

<sup>1</sup> "Elements of Political Economy," p. 296.

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his children or his fellows obliges the laborer to forego the advantages and consolations of family life in order that the hand of social injustice may fall less heavily upon them. It would seem that charity does not bind at the cost of such great personal inconvenience.

Generally speaking, the underpaid laborer is not only *not* obliged to abstain from or indefinitely postpone marriage, or to limit the number of his offspring, but is under obligation to do the very opposite. Theoretically and hypothetically, these methods of preventing an over-supply of low-paid laborers are excellent; human nature being what it is, they mean in actual life immoral practices and anti-social consequences. The great majority of men find it extremely difficult to forego marriage or deliberately to postpone it for a long time, and remain chaste. No man who is acquainted with the lessons of history and observant of the ordinary and obvious facts of the life about him will question this statement. The practice of limiting the number of children is immoral because in the overwhelming majority of cases it is accomplished by means of unhealthful and unnatural actions. Reputable physicians are unanimous in pronouncing these disgusting devices a serious menace to health, while the moralist condemns them as frequently criminal, *i. e.*, the murder of the unborn offspring, and always perverse and degrading. They are perverse, inasmuch as they defeat the primary end of marriage, conflict with the standard of action decreed by nature, and permit the beast in man to triumph over his higher

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self; and they are degrading, inasmuch as they brutalize the most sacred of marital relations, converting husband and wife from co-workers with the Creator into instruments of mutual gratification.

These precautionary measures are hurtful to society because they promote egotism and enervating self-indulgence among all classes, the unmarried, the parents, and the children and because they portend a stagnant or even a declining population. The average man who refuses to marry, or who indefinitely postpones marriage from a disinclination to assume its burdens or a love of personal "independence," deprives himself of one of the most effective means of developing the finer side of character. He becomes self-centered and unsympathetic, and, generally speaking, is a poorer type of citizen than the man who becomes the head of a family before he reaches middle age. Only in the family is it possible for the majority of men to develop those social feelings that are essential to the welfare of a democratic society. And the deliberate restriction of the number of offspring fosters in the parents a love of material goods and a self-indulgence which are fatal to moral and intellectual improvement, while it results in children who are over-indulged and under-disciplined, and who as men and women will be even more devoted than their parents to selfish and materialistic ideals. As President Roosevelt declared in his famous letter on "race suicide," and later on in his address to a meeting of mothers: "If the men of the nation are not anxious to work in many different ways, with all their might and strength, and ready

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and able to fight at need, and anxious to be fathers of families, and if the women do not recognize that the greatest thing for any woman is to be a good wife and mother, why, that nation has cause to be alarmed about its future." "The way to give a child a fair chance in life is not to bring it up in luxury, but to see that it has the kind of training that will give it strength of character." The practice of the small-family cult tends inevitably to a society whose members will be incapable of that degree of self-sacrifice without which mental and moral progress are impossible; nay, more, to a society that will be mentally, morally, and physically decadent. The disastrous effects of the practices that we are considering on the movement of population are already manifest. A noted economist had advocated the importation of French Canadians to replenish the national stock of France. According to Sidney and Beatrice Webb, "the dangers to be apprehended in Northwestern Europe is not over-population at all, but a deliberate restriction of population by the prosperous, more intelligent, and more thrifty sections."<sup>1</sup> The low birth-rate among families of native American parentage, to which writers have frequently called attention of late, is nothing less than startling. "The rate of child-birth has been decreasing. . . . with astonishing rapidity. . . . among the native American-born of our population, until it has reached a minimum; the number of children to the native American family of all classes (and in this lies the danger) being less than it is in any other country, France even not

<sup>1</sup> "Industrial Democracy," p. 641, 2d ed.



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excepted, which has long been known to be at the point of stagnation. . . . . Less than two surviving offspring to reproduce the race for all native-American marriages." <sup>1</sup> Nor is this the whole story. Notwithstanding the assertions of apologists for the foreign-born couples, honest and intelligent observation shows that a considerable and rapidly growing section of these are zealous imitators of the example set by the native-born. Let the reprehensible practice be, as some of the economists urge, generally adopted by the underpaid workers, native and foreign-born, and we shall soon be compelled to contemplate a stationary if not a declining population.

Even from the purely economic point of view, the remedy under discussion is of questionable value. "Slow growth of population and quick growth of capital," says Professor Clark, "offer the conditions of rapidly increasing welfare for the working classes." <sup>2</sup> This statement ignores the fact that the desire to become the head of a family and the necessity of providing for wife and offspring, are two very strong incentives to the expenditure of productive energy and the accumulation of capital. On the other hand, the selfishness fostered by aversion to marriage and parenthood tends naturally toward indolence and inertia.

The preaching of the doctrine of "sexual self-restraint" hinders a proper appreciation by the public of the true character and causes of the evil of in-

<sup>1</sup> Dr. George J. Engelmann in "Popular Science Monthly," June, 1903.

<sup>2</sup> "Publications of the American Academy of Political and Social Science," No. 3, p. 22.

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sufficient wages, and obscures the responsibility of society and the necessity of social action.<sup>1</sup> It likewise soothes the consciences of those individuals who are at fault, and shifts the blame to the shoulders of the innocent. Professor Ingram tells us that the teaching of Malthus found favor in certain quarters because it "tended to relieve the rich and powerful from responsibility for the condition of the working classes, by showing that the latter had chiefly themselves to blame, and not either the negligence of superiors or the institutions of the country."<sup>2</sup> A similar statement would hold true of some of the advocates of the milder form of Malthusianism that is preached to-day.

It is sometimes asserted that the underpaid laborer could secure an increase of remuneration by increasing his productive efficiency. Let him perform more effectively his present task, and also endeavor to fit himself for something higher. The adoption of the former practice would mean an addition to the profits of the business, and the possibility of additional compensation for the workers. The employer might, indeed, insist on retaining all the extra gain, but he could not resist the temptation to increase the total additional profit by enlarging the number of his employees. Thus a rise in wages would be inevitable, owing to the rise in the demand for labor. As the theory is frequently put, the laborer would get more because he produced more. The first objection to this proposal is drawn from the fact that a

<sup>1</sup> Cf. Maurice Block, "Les progres," p. 578.

<sup>2</sup> "History of Political Economy," p. 121.

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large proportion of the low-paid workers are physically unable to put forth greater productive energy; in their case increased efficiency must be related to better wages as effect rather than as cause. Secondly, the attempt would be almost wholly ineffective unless it were made by all, or at least, by a majority of the laborers concerned; otherwise the increased competition for labor among employers would not be sufficient to cause a general rise in remuneration. The gains resulting from individual and isolated efforts to increase productive efficiency would be nearly all secured by individual employers. Now to assume that the great majority of the underpaid workers could be induced simultaneously to enlarge their productive output, is to look for a unanimity of action that no practical man would venture to hope for in the case of any other social group. The first condition of the success of any such attempt would be a strong and numerically complete organization; but if this class of laborers were thoroughly organized they could probably obtain a Living Wage without increasing their productive efficiency. Even if the desired unanimity of action were secured the results would perhaps be disappointing. The enlarged product might be more than sufficient to provide all the producers with a Living Wage if it sold at the old prices, but experience shows that this condition would not be realized. The lower selling price of the product might justify only a very slight increase in wages. All would depend on the ratio that would exist between the reduction in price and the increase in output. Thus, a mere statement of

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the limitations of this proposal is sufficient to expose its weakness as a general remedy.

