

CHAPTER XXIV

THE PROBLEM OF COMPLETE WAGE JUSTICE

A LIVING wage for all workers is merely the *minimum* measure of just remuneration. It is not in every case complete justice. Possibly it is not the full measure of justice in any case. How much more than a living wage is due to any or all of the various classes of laborers? How much more may any group of workers demand without exposing itself to the sin of extortion? By what principles shall these questions be answered?

The problem of complete wage justice can be conveniently and logically considered in four distinct relations, as regards: the respective claims of the different classes of laborers to a given amount of money available for wage payments; the claims of the whole body of laborers, or any group thereof, to higher wages at the expense of profits; at the expense of interest; and at the expense of the consumer.

Comparative Claims of Different Labor Groups

In the division of a common wage fund, no section of the workers is entitled to anything in excess of living wages until all the other sections have received that amount of remuneration. The need of a decent livelihood constitutes a more urgent claim than any other that can be brought forward. Neither efforts, nor sacrifices, nor productivity, nor scarcity can justify the payment of more than living wages to any group, so long as any other group in the industry remains below that level; for the extra compensation will supply the non-essential needs of the former by

denying the essential needs of the latter. The two groups of men will be treated unequally in respect of those qualities in which they are equal; namely, their personal dignity and their claims to the minimum requisites of reasonable life and self-development. This is a violation of justice.

Let us suppose that all the workers among whom a given amount of compensation is to be distributed, have already received living wages, and that there remains a considerable surplus. On what principles should the surplus be apportioned? For answer we turn to the canons of distribution, as explained in chapter xvi. When the elementary needs of life and development have been supplied, the next consideration might seem to be the higher or non-essential needs and capacities. Proportional justice would seem to suggest that the surplus ought to be distributed in accordance with the varying needs and capacities of men to develop their faculties beyond the minimum reasonable degree. As we have already pointed out, this would undoubtedly be the proper rule if it were susceptible of anything like accurate application, and if the sum to be distributed were not produced by and dependent upon those who were to participate in the distribution. However, we know that the first condition is impracticable, while the second is nonexistent. Inasmuch as the sharers in the distribution have produced and constantly determine the amount to be apportioned, the distributive process must disregard nonessential needs, and govern itself by other canons of justice.

The most urgent of these is the canon of efforts and sacrifices. Superior effort, as measured by unusual will-exertion, is a fundamental rule of justice, and a valid title to exceptional reward. Men who strive harder than the majority of their fellows are ethically deserving of extra compensation. At least, this is the pure theory of the matter. In practice, the situation is complicated by the fact that unusual effort cannot always be distinguished, and by the further fact that some exceptional efforts do

not fructify in correspondingly useful results. Among men engaged at the same kind of work, superior effort is to a great extent discernible in the unusually large product. As such it actually receives an extra reward in accordance with the canon of productivity. When men are employed at different tasks, unusual efforts cannot generally be distinguished and compensated. Hence the general principle is that superior efforts put forth in the production of utilities, entitle men to something more than living wages, but that the enforcement of this principle is considerably hindered by the difficulty of discerning such efforts.

The unusual sacrifices that deserve extra compensation are connected with the costs of industrial functions and the disagreeable character of occupations. Under the first head are included the expense of industrial training and the debilitating effects of the work. Not only justice to the worker but a farsighted view of social welfare dictate that all unusual costs of preparation for an industrial craft or profession should be repaid in the form of unusual compensation. This means something more than a living wage. For the same reasons the unusual hazards and disability resulting from industrial accidents and diseases should be provided for by higher remuneration. In the absence of such provision, these costs will have to be borne by parents, by society in the form of charitable relief, or by the worker himself through unnecessary suffering and incapacity. The industry that does not provide for all these costs is a social parasite, the workers in it are deprived of just compensation for their unusual sacrifices, and society suffers a considerable loss through industrial friction and diminished productive efficiency. In so far, however, as any of the foregoing costs are borne by society, as in the matter of industrial education, or by the employer, as by accident compensation or sickness insurance, they do not demand provision in the form of extra wages.

