

The Minimum Wage

John Bates Clark



The Atlantic Monthly n°112, September

reprinted in Mary Katharine Reely, ed.
Selected Articles on Minimum Wage, 1917

Of pending measures of economic reform few appeal so strongly to public feeling as does the minimum-wage act, and perhaps none has a better right to appeal to it. If in every large city thousands of persons must continue to work hard and get less than a living, the fact is an indictment of civilization. The situation certainly calls for some action by the state; and the measure which has been adopted in a few cases, and demanded in many more, consists in legally fixing rates below which wages may not go. How effective is law for this purpose? Can wages be raised by the *fiat* of the state? It certainly cannot conjure into existence a fund of new wealth from which the additional wages can be drawn. Ordering mills, shops, mines, farms, and so forth, to produce more than they do would be like ordering the tide to rise. No one intelligently supposes that the government has an Aladdin's lamp with its magical quality raised to the *n*th power, but there are many who think that it has a supply of talismans which would enable workers to conjure modest sums of money out of employers' pockets into their own. Are they right in this opinion? Whoever will support a law which fixes minimum rates of pay needs first to assure himself that the thing can be done, and be done without causing more hardship than it remedies; but it is more emphatically true that whoever will reject such a law should exhaust the power of study and research before concluding that it cannot be done without causing a balance of harm. The proposal makes for itself a vast *prima facie* claim, in that it promises to end untold hardships and wrongs; and it is safe to say that no one at present can be sure enough that it is not workable to justify him in definitively rejecting it. If it were our own lives and comfort which were at stake, we should sift to the bottom any argument that should claim that nothing could be done for them.

Practical tests of the proposed policy now are in progress in Australia and New Zealand, in England, and in our own State of Massachusetts, and the results of these trials will be carefully watched; but a few things can be asserted in advance as necessarily true. We can be sure, without further testing, that raising the prices of goods will, in the absence of counteracting in-

fluences, reduce sales; and that, raising the rate of wages will of itself, and in the absence of any new demand for labor, lessen the number of workers employed. The amount of this lessening of the force will vary with the amount of the raising of the rate of pay, and some of the legal minimum rates actually proposed would throw great numbers of persons into idleness. In some quarters rates are demanded which, if actually secured, would have an effect akin to that of a tornado or a Mexican revolution on the business immediately affected.

Enforcing a minimum wage of ten or twelve dollars a week for working women would cause a grand exodus from many industries; and yet even such rates are supported by plausible arguments. That they ought to be paid is asserted without due regard to the question whether or not they can be paid. They have been pronounced 'necessary for decent living,' and it is invidious for well-to-do persons to say that they are not so. The real issue, however, is whether industry can be made to yield these rates. If the demand that they be made obligatory carries with it a confidence that they will actually be paid without further ado, and that few workers or none will be discharged, the expectation is based on a vague trust in the great returns which the business is supposed to yield, and an undue confidence that these can be utilized for the purpose in view.

Now, first of all, certain basic facts concerning wages need to be realized. The rate that can be paid is limited by the specific productivity of labor. The man A must be worth to his employer what he gets, and so must B, C, and D. The total product of the business as a whole is not the basis of the payment, but the part of that total which is due to the presence of particular individuals; and if any person asks more than his own labor yields, he is virtually asking for a ticket of leave, with permission to return only when his demand is reduced or his product increased. Only when his specific product equals his specific pay can he expect to continue in the employment.

Now, there are several reasons why some workers create more wealth than others. Not only do they vary in personal quality, but their employers vary greatly in their capacity to make the most of their laborers' quality, and one may get five dollars a week and another six dollars or seven dollars from the product of workers who are personally on the same plane of productive power. If we look at an industry as a whole, we often see evi-

dences of large profit. Some employers are clearly rich, and it is easy to infer that the industry in its entirety represents a great income, some of which is ground out of the very lives of the workers. There may be thousands of women employed who, with the hardest labor, barely keep soul and body together; and if some of them, under such pressure, barter virtue for food, the business takes the guise of a devil's traffic, the cruelty of which is enhanced by the gains secured by it.

What we need above all things is discrimination. An entire department of business does not stand condemned because of grave evils in some parts of it. If there is cruelty, we must find it where it exists, rather than conclude that it exists everywhere.

