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THE ECONOMIC THEORY OF A LEGAL MINIMUM WAGE

The fixing of a Minimum Wage by law—making it a penal offense to hire labor at a lower rate than that fixed by the law—is now an accomplished fact, of which the world has had half a generation of experience. In this matter of the Legal Minimum Wage the sixteen years' actual trial by Victoria is full of instruction. Victoria, which is a highly developed industrial State, of great and growing prosperity, had long had Factory Laws, much after the English fashion. In 1896, largely out of humanitarian feeling for five specially "sweated" trades, provision was made for the enforcement in those trades of a Legal Minimum Wage. Naturally this was opposed by all the arguments with which we are familiar—that it was "against the laws of Political Economy," that it would cause the most hardly pressed businesses to shut down, that it would restrict employment, that it would drive away Capital, that it would be cruel to the aged worker and the poor widow, that it could not be carried out in practice, and so on and so forth. Naturally, too, all sorts of criticisms have since been leveled at the administration and working of the law; and over and over again eager opponents, both in England and on the spot, have hastened to report that it had broken down. But what had been the result? In the five sweated trades to which the law was first applied sixteen years ago, wages have gone up from 12 to 35 per cent, the hours of labor have invariably been reduced, and the actual number of persons employed, far from falling, has in all cases, relatively to

the total population, greatly increased. Thus the Legal Minimum Wage does not necessarily spell ruin, either for the employers or for the operatives. But, of course, it is open to any theorist to urge that we do not know how much better off these trades might have been without the Act. The only test here is what the people say who are directly concerned, who see with their own eyes the law actually at work, and who are forced daily to compare the trades to which it applies with those to which it does not apply. First, let us notice that the Act of 1896 (like the British Trade Boards Act of 1909) was only a temporary one. It has during the past sixteen years been incessantly discussed; it has been over and over again made the subject of special inquiry; it has been repeatedly considered by the Legislature; and, as a result, it has been five successive times renewed by consent of both Houses. Can it be that all this is a mistake? Still more convincing, however, are the continuous demands from the other trades, as they witnessed the actual results of the Legal Minimum Wage where it was in force, to be brought under the same law.

Provision is made for this extension by resolutions which have to be passed by both Houses of the Legislature. The first trades to which the law was applied were those of bootmaking and baking (employing mainly men), clothing, shirts, and underclothing (employing mainly women), and the very troublesome furniture trade, in which the Chinese had gained a secure footing. It naturally took some time to get the law to work, to overcome the inevitable difficulties and to demonstrate any results. Accordingly for four years there was no extension. In 1900, however, we had the brickmakers coming in, and the butchers, the cigar makers and the confectioners, the coopers and the engravers, the fell-mongers, the jewelers, and the jam trade, the makers of millet brooms and the pastrycooks, the plateglass manufacturers and the potters, the saddlers and the tanners, the tinsmiths and the woodworkers, the woollen manufacturers and, perhaps most significant of all, the strongly organized printers, including the compositors in the great newspaper offices. In the following year (1901), so far from there being any signs of repentance, there was an equal rush of extensions of the law to industries of all kinds—the aerated

water makers and the manufacturers of artificial manure, the brass-workers and the bedstead makers, the brewers and the brush-workers, the ironmoulders and the makers of leather goods, the maltsters and the ovenmakers, the stonecutters and the workers in wicker. For three years there was then a pause, the Legal Minimum Wage being only demanded by and extended to the dressmakers in 1903. In 1906 came another rush of trades, the agricultural implement makers, the cardboard box makers, the candle makers, the cycle trade, the farriers and the flour millers, the milliners and the paper bag makers, the manufacturers of starch, soap, and soda, and the makers of waterproof clothing. In the following year (1907), only the glassworkers and the picture frame makers came in. The year 1908 saw the application of the law to the bread carters, the hairdressers, the manufacturers of ice and the wireworkers. In 1909 it was extended to the carpenters, the carriage builders, the carters, the drapers, the electro-platers, the grocers, the ham and bacon curers, the dealers in coal, wood, hay, and chaff, the makers of men's clothing, the organ builders, the painters, the manufacturers of polish, the plumbers, the quarrymen, the makers of rubber goods, and that mysterious craft the tuck-pointers. During 1910 there came in the boiler makers, the boot-makers, the brick-layers, the coal miners, the electrical engineers, the factory and mining engine drivers, the gold miners, the hardware makers and the hotel employees, the marine-store dealers, the plasterers, the stationers, the teapackers, the tilers, the watch-makers, the slaughterers for export, the undertakers and even the lift attendants. What occupations were left to come in during 1911 and 1912 I do not yet know.

Now, in this remarkable popular demonstration of the success of the Act, tested by the not inconsiderable period of sixteen years, extending over years of relative trade depression as well as over years of boom, some features deserve mention. First, the extensions have frequently—indeed, it may be said usually—taken place at the request, or with the willing acquiescence, of the employers in a trade, as well as of the wage earners. What the employers appreciate is, as they have themselves told me, the very fact, that the Minimum Wage is fixed by law and therefore really forced

on all employers: the security that the Act accordingly gives them against being undercut by the dishonest or disloyal competitors, who simply will not (in Victoria as in the Port of London) adhere to the Common Rules agreed upon by Collective Bargaining. We must notice, too, that the application of the law has been demanded by skilled trades as well as by unskilled, by men as well as by women, by highly paid craftsmen and by sweated workers, by the strongly organized trades as well as by those having no Unions at all. One is tempted, indeed, to believe that little remains now outside its scope except the agricultural occupations and domestic service! Nor can it be said to be confined to industries enjoying a protective tariff, for there are no import duties to shield the gold miners, or the quarrymen, or the slaughterers for export; and no fiscal protection helps the carters or the butchers, the drapers' assistants or the engine drivers, the newspaper printers or the potters, the grocers or the hairdressers, the hotel employees or the lift attendants. And it is difficult to believe that the enforcement of a Legal Minimum Wage in all these hundred different industries, employing 110,000 persons (being, with their families, more than a quarter of the entire population of the State), has interfered with the profitability of industry, when the number of factories has increased, in the sixteen years, by no less than 60 per cent, and the numbers of workers in them have more than doubled. Certainly, no statesman, no economist, no political party nor any responsible newspaper of Victoria, however much a critic of details, ever dreams now of undoing the Minimum Wage Law itself.

