

JUSTICE AND WAGES

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WHEN the British Labor Headquarters had decreed the greatest general strike in history, there floated out through the night, to the wonderment of passers-by, strains of that emotional old hymn, "Glory, Glory, Hallelujah." Whether the reported incident be true or not, it illustrates clearly the fact that labor does not consider its major contests mere bread-and-butter battles. It does not act from a cold-blooded belief that an opportune time has arrived to put the screws to a disorganized consuming public or gouge its hereditary enemy, the capitalist. They conceive their struggle to be primarily ethical. It is because they stand at Armageddon that they sing. They do not talk of money but of justice.

Although labor views its contests as being primarily ethical, the concrete issue is generally one of wages. It struggles for a "fair wage," a wage to which it has a right, a "just wage." Few people have any definite idea of what is meant by a just or unjust wage but the belief that wages are often unjust is probably as old as human society. The belief that, even in the absence of fraud or coercion, there might be injustice in exchange, was given a tremendous impetus by the Catholic Church during the time it was developing its doctrine of "just price" and its opposition to usury. For upwards of a thousand years in Europe there was practically no writing or thinking done on these subjects except by the Catholic school, and, in form at least, the conclusions of the greatest of these, Thomas Aquinas, continue as the doctrine of the Church.

The medieval economists believed that goods and services should be exchanged only for money, goods or services of equal

value, that five dollars worth of labor was entitled to five dollars in wages. They did not believe that the value of a thing was determined by the subjective evaluation of the parties, and, in particular they denied that the sale of a commodity or a service for a given sum proved the equivalence of value which they deemed essential.

They contended that if the interested parties were to be permitted to determine the equivalence in value, gross unfairness might result, for a starving man might freely give his fortune for a loaf of bread. A leading Catholic scholar, Dr. John A. Ryan, describes the value which may properly be attributed to a commodity, as the "average or medium amount of utility attributed to goods in the average conditions of life and exchange." This utility found its definite measurement in the *communis estimatio* or social estimate, determined in practice by the guilds, municipal ordinance, or royal decree.

The influence of the Catholic doctrines of just price and just wage was considerably weakened by the decay of the guilds in the fifteenth century thus permitting greater fluctuation in prices. The authority of the Church also suffered, in the industrialized and commercial sections of northern Europe, as a result of the Protestant Reformation.

It remained however for Adam Smith and the classical economists of the nineteenth century to formulate a logical attack on the doctrine of justice in exchange that should have discredited it as effectively as their teachings discredited the Mercantilist doctrines. It was not that the Classicists denied the possibility of injustice in prices and wages, but that their assumptions, implied as often as expressed, were that prices and wages freely agreed to,

under openly competitive conditions, were just and fair in the only sense in which these words could have real meaning. For them the justice of an exchange made under conditions of perfect freedom was established by the fact that no better bargain could be made and that the fact of its existence proved it was satisfactory to both parties.

Justice is a term that is applicable to the conduct of gods and men and not to a mere ratio of exchange. There can be no unjust wage unless it is arrived at by the unjust actions of one of the parties. This is a truth often overlooked by those who think the justice of a wage can be determined from its size. It would be folly to condemn as unjust the wages paid in China merely because the workers there are unable to live in accordance with what we consider reasonable standards of health and decency. The economic conditions and the density of population in China make impossible an approach to the American standard of living.

The idea that the justice of a wage may be determined by its amount must be rejected. To employ "unjust" as synonymous with "low" or "inadequate" not only does violence to language, but, worse yet, confuses the mind and embitters the feelings of the unwary. If the phrase is to survive at all among scholars, it should apply, not to the size of the wage but to the way in which that size is determined, to the *process* and not to the *result*. Such is the sound conclusion that may be drawn from the writings of the classical economists.

In the determination of wages, the "just" process, the process which will result in "just" wages, is the competitive process. Laborers may demand in the name of justice, not a particular wage, but that they be permitted to move about and sell their labor on the most favorable

terms, free from the interference of either government or monopolistic organizations, whether of laborers or employers. The resultant wage will be a "just wage." To use the phrase in a different way seems a very mischievous sort of nonsense.

