

and sense of responsibility suited to his position. So that small farms produce not only better crops, but better men. This is all abundantly illustrated not only in the history of our own country, but in all the countries of Europe, where the system of small farming remains. Travelers* on the Continent universally bear testimony to the industry, thrift, and increasing intelligence and manliness of the peasant proprietors, in comparison with the farm-laborers on the great estates of England, where the law of primogeniture interferes with the natural division of the soil among many owners.

* See especially Laing's travels in the various countries of Europe.

LESSON XX.

PROFIT AND WAGES.

1. THE RELATION OF PROFIT AND WAGES.—All products are the result of the co-operation of labor and capital; and as each contributes something to the result, each would seem to be entitled to some reward. The laborer practices self-denial in submitting to irksome labor, and so does the capitalist by foregoing the use of his capital in self-indulgence and employing it in further production. The remuneration of the laborer is called *wages*, while that of the capitalist is called *profit*. Profit, however, includes not only the remuneration for the abstinence of the capitalist in not using his capital in self-indulgence, but for his risk in engaging in the particular business in which he has embarked his capital, and his time and exertions in superintending that business. The profits of any business,

then, should be equal to the interest on the capital employed, taking into the account the risk incurred, together with a suitable compensation for superintendence. The wages, on the other hand, must be sufficient, at least, to support the laborer for the time being, together with those dependent upon him, and should also include some provision for sickness, old age, etc. And as the capitalist, besides the permanent investments in his business, has only to pay for the labor employed, profits have been called the *leavings of wages*. The higher, then, wages are in any given case, the less will be the profits. But by high wages, must be understood wages which are really high in relation to the labor performed and the cost of living, or the value of money, or, more briefly, a *high cost of labor*. To speak more accurately, then, the profits to the capitalist will be less, the higher the cost of labor. Very efficient labor may be cheap at a high price, and any labor may be cheaper at a high price, when money is plenty and depreciated, than at a low price, when it is scarce and dear.

2. THE CAUSE OF PROFIT.—On this point I gladly transfer to my pages a very luminous passage from Mill's "Principles of Political Economy:"* "The cause of profit is, that labor produces more than is required for its support. The reason why agricultural capital yields a profit is, because human beings can grow more food than is necessary to feed them while it is being grown, including the time occupied in constructing the tools and making all other needful preparations; from which it is a consequence, that if a capitalist undertakes to feed the laborers on condition of receiving the produce, he has some of it remaining for himself after replacing his advances. To vary the form of the theorem: the reason why capital yields a profit, is because food, clothing, materials, and tools last longer than the time which was required to produce them; so that if a capitalist supplies a party of laborers with these things on condition of receiving all they produce, they will, in addition to reproducing their own necessities and instruments, have a portion of their time remaining to work for the capitalist. We thus

* Vol. II, p. 509, Amer. ed.

see that profit arises, not from the incident of exchange, but from the productive power of labor; and the general profit of the country is always what the productive power of labor makes it, whether any exchange takes place or not. If there were no division of employments, there would be no buying or selling; but there would still be profit. If the laborers of the country collectively produce twenty-five per cent. more than their wages, profits will be twenty-five per cent., whatever prices may or may not be."

3. THE PRINCIPLE WHICH DETERMINES THE RATE OF WAGES.—The price of labor, like the price of any thing else offered in the market, is determined by the principle of supply and demand. Of the capital in any community which is devoted to productive employments and ready to be so used, a certain portion may be employed in paying for labor, which may be called the *wages-fund* of that community, and which, just in proportion to its amount, creates a demand for labor. This fund will be greater or less in any community, according to the security or

insecurity of property, and according to the frugality or profligacy of the people. But be it more or less, it constitutes the entire *demand* for labor. On the other hand, the number of persons in the community seeking employment constitutes the *supply* of labor answering to that demand. It is clear, therefore, that when the wages-fund in any community is small in proportion to the number of laborers seeking employment, wages must be low; and when large, wages must be high. This is the single principle which governs this whole matter. The wages-fund, while it remains the same, presents the same demand for labor at one time as at another, and hence the wages of laborers, the supply remaining the same, will not be enhanced by good business, high prices, or dear food; or, if great profits do enhance the wages of the laborer, it is only as they increase the wages-fund. As to the variations in the wages of those engaged in different employments, these, too, are determined by the same principle of supply and demand. Great talents, great skill, and great integrity, being rare qualities, are always in great demand, and hence

command high wages. So, the number of persons who are willing to engage in certain kinds of difficult, disagreeable, or unpopular employments being small, such employments secure larger pay than those to which there is no such objection. On the contrary, women, being confined by custom to a limited number of employments, naturally receive small wages.