But turning, now, from actual experience of the working of a Legal Minimum Wage, to abstract economic theory, we must first get clearly before us the distinction between the fixing and enforcing of a Minimum, and the fixing and enforcing of a wage. What is here in question (as in all factory legislation) is a Minimum, not a Maximum—still less any actual decision that the wage shall be such or such sum. It ought not to be necessary to point this out. But the ignorance and stupidity of people calling themselves educated is, in this matter, beyond all belief. Nearly every day I am told, or I read, that this Minimum Wage legislation is merely a revival of the mediaeval fixing of wages by the Justices of the Peace,

or the eighteenth-century fixing of wages by the Tailors' Acts or the Spitalfields Weavers Acts, which had, it is asserted, such disastrous consequences. I wonder how long it will take before such people (economists, I am afraid, not wholly excluded) will realize that they are, in making such statements, simply making fools of themselves, revealing an ignorance of the subject so abysmal as to put themselves beyond the pale. The ancient legislation to which they refer, by definitely prescribing the actual rates to be paid, fixed maximum wages, not merely a minimum. There is no sort of resemblance or analogy between prescribing that the work-people shall under no circumstances get more than a specified rate, and merely enacting that they shall under no circumstances get less. The whole economic and social consequences and results of the two types of legislation, and their effects on employers and on industry, are as different as chalk is from cheese.

The principal question for the economist to consider is how the adoption and enforcement of a definite minimum of wages in particular trades is likely to affect, both immediately and in the long run, the productivity of those trades, and of the nation's industry as a whole.

Now upon this point the verdict of economic theory, whatever it may be worth, is, I submit, emphatic and clear. To the modern economist there seems nothing in the device of a legal minimum of wages, especially where (as would in the great majority of trades be the case) it takes the form of a Standard Piecework List, that is in any way calculated to diminish productivity. On the contrary, all experience, as well as all theory, seems to show that, as compared with no regulation of wages, or with leaving the employer free to deal individually with each operative, it must tend actually to increase the productivity of the industry. Here we have, in fact, the lesson of actual experience from a whole century of industrial history. It is only necessary to watch the operation, in trade after trade, of analogous Common Rules, many of them enforced by law. These Common Rules, like the Legal Minimum Wage, are always minima, not maxima. Every employer naturally prefers to be free to do whatever he chooses; to compete in any way he pleases, on the downward way as well as on the upward way. But

the enforcement in any industry, whether by law or by public opinion, or by strong Trade Unionism, of a Standard Rate, a Normal Day and prescribed conditions of sanitation and safety, does not prevent the employer's choice of one man rather than another, or forbid him to pick, out of the crowd of applicants, the strongest, the most skilful, or the best conducted workman. The universal enforcement of a Legal Minimum Wage in no way abolishes competition for employment. It does not even limit the intensity of such competition, or the freedom of the employer to take advantage of it. All that it does is to transfer the pressure from one element in the bargain to the other: from the wage to the work, from price to quality. In fact, this exclusion from influence on the contract of all degradation of price, whether it takes the form of lower rates of wages, longer hours of labor, or worse conditions of sanitation and safety, necessarily heightens the relative influence on the contract of all the elements that are left. If the conditions of employment are unregulated, it will frequently "pay" an employer (though it does not pay the community for him to do so) *not to select the best workman*, but to give the preference to an incompetent or infirm man, a "boozier" or a person of bad character, provided that he can hire him at a sufficiently low wage, make him work excessive and irregular hours, or subject him to insanitary or dangerous conditions. In short, the employer may (in the absence of definitely fixed minimum conditions) make more profit, though less product, out of inefficient workmen than out of good workmen. With a Legal Minimum Wage, and with similarly fixed hours and sanitary conditions, this frequent lowering of productivity is prevented. If the employer cannot go below a common minimum rate, and is unable to grade the other conditions of employment down to the level of the lowest and most necessitous wage earner in his establishment, he is economically impelled to do his utmost to raise the level of efficiency of his workers, so as to get the best possible return for the fixed conditions.

This is the basis of the oft-repeated accusation brought by the sentimental lady or charity worker against the Trade Union Standard Rate, and now, in England, by foolish persons against the Workmen's Compensation Act, that it prevents an employer from

preferentially selecting an old man, or a physical or moral invalid, when there is a vacancy to be filled. But it is clear that the aggregate efficiency of the nation's industry is promoted by every situation being filled by the best available candidate. If the old man is engaged instead of the man in the prime of life, because he can be hired at a lower rate, the man of irregular habits rather than the steady worker, because the former is prepared to take smaller wages, there is a clear loss all round. From the point of view of the economist, concerned to secure the highest efficiency of the national industry, it must be counted to the credit of the Legal Minimum Wage that it compels the employer, in his choice of men to fill vacancies, seeing that he cannot get a "cheap hand," for the price that he has to pay, to be always striving to exact greater strength and skill, a higher standard of sobriety and regular attendance, and a superior capacity for responsibility and initiative. This is exactly what has happened in Victoria under the Minimum Wage Law, as it has happened in Great Britain where a definitely fixed minimum has been substituted for the irregular competitive rates, which, in the absence of a Common Rule, the sharp or "cutting" employer can enforce on the weakest or most necessitous workers. Thus, a Legal Minimum Wage positively increases the productivity of the nation's industry, by ensuring that the surplus of unemployed workmen shall be exclusively the least efficient workmen; or, to put it in another way, by ensuring that all the situations shall be filled by the most efficient operatives who are available. This is plainly not the case under "free competition" where there is no fixed minimum.