The recommendation that underpaid laborers should fit themselves for some higher kind of work has some value in the case of individuals. Undoubtedly there are many men in the ranks of the unskilled who could accomplish something in this direction if only they were a little more energetic, a little more ambitious, a little more hopeful. The obstacles to be overcome, however, bulk so large in the eyes of the worker that the plan is practicable for only a few.

The practice of thrift and saving is another suggestion that is frequently urged. Speaking generally, this advice is good for all classes of men, but only within certain limits. There is such a thing as overthriftiness and excessive saving, which are harmful alike to the individuals practising them and to the activity of production and industry. Waiving this consideration, we can readily admit the great advantage to be derived from the possession of a personal reserve fund. It helps the workingman to change his employment or his location whenever he becomes aware of better opportunities elsewhere, enables him to remain idle rather than immediately accept the terms offered by the employer, and increases his bargaining power generally. For the majority of the underpaid, however, saving to a degree that would be effective supposes an unusual measure of self-sacrifice, and cannot be regarded as a practicable method of betterment. It will be efficacious



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chiefly in the case of *individuals* among the unmarried.

A particular form of saving that is sometimes recommended with the utmost earnestness is abstinence from intoxicating drink. It is undeniable that the number of laborers, both well-paid and underpaid, who are reduced to a condition of economic wretchedness by this species of indulgence, is deplorably large. And yet, even universal total abstinence would go but a little way toward improving the standard of living of the underpaid workers. It would be very effective in those individuals whose expenditure for intoxicating drink is considerably above the average, but for the whole class it would realize only a small fraction of the claims made by its more enthusiastic advocates. The average amounts expended annually for intoxicating liquors by families in certain industries are submitted in proof of this statement: <sup>1</sup>

Industry	Income per family	Expenditure per family for drink
Pig Iron	\$591.61	\$17.61
Bar Iron	784.11	25.10
Steel	663.56	26.55
Bituminous Coal	550.30	18.09
Coke	572.57	20.25
Iron Ore	401.65	8.58
Cotton	657.76	15.98
Woolen	663.13	18.39
Glass	859.64	54.84

<sup>1</sup> Seventh Annual Report of the Commissioner of Labor, pp. 854-857.

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From this table it appears that the group of families whose income was lowest, \$401.65, had by far the smallest average expenditure for intoxicants, \$8.58; that the outlay of the four groups of families whose annual income fell short of \$600 averaged only \$16.13 for this purpose; and that, with the exception of those in the glass industry, none of the families in receipt of a higher income were very extravagant in the matter. Now if the four groups of families just mentioned are typical of the underpaid workers generally, it is certain that the practice of total abstinence would not elevate them as a class to the conditions of a decent livelihood, nor bring the lowest sections of them out of poverty into meager comfort. An addition of \$16.13 to the annual income of the families of all the underpaid would still leave thousands of them below the level of reasonable living.

Finally, there is the method of betterment furnished by organization. A formal defence of the necessity and utility of the Labor Union is happily no longer necessary. The features of our industrial system that render organized action indispensable to the welfare of the laborer, and the large, numerous, and varied gains that organization has brought him, are so obvious that only the densely ignorant or the hopelessly prejudiced can escape their cogency. Economists no longer warn workingmen that all combinations entered into for the purpose of raising wages must necessarily and inevitably prove futile. "Thus, economic authority to-day, looking back on the confident assertions against Trade Unionism

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made by M'Culloch and Mill, Nassau Senior and Harriet Martineau, Fawcett and Cairnes, has humbly to admit, in the words of the present occupant of the chair once filled by Nassau Senior himself, that 'in the matter of Unionism, as well as in that of the predeterminate wage-fund, the untutored mind of the workman has gone more straight to the point than economic intelligence misled by a bad method.'"<sup>1</sup> Professor T. S. Adams maintains, indeed, that: "The majority of economists have never been 'against the Union,' and to-day professional economists are practically unanimous in maintaining the usefulness and even the necessity of rationally conducted Unions."<sup>2</sup> And the economic justification of organization is well stated by Professor Adams: "There is then an indeterminate share in the product of industry which goes to the factor possessing the greatest bargain-power. Successful bargaining depends largely upon two attributes, commercial instinct in estimating the highest bid that your antagonist can make, and the material power of holding out until he is forced to make that bid. It needs no discussion to show that the isolated laborer is woefully lacking in both these attributes. He does not know what the employer can afford to bid, and his material wants are so pressing that he cannot afford to hold out until the employer's most liberal terms are forthcoming. 'In the long run,' said Adam Smith, 'the workman may be as necessary to his master as

<sup>1</sup> "Industrial Democracy," p. 653, 1st ed.

<sup>2</sup> "Labor Problems," p. 241.

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his master is to him, but the necessity is not so immediate.'"<sup>1</sup> That organization has fulfilled in practice the expectations of theory is sufficiently indicated in the following excerpt from the Final Report of the Industrial Commission: "An overwhelming preponderance of testimony before the Industrial Commission indicates that the organization of labor has resulted in a marked improvement in the economic condition of the workers."<sup>2</sup>

The effectiveness of organization is naturally greatest where it is least needed, in the higher groups. Here the workers are more intelligent, more self-confident, more ambitious, more closely associated in their work, better equipped financially to maintain an effective organization, and less exposed to competition from without. Among the poorest sections of the underpaid the obstacles in the way of organization are enormous. These workers are very frequently deficient in the intelligence, self-restraint, and mutual trustfulness that are essential to the initiation and maintenance of concerted action. Long hours at work and insufficient nutrition deprive them of that leisure and energy that are indispensable to the effective prosecution of the routine work of an association. Scanty wages render exceedingly difficult the accumulation of a reserve fund. The permanency of any organization that they may form is threatened by the insecure character of their employment; for their places can usually be readily filled from the ranks of the unem-

<sup>1</sup> "Labor Problems," p. 242.

<sup>2</sup> p. 802.



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ployed. The last condition is, in the opinion of Sidney and Beatrice Webb, of itself sufficient to render organization valueless for the unskilled. "There is, in fact, for unspecialized manual labor a practically unlimited 'reserve army' made up of the temporarily unemployed members of every other class. As these form a perpetually shifting body, and the occupation of 'general laboring' needs no apprenticeship, no combination, however co-extensive it might be with the laborers actually employed at any one time could deprive the employer of the alternative of employing an entirely new gang."<sup>1</sup> They refer particularly to England where the percentage of unemployment is much greater than in the United States. However, even John Mitchell declares: "It must be admitted that this problem of the unskilled and untrained is intensely difficult, and that it is only partially solvable by direct Trade Union effort."<sup>2</sup>

Still there is good reason to believe that the attempts of even the poorest and weakest of the unskilled to maintain organizations are well worth while and will be amply justified by the results. However great may be the number of unemployed who stand ready to take the places of those at work, "there will always be a certain difficulty and loss in replacing a united body of employees by a body of outsiders, though the working capacity of each new comer may be equal to that of each member of the former gang."<sup>3</sup> Compared with the Unions exist-

<sup>1</sup> "Industrial Democracy," p. 758, 1st ed.

<sup>2</sup> "Organized Labor," p. 168.

<sup>3</sup> Hobson, "Problems of Poverty," p. 114.

