

BOOK FOURTH.

DISTRIBUTION.

CHAPTER I.

GENERAL STATEMENT.

1. By distribution is meant *the determination of the proportion of the value of any product to which each contributor to that product is entitled.* In such a determination many considerations are involved. There are the various kinds of labor, such as physical and mental, common and skilled, the more and the less efficient; together with such modifications of these as are implied in their being mingled in different proportions, and in the experience, aptitude, and culture of individuals.

Let us take some one product, — say this table, — and consider the number of laborers and the variety of labor contributing to its production. Those who transformed the lumber and other materials are only a very small proportion of these contributors. There are also those who manufactured the lumber, those who cut the logs out of which it was made, and those who hauled them to the mill; the makers of the nails, and of the iron from which the nails were made; the miners who got out the ore, and the transporters of the same; the painter, the producers of the paint and the oil, and all that lies back of this; and, in addition, the maker of all the tools and machinery used in all these operations; and much else that we cannot specify. Evidently the three or four dollars, at which the completed table is valued, must be

distributed among, perhaps, two or three scores of persons who have had a hand, directly or indirectly, in its production. The question is, How shall we equitably apportion this amount among these several parties?

2. The most natural answer to this question would undoubtedly be, that each individual engaged in the production of a valuable commodity is entitled to an exact equivalent of the value by him produced. If it were simply estimating the respective shares of several laborers of about equal ability, it would be a very easy matter. If it related to several laborers differing only in physical strength and skill, it might be clearly within the ordinary powers of computation. The problem might be calculable, even if we had to take into account certain differences of intellectual competency; but when we remember that not only are all these elements, and many more pertaining to personal labor, to enter into the question in countless complications, but that capital, in a vast variety of forms, comes into co-operation with all productive effort everywhere, then the situation is seen to be environed with many and great difficulties.

3. The following is the general division of the subject:—

1. Wages, or the compensation of labor.
2. Profits, or the compensation of employers and proprietors.
3. Interest, or the compensation for the use of capital, reckoned as money.
4. Rent, or the compensation for land.
5. Taxes, or the compensation for the services of the government.

The term "compensation" is not used with scientific precision, and may mislead. It is simply intended to signify the shares to which the several co-operating parties are entitled by reason of their relations to the product. It is not neces-

sary to suppose that these different kinds of compensation are always distributed to as many different parties. For instance, a farmer, especially in this country, may own his farm free from debt. What might otherwise be interest and rent, now becomes scarcely distinguishable from profit. He may also be his own hired man, and so receive the wages which he would otherwise pay to another. He manages and owns his stock and entire capital; and thus all the product, except the share due the government, is properly taken by himself.

CHAPTER II.

WAGES : GENERAL VIEW.

1. **THOUGH** wages have been represented as the compensation for labor, the term has, in ordinary usage, a somewhat more limited signification. It indicates that which is paid to those who labor under an employer, and have no other interest in the business except to secure steady work and satisfactory remuneration. It has also a still narrower meaning, as being the reward of services performed by the day or month, as distinguished from salaried employees, such as clerks, superintendents, teachers, and clergymen; also, as distinguished from those whose service is paid in the form of fees, as lawyers, physicians; and from those who are compensated by commissions.

2. The theory of labor and wages, held by many writers in Great Britain, and by some in this country, is that of a *laboring-class*, who furnish the labor, and who are paid out of what is called a *wages-fund*. The capital of the community is regarded as a real, but rather indefinite and gradually increasing, quantity of wealth. It is supposed to exist in the four forms of land, material, implements and machinery, and the wages-fund. This last is reckoned as fixed for the time, and devoted to the payment of labor. The problem of the rate of wages thus involves two factors; namely, the number of laborers, and the amount of the

wages-fund. The former is the divisor, and the latter the dividend; the quotient is the rate of wages at any time possible. If the number of laborers increase, the fund remaining the same, wages must diminish. If the fund increases or diminishes, the number of laborers remaining the same, wages increase or diminish correspondingly. Thus, we are told, every thing is determined by natural, inflexible laws; and no matter how low the wages may be, or how hard the lot of the laboring-man, there is no remedy.

Now, the existence of natural economical laws is not to be doubted. But it should be borne in mind, that these laws, even when correctly ascertained, may be almost infinitely varied in their operation by various forms of human influence. Whether, in this case, the law has been correctly ascertained, we shall see hereafter.

3. It is this habit of regarding laborers as a class, that affects the philosophy of some of even the most philanthropic writers on this subject. There is nothing in the nature of the case that necessitates this. In a large part of this country, among the native American population, there is, properly speaking, no laboring-class. A large proportion of the citizens begin life on their own account, by working for wages. Many of these become capitalists in a small way, by saving their earnings, and, after a little, begin to carry on business for themselves. To a great extent they are clearly independent, even while acting as laborers; and it is not uncommon to find a hired man with both more means and more ability and intelligence than his employer. Into the mind of such a laborer, there never comes the thought that he occupies an inferior social position. He is simply in the relation of one who has service to sell, and he stands in the market on the same footing as the farmer, or the manufacturer, or the merchant, who offer their wares, and

invite the public to purchase. It is true that this condition is not universal here. There is an occasional tendency to the degradation of labor through the ignorance or poverty of the laborer, and by the opportunities furnished to the employer to take advantage, such as the average selfishness of humanity would prompt him to use.

