

POLITICAL ECONOMY CLASSES.



THOMAS F. BINNIE.

ONE OF THE LECTURES DELIVERED BY MR. BINNIE
TO HIS EDINBURGH POLITICAL ECONOMY CLASS.

ON WAGES.

To-night our theme is the question of wages, but before going further it is necessary to be perfectly clear as to what wages really are. I must ask to be excused if, to-night, I quote considerably from the two authorities whose writings I base my arguments chiefly upon, viz., Adam Smith and Henry George.

Adam Smith says:—"The produce of labour constitutes the natural recompense, or wages of labour. In that original state of things, which proceeds both the appropriation of land and the accumulation of stock, the whole produce of labour belongs to the labourer. He has neither landlord nor master to share with him. Had this state continued, the wages of labour would have augmented with all those improvements in its productive powers to which the division of labour gives occasion. All things would have become cheaper. They would have been produced by a smaller quantity of labour and as the commodities produced by equal quantities of labour would naturally, in this state of things, be exchanged for one another, they would have been purchased likewise with the produce of a smaller quantity."

Henry George expresses great admiration for this lucid opening of Adam Smith's Chapter on Labour. Unfortunately, Adam Smith's continued reasoning as to wages departs from his opening statement and he stumbles. He falls into the error of most of the economists, who try to establish a mysterious fund, in reserve, from which wages are paid.

Acquiescence in the appropriation of land—the source of all wealth and all wages—inevitably causes this fall into error. Adam Smith evidently saw that the freedom of access to land on equal terms was the means by which an ideal condition of Society could be attained. If he had stuck to the ideas expressed in his opening paragraph his further reasoning on wages would have been simpler. Acquiescing as he did in the appropriation, or private property in land, he had to find a theory of wages. After saying truly that "The produce of labour constitutes the natural recompense or wages of labour," he goes on later to say: "The demand for those who live by wages, it is

evident, cannot increase but in proportion to the increase of the funds which are destined for the payment of wages. These funds are of two kinds: (1) The revenue which is over and above what is necessary for the maintenance; (2) The Stock which is over and above what is necessary for the employment of their masters.

"The demand for those who live by wages, therefore, naturally increases with the increase of national wealth, and cannot possibly increase without it," but he rather stultifies himself in the very next sentence which is as follows: "It is not the actual greatness of National Wealth, but its continual increase, which occasions a rise in the wages of labour." He then very fairly pointed out that while Great Britain was, when he wrote, immensely more wealthy than America, the wages of labour were higher and the cost of living lower than in the wealthier country. He pointed out reasons which to him seemed to explain this phenomenon, but his reasoning falls short. He does not clearly state the truth that the cause for the difference in wages in the two countries arose from the large unappropriated body of land in America, and the almost total appropriation of land, in private hands, in Great Britain. In America, in his day, the natural recompense, or wages of labour, being the produce of labour, could more nearly be attained than in Great Britain, because if the labourer had been paid unfairly less than the value of the product of his labour, he would have left it and obtained nearly the whole by working for himself on the land to be had practically for the taking.

To-day, in America, where settlement is close, and the industrial factory system is in full swing, the appropriation of the land in private hands has brought about even greater hardship than we have in Great Britain.

Emphatically I say, wages are not paid out of a capital fund. They are paid out of the immediate product of labour itself. The man who goes to work on Monday morning produces new wealth, or wages, much greater than he receives on Saturday, and the more land is monopolised in private hands it naturally follows that the greater will be the disparity between the wealth he produces and the wage which he receives.

Denial of access to the land, on equal terms to all, is a denial to labour of the full fruits of its industry.

Henry George found this true theory of wages when he was in California. Under the old Spanish law which ruled there when gold was first discovered a gold mine could not be privately appropriated. Anyone could go prospecting. When he found a digging he was free to work it and was secured in working possession. If he ceased to work it the next man who came along could go to work upon it and hold it, only so long as he used it. One day, Henry George asked a digger how he was getting along, and the answer was: "I am making very good wages." That answer was correct and Henry George's eyes were opened to the truth that "the produce of labour constitutes the natural recompense or wages of labour."

In talking to a farmer in Texas one day I had exactly the same truth told me. The farmer said he was making "good wages."

The idea we generally have that wages are regulated by purely competitive forces, the law of supply and demand, is not the whole truth. When land is appropriated in private hands real wages are banished and the return for labour is not on any fixed principle. Labour can then be exploited and has no refuge. It does not get its fair share. Occasionally in boom times a few trades are in such a condition of activity that labour obtains, for a short time, a tolerably fair share, but this does not change the general condition.

The methods of paying wages by time, piece, or share, do not change the general condition, because the pressure for a living and the denial of access to the source of wealth cause men to compete for work so keenly as to fix the time wage too low, the payment by piece too greatly below the value of the piece produced, and the share too small.

What, then, tends to cause high wages, thus bringing about a fairly equitable distribution of wealth? Stated negatively a Government cannot raise wages by Statute. If it tries to do so it will certainly cause a dislocation somewhere else, although possibly the dislocation elsewhere may be useful. An attempt to raise wages by Statute is an unnatural course, and, to support itself in such a course, the Government would require to be tyrannical and oppressive.

Wages cannot be equitably fixed by action of Trades Unions alone. Trades Unions are useful and have done great good, chiefly in their benefit branch of action, and also in drawing attention to oppression and grossly unfair conditions. Their experience and their action have drawn attention to many and great evils, among others, the insufficiency of wages. They have by their action sometimes been influential in obtaining a less unfair adjustment of wages than had formerly been the rule. They have been highly beneficial in bringing about collective action by their members and a feeling of solidarity in labour that is highly gratifying and beneficial. They have laid the foundations for a solid and united demand for better conditions and they have brought to the front in their ranks men who have the character and qualifications of the statesman, but they have failed to influence the distribution of wealth to any marked degree. This, I think, arises from their failure to brush aside the superficial and to seek the fundamental.