Other unusual sacrifices that entitle the worker to more than living wages, are inherent in disagreeable or despised

occupations. The scavenger and the bootblack ought to get more than the performers of most other unskilled tasks. On the principles of comparative individual desert, they should receive larger remuneration than many persons who are engaged upon skilled but relatively pleasant kinds of work. For if they were given the choice of expending the time and money required to fit them for the latter tasks, or of taking up immediately their present disagreeable labor, they would select the more pleasant occupations, for the same or even a smaller remuneration. And the majority of those who are now in the more skilled occupations would make the same choice. Hence the sacrifices inherent in disagreeable kinds of work are in many cases as great as or greater than the sacrifices of preparation for the more pleasant tasks; consequently the doers of the former are relatively underpaid. If all wages were regulated by some supreme authority according to the principles of complete justice, the workers in disagreeable occupations would receive something more than living wages. Nor would this determination of rewards be in any way contrary to social welfare or the principle of maximum net results; for the superior attractiveness of the other kinds of work would draw a sufficient supply of labor to offset the advantage conferred by higher wages upon the disagreeable occupations. The main reason why the latter kind of labor is so poorly paid now is the fact that it is very plentiful, a condition which is in turn due to the unequal division of industrial opportunity. Were the opportunities of technical education and of entrance to the higher crafts and professions more widely diffused, the laborers offering themselves for the disagreeable tasks would be scarcer and their remuneration correspondingly larger. This would be not only more conformable to the abstract principles of justice, but more conducive to social efficiency.

To sum up the discussion concerning the canon of efforts and sacrifices: Laborers have a just claim to more than living wages whenever they put forth unusual efforts, and

whenever their occupations involve unusual sacrifices, either through costs of preparation, exceptional hazards, or inherent disagreeableness. The precise amount of extra compensation due under any of these heads can be determined, as a rule, only approximately.

The next canon to be considered as a reason for more than living wages is that of productivity. This offers little difficulty; for the unusual product is always visible among men who are performing the same kind of work, and the employer is always willing to give the producer of it extra compensation. While superior productive power which is based solely upon superior native ability has only presumptive validity as a canon of justice, that is ethically sufficient in our workaday world. Moreover, the canon of human welfare demands that superior productivity receive superior rewards, so long as these are necessary to evoke the maximum net product.

The canon of scarcity has exactly the same value as that of productivity. Society and the employer are well advised and are justified in giving extra compensation to scarce forms of labor when the product is regarded as worth the corresponding price. This remains true even when the scarcity is due to restricted opportunity of preparation, rather than to sacrifices of any sort. In that case the higher rewards are as fully justified as the superior remuneration of that superior productivity which is based upon exceptional native endowments. The amount of extra compensation which may properly be given on account of scarcity is determined either by the degree of sacrifice involved or by the ordinary operation of competition. When men are scarce because they have made exceptional sacrifices of preparation, they ought to be rewarded in full proportion to these sacrifices. When they are scarce merely because of exceptional opportunities, their extra compensation should not exceed the amount that comes to them through the interplay of supply and demand.

The canon of human welfare has already received implicit

application. When due regard is given to efforts, sacrifices, productivity and scarcity, the demands of human welfare, both in its individual and its social aspects, are sufficiently safeguarded.

In the foregoing pages the attempt has been made to describe the proportions in which a given wage fund ought to be distributed among the various classes of laborers who have claims upon the fund. The first requisite of justice is that all should receive living wages. It applies to all workers of average ability, even to those who have no special qualifications of any sort. When this general claim has been universally satisfied, those groups of workers who are in any wise special, whose qualifications for any reason differentiate them from and place them above the average, will have a right to something more than living wages. They will have the first claim upon the surplus that remains in the wage fund. Their claims will be based upon the various canons of distribution explained in detail above; and the proper amounts of extra remuneration will be determined by the extent to which their special qualifications differentiate them from the average and unspecialized workers. If the total available wage fund is merely sufficient to provide universal living wages and the extra compensation due to the specialized groups, no section of the labor force will be justified in exacting a larger share. Even though the employer should withhold a part of the amount due to some weaker group, a stronger group that is already getting its proper proportion would have no right to demand the unjustly withheld portion. For this belongs neither to the employer nor to the powerful labor group, but to the weaker laborers.