JUSTICE DETERMINED BY STANDARD OF LIVING

The contention that a comparison with the cost-of-living will determine the justice of wages is the basis of all minimum wage legislation and enters into almost every wage controversy. The claim deserves minute and careful analysis. To illustrate its weakness, let us assume an agricultural society in which wages fall below the approved standard because of a series of crop failures. Should we say that the less-than-living wage is "unjust" because the "unjust" rains refused to fall and the "unjust" pests ate up the crops?

If the wage paid by employers under competitive conditions is less than the standard proposed, what is the possibility of increasing the wage? It is pretty generally agreed among economists that a competitive wage is automatically fixed at or very near the value of the product of the marginal or least necessary laborer. If so, the wage cannot be increased unless employers are willing and able to pay their marginal workers more than they are worth, that is, more than the increased value of the product attributable to such marginal worker. If a workman adds only \$3.00 to the output of a plant, he could be paid \$5.00 only so long as his employer was able to stand a loss of \$2.00 per day on the laborers of this class.

It is of course true, as Professor John A. Ryan and other proponents of the minimum wage point out, that if the law imposed this extra charge upon all of the employers equally, they could protect themselves through a rise in price just as

if their increased cost were due to a tax but the rise in price would be made possible only through a decrease in the supply of their products. With no change in demand, the price could not be raised except by decreasing the output. The net result then would be an elevation of the minimum wage and a decrease in the number employed. Evidently the scheme is not possible of universal application unless society is willing to provide for those whom the scheme would throw out of work.

A universal minimum wage, calculated to meet a standard of consumption worth fighting for, would require an increase in real wages beyond our present total production and is therefore impossible of attainment. This is the conclusion of a leading advocate of the minimum wage, Professor Paul H. Douglas of the University of Chicago, one of those rare individuals who combines his reforming zeal with some knowledge of economics and statistics. He has shown that a universal minimum wage based on the needs of a family of five, is impossible because the social product is too small to admit of any such utopian distribution. He contends that reformers must abandon the minimum wage program as heretofore presented. He favors, not a minimum wage, but several minima, varying with the number and character of the worker's dependents. The legal minimum would not be based on the value of the worker's services, but upon his needs and the needs of his dependents.

Professor Douglas favors such a program as an effective method of increasing the wage of those burdened with dependents; but he is clear headed enough to see that such increases could be made only by decreasing the wages now paid to laborers of the same grade who have few or no dependents. The pious hope that such increases could come from the "capitalist

class," "Wall Street" or even "the industry" or "the consumer," vanishes into thin air. The minimum wage proposal, after being subjected to the cold dose of economic statistics prepared by Professor Douglas, is no longer the unmixed blessing it appeared. It has been transformed into a scheme to increase the wages of some and decrease the wages of others.

This claim that the need of an individual implies a duty on the part of the state to supply that need has theretofore found favor only in communist circles. "From every man according to his ability and to every man according to his need" has long been their slogan, and minimum wage proponents with logical minds are apparently driven to its acceptance. Historical accuracy and common fairness require that even communists be given their due. It is to be hoped that one can suggest this relationship without being charged with a silly, reactionary attempt to damm the minimum wage proposals by painting them red.

The dilemma then may be stated in this way: to fix a legal minimum without regard to dependents is impossible and to vary it with the number of dependents at the expense of those not so burdened, is utterly indefensible and socially undesirable. Malthus pointed out a century ago that no scheme of social amelioration had a chance of success if the human race was to increase at its biologically maximum rate. Checks to human fecundity are absolutely essential and to relieve men from the care of their dependents and the economic disadvantage resulting from excessive progeny is certainly to remove one of the most effective barriers to such a plethora of humanity as would reduce the standard of living to a subsistence level, though minimum wage laws were as plentiful as blackberries.