4. REMEDIES FOR LOW WAGES.—The profits of the capitalist being so much greater than those of the laborer, the laboring class are apt to become dissatisfied and restive under the contrast. They think but little of the greater outlay and risk of the capitalist, and that even the scanty wages which they receive depend upon his being willing to make this outlay and take this risk. Hence agitation arises, and various remedies are suggested and tried, such as the following:

(1). *Legal Enactments*—Such as fixing the minimum of wages, or the maximum of the hours of a day's work, or furnishing employment for the la-

borer. Such measures, however, have but little effect in ameliorating the condition of the laborer. They neither increase the wages-fund nor diminish the number of laborers. Indeed, the furnishing of employment to laborers by the government tends to enlarge the dependent classes, and at the same time takes away all motive to earnest industry, by making the reward secure, however imperfect the labor. It is a species of Communism which culminated in France in the famous national workshops of Louis Blanc, and was thoroughly exploded by their failure.

(2). *Trades' Unions and Strikes*.—Trades' unions are combinations among the workmen of the same trade or of different trades to assist each other in maintaining a certain scale of wages. To accomplish this, they aid each other in various ways, as by furnishing transportation to other localities where the demand for labor is greater, or furnishing support to themselves and those dependent on them while holding out for higher wages. This is all right and proper; but when they proceed, as is

too often the case, to intimidating demonstrations and persecuting measures toward their employers and such members of their own crafts as refuse to combine with them, they put themselves in the wrong and injure their own cause. It is thus that strikes arise, which, by suspending production for a longer or shorter period, diminish in the same measure the profits, which constitute the wages-fund that laborers are to rely upon for future employment. Thus strikes are generally a positive evil to the laboring classes.

(3). *Co-operative Associations.*—In such associations laborers combine not only their labor, but their capital. By small contributions from each member, they secure capital enough to carry on some branch of business in which they are engaged, or by which they are in some way to be benefited. Thus in England, France, Germany, and to some extent in this country, laborers have combined to establish for themselves co-operative stores, co-operative banks, and co-operative establishments for various kinds of mechanical and

manufacturing operations. These establishments are all managed by directors appointed by the members from their own number and for their own benefit. They have been in most cases very successful, and as they tend to give independence and manliness of character to those who participate in them, and are in perfect harmony with all the laws of political economy and social well-being, they are justly regarded as one of the most promising means of improving the industrial classes.

(4). *Intellectual and Mora Improvement.*—As the capitalist and the laborer are competitors for the profits of production, the laborer, as the weaker party, is liable to suffer in the struggle. Hence he needs to strengthen his position by availing himself of all the aids within his reach. Of these, none are more important than intelligence and manliness of character. By the cultivation of these alone will he be able to understand and secure his rights. Nothing, therefore, is so important to the laboring classes as the wide diffusion of popular education and sound morality. At the same time, capitalists

should cultivate a spirit of justice and kindness toward laborers. Owing their advantages either to good fortune or superior abilities, they should regard with kindness—certainly with justice—their less favored brethren, to whose inferiority, indeed, they are largely indebted for their success. It should not be forgotten, that, if all persons were equally capable and shrewd, while all might be comfortably off, there would be no chance for **great fortunes.**

QUESTIONS ON THE TEXT.*

LESSON I.

1. What is political economy, strictly speaking? What idea does the term embody? What, merely, does it no longer include? What is it the science of, and why?
2. What is wealth? What must be done to objects to fit them for gratifying our desires? Under what four heads is the science treated? How is it proposed to treat it here?
3. What is meant by production? What can we not produce? What can we effect in objects? Give the illustration.
4. What is consumption in its most general sense? Give the illustration. What is the relation of production and consumption? Can any thing be destroyed? When may any thing be said to be wasted? What kind of consumption is this called?
5. What, then, are production and consumption really? When put to what use may an object properly be said to be consumed? Give the illustrations. What is consumption proper, then?

* These questions are added to facilitate the use of the book in schools, where the want of such aid may be felt. The headings of the paragraphs should be given independently as an analysis.