

CHAPTER VI.

CAREY'S LAW OF THE INCREASE OF WAGES.

1. MR. CAREY has developed what he regards as a grand law governing the relations of labor to capital in every well-ordered society. This principle is also supported by Bastiat, one of the leading French economists, and by others of note. It may be stated as follows: As society advances, the laborer's *proportion* of the joint product of labor and capital tends steadily to increase; the *proportion* of the capitalist tends steadily to decline; while the *quantity* assigned to both steadily increases. This is in accordance with the principle already illustrated, that, as society improves (at least up to a certain point, which no nation has yet reached), both wealth and population increase, but the former faster than the latter.

2. Let us look at some apparent manifestations of this principle. The savage who has invented a bow and arrow, with which he can secure as much game in a day as before in a week, may loan them to a neighbor on the condition of receiving for their use three-quarters of the product. This may seem like an enormous profit; but to the borrower, even at that rate, it is a very great advantage; since, after paying for the use of the implements, he still has twice as much game as he could have secured without them. But, as other men construct bows and arrows, there is a compe-

tion among the capitalists; and the instruments begin to be loaned at the price of two-thirds, one-half, one-quarter, and one-tenth or twentieth of the product. As other inventions come in, the same thing will occur in respect to them; namely, that capital will be having an always diminishing, and labor an always increasing, proportion of the joint product. The first fishing-net, the first canoe, and the first rude cutting-instrument bring large compensation for their use; but they will prepare the way for others which will not only be improvements on their predecessors, but, by reason of their multiplication, will command less and less compensation.

3. Take as an illustration the cutting instrument. Poor as was the axe of stone, its utility was very great. The canoe, which could not be constructed at all without it, gave great increase of power to the owner. Another than the owner of the axe can well afford to pay the latter three-quarters of all he can produce by the use of it, for the one-fourth falling to his own share is much more than he could secure without it.

After a time the bronze axe is invented, and proves far more useful. The stone axe is still in use; but its value has greatly depreciated, since the same amount—or probably a smaller amount—of labor is requisite to the production of the bronze axe. For this reason the owner of the latter will loan it for something less than the proportion previously received for the stone axe, say for two-thirds the product. As this product will be at least twice as great as before, both the laborer and the capitalist are benefited; the former receiving a larger proportion as well as a large amount of the product, while the latter receives also a larger amount, though a smaller proportion. The comparative effects of the later and earlier distribution are as follows:—

STAGE.	TOTAL PRODUCT.	LABORER'S SHARE.	CAPITALIST'S SHARE.
First	4	1	3
Second	8	2 $\frac{2}{3}$	5 $\frac{1}{3}$

“The reward of labor has more than doubled, being an increased proportion of an increased quantity. The capitalist's share has not quite doubled, he receiving a diminished proportion of an increased quantity. The portion of the laborer, which had been at first as one to three, is now as one to two, with great increase of power to become himself a capitalist.”

The axe of iron now being invented, and being the product of less labor than the axe of bronze, but having at the same time far greater utility, its owner will be content with a still smaller *proportion*, while he will receive a still larger *amount* of the product. So of the axe of steel, coming after that of iron: its cost will be less, while its product will be more. The capitalist will find an augmentation of his share of the product, but his proportion will be still less than before. Both the proportion and the amount falling to the laborers will be enhanced. The following table will represent the whole process of the operation of the law:—

	TOTAL PRODUCT.	LABORER'S SHARE.	CAPITALIST'S SHARE.
Axe of stone	4	1	3
Axe of bronze	8	2 $\frac{2}{3}$	5 $\frac{1}{3}$
Axe of iron	16	8	8
Axe of steel	32	19 $\frac{2}{10}$	12 $\frac{8}{10}$

Of course, this is but an imperfect representation of the operation of this principle, but it is exemplified in a great variety of facts in the relations of human society. It is not a mere theory, beautiful and wholesome in idea but practically inoperative. The whole history of labor in its relation to capital, whether in the form of wages or rent or interest, indicates more or less clearly its existence. It is not intended to assert that it operates palpably everywhere and under all sorts of conditions. The bad policies adopted by communities, or the surrender of general to class interests, may counteract this as well as any other natural tendency. But, in an advancing civilization and a prosperous community, this law is nearly certain to manifest itself.