The gains of the business as a whole do not afford the needed evidence. Of the employers some get large returns, some small ones, and some none; and a certain number are always getting a minus quantity and are on the ragged edge of failure. There is no available way of drawing on the returns of the successful employers to make up a fund to increase the wages paid by the unsuccessful ones. The policy we are discussing does not propose to annul rights of property, and short of doing that we cannot tax the returns of A, B, and C and make over the proceeds to the employees of their rival, D.

In the shops in which they are employed, workers need to produce all that they get in the way of wages, and there are always 'marginal' shops in which they barely do this, since in these the gross returns from the business, over and above what is paid to labor, barely yield enough to make good the wear and tear of machinery, the cost of replacing antiquated appliances, and perhaps interest on borrowed capital. If so, these particular employers are already in a bad way, and a forced increase of wages will send them out of business. If it be a fact, however, that they are already foreordained to fail in any case, it may not do much permanent harm to precipitate the failure. On that point there is not a little to be said, and we must return to it. What is clear at present is that if we do precipitate a failure we shall throw laborers for the time being into idleness.

Again, we cannot tax the product of efficient workers and make over the proceeds to the inefficient. Unless the employees A, B, and C are worth to their employer six dollars a week, we cannot make him pay them that amount, even though D, E, and F are worth seven dollars. The employer who is enjoined from

paying less than seven to any one will do the assorting which his interest impels him to do and will keep those who are personally worth what he has to pay them.

Finally, we cannot make an employer pay to a force that in mere number is large as high wages per capita as he could afford to pay to a smaller force. Here we go a little more deeply into the law of wages. Mere quantity of labor employed in connection with a fixed amount of capital has an effect on its productive power per unit. With one million dollars in capital it is possible to employ nine hundred laborers or one thousand or eleven hundred; but if we make no change in the amount of the capital, the laborers will be worth each a little more when there are only nine hundred of them. The larger force will produce fewer goods per capita than the smaller force, although it produces a larger total output. It would carry us too far afield to prove this particular point; but it is not likely to be denied by many persons who have had practical experience that crowding mills fuller and fuller of laborers would lessen the importance of each one to his employer, and that depleting the force would increase the importance of each of them. If we compel the owner of a factory to pay more than he can pay to his present force, he will reduce it till he can afford to pay the higher rate to the persons who remain.

For all these reasons, a forcible raising of the rate of wages for workers of the lowest grade will lessen the number employed. Some producers who can barely run their factories at present will drop out of the ranks. Some of the workers who produce barely enough to hold their places even under successful employers will drop out. Some establishments that can afford to keep a large number of workers at a certain rate of pay will find it for their interest to keep a somewhat smaller number when the rate is made higher. How great the effect of any one of these influences will be no one can predict with confidence, and it will require not a little experience to take this problem out of the realm of crude guesses; but what can be asserted with entire confidence is that the higher the obligatory rate of pay, the larger will be the number of persons remanded to idleness. A twelve-dollar rate would deplete many shops where a six-dollar rate would have relatively little effect in this direction. A rigorous qualitative assorting of employers, a similar assorting of employees, and the survival of the fit in both cases, are the most

obvious effects of a law which increases in any considerable degree the wages of a class of laborers.

But will not the employers give the required pay and pass the tax at once on to the public? Will they not keep as many workers as ever and simply add the amount of the extra wages to the prices of their goods? Would not this make the community stand the cost of rescuing the class that at present has to bear the worst buffets of civilization—a burden which it may properly be asked to accept? It will not do naively to assume that producers can add what they please to their prices. They are now getting all that they can get for the amount of goods that they are putting on the market. If they continue to produce as much as they now do, they cannot get higher prices for it. An added cost will not, in itself, help them to get it. If they raise their prices, they will to some extent reduce their sales; and that will cause them to discharge some workers—which is the point we are studying. Raising prices will cause some discharges.

What is probable, even as the result of a more modest legal increase of pay, is as follows: Of the lowest grade of workers some would be promoted to a higher rank and some would be discharged. The output of the business would be reduced, and that would make it possible to raise the prices of its products, and thus pay the legal wages to all the workers remaining in the industry. Discharging some of them is the condition of getting the advance in prices and so retaining the others.