Where land is monopolised in private hands wages tends to the point where they only support a bare subsistence, or sufficient to keep the labourer fit to carry on his industry.

As Henry George puts it in *THE CONDITION OF LABOUR*, "The general rate of wages is fixed by the ease or difficulty with which labour can obtain access to land, ranging from the full earnings of labour, where land is free, to the least on which labourers can live and reproduce where land is fully monopolised."

"Thus, under the partial yet substantial recognition of common rights to land, the many attempts of the British Parliaments to reduce wages by regulation failed utterly. And so when the institution of private property in land had done its work in England, all attempts of Parliament to raise wages proved unavailing. In the beginning of the (19th) century it was even attempted to increase the earnings of labourers by grants in aid of wages, but the only result was to lower commensurately what wages employers paid."

The remedy for low wages and consequent social distress is to be found exactly where, to-day, the social and economic inequalities and evils arise, viz., at the source of all wealth—the land. Let the nation resume its natural and inherent right to the vast value its labour, energy, and genius, together with its growth in population have created in the value of access to the source of all wealth—the land.

The departure from this natural course has had to be enforced by tyranny and oppression and the fruit has been poverty and distress among the many on one side, with superabundant wealth and idleness of a few on the other side.

Return to the natural course of access to the land on equal terms to all, whereby, through the public services, all can reap the reward of their labours and a reign of righteousness will be established under which poverty and degradation will be the sign only of wickedness, and when comfort, self-respect, and true brotherhood will be the normal and happy condition of the nations.

CORRESPONDENCE.

THE RATING OF VACANT HOUSES.

(To the Editor of LAND VALUES.)

SIR,—Kindly answer the following question through the next issue of LAND VALUES. Is the policy of rating empty property consistent with the principle of taxing land values, and if not, why not? Thanking you in anticipation.

Yours, &c.

JOHN BELLAMY.

24, Shap Street, Kingsland, N.E.
3rd May, 1912.

[The policy of rating land values is to rate all land on its value irrespective of the use to which the land is being put, and no account would be taken of the nature or the value of the building or improvement upon the land. In the case of empty property, therefore, it would not be the property which would be rated, but the land upon which the property stands. In this respect it would be on an equal footing with all land whether vacant, or partly developed or full developed.—EDITOR, LAND VALUES.]

MUNICIPAL TRADING IN BIRMINGHAM.

£145,000 IN RELIEF OF RATES.

(To the Editor of LAND VALUES.)

SIR,—The GLASGOW HERALD of 15th May contains the following report:—

The Birmingham Electric Supply Committee yesterday reported that the extra expenditure on coal as the result of the strike was £12,000. It is expected that notwithstanding this the committee will be able to hand over £20,000 in relief of rates. The profit from the Gas Department to go to the relief of rates will be £80,000, and from the Corporation Tramways Committee £45,000, making a total of £145,000 from the three municipal trading departments, or about £13,000 more than last year.

The landlords of Birmingham and all other large towns are fully alive to the fact that all expenditure, national or local, if it be wise, contributes to the steady increase of land value. Yet this model corporation not only allows these monopolists to take the value which arises through their municipal expenditure and activity, but indirectly hands them the surplus derived from municipal works. The landowners of Birmingham must be very thankful to the Corporation for this handsome donation of £145,000, which is an increase of £13,000 on last year's gift.

The economic theory, which both experience and practice confirms, that every rate levied, under existing conditions, upon an occupier, forms a deduction from the rent which the ground landlord, the leaseholder, or fear could and would obtain, were there no rates. It follows, therefore, that any subvention of rates such as the Birmingham Corporation make to landowners through occupiers will raise the level of rent by the amount of the subsidy.

This practice of handing over surpluses in relief of rates prevails all over England without any public protest. In Scotland, where opinion is riper for the rating of land values and where the effect of these doles is better appreciated, this policy is no longer possible.

J. B.

Glasgow, 21st May, 1912.

THE MINIMUM WAGE—IN A NUTSHELL.

The following note on the Minimum Wage, by William Marion Reedy, which appeared in the *ST. LOUIS (U.S.A.) MIRROR*, of 21st March, states the case in a nutshell:—

Strike and strike and yet again strike is in the news. Everywhere the workers complain of the high cost of living with which wage increase does not keep pace at all. The strikes in progress or threatened are of such proportions that only national governments can deal with them. They can't deal with them solely by repression. Government must try something else, first. There is but one thing to try—first. That is the establishment of a minimum wage. It will have to be tried, since so many people cannot think any further than that device; but the minimum wage will fail. . . . The minimum wage is only a temporary stop-gap, which will temporarily relieve conditions only to make them worse eventually. There cannot be successful wage-regulation by law, while conditions which the law cannot touch operate irresistibly to lower wages. The best thing government can do is to make opportunity for work for every man. It can do this only by unlocking the land for the use of the people without their paying tribute to owners. That once done, the government can do nothing better than let wages alone. With a job open to everybody, wages will go up everywhere. It will go up because labour will be in demand, and it will not go up at the expense of capital, for with plenty of free labour at work it does nothing but create capital. The minimum wage theory will not work in a world where there is no minimization of monopoly of the only thing upon which labour can be exercised directly or indirectly—the land.