

older and richer, the tendency there and everywhere towards a general decline in the rate *per centum* for the use of capital becomes patent and universal. The rate of interest on money loaned, and the rate of profits on capital used, tend all the while to go down as and because capital accumulates. No one will dispute this as a simple fact of history. And no economist will dispute, that this is just what we might expect beforehand as a corollary from the admitted proposition, that, other things being equal, an increased Supply of anything means a lessened Value for any specific part of it. Three centuries ago in England the legal rate of interest was 10%, while now the current rate is about 4% in that country, and has been considerably lower than that in Holland, although in both countries and everywhere else there are temporary interruptions and reactions in the constant tendency now being considered. During the first years of mining operations in California, from 8% to 15% per month with security of real estate was paid for the use of money, which enormous rates long ago declined to rates not much higher than those paid in the States along the Mississippi River, and in these also the rates are all the while approximating those current in the older Eastern States, whose own rates too are slowly declining. But, while there is a less rate of profit or interest on each 100 invested, there are many more hundreds capitalized; consequently, there is an absolute gain to capitalists as a class, at once in the aggregate amount of the capital and in the aggregate sum of the profits from it, since no capitalist would have a motive to capitalize further under the smaller rates of profit, unless the aggregate of profits under the new conditions were greater than under the old condition of higher rates; and, as much of this accumulating capital in order to become productive must now be offered to laborers in the form of wages, we

might almost pronounce beforehand, that it would prove both an absolute and also a *relative* gain to laborers as a class. And so it is.

(b) Let us take to figures. An hypothesis or supposed case, whenever it may easily become an overt fact, may be reasoned from just as logically and securely as the overt fact itself. Let \$100,000,000, while the rate of profit is 6%, and \$500,000,000, when the rate has fallen to 4%, be expended in payment of simple wages. So far forth as that one element of cost goes, the value of the products to be divided yearly between capitalists and laborers will become respectively \$106,000,000 and \$520,000,000. In the first case, \$6,000,000 is profits and \$100,000,000 is wages; in the second case, \$20,000,000 is profits and \$500,000,000 is wages. Here is an absolute gain to the capitalists, since profits have gone up from \$6,000,000 to \$20,000,000, and so are more than *three* times as great as before. But wages have gone up both absolutely and relatively to the rise of profits. They have risen from \$100,000,000 to \$500,000,000, and are *five* times as great as before. Profits have risen as in the ratio 1:3+, but wages in the ratio of 1:5. This arithmetical example is put for the sake of illustration merely, but the principle of it holds good in every case, in which the rate *per centum* goes down in consequence of the increase of capital in business; and, therefore, the advantages of ever-enlarging Capital are even greater to laborers as a class than to the capitalists themselves. Most assuredly, if the capitalists take less out of each hundred of the swelling hundreds now than before, the laborers must take more out of each hundred than before. Profits and Wages are reciprocally the *leavings* of each other, because the aggregate products created by the joint agency of Capitalist and Laborer are wholly to be divided between the two. There can be no other *claimant* even.

(c) This demonstration is extremely important in Political Economy, and consequently in Social Life; for it proves beyond the possibility of a cavil, the Value of personal services tends constantly to rise, not only as compared with the Value of the material commodities which by the aid of capital they help to create (a truth we have seen before), but also as compared with the Value of the use of its co-partner capital itself; and therefore, that there is inwrought into the very substance of things in this world a tendency towards an equality of economical condition among men. God has ordered it, and men cannot radically alter it. Self-interest is indeed the main-spring of movement in the economic world; but the beauty of it and the wonder of it is, that no man can labor intelligently and productively under the influence of self-interest without at the same time benefiting the masses of men. His fair exchanges benefit the parties of the other part as much as they benefit himself. His very savings productively employed are poor men's livings. Only under the blessed freedom of universal Buying and Selling, subject only to the taxation of a good Government for public purposes purely, can these broad benefits designed by a wise Providence be fully realized in action; and the power of individual greed and corporate privilege and governmental perversion to thwart the beneficent though complicated workings of these laws of Capital and Labor towards the common weal and universal progress of mankind is shortlived and soon punished.