But the enforcement of a Legal Minimum Wage does more than act as a perpetual stimulus to the selection of the fittest men for employment. The fact that the employer's mind—no longer able to seek profit by "nibbling" at wages—is constantly intent on getting the best possible workmen, silently and imperceptibly reacts on the wage earners. The young workman, knowing that he cannot secure a preference for employment by offering to put up with worse conditions than the standard, seeks to commend himself by a good character, technical skill, and general intelligence. Under a Legal Minimum Wage there is secured what under per-

fectly free competition is not secured, not only a constant selection of the most efficient but also a positive stimulus to the whole class to become more and more efficient. It is unnecessary here to dwell on the enormous moral advantage of such a permanently acting, all-pervasive influence on character. But this, too, has an economic value, in increasing productivity.

So far we have considered merely the effect upon productivity of enforcing a Minimum Wage, quite irrespective of this involving a positive increase of wages. But to enforce a minimum is actually to raise the wages of, at any rate, some of the worst paid operatives. We have, therefore, to consider also the effect on the living human being of the more adequate wages that the enforcement of a legal minimum would involve in the lowest grades. If unrestricted individual competition among the wage earners resulted in the universal prevalence of a high standard of physical and mental activity, it would be difficult to argue that a mere improvement of sanitation, a mere shortening of the hours of labor, or a mere increase in the amount of food and clothing obtained by the workers or their families, would of itself increase their industrial efficiency. But such ideal conditions are far from prevailing in any country. In the United Kingdom at least eight millions of the population—over one million of them, as Mr. Charles Booth tells us, in London alone—are at the present time existing under conditions represented by family earnings of less than five dollars a week. It is notorious that even in the United States there are millions of families unable to earn regularly throughout the whole year as much as ten dollars a week: a sum which does not afford, at present prices, in the slums of New York or Chicago, Pittsburgh or Cincinnati, enough for a physiologically healthy existence. The unskilled, and especially the casually hired laborer, who is inadequately fed, whose clothing is scanty and inappropriate to the season, who lives with his wife and children in a single room in a slum tenement, and whose spirit is broken by the ever-recurring irregularity of employment, cannot by any incentive be stimulated to much greater intensity of effort, for the simple reason that his method of life makes him incapable of either the physical or mental energy that would be involved. Even the average mechanic or factory operative, who



earns in the United Kingdom from five to ten dollars a week, seldom obtains enough nourishing food, an adequate amount of sleep, or sufficiently comfortable surroundings to allow him to put forth the full physical and mental energy of which his frame is capable. The cool observer of the conditions of life of that half of the American people who have to live on family earnings that do not exceed five hundred dollars in a year, cannot refrain from placing them in the same case. No "intellectual" who has lived for any length of time in households of typical factory operatives or artisans in England or in the United States, can have failed to become painfully aware of their far lower standard of nutrition, clothing, and rest than his own, and also of their lower standard of vitality and physical and mental exertion. It has accordingly been pointed out by many economists, from J. R. M'Culloch to Alfred Marshall, that, at any rate so far as the weakest and most necessitous workers are concerned, improved conditions of employment bring with them a positive increase of production. "A rise in the Standard of Life for the whole population," we are expressly told, "will much increase the National Dividend, and the share of it which accrues to each trade." We see, therefore, that a Legal Minimum Wage, so far as the wage earner is concerned, is calculated—at any rate if it takes the form of a Standard Piecework List—to promote the action of both forces of evolutionary progress; it tends constantly to the selection of the fittest, and at the same time provides both the mental stimulus and the material conditions necessary for functional adaptation to a higher level of skill and energy.

But we have got into the habit of thinking that the productivity of industry depends more upon the efficiency of the brains and machinery employed, than upon the quality of the manual laborers. Let us, therefore, consider the probable effects of a Legal Minimum Wage upon the brain-workers, including under this term all who are concerned in the direction of industry. Here the actual experience of the Factory Acts and of strong Trade Unionism is very instructive. When all the employers in a trade find themselves precluded, by the existence of a Common Rule, from worsening the conditions of employment—when, for instance, they are legally prohibited from crowding more operatives into their mills or keeping them at

work for longer hours, or, when they find it impossible, owing to a strictly enforced piecework list, to nibble at wages—they are driven in their competitive struggle with each other, to seek advantage in other ways. We arrive, therefore, at the unexpected result that the enforcement of definite minimum conditions of employment as compared with a state of absolute freedom to the employer to do as he likes, positively stimulates the invention and adoption of new processes of manufacture. This is no new paradox, but has been repeatedly remarked by the opponents of Trade Unionism. Thus Babbage, in 1832, described in detail how the invention and adoption of new methods of forging and welding gun-barrels was directly caused by the combined insistence on better conditions of employment by all the workmen engaged in the old process.