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ing in the skilled trades, such associations as the low grade and low-paid workers can support are necessarily feeble, but they add *something* to the resisting power of the individuals who enter them. This increase in fighting strength may not always be productive of positive gain, but it is usually effective in arresting the forces that otherwise would reduce the workers to a still lower level. Organization, moreover, is frequently the means of compelling the public to pay some attention to the grievances of the oppressed laborer, and to exert its influence, which is very considerable, for reform. And the results of past attempts to organize effectively the class that we are considering have, on the whole, been encouraging. "Trade Unionism," says John Mitchell, "has been successful in raising one trade after another from the profound slough of unskilled, unorganized, and unregulated labor. Much work which was formerly absolutely unskilled and at which men were employed a few hours at a time, to be taken on or discharged, fined or suspended at will, has now become organized so that the men secure fair wages, and by reason of that very fact earn and deserve them."<sup>1</sup> Two notable examples are furnished by the garment workers and the anthracite coal miners. The former are apparently among the most helpless subjects for organization, and yet they have by this means achieved very substantial gains.<sup>2</sup> The union of all the classes of workers employed in the anthracite mining industry enabled them to carry on two great

<sup>1</sup> Op. cit., p. 170.

<sup>2</sup> Cf. "The Sweating System," by Henry White, in Bulletin No. 4 of the Bureau of Labor.

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strikes within two years, the consequences of which were an immense improvement in the condition of all of them, from the highest to the lowest. This particular Labor Union is a good example of the type of organization that will prove most effective for the underpaid. The Industrial Union—so called because it embraces all the employees of a given industry instead of being confined, as is the Trade Union, to those who work at a given trade or occupation—by making the cause of any one section the cause of all, enables the low-paid and unskilled to command the active co-operation of the higher groups, and therefore to increase immeasurably their fighting power. It affords a splendid opportunity to the workers to create a real brotherhood of labor in which the strong will help to bear the burdens of the weak. And present indications are that it will before long become the prevailing form of labor organization in America.

Of the various forms of self-help discussed in this chapter, "sexual self-restraint" is in practice immoral and anti-social; the increase of productive efficiency, the practice of saving, and the exercise of temperance are more or less effectual in individual cases; while organization provides the only method from which anything like general results can be expected. It will not by itself obtain a Living Wage for all the underpaid, but it will accomplish more in this direction than all other efforts that the laborer can make put together.

## CHAPTER XVIII

### THE OBLIGATION OF THE STATE

The policy of non-intervention false in theory and discredited by experience. Concrete effects of governmental restrictions. As the protector of natural rights, the State ought to compel employers to pay a Living Wage. Objections to the economic feasibility of a Living Wage. And to the possibility of securing it by legal enactment. Minimum wage laws are already in operation in Victoria and in New Zealand. The State could extend the Living Wage principle partially, and promote it indirectly.

The obligation of providing the laborer with a Living Wage has been fully outlined in its individual and class aspects. There remains only the question of the extent to which it rests upon the State. That baneful heritage of the Eighteenth century, the doctrine that a minimum of State regulation of industry means a maximum of industrial freedom for the individual, no longer counts any considerable number of adherents. It is demonstrably false in theory, and it has been completely discredited in practice. Negatively, liberty is absence of restraint; positively, it is the power to act and to enjoy. Now the restraints to action and enjoyment are not all political and legal; consequently the individual may possess the fullest immunity from governmental in-



terference, and yet be hindered by some other restraints, such as, the strength, cunning, or selfishness of his fellows, from doing and enjoying those things that are essential to reasonable life. Whenever this happens, the absence of State intervention means the presence of insuperable obstacles to real and effective liberty. In a word, political and legal freedom are not an adequate safeguard to the welfare of the individual. As the Comte de Mun told the French Chamber of Deputies: "Liberty does not consist in a theoretical right, but in the possibility of exercising it. The power to be free, in a régime which puts the workingman's life at the mercy of supply and demand; which exposes himself, his wife, and his children to the hardships of a competition that knows no moderation; which sets no limit to his exploitation except the interests of those who employ him,—the power to be free in such conditions, when the need of subsistence is so pressing as to permit of no waiting, no choice, no hesitation, does not exist and consequently the laborer is not free."<sup>1</sup> The economic history of the Nineteenth century furnishes abundant proof of these statements, and an overwhelming refutation of the non-intervention theory. Perhaps the clearest and most logical instance is to be found in the conditions prevailing in the mines and factories of England before the passage of the Factory Acts.<sup>2</sup>

Some of the opponents of State intervention in

<sup>1</sup> Cited in Max Turman's "Le catholicisme sociale," p. 101. Cf. the excellent analysis in chap. XI of Ely's "Evolution of Industrial Society."

<sup>2</sup> See the references given in chapter I.

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industry may be conveniently classed with the juvenile bully who resents the "interference" of parent or teacher in his relations with younger and weaker boys, and with the burglar or highwayman who objects to the activity of the policeman. These are the possessors of superior bargaining power who realize that if government will only let them alone they will be able successfully to exploit their weaker fellows. Their opposition is natural in the same sense that selfishness is natural. Those who oppose State regulation of industry on higher grounds than self-interest usually misconceive its concrete effects. From this point of view, laws may be divided into two classes: Those which actually restrict the liberty of all or a majority of the citizens; and those which limit the freedom of all potentially, but of only a few actually. The first class regulates the simpler, more frequent, and more general activities of everyday life, and puts some practical restriction on the freedom of nearly every person. Yet they bring to him more freedom than they take away. For example, the ordinance forbidding a man to monopolize the street or the sidewalk curtails to that extent his liberty, but secures him the larger liberty of immunity from the inconvenience that would be produced by similar unreasonable conduct on the part of his fellows. Jevons has well said that, "the modern English citizen who lives under the burden of the revised edition of the Statutes, not to speak of innumerable municipal, railroad, sanitary, and other by-laws, is after all an infinitely freer as well as nobler creature than the savage who is always

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under the despotism of physical want.”<sup>1</sup> And the more numerous and complicated social relations become, the greater will be the necessity for regulation, and the larger will be the practical freedom that will result from wise regulation. The second class of restrictions applies theoretically to all the citizens, but practically impedes the liberty or activity of comparatively few, because it has to do with actions that are beyond the reach of the great majority. A law that forbids one hundred persons to do something that ninety-nine of them could never have done in any event, will not deprive the ninety-nine of any valuable freedom. For instance, a statute compelling all employers of railway labor to pay a certain minimum of wages, or to carry goods and passengers at certain maximum rates, would limit the freedom of all persons who owned or operated railroads; but since those who are or can hope to become employers form but a small proportion of the whole number of persons engaged in and affected by this industry, the liberty of the great majority would not be curtailed in any vital way. On the contrary, the latter section of the community would secure a wider measure of freedom in larger economic opportunities. Now, it is to this class of regulations that all the more moderate proposals for increased State intervention belong. They would enlarge the concrete freedom of the majority, and diminish that of the minority. They would affect not so much the legal independence of the individual as the distribution of

<sup>1</sup>“The State in Relation to Labor,” p. 15. Cf. the keen criticism of the “police theory of the State” in Huxley’s essay on “Administrative Nihilism.”

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economic opportunities among different groups of individuals.