4. No one can reasonably doubt that real wages have been advancing in all the civilized nations during the last three or four centuries. That the laboring-men in most of the European countries are, as a general rule, better fed, clad, and housed now than they were a century ago, and that they were then better off than in the previous century, can easily be made evident. Says McCulloch, himself a disciple of Ricardo and Malthus, “Let any one compare the state of this or any European country with what it was five hundred, or even one hundred, years ago, and he will be satisfied that prodigious advances have been made; that the means of subsistence have increased much more rapidly than the population; and that the laboring-population are now generally in possession of conveniences and luxuries that were formerly not enjoyed by the richest lords.” This is more conspicuously true in France than in England.

CHAPTER VII.

REMEDIES FOR LOW WAGES.

1. ARE there any real remedies for the evils which are still incident to our system of labor? If the theory of wages which we have been examining is correct, there would seem to be no help. Yet, since great improvements *have been* going on for some centuries, and as these have taken place without violating any natural law, and even in opposition to many adverse theories, and in spite of social, governmental, and other unnatural obstacles, it is pretty nearly certain that there must be some economic principles in accordance with which general and constant improvement may come.

2. The extent to which the government may interfere to promote the interests of the laborer is a question of some importance. If the doctrine held by the extreme school of British economists is correct,—namely, that government has no functions except those implied in maintaining justice,—that settles the question. But there are very few of even this school who accept the extreme consequences of their premises. It is generally admitted, that it is the duty of the government to see that every man has a fair chance to dispose of his labor to the best advantage. No one should be arbitrarily excluded from privileges which under the same circumstances others are permitted to enjoy. Fair and equal competition is not to be complained of; but unequal

competition, caused or occasioned by obstacles which government can remove, should not be permitted. Government cannot fix the rate of wages, or the prices of commodities, or do any thing necessarily implying either of these; but there are some things that come naturally within its province.

It may provide for general education; it may also, to a considerable extent, furnish opportunity for technical education. It can prevent the employment of young children in factories and shops; both that they may have opportunity for education, and for other economical reasons. It may make sanitary regulations in the interests of laborers, both in respect to the rooms and buildings in which labor is to be performed, and in respect to tenements and lodging-houses. It may, too, within certain limits, regulate the hours of labor; though these limits would probably differ under different circumstances. There is, of course, a possibility of uneconomical as well as economical action here.

3. A supposed remedy for low wages, to which resort is often had, is that of a "strike." This is simply a combination of workmen to make a demand upon their employers concerning wages and other conditions, and a refusal to work unless their demands are met. If the workmen are united, and remain firm, unless the employer can secure other workmen, the latter must accede to the conditions, or his whole capital must lie idle at no small loss, until one party yield, or some compromise is effected.

Strikes have been summarily condemned by many persons. Of course, if the theory of a rigid natural rate of wages is correct, strikes are not only useless, but every way harmful. Whether, in the case of the incorrectness of that theory, such combinations are effective of any good, is an open question. That laborers as well as employers may find some advantage

in combination, is not doubtful. The very fact that there is a liability of such combinations, is of itself an inducement to employers to avoid all occasions for them.

On the other hand, there are on the side of the laborers many obstacles to success by this device. It is not always practicable to make the combination so general but that other laborers can be secured in the place of those in the strike. Again, there is a great loss of time, and therefore of wages. Those who earn only enough to support themselves from day to day have no store laid by, and therefore must depend on the earnings of the more fortunate. It is of the essence of a successful strike, that all who engage in it be able to hold out. To this end, those who have saved any thing must share with those who have nothing. It thus becomes a question of average means, and this is pitted against the usually still greater means of employers. The chances are against success, and yet success is not impossible. There are cases in which the employers are compelled to yield. But even in the event of success, the loss may be greater than the gain. Dr. John Watts¹ illustrates the losses and gains of a *successful strike*. "Assuming five per cent addition to existing wages to be the matter in dispute between the employers and the laborers, he shows, that, *if the strike succeeds*, its results will be, roughly speaking, as follows:—

The loss of 1 lunar month's wages will require, to make it up, $1\frac{3}{4}$ years of work at the extra rate.