4. How comes it about, then, if these laws of mutual inter-dependence between capitalists and laborers are so well-placed and Providentially balanced, that there always have been and are still so many misunderstandings and ill-feelings and actual collisions between employers and skilled laborers, whose interests are at bottom one and whose

relations ought to be so cordial? This is the last topic in our Chapter on Personal Services. Here we must look around narrowly and tread carefully. But there is a path. We can find it if we will. It leads through many short-comings in men's characters and through much ignorance of plain economical truths and past unreasoning jealousies and aggregated action on the part of both classes, and over the needful distinctions between impulsive selfishness and a true self-interest back to the same old laws of God laid down at once in the constitution of things and in the constitution of men.

Labor-troubles are almost as old as Civilization. The Greek poet Euripides in his play of the "Suppliants" both indicates facts as they were then, and points out a future hope in which we may share, that these middle classes by a better harmony preordained and mutually beneficial may yet "save the State":—

"In each State
Are marked three classes: of the public good
The rich are listless, all their thoughts to more
Aspiring; they that struggle with their wants,
Short of the means of life, are clamorous, rude,
To envy much addicted, 'gainst the rich
Aiming their bitter shafts, and led away
By the false glosses of their wily leaders.
'Twixt these extremes there are who save the State,
Guardians of order, and their country's laws."

At Rome and in the Roman Empire, instead of the usual voluntary union of capitalists and laborers for the mutual advantage of each other, the laborer was owned by the capitalist, and the true relations between the two were thoroughly disguised and wretchedly distorted. Business in all its branches came to be carried on by means of slaves; the lands were tilled by slaves; slaves became the artisans

of the country; the money-lenders and bankers of the centre scattered branch-banks in the towns under the direction of their slaves and freedmen; the Company that leased on speculation the Customs-Taxes from the State had their slaves and freedmen levy these taxes at each custom-house; the contractor for buildings bought architect-slaves; and the merchant imported his goods in ships of his own manned by his slaves or freedmen, and then sold the same at wholesale or retail by the same means. In this way a gigantic system of unnatural traffic was built up and extended. In this way the very name "laborer" became tainted by the vile system of slavery of which he was a part, and the distinction itself between capitalist and laborer was obliterated. "Roman mercantile transactions fully kept pace with the contemporary development of political power, and were no less grand of their kind." "The Roman *denarius* followed up closely the Roman legions." "It is very possible that, compared with the suffering of the Roman slaves, the sum of all negro suffering is but a drop" (Mommson).

We want now to examine critically the CAUSES of these constantly recurring labor-troubles, the true economical REMEDIES for them, and in connection with these the futility of the remedies popularly recommended for low Wages and the disputes between employers and employed of the second class.

(1) There is an extremely common misapprehension on the part of both labor-givers and labor-takers as to the real *nature* of the transaction between them. Both parties forget, or rather neither party is ever fully instructed, that it is a case of pure Buying and Selling. There is never any *obligation* of the moral sort between buyers and sellers. The relation itself is purely economical. Moral considerations indeed cover this relation from above, just as they

cover all other relations between man and man in human Society; and any two individuals standing over against one another as buyer and seller, also stand over against each other in higher and broader relations as man and man; but it works confusion and mischief as between both, whenever relations differing in their nature and operation and reward are not separated from each other in the mind of each relator, and whenever each does not act in the particular relation according to the nature and rules of that relation alone. When A hires B to work in his factory, this new relation is economical not moral; there were moral relations between the two before this relation was knit, and will be again after this has been broken, and indeed are while this continues; but the economical relation is one thing, and the others a very different thing; they are so different, that they cannot be blended in mind or motive to any advantage to either individual or to either set of relations; and any degree of confusion as between the relations has always wrought mischief as between the individuals, because instead of seeing either set of relations in its own clear light, they now see both in a commingled twilight.

What is the economical relation? This. A desires the personal service of B in his factory purely for his pecuniary benefit, and assumes his own ability to make all the calculations requisite for determining how much he can (profitably to himself) offer B for his service; and B, who knows all about his own skill, how it was acquired and how much it has cost, wants to sell his service to A for the sake of the pecuniary return or wages. There is no obligation resting upon either. Man to man, each in his own right. There is no benevolence in the heart of either, so far as this matter goes. Benevolence is now an impertinence. It is a question of honest gain in broad daylight.