This does not mean that a powerful body of workers who are already receiving their due proportion as compared with other labor groups would not be justified in seeking any increase in remuneration whatever. The increase might come out of profits, or interest, or the consumer, and thus be in no sense detrimental to the rights of the other sections

of laborers. This problem will be considered a little later. At present we confine our attention to the relative claims of different labor groups to a definite wage fund.

Suppose, however, that after all workers have received living wages, and all the exceptional groups have obtained those extra amounts which are due them on account of efforts, sacrifices, productivity and scarcity, there remains a further surplus in the wage fund. In what proportions should it be distributed? It should be equally divided among all the laborers. The proportional justice which has been already established can be maintained only by raising the present rates of payment equally in all cases. All the average or unspecialized groups would get something more than living wages, and all the other groups would have their extra compensation augmented by the same amount.

Of course, the wage-fund hypothesis which underlies the foregoing discussion is not realized in actual life, any more than was the "wage fund" of the classical economists. Better than any other device, however, it enables us to describe and visualize the comparative claims of different groups of laborers who have a right to unequal amounts in excess of living wages.

Wages Versus Profits

Let us suppose that the wage fund is properly apportioned among the different classes of laborers, according to the specified canons of distribution. May not one or all of the labor groups demand an increase in wages on the ground that the employer is retaining for himself an undue share of the product?

As we have seen in the last chapter, the right of the laborers to living wages is superior to the right of the employer or business man to anything in excess of that amount of profits which will insure him against risks, and afford him a decent livelihood in reasonable conformity with his accustomed plane of expenditure. It is also evi-

dent that those laborers who undergo more than average sacrifices have a claim to extra compensation which is quite as valid as the similarly based claim of the employer to more than living profits. In case the business does not provide a sufficient amount to remunerate both classes of sacrifices, the employer may prefer his own to those of his employees, on the same principle that he may prefer his own claim to a decent livelihood. The law of charity permits a man to satisfy himself rather than his neighbor, when the needs in question are of the same degree of urgency or importance. As to those laborers who turn out larger products than the average, or whose ability is unusually scarce, there is no practical difficulty; for the employer will find it profitable to give them the corresponding extra compensation. The precise question before us, then, is the claims of the laborers upon profits for remuneration above universal living wages and above the extra compensation due on account of unusual efforts, sacrifices, productivity and scarcity. Let us call the wage that merely includes all these factors "the equitable minimum."

In competitive conditions this question becomes practical only with reference to the exceptionally efficient and productive business men. The great majority have no surplus available for wage payments in excess of the "equitable minimum." Indeed, the majority do not now pay the full "equitable minimum"; yet their profits do not provide them more than a decent livelihood. The relatively small number of establishments that show such a surplus as we are considering have been brought to that condition of prosperity by the exceptional ability of their directors, rather than by the unusual productivity of their employees. In so far as this exceptional directive ability is due to unusual efforts and sacrifices, the surplus returns which it produces may be claimed with justice by the employer. In so far as the surplus is the outcome of exceptional native endowments, it may still be justly retained by him in accordance with the canon of productivity. In other words, when

the various groups of workers are already receiving the "equitable minimum," they have no strict right to any additional compensation out of those rare surplus profits which come into existence in conditions of competition.

This conclusion is confirmed by reference to the canon of human welfare. If exceptionally able business men were not permitted to retain the surplus in question they would not exert themselves sufficiently to produce it; labor would gain nothing; and the community would be deprived of the larger product.

Wages Versus Interest

Turning now to the claims of the laborers as against the capitalists, or interest receivers, we perceive that the right to any interest at all is morally inferior to the right of all the workers to the "equitable minimum." As heretofore pointed out more than once, the former right is only presumptive and hypothetical, and interest is ordinarily utilized to meet less important needs than those supplied by wages. Through his labor power the interest receiver can supply all those fundamental needs which are satisfied by wages in the case of the laborer. Therefore, it seems clear that the capitalist has no right to interest until all laborers have received the "equitable minimum." It must be borne in mind, however, that any claim of the laborer against interest falls upon the owners of the productive capital in a business, upon the undertaker-capitalist, not upon the loan-capitalist.