As an abstract proposition, the State has both the right and the duty to compel all employers to pay a Living Wage.<sup>1</sup> The function of the State is to promote the social welfare. The social welfare means in practice the welfare of all individuals over whom the State has authority; and the welfare of the individual includes all those conditions that assist in the pursuit of his earthly end, namely, the reasonable development of his personality. The primary business of the State, then, is to protect men in the enjoyment of those opportunities that are essential to right and reasonable life. They may be summed up in the phrase, natural rights. In addition to this, the State is charged with the obligation of promoting social prosperity. That is to say, its task is not merely to provide men with the opportunities that are absolutely essential to right living, but also to furnish as far as practicable the conditions of wider and fuller life. Since man's capacity for progress is indefinite, the State will fail in its mission of furthering social welfare unless it does something toward securing to him the external conditions of something more than the minimum of reasonable personal development. State activity in the first sense is mainly protective and restrictive; in the second, auxiliary and co-operative.<sup>2</sup> Now, a law requiring employ-

<sup>1</sup> Cf. Vermeersch, "Quaestiones de Justitia," pp. 581, 582; Lehmkuhl, "Theologia Moralis," I, p. 715, 9th ed.; Pottier, "De Jure et de Justitia," pp. 262, 263; Pope Leo XIII, Encyclical on the Condition of Labor.

<sup>2</sup> For discussions of the functions of the State, see: Bouquillon, "Theologia Moralis Fundamentalibus," pp. 445-450, 3d



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ers to pay a Living Wage would evidently be an instance of State activity in the primary sense, for it would be an attempt to protect natural rights, and to provide one of the essential conditions of reasonable human life. Even those who hold that the sole function of the State is to safeguard individuals against violence and injustice, in other words, to protect life and property, could logically admit that the enactment of such a law would not be an undue exercise of power. To compel a man to work for less than a Living Wage is as truly an act of injustice as to pick his pocket. In a wide sense it is also an attack upon his life. An ordinance prohibiting this species of oppression would, therefore, be a measure for the protection of life and property.

The question of the legal enforcement of a Living Wage is, consequently, one of expediency. It has two distinct phases. We may ask whether a universal Living Wage is economically feasible; and, supposing it to be workable, whether legal enactment could bring it about. The former inquiry does not concern itself with the productive resources of the country, since, as we have already seen, these are ample to supply all the inhabitants with the requisites of a decent livelihood, but with the consequences that might be expected to follow the establishment of a universal Living Wage in our present industrial system. The difficulties that it suggests remain substantially the same whether this condition be attained through Trade Union action, the payment of

ed.; Willoughby, "The Nature of the State," *passim*; and Lilly, "First Principles in Politics," *passim*.

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sufficiently high prices by consumers, or legal enactment.

This question is frequently answered in the negative, on the ground that if all the laborers who are at present underpaid were to receive a Living Wage, there would be such a rise in the price of the goods and services that they produce as to cause a corresponding decline in demand. Instead of insufficient wages, we should have the evil of insufficient employment. President Hadley says that society, that is, the consuming public, regards the making of a certain amount of product as worth only so much, and if compelled to pay more will diminish the quantity that it consumes.<sup>1</sup> Professor Smart maintains that the decreased demand would result in the laborers being put on short time, so that their Living Wage would prove a misnomer.<sup>2</sup> President Hadley's contention is true in a general way, but it is subject to two important qualifications. It implies, or at least will seem to many to imply, that the consumers look upon the low prices at which certain products sell as a full and precise equivalent of the fixed and necessary "worth" of these articles; and it easily leads to an exaggerated idea of the part taken by consumers in creating these prices. Why do consumers regard certain products of underpaid labor as worth no more than they now sell for? Because the low wages resulting from excessive competition among both employers and workers have enabled these prices to become customary. As

<sup>1</sup> "Economics," sec. 406.

<sup>2</sup> "Studies in Economics," pp. 50-60.

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Professor Smart points out, the proposition that women's wages are low because the goods that they turn out are cheap, puts—so far as the question of primary causality is concerned—"the cart before the horse." The initiative in reducing prices comes from the producers not from the public. Once prices are down, however, the public accepts them so eagerly that to raise them and the low wages underlying them, constitutes a very difficult problem.<sup>1</sup> This is the explanation of low prices and the real significance of the consumer's estimate of the "worth" of low priced goods. President Hadley would, indeed, be one of the first to subscribe to this view, but his language in the section referred to above can be construed in support of an exaggerated notion of the rigidity and significance of the evaluations made by the consumer. That society regards the prices that it pays for cheap goods as an "equivalent" of the labor expended in producing them, is true in the sense that it will not voluntarily offer to pay more; it is not necessarily true in the sense that society would not pay more for these goods rather than do without them. And this brings us to the second qualification to be made concerning President Hadley's statement, and likewise with regard to that of Professor Smart. A rise in the price of an article will always be followed by a falling off in the demand for it, *other conditions remaining unchanged*. If, however, it is accompanied by a corresponding increase in the purchasing power of consumers, actual and potential, there need be no diminution in

<sup>1</sup> "Studies in Economics," pp. 119-122.

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the amount sold. The prices of most of the necessities of life have risen greatly in the last seven years, yet the effective demand for them has not decreased. The contrary has, in fact, occurred, thus exemplifying the general rule that high prices mean greater industrial activity and a smaller volume of unemployment. Whether the establishment of a Living Wage in all the industries in which it does not now exist would bring with it sufficient demand to continue or increase the number at present employed, cannot be mathematically determined beforehand. This much, however, may be confidently affirmed: of the actual and potential consumers affected, the richest section would probably buy as much as they did before prices rose; another section would certainly reduce its consumption; some of the laborers formerly underpaid would increase their consumption; and some of them would become consumers of these particular goods for the first time. Hence the effect of a rise in prices consequent upon the universal application of the Living Wage principle would be less simple as well as less serious than the statements of the above-mentioned writers seem to imply.

A second objection is drawn from the assumption that even though the higher range of prices should cause no decrease in demand or in employment, it would swallow up completely the rise in remuneration. What the laborer gained in wages he would lose in the higher cost of living. To put it technically, there would be a rise in nominal but not in real wages. Sidney and Beatrice Webb have carefully



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examined this contention and given a thoroughly satisfactory reply: "Mr. Herbert Spencer, in the concluding volume of his Synthetic Philosophy, naïvely makes this his one economic objection to Trade Unionism. 'If,' he says, 'wages are forced up, the price of the article produced must presently be forced up. What then happens if, as now, Trade Unions are established among the workers in nearly all occupations, and if these Unions severally succeed in making wages higher? All the various articles they are occupied in making must be raised in price; and each Trade Unionist, while so much the more in pocket by advanced wages, is so much the more out of pocket by having to buy them at advanced rates.'<sup>1</sup> But this is to assume that the wage earners purchase as consumers the whole of the commodities and services which they produce. We need not remind the reader that this is untrue. In the United Kingdom, for instance, though the wage earners number four-fifths of the population, they consume—to take the highest estimate—only between one-third and two-fifths of the annual aggregate of products and services, the remainder being enjoyed by the propertied classes and brain workers. Even if a general rise in wages, amounting to, say, fifty million sterling, produced a general rise in prices to the extent of fifty million sterling, spread equally over all products, it could not be said that the wage earners as a class would have to bear on their own purchases more than one-third to two-fifths of the additional price. If the rise in price was not spread equally

<sup>1</sup> "Industrial Institutions," London, 1896, p. 536.