Benevolence is blessed in its own sphere, but there is no call for it here and now. If it comes in an unbidden guest, it comes in to mar and to distort. It is an incongruity. "*I never knew a Jew converted but it spoilt him,*" was the word of one deeply versed in human nature and in Christian experience. Conversion is good, and its field is broad; but the Jew *as such* is incongruous with it. Good is benevolence and wide its field, but Buying and Selling does not need it. Its own motives are independent of it, and sufficient without it.

A clouded understanding of this vital distinction has always played its part in Labor-troubles. Buyers and Sellers of personal services are always on a plane of perfect equality as such exchangers, and no one can be more independent than either of them except the hermit in his cell. Which must look out for the interest of the other beyond the terms implied in the trade itself? Which is the superior party? Which should take off his hat, the other remaining covered? The truth is, and all experience and all analysis brings us up abreast of it, that the two parties to a trade of any kind stand on a footing of absolute equality towards each other then and there in the economical relation about to be knit, and any conception in the mind of either that he has the other "at his mercy" in either the good or bad sense of that phrase, disturbs and destroys the proper conditions and balances of the exchange in hand; and, what is more to the point, it implies that each party has *not* all he can do to fulfil in the letter and in the spirit what is always implied in the terms of a trade deliberately entered upon by two parties. When B agrees to work for A at skilled labor in his factory for a year at \$15 per week, he makes a good deal of a contract; and virtually pledges to A not only the motions of his hands for that period of time, but also the vigorous attention of

his mind to that service and to the general interests of his employer so far as these come under his own eye and supervision. Nor is this all: he virtually pledges himself to B to coöperate with the least possible friction in all plans for betterment in his division of the work, and to cordially coalesce with all other employees for the general ends of the business without too much of self-assertion and without too little of courtesy to others. To fulfil this contract in all its spirit rounds up the circle of B's economical obligations to A. He will practically have all he can do, so far as A is concerned, and in consistency with all his various duties to others, to make good to him at all points his simple business pledges. Benevolence, the interests of a common citizenship, and the reciprocal ties of religion, lie wholly outside.

A will practically have all he can do, so far as B is concerned, to fulfil in the letter and in the spirit his economical obligations to him, without troubling himself to see whether B is going to vote the same party ticket that he himself votes, and without confounding either B's poverty or prosperity with his own obligation to be polite to him at all times and to pay him promptly his weekly stipend. So long as B renders in letter and in spirit what he has agreed to render, and A returns in the same way what he has promised to return, the less either thinks and talks and acts about the other in all the other relations of life, the better hope of good success to both in this relation. Church relations and social relations and political relations are all of consequence in themselves; but when any of these begin to get mixed up with labor-relations, there is soon a muss and a mess. Incongruous things, things no way vitally connected with that, often come in to disturb and destroy a simple matter of mutual renderings.

(a) The first practical remedy for difficulties arising

under this first head, is a clearer separation in the mind of both parties to a trade of what really belongs to Buying and Selling from what belongs to all other departments of activity. More common sense is needed at this point, more simple analysis, more daylight, more personal independence, more introspection as to motives, more power in making distinctions, and a more practical separation of what is clear and fixed from what is complex and obscure in human relations. Metaphysics may yet lie in cloud-land, Ethics may not yet have drawn its outer and interior lines so strong and deep as it will, Sociology also is a vast field of complexities, but truth to tell Economics has no mysteries to speak of. I buy and sell for my own advantage, which proves in the nature of things to be for the equal advantage of my compeer. It is my business and my compeer's business and every other man's business who buys and sells, to pick that action out in its motive and result from the great mass of dubious actions, and to set it up in its own light, to rejoice in it as the clearest thing in social action, to claim it as God's own plan so far forth for our comfort and progress, and then to see to it that no preposterous hand mixes it up with perplexities or theologies or other abominations — muddying with a tentative pole the stream of our clear brook! In this country at least, in its ignorance of common things and common science, the pulpit often fulminates against the gains of exchange as "materialism," and mixes up buying and selling with "worldliness," and only half permits its deluded hearers the privileges of the market, and illustrates again in modern times such teaching as is denounced to St. Timothy, — "*some swerving turned aside to vain babbling, desiring to be teachers of the Law, understanding neither what they say, nor whereof they affirm.*" "Let every shoemaker stick to his last." Those who have looked into

it with any care have found, that Exchange in all its natural outgoings is not answerable to these pulpit charges, nor is contrary to the letter or spirit of the biblical precepts, but on the other hand is in full harmony with the claims of Conscience and with all the inbreathings and aspirations of Christianity.