Will automatic changes relieve this evil? In a paper recently read before the Social Science Association, Professor H. R. Seager mentions movements which tend in this direction. The law which ends the "sweating" of home laborers may give a stimulus to factory labor and select the more capable of the discharged workers for transfer to that sphere. In the course of the transfer some workers may change their residence to better localities than the tenement districts. It is not claimed that these influences will relieve those who are unable to make the transfers, or that they will act promptly enough to give immediate relief to any class.

The transfer from homes to factories and from the poorer factories to the better ones is, indeed, the chief means which, in the future, may be counted on for gradually raising the general level of pay. Many factories are now so efficient as to afford higher wages than home labor and still compete successfully with

it. And as time goes on they are destined to become more and more efficient, since it is in them that the influences which make industry progressive or, as the term is, "dynamic," operate most effectively. If the discharged workers were in a position to wait for such changes they might have their recompense for suffering in the interim; but asking them to rely on this is asking that they satisfy the hunger of the present with the bread of the future; and the state that, with its eyes open to what it is doing, puts them in that position incurs a clear obligation to care for them while they are thus helpless.

Mere need and helplessness give citizens a certain valid claim on the state, even though it has done nothing to cause their troubles. Privation that is traceable to social defects makes a more cogent claim. This, in fact, is the basis of the demand for minimum wage laws, since the ill-paid workers are regarded as victims of social arrangements. Curing the evil, however, by laws that throw any class into idleness is causing suffering by a direct and purposeful act; and this suffering is more intense, though probably less widespread, than that which it cures. If five dollars a week means privation for thousands, nothing per week would mean quick starvation for hundreds; and this might result from too radical a change of the minimum wage. If five dollars a week forces persons into vice, no wages at all would do it more surely and quickly; and here is a further claim upon the state which no one can for a moment question. Emergency relief needs to accompany the minimum-wage law, and effective measures for it must be ready to act the moment the law is passed. It will not do to discharge the workers and then debate the question as to how best to give them work. Moreover, such employment as we furnish should be such as self-respecting persons may properly accept.

The amount of emergency relief which will be needed will vary with the extent of the rise in pay which the law requires. If the statute does nothing more than correct the harsh action of competition and establish a rate corresponding with the existing productive power of labor, it may be that not more persons will be thrown into idleness than the present agencies of relief can be made to care for. Even that implies some stimulating of these agencies to do more rapid and effective work, and a law which should go far enough to make the required rate materially higher would demand a new and elaborate system of relief. Are we ready to establish it? If not, we are not justified in enacting the

law that would require it. Moreover, although we might invent a system or borrow it from a foreign country, the question would arise whether we could introduce it without encountering strong opposition. Emergency employment has never been easy to provide. Keeping prisoners at work has often been difficult, and during a recent period of business depression committees which met to devise measures of relief for idle workers found every proposal thwarted by some interest, and they ended by doing practically nothing.

Can we avoid this fate and so be justified in causing unemployment by our own action? A benevolent despot might conceivably do it. It looks much as though the democratic government could not do it without devising a system which would depart from all American precedents. The conditions call for something which, besides being very thoroughgoing, will be free from the objections which organized labor has offered to proposals heretofore made.

The situation, then, is briefly this: Minimum wage laws are urgently demanded. If they greatly raise the present minimum, they will throw workers out of employment and make it far more difficult than it now is for them to find new places under private employers. Without efficient relief in readiness the measure would amount to starving some of the workers in order to avoid half-starving the remainder. The relief system will need to be more extensive than any which has ever been undertaken, and will need either to avoid or to overcome the opposition which has defeated efforts of this kind during business depressions.

What are some of the qualities which the system of emergency employment must have? First, it must provide a living that is at least as good as that which is afforded by the worst wages now offering. Secondly, it must not offer attraction enough to lure workers from private employment. If the positions furnished by the state are better than those furnished by private employers and yielding the new minimum rate, the relief bureau is likely to be swamped by throngs of applicants. Thirdly, it must not make products which would be sold in the market in a way that would afford a basis for the accusation that wards of the state are competing with independent labor and reducing its pay. To meet these three conditions will involve a bold departure from plans which, in America, have thus far been tried.