

Remedies for Raising Wages : True and False

By E. J. McManus

The supreme importance of raising wages was emphasized by the President of the Trades Union Congress in 1935 when he said : " It is the duty of the Trades Unions to keep the wages problem ever in the forefront of the political struggle. The present upheavals regarding the Means Test, relief of Unemployment and the whole controversy concerning the social services were just the effects of the deep-rooted wage problem."

It is in the nature of things that to live justly each human being must labour, and so produce directly, or indirectly, the food, clothing, shelter and comforts he consumes, *i.e.*, must produce his own Wages. The economic term Labour includes all exertion in the production of wealth whatever be the kind; intensity or condition of employment of the exertion, *i.e.*, whether mainly mental or mainly physical, or whether self-employed or "hired," or "employing." Wages, the share of the wealth produced which Labour can command includes economically all returns for human exertion in the production of wealth. In a democratic State, the share of the wealth which each labourer in his relations with his fellow-labourers can justly claim, and can also command from them, is less than the total he produces, the difference being communal property, or belonging to labour as a whole.

Democracy, or democratic, is a term that applies to a People or State. The idea involves the subordination to the people of the executive Officers, or Government, "democratic government" clouding the idea. Effective control of government is the essential characteristic of Democracy. It is manifested in the political action which obliges governments to remove wrongs. The steady removal of wrongs towards the ultimate attainment of a state of Social Justice is the mark of the democratic development of a people. It is truer to-day than when declared by the National Assembly of France in 1789, "that ignorance, neglect, or contempt of human rights is the sole cause of public misfortunes and corruptions of government." To raise wages does not require elaborate collective and political action but simply that governments shall remove the fundamental wrong which deprives men of their wages.

Unless averted by the removal of this wrong, the change will be to a social state in which jungle-based and maintained "government" will completely control human life, thought and action—to a barbarism using against the rights of the people the productive powers secured by their own material progress until this added denial to use freely the means that develop human

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intelligence (viz., free economic and political relations) brings material progress as well to an end, and gives the results of labour to those who do not labour.

Attempts have been made to increase wages without adequate inquiry into the cause of low wages. Some reformers assume as cause this or that particular effect of low wages; others combine many of these effects and assert that low wages result from many causes; others assume circumstances that have no relation to low wages; and others assume as causes circumstances that in themselves tend really to raise wages. Political action also continues to be vainly taken to remove separately some of the most prominent evil effects of low wages, the action taken disregarding, or not giving sufficient attention to, the relation of these effects to each other and to their common cause; and also presuming government to possess over the economic laws governing the production and distribution of wealth, the power to control and to check their alleged evil tendencies.

The most evident of the enslaving conditions to which men are subject, and which have counteracted trade union effort is the scarcity of employment. Some recognized that the scarcity was artificial, but few inquired why men had no alternative to being "hired," and others hastily assumed that those whom they asked to "hire" them determined the productive arrangements of the community.

Perceiving the ineffectiveness of "industrial" action, men turned to legislative action to supplement it. This political action aims at controlling the government, or becoming the government. Behind it to a large extent is the belief that the raising of wages depends upon Acts of Parliament which, with the physical force under governmental control, would enforce increases.

It accords with the present retrogressive tendencies that political action to raise wages is now less frequently discussed at political meetings, and in Parliament. It has given place to substitutive action which implies that the helplessness of the individual labourer to command his just wage is his natural condition.

So for many years, schemes for insuring labourers, building houses, relieving unemployment, helping "Distressed" Areas, and distributing free meals, milk and this or that have been in operation. None of them have increased the wages fund, but have caused a disguised redistribution of the wages each labourer has obtained by much effort. In effect, they are devices for compelling the victim of injustice above the distress level to support the victim on the distress level.