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over all commodities and services, but occurred only in those consumed by the other classes, the rise in wages would have been a net gain to the wage earners. Only in the impossible case of the rise occurring exclusively in the commodities consumed by the wage-earning classes—these commodities being as we have seen, only one-third to two-fifths of the whole—would that class find its action in raising wages nullified in the simple manner that Mr. Spencer imagines? Hence, it is, that even if a rise in the Standard of Life of the whole wage-earning class produces an equivalent general rise in the price of commodities, the result must nevertheless be a net gain to the wage earners.”<sup>1</sup> With some difference of degree, this analysis describes the bearing of any rise in the price of their products upon that section of the American working class that is at present underpaid. They are not the sole consumers of their products; hence a part of the rise must be borne by others. Nor would these other consumers,—laborers, salary-receivers, professional classes, farmers, landowners, employers and capitalists,—be able to recoup by raising the price of *their* products and services to such an extent that the net gains of the heretofore underpaid workers would all be absorbed in the additional price that they would have to pay for the same amount of these products and services as they formerly consumed. The workers whose remuneration was raised to the Living Wage level would not be in the same condition of economic advantage, or disadvantage relatively to

<sup>1</sup>“Industrial Democracy,” 1st ed., pp. 781, 782, note.

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other economic classes as they were before the rise. There is no more reason for expecting this outcome than there was for the prediction, formerly made, that all the gains effected by Trade Union action would be neutralized by the higher prices that the Unionists would be obliged to pay as consumers. As a matter of fact, group after group have through organization obtained increases in wages, without suffering anything like an equivalent loss in the purchasing power of their individual dollars. Experience has shown that whenever one economic class has gained in money income at the apparent expense of other classes, a part of the gain has been not merely nominal, and a part of it has been not only in appearance but in fact at the expense of the other classes.

Thus far the discussion of both of the objections that we have been considering, has proceeded on the assumption that the rise in prices would be *fully equivalent* to the rise in wages. The assumption concedes too much. Part of the increased labor cost would come out of interest; part out of profits; part out of the saving effected through the elimination of incompetent employers; and part out of the increased efficiency of both labor and capital. Some of the employers who found it impossible to pay a Living Wage and at the same time obtain the usual rate of interest on their own capital invested in the business, would content themselves with a somewhat lower rate. They would do this rather than go out of business. Some of those who were unable to pay the old rate on borrowed capital would

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offer a lower rate, thereby lessening the demand for capital and exerting a downward pressure on the rate of interest. And this downward pressure would be reinforced by the action of those capitalist-employers who withdrew from business and threw their capital on the market rather than accept a smaller return from their investment. Moreover, since competition is never perfect, and since some business men do get money more cheaply than others in similar circumstances, some of the borrowers whom we are considering would succeed in renewing their loans at a lower rate than that which generally prevailed. Some lenders would submit to this condition in preference to the risk of faring worse elsewhere. Finally, there are some employers who would be able and willing to take a part of the added labor cost out of their personal profits. That is, they would be willing to do so rather than cease to be employers or attempt to saddle all the increased expense on the selling price of the product. To deny these general statements concerning the capitalist-employer, the loan-capitalist, and the employer in his capacity of profit receiver, is to contend that all the individuals of these three classes would absolutely refuse to accept a lower return for their money or their activity than they now obtain. It is to maintain that of all the agents of production only the laborer will ever submit to a reduction in his share of the product. Needless to say, this theory is contradicted by experience. Both interest and profits *have* fallen, and there is no good reason to think that they have already reached an irredu-



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cible minimum. On the contrary, it is practically certain that the general rate of interest must, independently of the Living Wage question, suffer a further decline. Perhaps a majority of the small employers would not, or could not, continue their present functions if their personal returns were diminished; but this is by no means the case with all. The situation in which employers who were compelled to raise the compensation of their underpaid employees to the plane of a Living Wage would find themselves, is this: the sources from which the additional wage-payments can be drawn are only three, namely, the selling price of the product, interest, and profits. Now the difficulty of raising prices to a level sufficiently high—and of maintaining them there—to provide for all the increased labor cost, is so great that many employers will find it easier and more satisfactory to secure a portion of the necessary funds from one or both of the other two sources. In the third place, some of the more competent or better situated employers at present pay substantially a Living Wage in circumstances and industries in which their competitors generally fail to do so, and could under other conditions take care of a large proportion of the business now carried on by the latter. When the Living Wage became universal they would not find it necessary to raise prices to any appreciable extent, while many of their less competent competitors would be forced to the wall. This “survival of the fittest” might proceed so far that prices would ultimately reach the old level, owing to the satisfactory profits obtained

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by the "survivors" through the increased volume of sales. At any rate, it is certain that a large number of incompetent employers are now able to continue their functions, not because their services are needed by the community, but because they pay a smaller wage than their competitors; and that the elimination of these from any cause whatever would reduce the total cost of production, and enable their labor force to find employment at better wages with the more competent employers. In the fourth place, a part of the increase in wages would be derived from the increased productivity of the industries in which the rise occurred. The higher wage enjoyed by the laborers would give them a higher physical and mental efficiency, and consequently a greater productive power, while the increased labor cost of production would compel business men to introduce better machinery and a better organization of industry.<sup>1</sup> Most of the improvements of the last century in methods of production seem to have originated in the pressure exerted upon employers and by the demands of labor.<sup>2</sup> As long as they could secure the advantages of cheap production through cheap labor, employers generally declined to undertake the exertion, risk, and expense of discovering or introducing new processes. A similar condition obtains to-day in many of the industries in which labor is underpaid, and a similar course would be adopted by many employers if they found it no longer possible to hire workers for less than a Living Wage.

<sup>1</sup> Cf. Gunton's "Wealth and Progress," passim.

<sup>2</sup> Cf. Webb, "Industrial Democracy," pp. 723-727, 1st ed.

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In general, it may be said that the arguments against the economic feasibility of a universal Living Wage are reducible to two. The first is that the national product of food and other articles of necessity and comfort would not be adequate; the second, that the machinery of distribution could not be so modified as to achieve the desired result. It is difficult to see how any American economist can take the former contention seriously. As pointed out in an earlier chapter, our natural resources and productive capacity are more than sufficient to furnish the entire population with the requisites of a decent livelihood. And the preceding pages of this chapter have shown that the objections based on the difficulty of obtaining the required modification of the distributive process are far from being conclusive. They can all be, and have been, urged against every effort that has ever been made, by Trade Union action or otherwise, to better the condition of any group of workers; for they all turn on the supposed evil consequences of a higher cost of production and higher prices to the consumer. If there is any difference between the economic and social effects of the gains that labor has already struggled for and secured, and those that would result from the universal application of the Living Wage principle, it is a difference only of degree. Yet experience has shown that gains in wages invariably mean a real improvement in the condition of those obtaining them, and rarely involve any hardship worth considering to other classes or to the community at large. The discussion of this point may be fitly closed with a citation

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from two investigators of the very highest authority. "We desire to emphasize the point that, whatever political objections there may be to the fixing by law of a National Minimum Wage, and whatever practical difficulties there may be in the way of carrying it out, the proposal, *from the point of view of abstract economics*, is open to no more objection than the fixing by law of a National Minimum of Sanitation, or a National Minimum of Leisure, both of which are, in principle, embodied in our factory legislation. Indeed, a minimum wage, since it would in no way interfere with the fullest use of machinery and plant, or otherwise check productivity, would seem to be even less open to economic criticism than a limitation of the hours of labor."<sup>1</sup>

The obstacles to the legal enactment and enforcement of a Living Wage in America are great, but not necessarily insuperable. There is, in the first place, that perverse individualism which prefers irrational liberty and industrial anarchy to a legal régime of order and justice. This spirit is still sufficiently potent to render exceedingly difficult those changes in the Federal constitution and in the constitutions of the several states which would be a preliminary requisite to any such legislation. After the law had been enacted, the willingness of the unemployed, always numerous in the class affected by the new statute, to sell their labor below the

<sup>1</sup> Sidney and Beatrice Webb in "Industrial Democracy," p. 777, note, 1st ed. Dr. Cunningham maintains that the verdict of political economy is in favor of rather than against the principle of a Living Wage. See his article in the "Contemporary Review," vol. lxx, p. 16.