(b) The second practical remedy for the labor-difficulties arising from the want of thorough understanding by both parties of the real nature of hired renderings of the second class, is fair *common honesty*. More of an easily accessible intelligence, more of penetration and separation as to social relations in general, meets the first point; but quite as needful as this simple intellectual process, is the still simpler moral habit of doing just what one has agreed to do, without evasions and without diminutions. Labor difficulties take their origin more often, perhaps, in some clouded moral action of one of the parties, than in a clouded mental apprehension. Men are too conscious as men of their own temptations, to be lax in their pledged renderings and of their own shortcomings at this point, not to be suspicious of each other as buyers and sellers, for fear the party of the other part is about to withdraw something either in quantity or quality of what he has promised to render; there is almost always something or other to give color to such a suspicion, and it grows by what it feeds on; frank explanations are not had at the outset, and a good understanding is not come to, as it doubtless might be in nine cases out of ten; and the little cloud, at first no bigger than a man's hand, by and by becomes black and threatening, and bursts at last in a strike or lock-out of large proportions. An open honesty that is such and seems such, that is not beyond the aim and reach of common men, that is taught in scores of forms in "Poor Richard's Almanack," and that each man ever likes

to meet with and so ought ever to put forth, is in fact a preventive of conflicts between laborers and employers, and would if properly manifested have prevented multitudes of such actual conflicts. Here is the main, almost the sole, point of contact between strict Ethics and the Economics. What buyers and sellers, that is to say, the whole practical world, needs, is not disquisitions on Morals from Press or Pulpit, but an inner ear to hear the true click of Conscience, and the quick and open answer in honest action.

(2) A second general cause of the Labor-troubles of the past and present has been a strong tendency to neglect the special *preparation* for their peculiar functions by both capitalists and laborers. A successful employer of laborers year in and year out to their advantage and his own is always one who has been *trained* to that function by special preparations. He is a living man with all the limitations of living men: he has to deal with many living men with all their imperfections: he has to deal also, and constantly, with what is in its own nature dead, namely, Capital, always either a commodity or a claim: to animate and invigorate these dead forms of value, to put them into vital connection with living men who shall enhance their value, and thus to become a leader to living men as towards swelling interests, demands unusual native gifts and a special long-continued training. When one looks from without upon such an establishment as this in full action, it seems automatic, it seems as if almost anybody with a clear head could continue to direct it; and when this "captain of industry" departs this life, perhaps his son or some previous subordinate, without the proper gifts and at least without the peculiar training, assumes the post of direction. For a little everything seems to go on as before. As sure as fate, however, a friction will soon

develop here, and a misunderstanding there, there will be whisperings among the men, some breath of suspicion will be likely to cloud the borrowing-power, opening difficulties of any kind such as loss of credit or a weakening of the usual markets are apt to throw a new operator more or less off his base, and gathering labor-troubles of any sort commonly find such a man unprepared for lack of suitable training and experience to ward them off or to make timely concessions to the men or to minimize the evil results when these become inevitable.

Also labor-troubles are quite as likely to arise from the want of character and training and considerateness of the employees towards the capitalists. The relations are reciprocal and they are also in their very nature delicate. One poor workman however good his disposition, one unfaithful overseer no matter how great his possible skill, may mar the current product in such a way as to lose it the market and cost the establishment the present profit. The strength of a chain is the strength of its weakest link. It is a matter of immense difficulty at any time, and emphatically so at the present time to organize a working force in factory from top to bottom so as to have it go forward as a unit as towards the marketing of the product, without bad workmanship at some point and unskilful supervision at another; because the laborers as a rule have not given themselves time to learn thoroughly their special parts, because they are not content to remain steady at one thing and at one place, and because they do not practically recognize even if they perceive it that their own permanent interests are exactly coincident with the permanent interests of their employers. Just now in this country the public Law robs the manufacturers (at their own behest) of their best markets at home and abroad, makes it difficult or impossible for them through wanton taxation of their

raw materials to create a good quality of goods for any market, and so multiplies frictions and failures and losses along the whole line of production. The lack of what may be called Apprenticeship on the part of skilled laborers, the consequent difficulty of rising from one gradation of effort to a higher and better-paid one, the restlessness of native laborers under such disabilities, the rapid admixture of foreigners, the lack of coherence throughout in point of intelligence and apparent identity of interests, together with the instability and haphazardness of the resources and personal training of the employers as a class, gives birth to Labor-troubles which are at the same time Capital-troubles, to read the daily record of which makes one sick at heart.