The Prime Minister said this year that "unemployment relief work had proved to be extravagant and ineffective" and, in the House of Commons on the 4th November, 1932, the Minister of Labour stated that, since 1925 governmental expenditure on unemployment relief schemes had amounted to £700 millions—most of it raised by loans to be liquidated in future years—that, in addition, the indebtedness of local authorities had increased in a decade by £555 millions (viz., from £668 to £1,223 millions), and that the relief given in reduction of the number of unemployed was infinitesimal, being not more than 120,000 and sometimes much less.

Had the vast political action of the last 30 years been right action it would have effected a more equitable distribution of wealth. It will be difficult to

find any positive general improvement. Of every 100 industrial labourers at work 67 receive less than £3 per week. The Income Tax returns show that the income of 75 per cent of the people who made Income Tax returns is only 39 per cent of the total income declared.

What is *seen* from the governmental action are the tangible things given to some men having low wages, or without wages—houses, etc., which show the building-wealth that labourers can produce when permitted to do so. What is *unseen*, are the injurious effects upon the men whose wages have been reduced by taxation, and in other ways to provide what is seen; and also upon the men displaced from their normal employment through the governmental alteration of the numbers employed in many forms of industry.

Some of the results of attempts to direct industry and distribute wealth under government control may be indicated:—

(1) The increased encouragement given to the withholding of land from general production (including house building) through the governmental demand for land for national and local schemes, and the excessive prices extorted by landholders, so increasing rent and reducing wages—the rent payable by governments being disguised under the name of “interest” in the pernicious device of public debts.

(2) The interference with production, making uncertain the results that come from the natural incentive to expend labour in a particular form of industry, displacing non-privileged employers and their assistant labourers or creating non-productive work for them, obliging many to seek employment afresh, and ultimately to force them under the control of privileged employers, or corporations.

(3) The addition to the number and the extension of the power of the privileged employers, corrupting governments by securing legislation which gives them illegitimate control of industry, and enables them also to monopolize the natural resources of other countries to the serious disturbance of international trade, and of international peace.

(4) The increased demands of local government bodies for grants-in-aid of rates, so extending the central official control and the consequent loss of the people's control of their local administrators, the nature, diversity, and magnitude of unnecessary local undertakings getting beyond the power of popular effective control.

(5) The diminished physical health, and increased mortality from mal-nutrition arising from the alteration in the proportions of labour's effective demand for food and housing, etc.—some slowly dying from under-nourishment amid green and pleasant surroundings, and others herded in two to five storey tenements, erected on valuable town land.

(6) The increased confusion of thought that leads serious-minded men, often after a day's hard toil, to devote their leisure, not to discussing how wages could be raised, but discussing new plans for controlling the labour-power and wages of each other; not discussing how to liberate labour from the fetters of land-monopoly, but how to provide additional, and nicely decorated, fetters to be made by members of their own class.

(7) The more general feeling of hopelessness arising from the acceptance of the belief that governmental control and direction is the only method and

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that any proposed policy for *abolishing* poverty is too complex for the ordinary man to understand, the matter must therefore be left to "experts," with which is associated the notion that it is "science" that produces most of the wealth, and not labour.

(8) The growth of the delusion that for all the planning required the Parliament of a democratic people is "too slow," and is an inefficient midwife for ushering in "the new era struggling to be born," this fitting in with the "expert" idea and the "science producing wealth without labour" idea. It no longer obliges the privileged to give lip-service to democracy and aids the growth of anti-democratic opinions.

"We are governed by madmen who cannot link natural resources with the needs of the people," said a prominent miners' leader and a Member of Parliament last year. Do the above-mentioned schemes effect this link, and is not Parliament as a whole to be held accountable?

The wrong way has been followed and harmful political action has been taken, and is still promoted because certain fundamental facts have been ignored in the relations of man to external nature, and in the economic relations that naturally arise between men and tend to persist—relations that men recognize as beneficial for each other, and unite to prevent being disturbed. In consequence, not only has the end of political action been misconceived but also, in the attempt to remove social evils separately and by instalments, false assumptions have been made as to the capability of the means selected to accomplish the particular end. The relation of the particular evil to other evils has not been seen: nor is it observed that while men may will a cause believed to produce a desired effect, they may not foresee and be able to control the working of the cause in producing undesired effects.