The loss of 2 lunar months' wages will require, to make it up, $3\frac{1}{2}$ years of work at the extra rate.

The loss of 6 lunar months' wages will require, to make it up, $9\frac{3}{4}$ years of work at the extra rate.

The loss of $12\frac{1}{2}$ lunar months' wages will require, to make it up, 20 years of work at the extra rate.

¹ See Professor F. A. Walker: *The Wages Question*, pp. 30, 31.

"The strike of the London builders in 1859 was for ten per cent of time, or its equivalent, ten per cent of wages, and, as it lasted twenty-six weeks, would, if successful, have required ten and two-fifths years of continuous work at the extra rate to make up the loss of wages sacrificed."

There are other losses implied in a strike. A period of idleness is likely to furnish occasion for the formation of bad habits which may be a permanent detriment to the laborer. The circumstances are also apt to engender bad blood, and this is economically as well as otherwise a damage. The loss of the employer is always something; and this is a diminution of the capital of the community, and, so far forth, harmful to the laborer. Further, the diminution of product occasions enhancement of value; and this, if general, is a virtual reduction of wages.

It thus appears that strikes are not an unmixed good, even when successful. When unsuccessful, they are a serious misfortune. On the other hand, they are not an unmixed evil. They do sometimes effect that at which they aim. The fact that they are possible, and even actual, is a perpetual advantage to the laborer in every contest to which he is liable with the employer.

4. *Trades-unions* are a more permanent form of combination than strikes. They embrace usually only laborers of the same trade. They have two general objects. In the first place, they serve the purposes of mutual aid. Information is diffused, the sick and disabled are assisted, and any case of unusual hardship or oppression becomes the interest of the whole. So far they are, or at least may be, of great advantage. As a means of mutual defence, encouragement, and intelligence, they add to the value of man, tend to the increase of production, and secure for the laborer a constantly growing proportion of the joint product of labor and capital.

In the second place, a trades-union contemplates such an organization of its members as will have a direct influence upon their wages. There is a purpose to compass directly, and sometimes by questionable means, such a rise of wages as can only come about in accordance with fixed economical principles. One of the methods used is, to restrict the number of laborers in a particular trade. Some unions have rules designed to effect this limitation. Only a certain number of apprentices are to be permitted. Employers must not admit new workmen except under certain specified conditions, and only so many within such and such times. The motive is to keep the number of laborers so small that wages shall be as high as possible. It may be temporarily advantageous, possibly permanently so in a few cases; just as it is advantageous to a company of capitalists to obtain control of the whole supply of a commodity for which there is a large demand, and thus keep the trade in their own hands, and prevent free competition. In the one case, as in the other, the supply is smaller than if there were no restriction, and the price of the article is greater. In the case of the trades-union, by limiting the number of laborers, the product is diminished, and the price is increased, making a doubly bad economical result.

5. *Co-operative association* has been largely urged of late as a remedy for the disadvantages of workingmen. By co-operative association pure and simple, is meant the carrying-on of a business enterprise on such terms that profits shall be wholly divided among the laborers, in proportion to the contribution of each to the product. There have been some remarkable and successful experiments in this direction within the last thirty years; but the most of these, and especially the most conspicuous, have been not in productive, but in commercial, enterprises. One of these has had a

fame extending over the civilized world; namely, that of the Rochdale Association. This combination has unquestionably been a successful one, and greatly advantageous to its members and patrons. It has been thought, because of the success of this and some other but inferior instances of commercial co-operation, that the principle could be applied to manufacturing industry. There have been some experiments in this direction, and with a certain degree of success in England. Yet, as I have understood, the co-operation has not extended to all the laborers, only to those furnishing capital; so that, after all, they have been of the nature of joint-stock companies.

6. Among the difficulties in the way of productive co-operation are to be reckoned the reverses to which all business is liable, and which require a considerable reserve of capital in order that they may be safely tided over. Experienced business men have estimated, that, on the average, about one year in six there will be no profit in most kinds of manufacturing, and there may be a considerable loss. The profits of the other five years have to make up this deficiency. Now, if there is only capital enough to carry on the business in these prosperous years, there will be in the adverse years, not only no profits to be divided, but there may a failure of wages.