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legal rate through fear of not obtaining employment otherwise, would constitute a serious menace to its successful enforcement. In the case of illegal agreements entered into from this motive, both of the contracting parties would be interested in violating the law. Nevertheless there are good grounds for believing that an honest and sustained attempt to secure a Living Wage by legal enactment would meet with a fair measure of success. Public opinion is changing very rapidly in its attitude toward government regulation of industry, and especially with regard to the question of legislative repression of abuses. It is coming to see that unregulated competition has proved itself inadequate to protect the consumer against monopoly and extortionate prices, and the producer against exploitation and starvation wages. Very probably a large majority of the voters of the country agree with President Roosevelt that, if the Federal Government does not now possess the power to regulate corporations adequately, the National Constitution ought to be changed accordingly. Once an amendment of this character has been effected, constitutional modifications empowering congress and the state legislatures to pass a minimum wage law, could readily be obtained. Thus the greatest of the obstacles to a Universal Living Wage by legal enactment would have disappeared. After the law had been placed on the statute books, organized labor and a large section of the underpaid workers who were not organized would be vitally and actively interested in its enforcement. The penalties attached to its violation

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could be made sufficiently heavy to deter all but the boldest employers and the most reckless workingmen. Even if it were observed in the case of, say, only one-fifth of the workers previously underpaid, there would be so much gained, and according as the public came to realize the reasonableness and necessity of the new legislation, the proportion of instances in which it was violated would rapidly decrease. Owing to differences in the cost of living and other conditions, the greater part of such legislation would have to come from the several states rather than from the National congress. Its terms in detail and its enforcement could best be determined and secured through a commission, empowered to adjust it to different industries and different centres of population. Precisely the same principle is embodied in the legislation which at present authorizes state railway commissions to fix reasonable rates for the transportation of passengers and freight. Their power to lay down maximum rates on the basis of a reasonable return from investments is at bottom the power to limit, indirectly, of course, the incomes of the stockholders. The wage-commissions would attack the opposite extreme of industrial injustice by fixing a minimum rate of remuneration for the workingmen.

The principle of a Living Wage by legal enactment is already being tested in the Minimum Wage Board law of Victoria, Australia, and in the provision of the Conciliation and Arbitration act of New Zealand which empowers the court of arbitration to prescribe a minimum wage in any industry in which it makes

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an award.<sup>1</sup> In the former region it has been found that when a fair average wage is fixed as the minimum, competition among employers to get the best possible hands for the money throws the less competent out of employment. Through fear of not obtaining work otherwise, many of the workers whose efficiency is fully up to the average represent themselves as disqualified by "age or infirmity" from earning the minimum wage, and secure a legal permit to sell their labor for less; while others contract for the legal rate, but return a part of their wages to the employer. Similar evasions of the law have been practised in New Zealand, though, it seems, in a smaller proportion of cases. Now it is obvious that any law requiring the payment of a minimum rate of wages must include some provision whereby workers of less than normal efficiency can obtain legal authorization to accept a smaller remuneration. Whenever the supply of labor is in excess of the demand at the legal rate, some of the able-bodied workers will, consequently, attempt to take advantage of the provision by unlawful practices. Illegal and secret agreements to give back a portion of the wages to the employer will likewise be inevitable. Yet the number of evasions of the law from these two causes will—if any reasonable endeavor is made to enforce it—be much smaller than the number of cases in which less than the minimum rate would be paid if the law did not exist. To put it the other way, the proportion of workers obtaining the rate

<sup>1</sup> See the articles by Dr. Victor S. Clark in the *Bulletins of the Bureau of Labor*: No. 56, pp. 60-78; and No. 49, pp. 1203-1208.

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fixed as the legal minimum will be much larger with the law than without it; for in the latter case there would be nothing to hinder employers from hiring the whole body of efficient laborers at a lower rate but purely economic forces, while in the former case there would be the additional obstacle set up by the legal prohibition. And the objection that some men will always evade the law by handing back a part of their pay to the employer in the form of rebate, applies with equal force to the Union scale, which is really a minimum below which the Unionist is forbidden to go; but no well-informed person rejects on this account the principle of Unionism, or denies that it has benefited the laborer. The practical question is not whether a minimum wage law would be violated—all legal enactments are violated in some degree,—but whether it would not raise to the level of decent living many who would otherwise be forced to remain in a condition of economic wretchedness. As a matter of fact, the net results of the law in both Victoria and New Zealand seem to be an ample justification of its wisdom. “A fair examination of the Victorian minimum wage law,” says Dr. Victor S. Clark, “must include the statistical evidence as to its general effect upon wages and employment and the testimony as to its influence on the general condition of the worker. If nobody had been benefited by the law, it would hardly have survived nine years of amendment and legislative attack. . . . There has been a general increase in the pay of male labor equivalent to nineteen per cent., and of female labor to seventeen per cent., or about



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5s. 9d., and 2s. 3d. (\$1.40 and \$0.55) per week, respectively, in occupations under the determinations of the boards.”<sup>1</sup> Speaking of the arbitration law of New Zealand, an important feature of which is the provision fixing a minimum wage, the same writer says: “With all its apparent defects the act is a success beyond the expectation of many of its early supporters.”<sup>2</sup>

Until such time as a general Living Wage law becomes a reality, the State could apply the principle partially. The various legislative authorities, national, state, and municipal, should enact legislation providing that all adult employees in the public services, or employed by private firms on work done by contract for the public, receive a wage adequate to the decent maintenance of themselves and their families. While the number of laborers affected by the law would be comparatively small, the moral effect on public opinion and on purely private wage contracts would be very considerable. Similar legislation could without difficulty be enacted and successfully applied to all quasi-public industries of a monopolistic character, such as, railroads, street railways, and telegraph, telephone and express companies. Professor T. S. Adams maintains that a compulsory arbitration law—which would necessarily include the power to determine rates of wages—covering these industries is immediately feasible.<sup>3</sup> When it is recalled that in the highly prosperous year of 1903 more than three-fourths of a million

<sup>1</sup> Bulletin No. 56 of the Bureau of Labor, pp. 70, 71.

<sup>2</sup> Bulletin No. 49 of the Bureau of Labor, p. 1255.

<sup>3</sup> “Labor Problems,” pp. 325-331.

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adult males in steam railway occupations received less than a Living Wage, the direct benefits to be derived from this partial extension of the Living Wage principle are readily perceived.