Some of the current false assumptions are:—

(1) *In regard to the province and functions of government.*—The assumptions that—

(a) government should provide benevolently and out of taxation as at present raised (*i.e.*, out of the wages of labour) not only for those incapacitated from labouring, but also for those not now allowed to labour; and

(b) should undertake and control some, or all, of the production of the community,

misapprehend the functions of government in a democratic State. These assumptions overlook mankind's tragic experience of governmental tyranny and brutality, and the circumstances which tend to corrupt governments. The just relations between the people and their servants are reversed, the latter usurping power and being able to deny human rights, acquiring partial or complete mastery over human intelligence. A government's primary and all-important duty is to secure to each man his equal rights to the use of land, and to protect him in the property he has justly acquired by his exertion. Action in conformity with this duty would isolate those who rob labourers of their wages, and the State of its natural and just revenue, as it would abolish the legal privilege which now empowers them to do so.

(2) *That production is inefficient.*—This, the falsest of assumptions, is associated with the acceptance of the superiority of governmental efficiency

in the management of industry. It disregards that world-wide, co-operative and unconscious organization of labour which satisfies effectively the desires of all who possess effective demand, produces the things of diverse form and quality as determined by the demand for their consumption, and gives rise to the different forms and occupations of industry engaged in satisfying the demand. The body-economic contains a natural incentive to efficient production, and also a natural check against inefficient production, human intelligence necessarily having to make judgments that secure efficient and mutually satisfactory results.

The assumption as to inefficient production ignores how labour, excluded from the productive sphere, is prevented from possessing the effective demand that would satisfy its fullest desires; it ignores what perverts the just distribution of wealth, and erroneously attributes it to inefficient production, to some defect either in human nature or in the economic relations of men in producing the wealth that can satisfy desires.

(3) *That governments can "create" employment by raising money in taxes or by loans.*—The taking of money in taxation from some to pay for the employment of others effects no real change. The number of those employed in the different forms of industry is altered but the total number of labourers in employment is not increased. The taxation takes from labourers some of their effective demand for the production of food, clothing, shelter, and comforts and transfers it (less what is given to landowners for nothing) to the labourers put in employment, giving them effective demand for these things. The latter is seen; but what is unseen is the reduced demand at retail of those whom the government has taxed, and the consequent diminished production in all occupations that supply the demands of labour. This diminished production causes the displacement of a number of labourers greater than that employed by governmental action.

(4) *The political maladjustments of other countries.*—The assumption that low wages in foreign countries take away trade and employment from industries at home, and are to be overcome by prohibitive or retaliatory action, by tariffs, combinations, conferences, agreements, etc., gives rise to much and increasing futile activity, additional advantages to privileged interests, and also turns attention away from the poverty-causing maladjustments at home. The political maladjustments of each country—those that restrict labour's freedom to produce, and to exchange wealth freely—cause the poverty of each country only. Their effect on the labourers of other countries is not to reduce employment, but to oblige them to expend more exertion than is necessary to satisfy their desires.

The fundamental facts overlooked or ignored by many reformers are:—

(1) That the production of wealth is in the nature of things utterly dependent on the use of land—no occupation whatever being possible without its use.

(2) That the equal right of men to use land is legally denied by the privilege, governmentally created and maintained, which empowers some of the people to possess exclusively the land of a country. Thus to man's natural dependence on land is artificially added his dependence on the privileged land-holders for their permission to use it. Deprived of free access to natural

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resources the worker has no alternative but to seek to be hired by a land-holder, or by some other fellow-creature, called an employer, whom a land-holder most profitably to himself has favoured with the use of land.

(3) That owing to the differences in the desirableness of land (differences in fertility, situation or other quality) which result in different returns to the same application of labour, a land-holder for permitting the use of land can command its rent, *i.e.*, all the wealth produced on it over that produced on the least productive land in use, or marginal land.