Theoretically it might be possible to

supplement Professor Douglas' proposals with some plan for checking the increase in fecundity to which his scheme would otherwise lead. But this would involve a propagation of the utility and methods of birth-control among prolific workers or the establishment of clinics for voluntary or compulsory sterilization. In view of the present state of public opinion with respect to such measures, it is probably a sheer waste of time to consider them as practical proposals.

Since the conventional minimum wage laws have been devastated by the logic of Professor Douglas and have moreover, received the *coup de grâce* from the Supreme Court of the United States, they may be dismissed from further consideration. There still remains, however, the task of explaining the transformation in public and private opinion with respect to the wage fixing activities of labor unions. The history of that transformation shows how weak are our intellectual convictions when they run counter to our emotions.

It was early and universally believed in the time when the common law was in the making, that if those who had anything to sell could conspire together and agree on a minimum price which would be observed by all, society would be injured in that purchasers would be deprived of their right to secure such goods and services at competitive prices. All agreements in restraint of trade were therefore void at common law, and this illegality attached to agreements relative to the price of labor as well as to commodities.

The general common law condemnation of wage-fixing agreements was supplemented in 1548 by an act of parliament which forbade all conspiracies and covenants "not to make or do their work, but at a certain price or rate" under the penalty, on a third conviction, of the pillory

and loss of an ear and to "be taken as a man infamous."

As western Europe and the United States became increasingly industrialized and democratized, the influence of the proletariat grew. The workers urged that they be exempted from the common law rule condemning conspiracy and at the same time urged that the law be strengthened as against the sellers of commodities. The result was that as the proletariat grew in organization and in political power, governments have been increasingly hostile toward monopolies among capitalists and have first tolerated and then encouraged monopolies among laborers.

It has not always been easy to draft legislation forbidding a practice on the part of some vendors while encouraging the identical practice on the part of others. For example, the Sherman Anti-Trust Act, to the dismay of some of its proponents, was logically interpreted in the courts as applying to conspiracies among laborers as well as vendors of commodities. In order that the sauce prepared for the goose might not be applied equally to the gander, another congressional declaration was necessary. It came as the solemn and platitudinous pronouncement of the Clayton Act which alters the economic verities by pompously declaring that labor is not a commodity notwithstanding it is sold for money like a commodity, bought like a commodity, like a commodity its price is raised by conspiracies among the sellers of it, and that, in short, it is a commodity in every respect that is relevant to the purpose of laws prohibiting monopolies and conspiracies.

It has at all times been admitted that labor, by organizing, might raise wages above the competitive level. Each labor union considers itself engaged in a struggle to attain such increase, but, *mirabile*

dictu, economists cannot agree as to the identity of the other party to the struggle. Professor W. Stanley Jevons probably expressed the mature views of the classical economists when he wrote, in 1882: "The supposed conflict of labour with capital is a delusion. The real conflict is between producers and consumers." But fashions change, even in economic theory, and now there is scarcely a text which does not discuss trade unions as a proper if not a necessary device by which workers may secure wages to which they are entitled, and that the increase is not at the expense of consumers as contended by Jevons, but at the expense of the employers.

Some may find solace in the fact that economic science is at last in accord with popular wisdom on at least one point. But, unhappily, in this case it is science that bends the knee. It should be as plain as a pike-staff that the rate of profits in unionized industries is as high as in the non-union industries and that therefore, such wage increases as have been secured by unions have been at the expense of consumers and not at the expense of employers. Jevons was right and the moderns are wrong.

TRADE UNION ETHICS

If we assume as correct the unionist notion that wages are increased at the expense of employers, even then their program is dubious from the standpoint of ethics. Unionists apparently amend the adage "a private monopoly is intolerable" by adding that such monopoly, to be condemned, must be directed against the general consumer; but if it is directed against a much smaller group, the employers, the monopoly principle ceases to be vicious and becomes even commendable. Those however who believe that in so far as a monopoly price differs from the competitive price it is extortionate and

unfair, cannot transform disapproval into approval merely because the victims are not numerous and belong to a class to which few may aspire. This savors too much of the Robin Hood ethics in stealing from the rich to give to the poor.