(a) The only possible and practicable remedy for this state of things, so far as the employers are concerned, is in a more conservative attitude of capitalists as a class about passing over their resources to the hands of men who have not proven their ability to handle them wisely by a full course of training in the management of practical affairs. By a wretched policy in this country at present Capital is prohibited from building and from buying ships, with which to navigate the oceans; from selling domestic manufactures in foreign markets; and also from a profitable agriculture, which may sell its products abroad and take its pay back. Consequently Capital, eager in its own nature to be invested to a profit somehow somewhere, has rushed without due circumspection into the hands of domestic operators, who have not been half fitted for their task, who have knitted relations with laborers without being able to secure their permanent respect or to control their services, and who have lost to their owners in multitudes of cases the entire capital intrusted to them. If capitalists had had during the last quarter of a century one-half of their natural and proper chance to invest their money to a

profit, there would not have been such a reckless investment through incompetent hands in building mills and foundries in this interval of time, and such wholesale losses in connection with them. When capital comes to be at liberty to turn right or left according to its own will in view of a prospective profit, factory companies and projectors cannot draw resources from the public for their operations, without demonstrating to the owners the trained and tried capacity of the practical operators, who will buy the materials and hire the laborers and market the products.

(b) The practical remedy for the inexperience and instability and unskilfulness of laborers as tending towards labor-troubles of all kinds and degrees, is only to be found in a want of market for such services. In a natural and wholesome state of things, such as would exist in the United States were it not for national laws tampering with Trade and with Money, the questions asked an applicant for skilled work by any labor-taker would be, "*What have you learned to do? How long and for what pay do you want to do it? What do you want to reach next, when the present job is done?*" When employment turns on good answers to such questions as these, and when the questions themselves are put in good faith, there will be an end of Strikes and Lockouts. Untrained and restless hands will get nothing to do in mills and factories. Apprenticeship in its various forms will come back into vogue, and will probably be made a part of the course in public schools. The division and gradation of laborers will be carried out further than it ever yet has been. Laborers will then be *organized* in the best sense of that word, and to the best advantage of capitalists. The permanent Supply of skilled laborers will be constantly adjusting itself to a permanent and increasing Demand for them. And it requires no millennium for such a state of

things to come in. It requires nothing but an ordinary and enlightened and beneficent selfishness on the part of capitalists to adjust itself to the ordinary selfishness of laborers sure to become enlightened and beneficent to the best and ever-growing interests of both parties. This is not the spoken word of Morality, still less is it the divine word of Religion, it is only the common programme of a common-sense Political Economy.

(3) The third and last general cause of misunderstandings and embittered disputes as between laborers and capitalists is partly economical and partly moral, and consequently the remedy for it is partly moral and partly economical. The Past projects itself down into the Present partly with blessings and partly with curses. In the old times under Slavery and Feudalism the laborer always came forward to his task with a taint upon him. Sometimes the taint attached to his birth, and at all times it attached to his calling. Slavery in all its forms always makes manual labor degrading. The courtly Cicero *apologizes* in a letter to his friend for his open sorrow over the death of his favorite slave; and in several passages of his treatise on Morals he follows his Greek teachers, Plato and Aristotle, and declaims in a pitiful way against the noble rights of laborers. "*All artisans are engaged in a degrading profession.*" Again, "*there can be nothing ingenuous in a workshop.*" When trade and commerce are carried on on a small scale, "*they are to be regarded as disgraceful*"; when on a large scale, "*they must not be greatly condemned — non admodum vituperanda!*" (I, 42.)