Several indirect methods may be mentioned through which the State could extend the field in which a Living Wage would prevail. The first is legislation limiting the working day to eight hours, and fixing the minimum age at which children would be permitted to become wage earners at sixteen years. The immediate effect of these measures would be a diminution in product, and an increase in the demand for labor. An increase in the price of labor—a rise in wages—would follow necessarily.<sup>1</sup> In general, the objections offered to this argument are identical with those urged against a universal Living Wage, namely, an increased cost of production and a rise in the price of the finished product. They will not be reconsidered in detail here. President Hadley and Mr. John Rae argue that if a universal eight hour régime is followed by a lessening in the per capita production of the laborer, the diminished product will but increase the number of those receiving insufficient sustenance.<sup>2</sup> Mr. Rae's contention that individual wealth cannot be increased by diminishing individual production, is in one sense a mathematical truism; as an abstract and general statement, it is untrue. A smaller product may be so distributed that *some* individuals will receive more than they did when the product was larger.

<sup>1</sup> Cf. Gunton, "Wealth and Progress," pp. 240-265.

<sup>2</sup> Hadley, "Economics," secs. 450-454; Rae, "Eight Hours for Work," chs. V and VI.

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The curtailment of production and increase of individual profits that sometimes follow the consolidation of competing establishments into a trust, affords a familiar illustration. It cannot be too often repeated that with our present abundance of natural and industrial resources, actual and potential, the question of raising the remuneration of the underpaid is only in a very minor degree a question of production. It is almost wholly a question of distribution, of enabling one group of individuals to secure a portion of the national product that is now regularly obtained by other groups. "When machinery is replacing man and doing the heavy work of industry, it is time to get rid of the ancient prejudice that man must work ten hours a day if he is to keep the world up to the level of the comfort that it has attained. Possibly, if we clear our minds of cant, we may see that the reason why we still wish the laborer to work ten hours a day is the fear that we, the comfortable classes, may not go on receiving the lion's share of the wealth which these machines, iron and human, are turning out." <sup>1</sup>

Two other methods of State action to which attention will be called are housing and old age pensions. "No problem," says a recent writer, "presents so many startling aspects as the problem of the housing of the working people." The overcrowded condition in which so many of them are forced to exist involves the "destruction of home life, weakening of parental influence, falling off of religious faith, changed relation of the sexes, absence of privacy,

<sup>1</sup> Smart, "Studies in Economics," p. 328.

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intrusion of strangers upon the family life, the use in common of facilities of living where propriety and decency demand the restriction to a single family, the constant sight and sound of debasing influences from which escape is impossible.”<sup>1</sup> The State could build dwellings and sell them to the worst off of the underpaid workers for less than cost, on condition that they be paid for in small installments without interest. The direct gain in comfort to the beneficiaries of this action is obvious; the indirect gain in the form of self-respect, self-confidence, hopefulness, and courage, ambition and ability to contend for better wages and a higher economic position, would be of even greater importance. Finally, the State ought to give every laborer who has become permanently incapacitated for work through old age, and whose wages have not been sufficient to make provision for his declining years, an annual pension. The man that has toiled faithfully during all the vigorous portion of his life has a valid claim against society for this amount. It is, in fact, a part of the Living Wage that is due him for his life work. A system of old age pensions would, moreover, afford considerable relief to many underpaid and moderately-paid workers who are now burdened with the support of relatives that are no longer able to earn their own living. Freed from this charge, many of the former would enjoy a Living Wage in the full sense of the phrase, while others would approach it much more closely than they do

<sup>1</sup>“The Housing Problem in American Cities,” by Lawrence Veiller, “Annals of the American Academy of Political and Social Science,” March, 1905.



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at present. State relief of the incapacitated has become an especially urgent problem in this machine age, when the laborer's working life comes to a close so much earlier than formerly.<sup>1</sup>

These forms of State assistance would, of course, entail a heavy financial burden and increased taxation. One method of providing the required funds may be briefly touched upon because of its general bearing on the problem of distribution. A progressive tax on incomes and inheritances could be so framed as to furnish the means of carrying out the projects of housing and old age pensions on a very large scale. The rate on inheritance would naturally be higher than that on incomes. Speaking of the former method of taxation, Andrew Carnegie has written: "Of all forms of taxation, this seems to be the wisest. Men who continue hoarding great sums all their lives, the proper use of which for public ends would work good to the community, should be made to feel that the community in the form of the State, cannot be deprived of its proper share. By taxing estates heavily at death the State marks its condemnation of the selfish millionaire's unworthy life.

"It is desirable that nations should go much further in this direction. Indeed, it is difficult to set bounds to the share of a rich man's estate which should go at his death to the public through the agency of the State, and by all means such taxes should be graduated, beginning at nothing upon moderate sums to dependents, and increasing rapidly

<sup>1</sup> Cf. The Final Report of the Industrial Commission, p. 733; and Hobson's "Evolution of Modern Capitalism," ch. IX.

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as the amounts swell, until of the millionaire's hoard,  
as of Shylock's, at least

' \* \* \* The other half

Comes to the privy coffer of the State.' ”<sup>1</sup>

The argument for a graduated tax, increasing in rate with the size of the estate, is as valid in the case of incomes as in that of inheritance. In both, the rich man is compelled to give up to the community a larger percentage of his wealth than the man of moderate means because the richer a man is, the less hardship does he suffer when his possessions are diminished by a given fraction. If it be objected that to apply the proceeds of these forms of taxation to the purposes here advocated, is to take from the rich and give to the poor, the charge may be passed over as correct in substance. It implies, however, a false notion of the morality of the proposal. The State is bound not only to protect its citizens in the enjoyment of their natural rights to the effective opportunity of gaining a decent livelihood by their labor, but to compensate, as far as practicable, those persons for whom it has failed to provide such opportunity. For this purpose taxes must be levied, and they should be apportioned in accordance with the resources of the citizens.<sup>2</sup>

<sup>1</sup> "The Gospel of Wealth," pp. 11, 12.

<sup>2</sup> Socialism is not considered among the methods of State activity for two reasons: first, because the discussion is confined to the rights and obligations that rise out of the wage-system of industry; and, second, because the writer does not believe that Socialism is either practicable or desirable.

## CHAPTER XIX

### SUMMARY AND CONCLUSION

Résumé of the main argument. Three important conclusions: (a) a complete scheme of distributive justice is exceedingly difficult to formulate; (b) a universal Living Wage would mean an immense improvement in social and industrial conditions; and (c) the realization of it is less difficult than the realization of any other plan that would yield equal results.