In this difficulty [he says] the contractors resorted to a mode of welding the gun-barrel according to a plan for which a patent had been taken out by them some years before the event. It had not then succeeded so well as to come into general use, *in consequence of the cheapness of the usual mode of welding by hand labour*, combined with some other difficulties with which the patentee had to contend. But *the stimulus produced by the combination* of the workmen for this advance of wages induced him to make a few trials, and he was enabled to introduce such a facility in welding gun-barrels by roller, and such perfection in the work itself, that in all probability very few will in future be welded by hand labour. Similar examples [continues Babbage] must have presented themselves to those who are familiar with the details of our manufactories, but these are sufficient to illustrate one of the results of combinations. . . . It is quite evident that they have all this tendency; it is also certain that considerable stimulus must be applied to induce a man to contrive a new and expensive process; and *that in both these cases unless the fear of pecuniary loss had acted powerfully the improvement would not have been made.*

The Lancashire cotton trade supplied the same generation with a classic instance of "Trade Union folly" of this kind. Almost every contemporary observer declares that the adoption of the "self-acting" mule was a direct result of the repeated strikes of the cotton spinners, between 1829 and 1836, to enforce their Standard Piecework Lists, and that many other improvements in this industry sprang from the same stimulus. The *Edinburgh Review* went so far as to say, in 1835, that "if from the discovery of the spinning frame up to the present, wages had remained at a level, and workers' coalitions and strikes had remained unknown, we can

without exaggeration assert that the industry would not have made half the progress." And, coming down to our own day, I have myself had the experience of being conducted over a huge steel works in Scotland by the late Sir Charles Tennant, one of the ablest and most successful of our captains of industry, and being shown one improvement after another, which had been devised and adopted expressly because the workmen engaged at the old processes had, through their powerful Trade Unions, enforced a definite minimum standard wage. To the old economist, accustomed to the handicraftsman's blind hostility to machinery, this insistence on a uniform minimum Standard Rate seemed a proof of the shortsightedness of Trade Union action. The modern student perceives that the Trade Unions, in fighting for better conditions of employment than would have been yielded by individual bargaining, and, in particular, for a compulsory minimum, were building "better than they knew." To the wage earners as a class it is of the utmost importance that the other factors in production—capital and brain power—should always be working at their highest possible efficiency, in order that the common product, on which wages no less than profits depend, may be as large as possible. The enforcement of the Common Rule on all establishments concentrates the pressure of competition on the brains of the employers, and keeps them always on the stretch. "Mankind," says Emerson, "is as lazy as it dares to be," and so long as an employer can meet the pressure of the wholesale trader, or of foreign competition, by nibbling at wages or "cribbing time," he is not likely to undertake the "intolerable toil of thought" that would be required to discover a genuine improvement in the productive process, or even, as Babbage candidly admits, to introduce improvements that have already been invented. Hence the mere existence of a Legal Minimum Wage, by debarring the hardpressed employer from the most obvious form of relief—one which is of no advantage to the community—positively drives him to other means of lowering the costs of production, which almost inevitably take the form of increasing productivity.

But this is not all. Besides its direct effect in stimulating all the employers, the mere existence of a Legal Minimum Wage has

another and an even more important result on the efficiency of industry, in that it tends steadily to drive business into those establishments which are most favorably situated, best equipped, and managed with the greatest ability, and to eliminate the incompetent or old-fashioned employer. This fact, patent to the practical man, was not observed by the older economists. Misled by their figment of the equality of profits, they seemed habitually to have assumed that an all-round increase in the cost of production would be equally injurious to all the employers in the trade. The modern student at once recognizes that a Legal Minimum Wage, enforced throughout any trade, must from its very nature, always fail to get at the equivalent of all differential advantages of productive agents above the level of the worst actually employed by the community at any given time. When, for instance, the Amalgamated Association of Operative Cotton Spinners in England secures uniform piecework lists, identical hours of labor, and similar precautions against accident and disease in all English cotton mills, it in no way encroaches upon the extra profits, over and above those of the worst mill, which are earned by firms of long standing reputation for quality, exceptional commercial skill, or technical capacity. Similarly, it does nothing to deprive mills enjoying a special convenience of site, the newest and best machinery, valuable patent rights or trade connections, of the exceptional profits due to these advantages. The result is a steady elimination of the inferior establishments, and a constant tendency for the whole industry to be carried on under the most advantageous conditions. This, of course, from the standpoint of the economist concerned for the utmost possible productivity, is all to the good.

Thus, the probable effect of a Legal Minimum Wage on the organization of industry, like its effect on the manual laborer and the brain-working manager or entrepreneur, is all in the direction of increasing efficiency. Its effect on the personal character of the operative is in the right direction. It in no way abolishes competition, or lessens its intensity. What it does is perpetually to stimulate the selection, for the nation's business, of the most efficient workmen, the best equipped employers, and the most

advantageous forms of industry. It in no way deteriorates any of the factors of production; on the contrary, its influence acts as a constant incentive to the further improvement of the manual laborers, the machinery, and the organizing ability used in industry. In short, whether with regard to labor or capital, invention or organizing ability, the mere existence of a Legal Minimum Wage in any industry promotes alike the selection of the most efficient factors of production, their progressive functional adaptation to a higher level, and their combination in the most advanced type of industrial organization. And these results are permanent and cumulative. However slight may be the effect upon the character or physical efficiency of the wage earner or the employer; however gradual may be the improvement in processes or in the organization of the industry, these results endure and go on intensifying themselves, so that the smallest step forward becomes, in time, an advance of the utmost importance. I do not see how any instructed economist can doubt, in the face of economic theory on the one hand, and of the ascertained experience of Victoria and Great Britain on the other, that the enactment and enforcement of a Legal Minimum Wage, like that of an ordinary Factory Law, positively increases the productivity of industry.

Now, at this point, I ought perhaps to deal with the bogey of foreign competition, and the possible loss of our trade to rivals who are free to make their industry less efficient than our own. But as I cannot deal with everything in this short paper, I must perforce omit the economics of international trade. But if the result of a Legal Minimum Wage would be, as I have shown, to make our industry steadily more efficient and more productive, I need not waste time in demonstrating that this cannot put us at any disadvantage in our competition with the foreigner. Nations do not lose their trade because they become more efficient and more productive; or because they are constantly reducing the amount of labor and time—that is the social cost—of production. We are not beaten by the incompetence and waste of our rivals, but by the incompetence and waste that we ourselves display in our present industrial organization. What, at any rate, is clear to the economist is that a Legal Minimum Wage would have no more effect, and no

different an effect, on our international trade than the limitation of the hours of labor and the enforcement of sanitary conditions which our Factory Acts have imposed; and no educated person in Great Britain today—certainly no one having the least pretensions to economic knowledge—believes that our Factory Acts have been otherwise than beneficial to our international trade, which we see increasing by leaps and bounds.