Another more serious difficulty is found in the nature and requirements of what has all along been spoken of as the *employer*.¹ The employer is to be distinguished from the *capitalist*, with whom he is often confounded. The functions of both may co-exist in the same individual, but they are not identical. The employer must be a man *competent to conduct business*. He must be an organizer, not merely a

¹ See F. A. Walker: *The Wages Question*; also *Political Economy*, by the same author.

superintendent or overseer; but he must have the skill and the ability to put labor and capital together so as to render them profitably productive. He must also have several other qualities that do not often come together in one person, — good financial ability, a quick discernment and ready judgment in buying and selling, an accurate perception of the wants of the public both in character and extent, and many other things. He may be without capital of his own; and yet, whether a capitalist or not, he is a “captain of industry,” and just as essential to the carrying-forward of productive enterprises as the commander of an army to the conduct of a campaign.

There are only a few persons in whom all these conditions meet. But such men are as essential to the laborers as they are to the capitalist, and they cannot be furnished to order from either class. Here, then, is the difficulty. Where the industry is free, and all have something like a fair chance, the employer generally and naturally comes to his place. I do not assert that there are no mere wage-laborers who are not as competent to be employers, in the sense in which that term is here used, as many who now essay to exercise that function. But there is, in the co-operative system, no natural method of ascertaining such a functionary. There must be experiment, and experiments in such a case are costly. A single unsuccessful one would be disastrous: two successive failures would most likely prove fatal.

7. *Co-partnership of industry* has sometimes been tried by employers and proprietors with gratifying results. Laborers may be admitted to a participation in the profits which are realized through their own industry. Professor Fawcett¹ discusses this device in an interesting way. I avail myself of some of his illustrations. The reluctance of em-

¹ Manual of Political Economy, pp. 250-253.

ployers to concede the demands of their workmen for the increase of wages, is based upon the supposition that every such increase diminishes by just so much their profits. This has been the settled opinion of some economists. It has been shown in previous sections, that this is by no means always the case. Other instances go to show its incorrectness.

One of the illustrations of the advantage of co-partnership in production is that of M. Leclairé, a house-decorator in Paris. He employed about two hundred workmen, and had become greatly discouraged with the apathy and carelessness which they manifested, subjecting him to constant loss and annoyance. He therefore proposed to give them some pecuniary interest in the work, hoping to inspire in them a higher ambition with reference to it. He called them together, and told them he would continue to pay them the customary wages, and at the end of the year would distribute among them a certain share of the profits realized. The plan worked admirably; and M. Leclairé declared not only that he was otherwise satisfied, but that he was in a pecuniary sense abundantly recompensed for the share of the profits given to the workmen. Nor is this unnatural. It accords with the principle previously set forth. Larger remuneration often adds to the efficiency of the laborer; and this implies larger product, and consequently more to be distributed. In the case before us, there is an additional reason for a larger product, and hence a larger profit. There is the motive to save material and tools, and to make the most possible out of what is furnished. Much is also saved in the matter of superintendence. The cost of overseeing laborers who are interested only to receive their wages, and are careless whether the employer realizes much or little from their work, is usually very great. But when the employee has a direct interest in the product, there is less

liability to shirk or to waste, and a greater inducement to make every thing tell for the interest of the enterprise. In such a case, labor largely superintends itself, and the expense otherwise incurred is added to the profits.

8. *The wages of women.* A social phenomenon which few have failed to observe is that of the difference between the wages of women and those of men in similar employments. At first sight the fact seems out of harmony with the general laws of political economy, yet the apparent discord is not altogether inexplicable.

There are several reasons why the wages of women are lower than those of men. One, and perhaps the most influential of these, is that the supply of the kind of service which women offer in the market is much greater in proportion to the demand for it, than is the kind of labor offered by men. Let us look at this a little more particularly. Owing to what seems to many a vice of our social system, the *variety* of labor which women have to offer for wages is very limited, while the *amount* is very great. There are comparatively few occupations to which women are admitted. Hence the number of women who have labor to sell, though not so great as that of men, is yet far greater in proportion to the work they are permitted to do. The occupations open to them become densely crowded, and the competition among those seeking wages is very great. In the very nature of things, the wages are lower than they otherwise would be. Housework, millinery and dressmaking, general sewing, some service in shops, fancy work, and teaching have been till recently, for the most part, the occupations to which women have been admitted. Because women must work in these if at all, the supply of labor has become so great that the wages in them must be smaller than if the demand were to the supply the same as in the case of men.