4. But even on the theory of a laboring-class, there must be a minimum rate of wages; that is, a rate below which capital itself would suffer detriment. Even among ordinary laborers, the lowest wages which can be permanently maintained must be at least sufficient to support a married pair in good working-order, and enable them to bring up not less than two children. If the wages are not enough for this, then the capitalist must sooner or later suffer damage. For, if the laborer have so little food or clothing or shelter that his physical health is impaired, his labor will be less productive. Unless there be so many children coming to maturity as to keep up the full number of laborers, there must be a decrease of production, to the detriment of the capitalist as well as of the whole community. There is, moreover, to be taken into account the liability to sickness and accident; also the fact of old age, when the ability to labor diminishes or ceases. Wages which are adjusted to these conditions are the lowest possible in any kind of reason. Whether *such* wages would be, economically, the most desirable, even for the employer and the capitalist, will be considered hereafter. There are reputable economists whose theories oblige them to regard this as the point to which wages naturally tend, and who hold that above, or much above, this they cannot permanently rise. The argument is, that higher wages, even if compatible with the interests of capital, would cause too great an increase of population; thus making the ratio of the latter to capital smaller, and so causing again a diminution of wages.

CHAPTER III.

WAGES AS AFFECTED BY VARIOUS CIRCUMSTANCES.

1. We are to distinguish between *nominal wages* and *real wages*. The former indicates the amount of *money* received for a certain amount of labor; the latter has reference to the quantity of *commodities* which the money received for the labor will purchase. If a man had received a dollar a day in 1860, but received in 1870 a dollar and a half for the same work, it does not necessarily follow that wages were fifty per cent higher in the latter than in the former case. This might or might not be true; but it certainly would not, if the purchasing power of money were nearly twice as great in 1860 as in 1870.

2. There are various conditions to be taken into account in estimating the real value of wages, even when the nominal amount is clearly understood. Sometimes laborers contract to take their pay in commodities furnished by the employer, or on his order; and it is frequently the fact, that the real value of these is less than if the purchaser had ready money in hand, and a choice of markets.

There are also cases where work can be had only a part of the year, as those of stone-masons and roof-tinners. If the daily wages are twice as high as in ordinary trades, while work can be had only half as many days in the year, the real earnings are only the same.

3. There are some conditions affecting wages, which are different from those just mentioned. There is, first, the agreeableness of the employment. This has no small influence in determining wages: men will work for less in an occupation where the work is to their taste and the associations are pleasant, than where it is against their inclinations, or in any way repugnant to them. Some occupations imply higher compensation, from the fact of the greater difficulty of preparation for them. I do not now refer to merely those which require a marked, or more than ordinary, natural ability, or superior education; though it is true of them also. But there are certain trades to which years of toil must be devoted, and sometimes much expense incurred, in order to their acquirement.

One other circumstance which affects wages is the amount of trust and confidence which the employed receive from the employer. A confidential clerk in a great business house receives a large salary. The wages paid to an engineer in an extensive factory, or to any other workman upon whom the lives of many persons, the safety and efficiency of the machinery, and the regular on-going of a vast establishment depend, are likely to be much greater than those paid to persons upon whom no such responsibility rests, even though the labor of the latter may be far more toilsome than that of the former.

4. The influence of the industrial system of a community on wages is very great. A section in which agriculture is almost the exclusive occupation will be characterized, other things being equal, by low wages. The same will be true of a community where there is a small variety of industries. In the northern counties of England, particularly in Yorkshire and Northumberland, the wages of the agricultural laborer in the late autumn and the early winter are thirteen

or fourteen shillings a week; while for the same kind of labor in the south-western counties of Dorsetshire and Wiltshire, the wages average less than nine shillings. The difference is not in the nominal, as distinguished from the real, wages. The reason for this variation of more than forty per cent is found in the fact, that one of these districts has a great diversity of employments, while the other is almost exclusively agricultural.

CHAPTER IV.

HIGH AND LOW WAGES AS RELATED TO DEAR AND CHEAP LABOR.

1. As we have seen, it is not the amount of money received for labor that determines whether wages are high or low; so, on the other hand, labor is counted dear or cheap, not by the amount of money paid for it, but by the amount of valuable product secured for the money paid. An employer may buy a day's work of one man for a dollar and a half, and of another for a dollar, just as he may buy one axe for two dollars, and another for one dollar. But in both cases the higher-priced may be the cheaper. The two-dollar axe may be of three times the service that the one-dollar one is, and the dollar-and-a-half laborer may effect twice as much as the one who works for a dollar.