I pass to a more interesting point. What would be the result of a Legal Minimum Wage on the employer's persistent desire to use boy labor, girl labor, married women's labor, the labor of old men, of the feeble-minded, of the decrepit and broken-down invalids and all the other alternatives to the engagement of competent male adult workers at a full Standard Rate? What would be the effect, in short, upon the present employment, at wages far below a decent level, of workers who at present cannot (or at any rate do not) obtain a full subsistence wage?

To put it shortly, all such labor is parasitic on other classes of the community, and is at present employed in this way only because it is parasitic.

When an employer, without imparting any adequate instruction in a skilled craft, gets his work done by boys and girls who live with their parents and work practically for pocket money, he is clearly receiving a subsidy or bounty, which gives his process an economic advantage over those worked by fully paid labor. But this is not all. Even if he pays the boys or girls a wage sufficient to cover the cost of their food, clothing, and lodging so long as they are in their teens, and dismisses them as soon as they become adults, he is in the same case. For the cost of boys and girls to the community includes not only their daily bread between thirteen and twenty-one, but also their nurture from birth to the age of beginning work, and their maintenance as adult citizens and parents. If a trade is carried on entirely by the labor of boys and girls, and is supplied with successive relays who are dismissed as soon as they become adults, the mere fact that the employers pay what seems a subsistence wage to the young people does not prevent the trade from being economically parasitic. The employer of adult women is in the same case, where, as is usual, he pays

them a wage insufficient to keep them in full efficiency, irrespective of what they receive from their parents, husbands, or lovers. In all these instances the efficiency of the services rendered by the young persons or women is being kept up out of the earnings of some other class. These trades are therefore as clearly receiving a subsidy as if the workers in them were being given a "rate in aid of wages." The employer of partially subsidized woman or child labor gains actually a double advantage over the self-supporting trades; he gets, without cost to himself, the extra energy due to the extra food for which his wages do not pay, and he abstracts—possibly from the workers at a rival process, or in a competing industry—some of the income which might have increased the energy put into the other trade.

But there is a far more vicious form of parasitism than this partial maintenance by another class. The continued efficiency of a nation's industry obviously depends on the continuance of its citizens in health and strength. For an industry to be economically self-supporting, it must, therefore, maintain its full establishment of workers, unimpaired in numbers and vigor, with a sufficient number of children to fill all vacancies caused by death or superannuation. If the employers in a particular trade are able to take such advantage of the necessities of their workpeople as to hire them for wages actually insufficient to provide enough food, clothing, and shelter to maintain them permanently in average health; if they are able to work them for hours so long as to deprive them of adequate rest and recreation; or if they can subject them to conditions so dangerous or insanitary as positively to shorten their lives, that trade is clearly obtaining a supply of labor force which it does not pay for. If the workers thus used up were horses—as, for instance, on the horse-cars of an old street railroad, or like those that the English stagecoaches formerly "used up" in three years' galloping—the employers would have to provide, in addition to the daily modicum of food, shelter, and rest, the whole cost of breeding and training the successive relays necessary to keep up their establishments. In the case of free human beings, who are not purchased by the employer, this capital value of the new generation of workers is placed gratuitously at his disposal, on payment

merely of subsistence from day to day. Such parasitic trades are not drawing any money subsidy from the incomes of other classes. But in thus deteriorating the physique, intelligence, and character of their operatives, they are drawing on the capital stock of the nation. And even if the using up is not actually so rapid as to prevent the "sweated" workers from producing a new generation to replace them, the trade is none the less parasitic. In persistently deteriorating the stock it employs it is subtly draining away the vital energy of the community. It is taking from these workers, week by week, more than its wages can restore to them. A whole community might conceivably thus become parasitic on itself, or, rather, upon its future. If we imagine all the employers in all the industries of the nation to be, in this sense, "sweating" their labor, the entire nation would, generation by generation, steadily degrade in character and industrial efficiency. And in human society, as in the animal world, the lower type developed by parasitism, characterized as it is by the possession of smaller faculties and fewer desires, does not necessarily tend to be eliminated by free competition. The degenerate forms may, on the contrary, flourish in their degradation, and depart farther and farther from the higher type. Evolution, in a word, if unchecked by man's selective power, may result in degeneration as well as in what we choose to call progress. It is to prevent this result that every civilized nation has been driven, by a whole century of experiment, to the adoption of stringent factory legislation as regards sanitation and hours of labor. But water-closets and leisure do not, of themselves, maintain the nation's workers in health and efficiency, or prevent industrial parasitism. Just as it is against public policy to allow an employer to engage a woman to work excessive hours or under insanitary conditions, so it is equally against public policy to permit him to engage her for wages insufficient to provide the food and shelter without which she cannot continue in health. Once we begin to prescribe the minimum conditions under which an employer should be permitted to open a factory, there is no logical distinction to be drawn between the several clauses of the wage-contract. From the point of view of the employer, one way of increasing his expenses is the same as another, while to the econo-



mist and the statesman, concerned with the permanent efficiency of industry and the maintenance of national health, adequate food is at least as important as reasonable hours or good drainage. To be completely effectual the same policy will, therefore, have to be applied to wages. Thus, to the economist, the enforcement of a Legal Minimum Wage appears but as the latest of the long series of Common Rules, which experience has proved to be (a) necessary to prevent national degradation; and (b) positively advantageous to industrial efficiency.

Does this mean that the enforcement of a Legal Minimum Wage in any sweated industry will involve the destruction of that industry? By no means.