Another obstacle to the improvement of women's wages lies in the fact that it is more difficult for them to carry their labor to market than for men. "While women have thus far more occasion relatively than men to move to their market, we find them disabled therefrom in a great measure by physical weakness, by timidity, and by those liabilities to misconstruction, insult, and outrage which arise out of sexual characteristics. Having more need than men to move from place to place, they have less ability to do so. It must be remembered that it is not a question merely of taking a journey from home to a place where a 'situation' has already been engaged; but it may be of seeking out employment from street to street and from shop to shop, by repeated inquiries, often through much urgency, and persistency of application."¹

One other reason why women's wages are lower than men's is that the former seldom learn trades, or fit themselves for permanent callings. For the most part, they are looking to an early termination of any pursuit which may be adopted. This is itself a partial disqualification for any vocation.

The principal remedy for the disadvantage to which women are thus subject is, as I conceive, the removal of restrictions which custom and a wrong public sentiment have established in respect to their occupations. That this is already constantly taking place, no one can doubt; and the natural results are obvious. Within the last thirty years the wages of women have advanced very much more than those of men.

9. IMMIGRATION AS AFFECTING WAGES.—This is a complicated subject, and there is space to touch only briefly upon it. It would seem at first sight that if there were plenty of laborers already in a community, the advent of an additional number from abroad would so increase the

¹ F. A. Walker: *The Wages Question*, p. 376.

supply as to diminish the rate of wages. No doubt in many cases this is true, but not always nor necessarily. It must be had in mind that immigrants not only bring additional labor into the labor market, but they also bring additional wants, and this implies an additional demand for commodities, and this implies a demand for additional labor. If a hundred persons come into a community they must have food and clothing, and houses to live in, and whatever else pertains to the support of human life. There must be an additional outlay of labor to supply these wants, and it is very likely to be the case that the additional demand for labor will not be less than the additional supply. So far the laborers already present suffer no harm, but this is on the supposition that the new laborers are of about the same grade as those already here, and that their wants are about the same. But if the new laborers are of a lower grade than the average of those already here, the latter would doubtless suffer detriment, though not corresponding fully to the number added. These will have *some* wants, at any rate, which it will take additional labor to supply. It is also to be taken into account that this class of laborers are less efficient than the average of those among whom they come, and therefore, at even lower wages, are not so profitable to the employer. They will, therefore, in any case, displace only an inferior grade of laborers.

Still it is undoubtedly true that the great numbers of immigrants recently pouring into the country, accustomed to a low style of living, such as our American laborer is not accustomed to, do tend to diminish wages to a certain extent, and are otherwise harmful to the interests of our communities. This evil appears to call for the interference of the government in the use of its powers to promote the general welfare.

CHAPTER VIII.

PROFITS.

1. THE term *profits* has already been defined as the portion of the joint product of labor and capital which goes to the *employer*. It is sometimes loosely spoken of as the *capitalist's* share. This is incorrect. The loaners of money, or of real estate, or of other property, are capitalists; and what they receive for these comes under the heads of *interest* and *rent*.

The employer may be and often is a capitalist, but he is not always and necessarily so. The distinction between the two has already been noted. "Capital cannot move itself. Labor cannot command capital, and therefore has little power; hence the necessity for an employer or *business-man* to effect a union, and put both in successful operation. Capital without labor is an infant: labor without capital is a cripple."¹

2. The ability to organize and manage a business, and the skill involved therein, especially if there be much capital and many laborers, entitle the possessor to a larger share of the product than an ordinary laborer can command. The very principle which is the basis of distribution, and from which the law governing it is evolved, is that each producer is entitled to an equivalent of the value by him created. If one man

¹ Amasa Walker: *The Science of Wealth*, p. 311.