The main argument of this volume may be summarized as follows: the laborer's right to a Living Wage is the specific form of his generic right to obtain on reasonable conditions sufficient of the earth's products to afford him a decent livelihood. The latter right is, like all other moral rights, based on his intrinsic worth as a person, and on the sacredness of those needs that are essential to the reasonable development of personality. Among the things to which these needs point there is included a certain amount of material goods. A man's right to this indispensable minimum of the bounty of nature is as valid as his right to life: the difference is merely in degree of importance. Now when the man whose social and economic function is that of a wage earner has expended all his working time and energy in

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the performance of some useful task, he has fulfilled the only condition that in his case can be regarded as a reasonable prerequisite to the actual enjoyment of his right to a decent livelihood. The *obligation* of providing him with the material means of living decently rests in a general way upon all his fellow men. That is to say, they are all under moral restraint not to do anything that would be an unreasonable interference with his access to these means. However, it is only those persons who are in control of the goods and opportunities of living that are practicably within his reach, who can effectively hinder or promote his enjoyment of the right in question. When they prevent him from peaceably getting possession of the requisite amount of goods, they are morally responsible for his failure to obtain a decent livelihood. Their action is as unjust as that of the majority of the first occupants of a No-man's Land who should force the minority to work for a bare subsistence. This specific obligation of the class of persons that we are considering falls primarily upon the employer; for his economic position as direct beneficiary of the laborer's exertion and as payer of wages, renders this the only practicable outcome of any reasonable division of the community's opportunities of living and of the corresponding responsibilities. Nor can the employer escape this duty of paying a Living Wage by taking refuge behind the terms of a so-called free contract. The fact is that the underpaid laborer does not *willingly* sell his labor for less than the equivalent of a decent livelihood, any more than the wayfarer will-



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ingly gives up his purse to the highwayman. It is the superior *economic force* (which consists essentially in the ability to wait, while the laborer must go to work to-day or starve) possessed by the employer that enables him to hire labor for less than a Living Wage. And the employer who can afford to pay a Living Wage is no more justified in using his superior economic strength in this way than he would be justified in using superior physical strength to prevent the laborer from taking possession of a sack of flour or a suit of clothes that the latter had bought and paid for. In both cases the laborer is deprived by superior strength of something to which he has a right. As a determinant of rights, economic force has no more validity or sacredness than physical force. The other economic classes in the community, the landowner, the loan-capitalist, the consumer, and the man of wealth, share the responsibility of providing the laborer with a decent livelihood in a secondary degree, and in accordance with the nature and possibilities of their several economic positions. Finally, the State is morally bound to compel employers to pay a Living Wage whenever and wherever it can, with a moderate degree of success, put into effect the appropriate legislation.

The discussion carried on and the considerations suggested in the preceding chapters point to three important conclusions which may briefly be set down here. The first is that the determination of *complete* justice in the field of economic distribution is bewilderingly difficult. According to the view of the writer, the order of importance among the various

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canons of distributive justice is as follows: the needs of the worker; the cost of preparation for tasks requiring skill of any kind; the legitimate risks of necessary business enterprises; the proportion of individual energy expended by the worker; the disagreeableness of the work; the productivity of labor; and the productivity of property, whether land or capital. Most persons would probably agree that in any completely just scheme of distribution all of these factors would have to be taken into account, but not all who accepted the list would subscribe to the order. And those who accepted this order, or any other order, would find it well-nigh impossible to determine in any particular case the precise degree of importance that ought to be attributed to one factor, or canon, relatively to the others. For example, men might agree that disagreeableness of work is a higher title to wages than productivity, and yet disagree as to the precise ratio of importance that should be held to exist between these two standards. Even if all the difficulties involved in the problem of a completely just remuneration of the different agents of production were removed, there would still be the question of the just claims of the consumer. Are all the benefits resulting from improvements in production to go to the agents of production? or, should the consumer share them in the form of lower prices? and if so, in what proportion? Here we have a conflict between the productivity of the producers and the needs of the consumers which will occur continuously, and for the adjustment of which it is practically impossible to lay down objective rules.

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The second conclusion to be drawn is that the universal application of the Living Wage principle would cause an immense improvement in our industrial and social conditions. It would mean an increase in various degrees, in the remuneration of more than sixty per cent. of the male adults employed in urban occupations, or, probably, seventy per cent. of those in all occupations. It would go very far toward removing those plague spots of our cities in which thousands upon thousands of human beings are able to obtain only a fraction of the requisites of physical health and comfort, and are foredoomed from infancy to mental and moral degeneracy. Of the millions who are now above these lowest economic depths and yet below the plane of a decent livelihood, thousands would be freed from the necessity of working at an age at which they ought to be in school; thousands who at present can command only the bare necessities of living would realize for the first time the meaning and the blessings of moderate comfort; thousands of men who are able to provide for the present wants of themselves and families, but can lay by nothing for the contingencies of the future, would be lifted out of this depressing condition; and thousands of young men who cannot now contemplate marriage would be able to become heads of families and live as normal human beings. For a large proportion of those who are at present underpaid, a Living Wage would prove a stepping-stone to a still higher condition. Our "perpetual danger of overproduction" would be greatly diminished, owing to the enlarged consuming

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power of the wage-earning class. For the same reason a demand would be created for the services of the greater number of these who are now constantly unemployed. Finally, the nation's gain in physical, mental and moral health, and in the increase of contentment and good feeling among its citizens, would ensure its continued pre-eminence among the world's happiest, most vigorous, and most progressive peoples.

In the third place, it may be safely asserted that an earnest and systematic endeavor to extend the Living Wage principle throughout the entire field of industry, would be followed by a larger measure of beneficial results than any other method of industrial reform that could be pursued. The means that may be efficaciously employed in this endeavor are briefly, moral suasion and social effort. Both of them are now unduly magnified and now unduly minimized by partizan advocates. We are not infrequently assured that, "only religion will solve the labor question." Most certainly it will not be permanently and adequately solved *without* religion, that is, without the aid of religious agencies and a larger infusion of the religious spirit into the minds and hearts of men; but neither will religion suffice in the absence of a detailed application of moral principles to the relations of employer and employee. Men may be religious in the ordinary meaning of the term, and yet remain so thoroughly dominated by the ethical code of unlimited competition that they are blind to the many forms of moral wrong which that code sanctions. There are thousands of employ-



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ers in every church organization who wish to live up to the standards of their respective denominations, and believe that they are succeeding fairly well, who nevertheless feel no conscientious scruples when they pay their employees much less than a Living Wage. They see no wrong in this, for are they not paying the current rates? In other words, they conform to the standard of business ethics, instead of to the standard of Christian ethics. The moral suasion that will produce results implies earnest, continuous, and enlightened activity on the part of public teachers and moulders of public opinion. If clergymen would give as much attention to preaching and expounding the duty of paying a Living Wage as they do to the explanation of other duties that are no more important, and if they would use all the power of their ecclesiastical position to deprive recalcitrant employers of the church privileges that are ordinarily denied to persistently disobedient members; and if public speakers and writers who discuss questions of industrial justice would, *in concrete terms*, hold up to public denunciation those employers who can pay a Living Wage and will not,—the results would constitute an ample refutation of the libelous assertion that employers cannot be got to act justly by moral suasion. They have never been made to feel a fraction of its power. The term, social effort, is here used to describe the activity both of private associations, such as Labor Unions, and of the State. It is true that the efficiency of social effort is limited by the character of the individuals through whom the effort is made. If individuals

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have not an intelligent grasp of the ethical principles involved in the Living Wage question, and the will to apply these principles in practice, their achievements as an organization will be seriously diminished. But it is also true that organized effort will add very materially to the results that can be accomplished through moral suasion addressed to individuals. This very obvious general truth is superlatively true in our time, when man's social relations have become so numerous and so complex. Both methods are necessary. There must be an appeal to the minds and hearts of individuals, and the fullest utilization of the latent power of organization and social institutions. A reasonable and sustained endeavor to employ the two methods in extending the Living Wage principle will accomplish more for the laboring class, especially for its poorest-paid members, than a like amount of effort expended in any other way. Speaking comparatively, the remedy is efficacious, and the means of putting it into effect practicable.



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