There is another way, not always taken, of looking at this subject. Low wages are sometimes the cause of inefficient labor, as well as the latter of the former. Looking at the matter in this light, it is possible that capitalists and employers may find some way to avoid the difficulty of the wages question without more sacrifice than will result in their ultimate advantage.

2. The theory of a *necessary rate* of wages, if rigidly adhered to, would utterly preclude all hope of any substantial improvement in the condition of laborers. They are, ac-

ording to this theory, doomed to remain at the point where the rewards of labor are just sufficient to keep them in fair working-order on the one hand, and meagre enough on the other to prevent their increasing faster than the increase of capital. But is there not a possibility that this "necessary rate" might keep the laborer at some point below that of the highest efficiency practicable to him as even a mere human machine?

"Looking upon a human laborer, then, as we would upon a steam-engine, we see that the amount of force which he is capable of creating depends upon the amount of food supplied to him; a part of it answering the purpose of the coal which gives heat, another answering to the water which is converted into steam and generates motion. A sheet-iron jacket put around the boiler prevents the waste of heat in one case, just as a woollen jacket about the body of the laborer does in the other. But food, clothing, and shelter are supplied to the human machine in the shape of wages. To stint them, and to keep the laborer down to the lowest point that will induce him to live, without deterring him from propagation, is precisely the same kind of economy which would keep the steam-engines of a nation at half their working-power to save wood and water and sheet-iron. The rate of wages which such considerations would demand has been attained in very few regions of the world. Suppose it anywhere to have been reached: the laborer is only brought up to the condition of an ox. But he has intelligence, which the ox has not; and it is the great element of his industrial power. In the lowest description of labor, there is occasion for judgment in the selection of means, in the modes of exerting force most advantageously, and in the adoption of tools and simple mechanical principles to economize time and strength."¹

¹ E. P. Smith's Political Economy, p. 107.

Clearly enough, economy does not require us to secure any kind of labor or laborers that can be had at the lowest price, but to secure that labor which will produce the most at the least expense. If a man whose nerves and muscles are in the best condition because his means of subsistence are ample, whose hope of securing a competence gives him vigor, enterprise, and self-respect, and whose intelligence and prudence enable him to see a hundred ways of economizing productive conditions and avoiding waste, demands large wages,—who does not see that it is better for his employer to meet this demand, than to give half or a quarter as much for an ignorant, hopeless, under-fed human animal?

CHAPTER V.

"THE WAGES-FUND."

1. THE doctrine of the wages-fund has been stated in Chapter II., 2. The only remedy for low wages, according to it, is such restraints as will keep the ratio of population to capital below a given point. Any increase of the former beyond that diminishes wages. If it increase much, the wages will be so low that subsistence will be insufficient, and population will be checked. There is no other alternative. The laborers must carefully limit the size of their families, or suffer the direful consequences of want and famine. It would not be so bad if each one had only to govern himself, in order to reap the fruit of his own prudence. But it is of no account for one or a few to do this, unless there is a general co-operation of laborers. Consequently such a remedy is impracticable; consequently, too, there is no remedy: there is the natural rate of wages, and there is no legitimate possibility of any general or permanent change for the better. For if capital increase, no matter how rapidly, the increase of wages could be only temporary; since, according to the theory, this increase would occasion an increase of population, speedily restoring the old ratio.

2. We have already seen that the amount of product, and consequently of profit, is not necessarily inversely as wages. The very smallness of the wages sometimes makes the prod-

uct not only smaller, but *proportionally* smaller. When wages are at the point where they barely keep the laborer in good working-condition, a diminution of them will simply subtract from his producing-power, with no advantage to the employer.

3. Another argument against the theory under consideration is set forth by Professor F. A. Walker with great clearness. He denies the doctrine that wages are paid out of capital. The assumption thus contradicted lies at the basis of the theory, and is the vicious, though plausible, element in it. It is true that capital is often drawn upon for the advance of wages. But even this is not always the case. Every one who is acquainted with business knows that there are many enterprises in which the workmen draw only a small portion, and sometimes none, of their wages till there are returns from the sale of the product.

"It is the prospect of a profit in production which determines the employer to hire laborers; and it is the anticipated value of the product that determines how much he can pay them. The product, then, and not capital, furnishes at once the motive to employment, and the measure of wages. If this be so, the whole wage-fund theory falls; for it is built on the assumption that capital furnishes the measure of wages. The wage-fund is no larger because of the lack of capital, and the only way to increase the aggregate amount is to increase capital."¹

4. Professor Walker shows further, that the theory takes no account of the quality of laborers, and is thereby seriously at fault. Suppose there is a certain amount of capital which is set apart for wages. Now, according to the dogma, this is the dividend, and the number of laborers is the divisor which is to determine the quotient, that is, the rate of

¹ The Wages Question, p. 144.

wages. It will make no difference, according to the theory, whether these laborers are the better class of English and American workmen, or the worse class of Italian or East Indians whose efficiency averages less than one-fourth that of the former: the wages must be the same!