When all the laborers in an industry are receiving the "equitable minimum," have they a right to exact anything more at the expense of interest? By interest we mean, of course, the prevailing or competitive rate that is received on productive capital—six or seven per cent. Any return to the owners of capital in excess of this rate is properly called profits rather than interest, and its relation to the claims of the laborers has received consideration in the immediately preceding section of this chapter. The ques-

tion, then, is whether the laborers who are already getting the "equitable minimum" would act justly in demanding and using their economic power to obtain a part or all of the pure interest. No conclusive reason is available to justify a negative answer. The title of the capitalist is only presumptive and hypothetical, not certain and unconditional. It is, indeed, sufficient to justify him in retaining interest that comes to him through the ordinary processes of competition and bargaining; but it is not of such definite and compelling moral efficacy as to render the laborers guilty of injustice when they employ their economic power to divert further interest from the coffers of the capitalist to their own pockets. The interest-share of the product is morally debatable as to its ownership. It is a sort of no-man's property (like the rent of land antecedently to its legal assignment through the institution of private land-ownership) which properly goes to the first occupant as determined by the processes of bargaining between employers and employees. If the capitalists get the interest-share through these processes it rightfully belongs to them; if the laborers who are already in possession of the "equitable minimum" develop sufficient economic strength to get this debatable share they may justly retain it as their own.

The foregoing conclusion may seem to be a very unsatisfactory solution of a problem of justice. However, it is the only one that is practically defensible. If the capitalist's claim to interest were as definite and certain as the laborer's right to a living wage, or as the creditor's right to the money that he has loaned, the solution would be very simple: the laborers that we are discussing would have no right to strive for any of the interest. But the claim of the capitalists is not of this clear and conclusive nature. It is sufficient when combined with actual possession; it is not sufficient when the question is of future possession. The title of first occupancy as regards land is not valid until the land has been actually occupied; and similarly the claim of the capitalist to interest is not valid until the interest

has been received. If the economic forces which determine actual possession operate in such a way as to divert the interest-share to the laborers, they, not the capitalists, will have the valid moral title, just as Brown with his automobile rather than Jones with his spavined nag will enjoy the valid title of first occupancy to a piece of ownerless land which both have coveted.

This conclusion is confirmed by reference to the rationally and morally impossible situation that would follow from its rejection. If we deny to the laborers the moral freedom to strive for higher wages at the expense of the capitalist, we must also forbid them to follow this course at the expense of the consumer. For the great majority of consumers would stand to lose advantages to which they have as good a moral claim as the capitalists have to interest. Practically this would mean that the laborers have no right to seek remuneration in excess of the "equitable minimum"; for such excess must in substantially all cases come from either the consumer or the capitalist. On what principle can we defend the proposition that the great majority of laborers are forever restrained by the moral law from seeking more than bare living wages, and the specialized minority from demanding more than that extra compensation which corresponds to unusual efforts, sacrifices, productivity, and scarcity? Who has authorized us to shut against these classes the doors of a more liberal standard of living, and a more ample measure of self-development?

Wages Versus Prices

The right of the laborers to the "equitable minimum" implies obviously the right to impose adequate prices upon the consumers of the laborer's products. This is the ultimate source of the rewards of all the agents of production. Suppose that the laborers are already receiving the "equitable minimum." Are they justified in seeking any more at the cost of the consumer? If all the con-

sumers were also laborers the answer would be simple, at least in principle: rises in wages and prices ought to be so adjusted as to bring equal gains to all individuals. The "equitable minimum" is adjusted to the varying moral claims of the different classes of laborers; therefore, any rise in remuneration must be equally distributed in order to leave this adjustment undisturbed. It is a fact, however, that a large part of the consumers are not laborers; consequently they cannot look to rises in wages as an offset to their losses through rises in prices. Can they be justly required to undergo this inconvenience for laborers who are already getting the "equitable minimum"?