Serfdom once existed in England, and threw its shade over free laborers there long after itself had disappeared. A class of indented servants pervaded all the New England Colonies, and a clause of the New England Confederation of 1643 provided for their forced rendition from Colony to

Colony, and passed over almost verbally into the Constitution of the United States of 1787 as applicable to the slaves of the South. In this way in all parts of this country manual laborers came to be more or less off color, and this has continued in a continually lessened degree till this time. When those who work with their hands are looked down upon by those who do not, two sets of feelings are apt to be engendered equally unfortunate to the two classes that entertain them. The non-manual workers, the employers, are more or less puffed up with pride and a sense of superiority (there are beautiful exceptions) as towards their laborers, and the latter in their turn are apt to develop alongside an unmanly servility and an apparent deference, a sort of secret breasting up of hostility and defiance, which is sure to manifest itself when labor troubles come on even when it has not helped to brood these troubles into life. The parties then are not well placed as towards each other to negotiate and to compromise and to coalesce in a future harmony. The party of the first part is too proud to yield to their inferiors, and the party of the second part is too bitter to be sweetened. Who is sufficient for these things? And what is the remedy for them?

(a) So far as employers are concerned, their natural though unreasonable and provoking arrogance may well be reduced by the economical reflection, that the laborers are exactly as necessary to production as the capitalists are, that the two stand on a precise level so far as the product goes, that each is one blade of the shears and the other the other and that it takes both blades to cut anything, that while the laborers are sellers in the open market the capitalists are likewise sellers and that the same ultimate purchaser furnishes the market for both sets of sellers, that as sellers they are only equal in position, that buying and

selling is a levelling as well as an uplifting process the world over, and that as such co-equal partners in one indivisible operation all haughtiness on one side and all undue humility on the other is nothing but obstacle as towards the common end; and also by the moral and social reflection, that their laborers are just such men as themselves in motive and action, that the two are very likely to exchange places with each other before very long, that riches are extremely liable to take to themselves wings and fly away, that Christianity is no respecter of persons, that humanity deems nothing human alien from itself, that morality puts the golden rule upon the fore-front of its precepts, and that whatever may unite any body of men in a legitimate purpose of achievement along any line of human action multiplies the power of each individual and exalts his standing and responsibility as such individual and thus reduplicates the reward of his individual action.

(b) So far as the employees are concerned, in any temporary sense of dependence or even of injustice, there is open to them the economical reflection (and it will do them good to bring it home) that their best route to the respect and favor and feeling of equality of their employers is through the excellence of the service they render them and the courtesy (not servility) with which they render it, that as every capitalist becomes such by means of abstinence they may themselves by saving become capitalists, that there is nothing in the nature of their work or its relations to capital to cause them to hang down their heads, that handsome is that handsome does, that the opportune offer of the present capital to work on gives them a chance to exhibit their skill and to earn a living, that the capitalists are just as dependent on them as they upon those, and that as single sellers of a valuable personal service they daily confront on a footing of equality the

sellers of a valuable product so created; and there is open to them also the moral and social reflection fortified by constant observation and experience, that no matter where a man begins it is the end that crowns his work, that life to all is a series of stepping-stones, that manly qualities are appreciated everywhere, that character tells in the lowest position however high and low are reckoned, that the poor gain and hold friends quite as well as the rich, that there was a certain poor wise man that saved the city by his wisdom and gained a lasting record in consequence, that the poor and the rich are constantly changing places in this world, and that there is no respect of persons with God.

We may see now what we are to think of some popular remedies constantly recommended for low Wages. A brief discussion of what is false will give us a stronger hold of what is true. The chapter will close with relevant reference to three current remedies.

1. It is being dinned into the ears of the present generation, that Government has large functions in the ongoings of business, that it ought sometimes to interfere to better the rate of Wages, at least to designate a minimum below which they shall not go, and that Government should hold itself ready to undertake directly to carry on certain branches of business under certain circumstances. This scheme goes under the high-sounding name of *Nationalism*. Richard T. Ely, Professor of Political Economy in Johns Hopkins University, is one of the most prominent representatives at present of this school of thought. In his *Introduction to Political Economy* just published (1889), he lays down this principle: "*When for any class of business it becomes necessary to abandon the principle of freedom in the establishment of enterprises, this business should be entirely turned over to Government, either local,*