When any particular way of carrying on an industry is favored by a bounty or subsidy, this way will almost certainly be chosen, to the exclusion of other methods of conducting the business. If the subsidy is withdrawn, it often happens that the industry falls back on another process, which, less immediately profitable to the capitalists than the bounty-fed method, proves positively more advantageous to the industry in the long run. This result, familiar to the Free Trader, is even more probable when the bounty or subsidy take the form, not of a protective tariff, an exemption from taxation, or a direct money grant, but of the privilege of exacting from the manual workers more labor-force than is replaced by the wages and other conditions of employment. The existence of Negro slavery in the Southern States of America made, while it lasted, any other method of carrying on industry economically impossible; but it was not really an economic advantage to cotton-growing. The "white slavery" of the early factory system of Lancashire a century ago stood, so long as it was permitted, in the way of any manufacturer adopting more humane conditions of employment; but when these more humane conditions were forced upon the Lancashire mill-owners, they were discovered to be more profitable than those which unlimited freedom of competition had dictated. The low wages to which, in the unregulated trades, the stream of competitive pressure forces employers and operatives alike, are not in themselves any more economically advantageous to the industry than the long hours and the absence of sanitary precautions

were to the early cotton mills of Lancashire. To put it plumply, if the employers paid more, the labor would be worth more. In so far as this proves to be the case, the legal minimum wage would have raised the Standard of Life without loss of trade, without cost to the employer, and without disadvantage to the community. Moreover, the mere fact that employers are at present paying lower wages than the proposed minimum is no proof that the labor is not "worth" more to them and to the customers; for the wages of the lowest grade of labor are fixed, not by the "worth," in any sense—not even the possible "value in exchange"—of the individual laborer, but (as we must nowadays sadly concede) largely by the urgent necessities of the "marginal" man, or, rather, the "marginal" woman. It may well be that, rather than go without the particular commodity produced, the community would willingly pay much more for it, and yet consume as much or nearly as much of it, as it now does. Nevertheless, so long as the wage earner can be squeezed down to a subsistence wage, or, more correctly, a parasitic wage, the pressure of competition will compel the employer so to squeeze him, whether the consumer desires it or not.

The question then arises what effect the prohibition of parasitism would have on the individuals at present working in the sweated trades. We need not dwell on the individual personal hardships incidental to any shifting of industry or change of process. Any deliberate improvement in the distribution of the nation's industry ought, out of regard for these hardships, to be brought about gradually, and with equitable consideration of the persons injuriously affected. But there is no need to assume that anything like all those now receiving less than the Legal Minimum Wage would be displaced by its enactment.

We see, in the first place, that the very leveling up of the standard conditions of sanitation, hours, and wages would, in some directions, positively increase the demand for labor. The contraction of the employment of boys and girls, brought about by the needful raising of the age for full and half time respectively, would, in itself, increase the number of situations to be filled by adults. The enforcement of the normal day, by stopping the excessive hours of labor now worked by the most necessitous operatives, and the

overtime resorted to whenever it suits the momentary convenience of each particular employer—quite irrespective of whether the community as a whole is in a hurry, or not—would automatically absorb the best of the unemployed workers in their own and allied occupations, and would create a new demand for learners. Finally, the abandonment of that irregularity of employment which so disastrously affects the New York outworkers and the London dock-laborers, and indeed most other occupations, would result in the enrolment of a new permanent staff. All these changes would bring into regular work, at or above the Legal Minimum, whole classes of operatives, selected from among those now only partially or fitfully employed. Thus, all the most capable and best conducted would certainly obtain regular situations. But this concentration of employment would, it must be admitted, imply the total exclusion of others, who might, in the absence of regulation, have “picked up” some sort of partial livelihood. In so far as the persons thus rendered permanently unemployed consisted merely of children removed from industrial work to the schoolroom, few (and certainly no economist) would doubt that the change would be wholly advantageous to national productivity and economic efficiency. And there are many who would welcome a reorganization of industry, which, by concentrating employment exclusively among those in regular attendance, would tend automatically to exclude from wage-labor, and to set free for domestic duties, an ever-increasing proportion of the women having young children to attend to. There would still remain to be considered the remnant, who, notwithstanding the increased demand for adult male labor and independent female labor, proved to be incapable of earning the Legal Minimum in any capacity whatsoever. We should, in fact, be brought face to face with the problem, not of the unemployed but of the unemployable: those whom no employer would employ at the Legal Minimum even if trade was booming and he could get nobody else.

The unemployable, to put it bluntly, do not and cannot under any circumstances earn their keep. What we have to do with them is to see that as few as possible of them are produced; that such of them as can be cured are (almost at whatever cost) treated

so as promptly to remove their incapacity, and that the remnant are provided for at the public expense, as wisely, humanely, and inexpensively as possible.

I cannot here enter into the appropriate social regimen and curative treatment best calculated to minimize the production of the unemployable in each subdivision, and to expedite the recovery of such as are produced. Such a regimen and such a treatment have been elaborately expounded for the United Kingdom in the Minority Report of the Poor Law Commission, which is, in my judgment, essentially applicable to the United States in much the same way as to the United Kingdom. Once such unfortunate products of social anarchy exist, these physical and moral weaklings and degenerates must somehow be maintained, at the expense of other persons. They may be provided for from their own property or savings, by charity, or from public funds, with or without being set to work in whatever ways are within their capacity. But, of all ways of dealing with these unfortunate parasites, the most ruinous to the community is to allow them unrestrainedly to compete as wage earners for situations. For this at once prevents competition from resulting in the selection of the most fit, and thus defeats its very object. In the absence of any Common Rule, it will, as we have seen, often "pay" an employer to select a physical or moral invalid, who offers his services for a parasitic wage, rather than the most efficient workman, who stands out for the conditions necessary for the maintenance of his efficiency. In the same way a whole industry may, if permitted, batten on parasitic labor, diverting the nation's capital and brains from more productive processes, and undermining the position of its more capable artisans. And where the industrial parasitism takes the form of irregular employment, as, for instance, among the sweated outworkers or homeworkers in all great cities, and the casual dock-laborers, its effect is actually to extend the area of the disease. The consumers' demand—which governs the employers' requirements—would suffice to keep in regular work, at something like adequate weekly earnings, a certain proportion of these casual workers. But because it is distributed, as partial employment and partial maintenance, among the entire class, its insufficiency and irregularity demoralize all