Let us consider first the case of higher wages versus lower prices. A few progressive and efficient manufacturers of shoes find themselves receiving large surplus profits which are likely to continue. So far as the presumptions of strict justice are concerned, they may, owing to their superior productivity, retain these profits for themselves. Seized, however, with a feeling of benevolence, or a scruple of conscience, they determine to divide future profits of this class among either the laborers or the consumers. If they reduce prices the laborers will gain something as users of shoes, but the other wearers of shoes will also be beneficiaries. If the surplus profits are all diverted to the laborers in the form of higher wages the other consumers of shoes will gain nothing. Now there does not seem to be any compelling reason, any certain moral basis, for requiring the shoe manufacturers to take one course rather than the other. Either will be correct morally. Possibly the most perfect plan would be to effect a compromise by lowering prices somewhat and giving some rise in wages; but there is no strict obligation to follow this course. To be sure, since the manufacturers have a right to retain the surplus profits, they have also a right to distribute them as they prefer. Let us get rid of this complication by assuming that the manufacturers are indifferent concerning the disposition of the surplus, leaving

the matter to be determined by the comparative economic strength of laborers and consumers. In such a situation it is still clear that either of the two classes would be justified in striving to secure any or all of the surplus. No definite moral principle can be adduced to the contrary. To put the case in more general terms: there exists no sufficient reason for maintaining that the gains of cheaper production should go to the consumer rather than to the laborer, or to the laborer rather than to the consumer, if the laborer is already receiving the "equitable minimum."

Turning now to the question of higher wages at the cost of higher prices, we note that this would result in at least temporary hardship to four classes of persons: the weaker groups of wage earners; all self-employing persons, such as farmers, merchants, and manufacturers; the professional classes; and persons whose principal income was derived from rent or interest. All these groups would have to pay more for the necessities, comforts and luxuries of living, without being immediately able to raise their own incomes correspondingly.

Nevertheless, the first three classes could in the course of time force an increase in their revenues sufficient to offset at least the more serious inconveniences of the increase in prices. So far as the wage earners are concerned, it is understood that all these would have a right to whatever advance in the money measure of the "equitable minimum" was necessary to neutralize the higher cost of living resulting from the success of the more powerful groups in obtaining higher wages. The right of a group to the "equitable minimum" of remuneration is obviously superior to the right of another group to more than that amount. And a supreme wage-determining authority would act on this principle. It cannot be shown, however, that in the absence of any such authority empowered to protect the "equitable minimum" of the weaker laborers, the more powerful groups are obliged to refrain from demanding extra remuneration. The reason of this we

shall see presently. In the meantime we call attention to the fact that, owing to the greater economic opportunity resulting from the universal prevalence of the "equitable minimum" and of industrial education, even the weaker groups of wage earners would be able to obtain some increases in wages. In the long run the more powerful groups would enjoy only those advantages which arise out of superior productivity and exceptional scarcity. These two factors could not in any system of industry be prevented from conferring advantages upon their possessors.

As regards the self-employed classes, the remedy for any undue hardship suffered through the higher prices of commodities would be found in a discontinuance of their present functions until a corresponding rise had occurred in the prices of their own products. They could do this partly by organization, and partly by entering into competition with the wage earners. Substantially the same recourse would be open to the professional classes. In due course of time, therefore, the remuneration of all workers, whether employees or self-employed or professional, would tend to be in harmony with the canons of efforts, sacrifices, productivity, scarcity, and human welfare.

Since the level of rent is fixed by forces outside the control of laborers, employers, or landowners, the receivers thereof would be unable to offset its decreased purchasing power by increasing its amount. However, this situation would not be inherently unjust, nor even inequitable. Like interest, rent is a "workless" income, and has only a presumptive and hypothetical justification. Therefore, the moral claim of the rent receiver to be protected against a decrease in the purchasing power of his income is inferior to the moral claim of the laborer to use his economic power for the purpose of improving his condition beyond the limits of welfare fixed by the "equitable minimum." What is true of the rent receiver in this respect applies likewise to the case of the capitalist. As we saw a few pages back, the wage earners are morally free to take this

course at the expense of interest. Evidently they may do the same thing when the consequence is merely a diminution in its purchasing power. To be sure, if capital owners should regard their sacrifices in saving as not sufficiently rewarded, owing either to the low rate or the low purchasing power of interest, they would be free to diminish or discontinue saving until the reduced supply of capital had brought about a rise in the rate of interest. Should they refrain from this course they would show that they were satisfied with the existing situation. Hence they would suffer no wrong at the hands of the laborers who forced up wages at the expense of prices.