From the ethical standpoint it seems equally questionable to defend monopoly among laborers because of a real or fancied necessity for equalizing the "bargaining power" of the two parties to a wage agreement. The phrase has no application at all to the processes of a competitive market. No workman has to be equipped with "bargaining power" to get the competitive price for his wheat, his wood or his labor. Nor does a rich man buy these things at a less price because his "bargaining power" is greater than the poorer purchasers.

If the phrase means that labor, to be productive, is more dependent upon capital than capital is upon labor, it is equally untrue. Capital without labor is absolutely unproductive and yields its owner no return. No owner of a factory wishes to close it down and if he does so, while he may be able to eat after the limited savings of his workers are gone, it will not be because he has derived any benefit from his idle factory.

There are, too, those who justify monopoly among laborers because they feel that employers are formally or informally conspiring to keep wages down. They argue that fire must be fought with fire. This reasoning is particularly dangerous as it leads to general confusion with respect to elementary principles of conduct. When the masses are taught the righteousness of a monopoly wage and the criminal unrighteousness of a monopoly price for commodities, it is not surprising that they are bewildered. The result is that the essentially anti-social character of monopoly and conspiracy is less clear to us than

it was to our ancestors a thousand years ago.

RESULTS THAT WOULD ENSUE FROM THE
ACCEPTANCE OF COMPETITION

A chief result of adopting the competitive process as the method of fixing wages would be that we should then have the only possible guarantee that wages themselves would be just. It cannot be too frequently reiterated that "just" wages can only mean wages that are determined by a just *method* rather than wages of a given *amount*. All attempts to regulate wages by a monopoly of either the buyers or sellers of it, by wage-fixing boards or arbitration committees, finds us at sea without rudder or compass. In the absence of a principle by which a just wage can be determined, it is a puerile shifting of responsibility to create artificial agencies for a task nobody knows how to perform.

Another benefit resulting from the adoption of competition would be that the "labor problem" would largely cease to exist so far as the public is concerned. Labor becomes a social problem only when it conspires to shut down an industry or service and either carries its threats into execution or utilizes them to raise wages above the competitive rate to the ultimate detriment of the consumer.

The truth of the foregoing is well illustrated if we compare the organized railway men with the unorganized domestic servants. The increase in wage rates of domestic servants has been phenomenal in recent years yet there has been no cessation of employment, no criticism of the way in which such wages were determined, and there has been a general acceptance of their naturalness, "justice" and even inevitability. These wage increases have been secured gradually, quietly and yet very effectively without any organiza-

tion or other artificial device for "equalizing the bargaining power" of mistress and maid.

In the case of the organized railwaymen, however, there has been partial interruption of service and a persistent feeling that rail rates have been unduly high, due to artificially high wages which were secured under threat of tying up the service. This was a very real threat and cowed even the national congress at the time it passed the Adamson Act. The wages of railway men may, in fact, be little if any above the competitive rate, but the competitive or "just" rate will never be known to the satisfaction of all, until they are fixed competitively. At present they are fixed in part on the basis of the service the men perform and in part on the basis of the damage they might cause by a concerted cessation of service. By the present system they add to the value of their services, the damage they could cause by striking, and the total wage bill is not pleasing to those who ultimately pay.

Of all those usefully employed in the United States, much less than one-tenth are organized. The membership of unions affiliated with the American Federation of Labor has decreased every year since 1920. The attempt to solve the problems of labor through trade unions is not only wrong in principle but is futile. True friends of labor and of justice should resist all temptation to temporize with monopoly, even when it seems it might serve some selfish purpose. They should hold fast to the anti-monopoly or competitive principle, the principle of liberty which motivated the revolutionists in France, when, in 1791, they abolished by national decree all the guilds, corporations or other monopolies of masters and workmen, created and recognized by the kings of France for hundreds of years.

There is of course a great deal of conventional morality and sumptuary legisla-