alike, and render whole sections of the population of the great cities of the twentieth century permanently incapable of regular conduct and continuous work. Thus, the disease perpetuates itself, and becomes by its very vastness incapable of being isolated and properly treated. A dim appreciation of the evil effects of any mixing of degenerates in daily life, joined, of course, with motives of humanity, has caused the sick and the infirm, the imbeciles and the lunatics, even the cripples and the epileptics, to be, in all civilized communities, increasingly removed from the competitive labor market, and scientifically dealt with according to their capacities and their needs. The "labor colonies" of Holland and Germany are, from this point of view, an extension of the same policy. To maintain our industrial invalids, even in idleness, from public funds, involves a definite and known burden on the community. To allow them to remain at large, in parasitic competition with those who are whole, is to contaminate the labor market; and means a disastrous lowering of the standard of life and standard of conduct, not for them alone, but for the entire wage-earning class.

The economist has therefore to point out to the statesman that the adoption of a Legal Minimum Wage would in no way increase the amount of maintenance which has to be provided by the community, in one form or another, for persons incapable of producing their own keep. It would, on the contrary, tend steadily to reduce it, both by diminishing the number of weaklings or degenerates annually produced, and by definitely marking out such as exist, so that they may be isolated and properly treated.

There remains the question for the economist of the manner in which a Legal Minimum Wage can be best determined and enforced. The object being to secure the community against the evils of industrial parasitism, the minimum wage for a man or a woman respectively ought theoretically to be determined by practical inquiry as to the cost of the food, clothing, and shelter physiologically necessary, according to national habit and custom, to prevent bodily and mental deteriorations. Such a minimum would, therefore, be low, and though its establishment would be welcomed as a boon by the unskilled workers in the unregulated trades, it would

not at all correspond with the conception of a "living wage" formed by the cotton operatives or the coal miners. Practically, in all but the lowest paid trades, chiefly for women workers, it must in practice be left to the wage earners to settle the Standard Rate and other conditions of employment, by Collective Bargaining.

This does not exclude—and experience shows, indeed, that it may lead up to—the ultimate fixing of a Minimum by a Joint Board representing the employers and operatives of the whole trade; and (as now in a hundred different trades in Victoria) the giving of statutory authority to the Minimum so determined, which is then enforced as part of the Factory Law. What happens, in effect, is that the rates or conditions current in the best establishments are, at the outset, taken as the standard, and made applicable, with any necessary adjustments, to all establishments. From this basis, advances and reductions (though there are seldom reductions) are reckoned, claimed, and argued for in the usual way.

To those not practically acquainted with the organization of industry and Government administration in countries of advanced development (and I fear that many economists are in this position, in the United States as in Europe) the idea of a compulsorily enforced Minimum Wage may seem impracticable. Of course, there will still be people up and down the country who will go on saying that it is "impossible"—while it is in actual operation, not only in Australia and New Zealand and the United Kingdom, but under their own eyes! As a matter of fact, the authoritative settlement of a minimum wage is already undertaken daily. Every municipal authority throughout the country has to decide, under the criticism of public opinion, what wage it will pay to its lowest grade of laborers. It can hire them at any price, even at twenty-five cents a day; but it must be rare that any such genuinely "competitive" wage is paid. What happens in practice is that the officer in charge fixes such a wage as he believes he can permanently get good enough work for. In the same way, the National Government of the United Kingdom, which is by far the largest employer of labor in the country, does not take the cheapest laborers it can get, at the lowest price at which they will offer themselves, but deliberately settles its own minimum wage for each department. During the last few years this systematic determination of the rate

to be paid for Government labor, which must have existed from the days of Pepys, has been more and more consciously based upon what we have called the doctrine of a living wage. Thus, the Admiralty is now constantly taking evidence, either through the Labor Department or through its own officials, as to the cost of living in different localities, so as to adjust its laborers' wages to the expense of their subsistence. The General Post-Office has just been doing the same thing on a very elaborate scale. And in our English local governing bodies, which employ, in the aggregate, more operatives than almost any single industry, we see the committees, under the pressure of public opinion, every day substituting a deliberately settled minimum for the haphazard decisions of the officials of the several departments. What is not so generally recognized is that exactly the same change is taking place in private enterprise. The great captains of industry, interested in the permanent efficiency of their establishments, have long adopted the practice of deliberately fixing the minimum wage to be paid to the lowest class of unskilled laborers, according to their own view of what the laborers can live on, instead of letting out their work to subcontractors, whose only object is to exact the utmost exertion for the lowest price. A railroad never dreams of putting its situations up to tender, and engaging the man who offers to come at the lowest wage; what happens is that the rate of pay of trainmen and roadmen is deliberately fixed in advance. And, so far as the United Kingdom is concerned, it is a marked feature of the last ten years that the settlement of this minimum has been, in some of the greatest industries, taken out of the hands of the individual employer, and arrived at by a Joint Board, or even by an arbitrator. The assumption that the wages of the lowest grade of labor must, at any rate, be enough to maintain the laborer in industrial efficiency is, in fact, accepted by all parties, so that the task of the arbitrator in such a case is comparatively easy. Lord James of Hereford, for instance, a few years ago, fixed, with universal acceptance, a minimum wage for all the lowlier grades of labor employed by the North Eastern Railway Company. Indeed, the fixing of a minimum wage on physiological grounds is a less complicated matter, and one demanding less technological knowledge, than the fixing of a minimum of sanitation, which is done in every Factory Law; and it