(4) "That the rent of land is determined by the excess of its produce over that which the same application can secure from the least productive land in use," and, therefore "depends on the margin of production rising as the margin falls, and falling as the margin rises; and reversely wages (the whole of the produce of the marginal land), falls as rent rises, and rises as rent falls." The competition for the use of all lands superior to the marginal land ensures that rent is paid for the superior lands. Under conditions which allow the naturally available supply of land to be freely used, all labourers can command their just wages. Whatever be the quality of the land used in production, or the form of industry, the tendency of the law of rent is for each labourer to obtain as wages the equivalent of the wealth that similar exertion can produce on the marginal or rent-free land. To labour is thus naturally secured equal results for equal exertions, or results which vary according to the exertions. The wealth paid as rent is the result of, and measures the social service given to the production of wealth by, the co-operative productive social organization, or body-economic—including the service of wise governmental action. Rent is the communal earnings, or true "Social Wages"—the common property of labour as a whole. To this each labourer has a common, or joint, right; and in the public service that the rent of land would permit the body-politic to provide he would receive his share.

(5) That material progress gives rise particularly in growing or developing districts, to the confident expectation of the progressive increase of rent; and, apart from other reasons, constitutes a powerful and profitable inducement for withholding land from use. Accordingly, the anticipated future rent is demanded and production is checked or stopped. The withholding has forced the margin of production to a lower level than is economically necessary, and has kept wages low. Each step of material progress tends under land monopoly to reduce wages further, and to permit additional rent to be extorted from the users of all the superior lands. Thus the effect of withholding is to diminish the effective demand of labourers, and to increase that of land-holders for the products and services of labour.

An erroneous belief is that prices will have to be increased if wages are raised. A Conservative newspaper stated that "higher wages must wait on higher profits." A prominent Trades Union official replied that "higher wages must wait on higher prices." Another Conservative newspaper replied to both, stating that "higher prices will follow higher wages, and higher profits will result from them." To understand the law of rent is to see that wages and prices bear no such relation to each other as is represented in these statements.

Wages cannot increase unless rent is reduced. To recognize this is to see why an increase in wages does not involve a rise in prices. The price of a

thing is its value expressed in terms of money, its value being "in any time and place the largest amount of exertion that anyone will render in exchange for it." The exertion required to produce similar articles, capable of indefinite multiplication, varies according to the productive qualities of the lands used in their production—from the marginal land, where the largest exertion is required up to the most superior land where the exertion is relatively the least. Yet the price of each article will not be different, but will be the same in the same place and at the same time. The price of any article of wealth tends to be the cost of its reproduction on the least productive land necessarily used to supply the demand for it. The price varies with the margin of production, rising as it falls, and falling as it rises. The raising of the margin reduces the exertion required to reproduce the article, thus reducing prices, raising wages and reducing rent; the lowering of the margin has the opposite effects. The value of the labour saved on the superior lands in the production of similar articles attaches to such lands and is tangibly expressed in the increased number of articles produced and other services given to land-monopolists. Out of the money received for the articles produced on the superior lands, after paying wages and interest (which also tends to be equivalent to the interest on the marginal land) the balance goes to the rent beneficiaries.

The cause that is efficient to raise wages will also operate to reduce prices. The simple political action that will do this is the Taxation of Land Values. It is action, not for nationalizing land (which by making government its owner would unjustly and unnecessarily empower it to determine each man's use of land) but for nationalizing rent. To place a tax at a uniform rate on all land according to its value, irrespective as to whether the land is used or not, would commence the collection of the economic rent, or annual value, in substitution for the present immoral taxation which governments have substituted for it. The progressive increase of the tax would ultimately collect the whole of the economic rent.

The Taxation of Land Values is the only political proposal that adequately perceives the realities of life, the natural and unchangeable realities of the relation of Man to the Universe, and of men to each other. Accordingly, it is the only practical political proposal capable of accomplishing large and permanent results—the only political action that can secure to each labourer his just wages, and his equitable share of the "Social Wage."

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