Two objections come readily to mind against the foregoing paragraphs. The more skilled labor groups might organize themselves into a monopoly and raise their wages so high as to inflict the same degree of extortion upon consumers as that accomplished by a monopoly of capitalists. This is, indeed, possible. The remedy would be intervention by the State to fix maximum wages. Just where the maximum limit ought to be placed is a problem that could be solved only through study of the circumstances of the case, on the basis of the canons of efforts, sacrifices, productivity, scarcity, and human welfare. The second objection calls attention to the fact that we have already declared that the more powerful labor groups would not be justified in exacting more than the "equitable minimum" out of a common wage fund, so long as any weaker group was below that level; yet this is virtually what would happen when the former caused prices to rise to such an extent that the weaker workers would be forced below the "equitable minimum" through the increased cost of living. While this contingency is likewise possible, it is not a sufficient reason for preventing any group of laborers from raising their remuneration at the expense of prices. Not every rise in prices would affect the expenditures of the weaker sections of the wage earners. In some cases the burden would be substantially all borne by the better paid

workers and the self-employing, professional, and propertied classes. When it did fall to any extent upon the weaker laborers, causing their real wages to fall below the "equitable minimum," it could be removed within a reasonable time by organization or by legislation. Even if these measures were found ineffective, if some of the weaker groups of workers should suffer through the establishment of the higher prices, this arrangement would be preferable on the whole to one in which no class of laborers was permitted to raise its remuneration above the "equitable minimum" at the expense of prices. A restriction of this sort, whether by the moral law or by civil regulation, would tend to make wage labor a status with no hope of pecuniary progress.

It is true that a universal and indefinite increase of wages at the expense of prices might at length leave the great majority of the laborers no better off than they were when they had merely the "equitable minimum." Such would certainly be the result if the national product were only sufficient to provide the "equitable minimum" for all workers, and that volume of incomes for the other agents of production which was required to evoke from them a fair degree of productive efficiency. In that case the higher wages would be an illusion. The gain in the amount of money would be offset by the loss in its purchasing power. Even so, this condition would be superior to a régime in which the laborers were prevented from making any effort to raise their wages above a fixed maximum.

Concluding Remarks

All the principles and conclusions defended in this chapter have been stated with reference to the present distributive system, with its free competition and its lack of legal regulation. Were all incomes and rewards fixed by some supreme authority, the same canons of justice would be applicable, and the application would have to be made

in substantially the same way, if the authority were desirous of establishing the greatest possible measure of distributive justice. The main exception to this statement would occur in relation to the problem of raising wages above the "equitable minimum" at the expense of prices. In making any such increase, the wage-fixing authority would be obliged to take into account the effects upon the other classes of laborers, and upon all the non-wage-earning classes. Substantially the same difficulties would confront the government in a collectivist organization of industry. The effect that a rise in the remuneration of any class would produce, through a rise in the prices of commodities, upon the purchasing power of the incomes of other classes, would have to be considered and as nearly as possible ascertained. This would be no simple task. Simple or not, it would have to be faced; and the guiding ethical principles would always remain efforts, sacrifices, productivity, scarcity, and human welfare.

The greater part of the discussion carried on in this chapter has a highly theoretical aspect. From the nature of the subject matter this was inevitable. Nevertheless the principles that have been enunciated and applied seem to be incontestable. In so far as they are enforceable in actual life, they seem capable of bringing about a wider measure of justice than any other ethical rules that are available.

Possibly the applications and conclusions have been laid down with too much definiteness and dogmatism, and the whole matter has been made too simple. On the other hand, neither honesty nor expediency is furthered by an attitude of intellectual helplessness, academic hypermodesty, or practical agnosticism. If there exist moral rules and rational principles applicable to the problem of wage justice, it is our duty to state and apply them as fully as we can. Obviously we shall make mistakes in the process; but until the attempt is made, and a certain (and

very large) number of mistakes are made, there will be no progress. We have no right to expect that ready-made applications of the principles will drop from Heaven.

For a long time to come, however, many of the questions discussed in this chapter will be devoid of large practical interest. The problem immediately confronting society is that of raising the remuneration and strengthening generally the economic position of those laborers who are now below the level, not merely of the "equitable minimum," but of a decent livelihood. This problem will be the subject of the next chapter.