interferes far less with the day-by-day management of industry or its productivity, than any fixing of the maximum hours of labor, whether of men or women, to which, wherever excessive hours prevail, the European economist is now converted. To put it concretely, if the president of any great textile corporation could for a moment rid himself of a sort of metaphysical horror of any legal regulation of wages, he would admit that the elaborate Factory Law requirements in the way of sanitation and safety, and any limitation in the hours of labor, constituted a far greater impediment to the management of "his own business," in the way he thinks best, than would any Legal Minimum of Wages for the lowest grades of labor. As a matter of fact, what would happen would be the adoption, as the Legal Minimum, of the wage actually paid by the better establishments, who would be affected only to the extent of finding their competitors put on the same level as themselves.

On all counts, therefore, the modern economist must conclude that the enforcement, throughout each particular trade, of a Legal Minimum of Wages would, like the analogous enforcement of Common Rules as to hours and sanitation by the Factory Law, be calculated to have good, and not bad, economic results on the community as a whole.

The urgently needed step to which the recent developments in the industrial world point, is, to my mind, a wise and prudent use of Legal Regulation of the Conditions of Employment. To the public (and for the moment perhaps also to the employer) this is summed up in the Legal Minimum Wage; and great are still the apprehensions aroused thereby. Yet all that Factory Legislation prescribes, and all that a Minimum Wage Law enacts, is that, while employers and workmen are left quite free to work or not, as they choose, and quite free to bargain for what terms they will, the law prescribes that there shall be a minimum, to be fixed, under public control, by representative bodies for the several trades, below which, so long as he is employed at all and properly diligent in his work, the workman's subsistence shall not descend. This is, after all, only one additional example of the century-old Factory Legislation. We have, in fact, for a whole century been prescribing by law the Minimum Conditions of the Wage-Contract, with regard to one item after another; and thus regulating, in the public inter-



est, by a hundred successive statutes, the conditions under which industry shall be carried on. And everybody admits this legislation to have been eminently successful in its results. Not even the most reactionary member of any Legislature throughout the civilized world ever offers a Bill for its repeal. And the scope of the legislation has steadily broadened. For a long time Factory Laws confined themselves in the main to the enactment of a Legal Minimum of Sanitation and Safety in the workshop and the mine; insisting, for instance, that, whether or not profits were being realized, employers should provide healthful workplaces, properly warmed and ventilated, free from noxious effluvia, sufficiently protected against accidents, and adequately equipped with sanitary conveniences. From that, the code of every civilized nation has gone on to prescribe for all boys and girls a Legal Minimum of Education, requiring parents and employers to forego the help in industry of children below a certain age, insisting that such children should be in attendance at school, and gradually enlarging the sphere of the education authority so as to ensure that no child remains below the prescribed National Minimum of Nurture in any respect whatever. Meanwhile this Labor Code has been laying down also a Legal Minimum of Leisure and Rest, by prescribing a maximum working day; insisting on proper intervals for meal-times and holidays, limiting overtime, etc. All these successive interferences with the employer's "right" to "manage his business in his own way" were resisted in one country after another, by economists as well as by "business men," on the ground that they involved additional expense, and thereby increased the cost of production, just as much as if the rate of wages had been arbitrarily raised; and that they thus in turn made it impossible for the most hardly pressed businesses to be carried on. That they amounted virtually to a confiscation of property was repeatedly asserted. It was, as an eminent Conservative Minister declared in the British House of Commons, "Jack Cade Legislation," which robbed the capitalist of some of his income for the assumed benefit of his workpeople. It was according nothing more in the way of Jack Cade Legislation than that to which the world had long grown accustomed, when the Legislature of Victoria, in 1896, added to the various minima already required by its Factory Code, a Legal Minimum Wage.

This was adopted for the United Kingdom, so far as regards four selected trades, in the Trade Boards Act of 1909; and it is significant that the Legal Minimum Wage was then carried, both in the House of Commons and in the House of Lords, with scarcely a dissentient voice. Three years afterward the same thing was done for the coal trade, though by a law so incompetently or so disingenuously drafted as to be far inferior to the Trade Boards Act. It is true that, for a long time, each successive Factory Act and Mines Regulation Act was looked upon as an exceptional outcome of our special pity for the sufferings of some particularly weak and ill-treated class of wage earners—at first the parish apprentices; then the children and young persons deprived of their playtime; then the women bound all day to the steam-driven loom, amid the noise and heat and dust of the mill; then the poor miners imprisoned in the bowels of the earth; then the down-trodden shop assistant, and so on. But though the sentimental public and the merely empirical legislator still takes this view, every economist, and indeed every educated statesman, knows that we have long since passed beyond that point. It is now seen that, in carrying his successive Factory Acts, for one class after another, laying down a Legal Minimum for one condition after another of the wage-contract, Lord Shaftesbury, like the Trade Unionists whom he feared, was “building better than he knew.” What was at first empirical has become scientific. “And so the Factory Acts,” to use the words of the late Duke of Argyll, uttered as long ago as 1867, “instead of being excused as exceptional, and pleaded for as justified only under extraordinary conditions, ought to be recognized as in truth the first legislative recognition of a great Natural Law . . . destined to claim for itself wider and wider application.”

What the Duke of Argyll predicted nearly half a century ago can now be seen to be imminent. We may expect to find all the conditions of employment—wages not excluded—one by one authoritatively upheld by definite Legal Minima, not in this or that trade only, but in every industry; not in this or that country alone, but gradually throughout the civilized world.

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