

A GOVERNMENT INVESTIGATION OF LABOR.

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Although much has been said and written about the progress which has been made in American economics in recent years, we are still more likely to underestimate than to overestimate the advance which has been accomplished, and especially are we apt to forget within how short a space of time this transformation in American economic thought has taken place. The writer of the article in *The Nation* on January 16, 1902, giving an account of an annual meeting of the American Economic association, speaks about the activity in economics in this country as largely due to men who began their academic work some thirty years ago. Now the truth is that the men whom he had in mind, men prominent in effecting the organization of the American Economic association, were, for the most part, not even undergraduates thirty years ago, but were still engaged in their preparation for college. Most of these men are still on the sunny side of fifty, and some of them are nearer forty than the former age. While the work which was done by men of a still older generation should not be disparaged, while this earlier work was, indeed, a necessary preparation for the more recent work, it is, nevertheless, true that the great change in economic thought in our country, which has given the United States a leading position in economic science, has taken place within twenty years, and that it has been brought about by men who believe that they still have before them the better part of their own work.

Reflections of this kind are especially appropriate as an introduction to those portions of the report of the industrial commission which deal with labor, because the advance which economics has made during the preceding twenty years finds such marked expression in the methods employed and in the conclusions reached by the industrial commission, and especially by the economists who, as experts, were connected with the work of this commission.

It is difficult even for those who have followed with some care the treatment of labor problems for the past fifteen or twenty years to realize the progress which has been made in their discussion, both in respect to positive knowledge and to scientific methods followed. It is now somewhat difficult to do justice to those who, twenty years ago, were actively engaged in a scientific discussion of labor questions in this country, and to realize that a large part of the pioneer work in this field dates back to a period even less remote. The distinction between anarchistic and socialistic movements is now understood by every economist, and even by the general, intelligent public, but it required careful study to discriminate between these two movements in 1885. Every graduate student now understands the difference between the principles underlying the American Federation of Labor and the Knights of Labor, but so careful a student of labor problems as Brentano, twenty years ago, denied the existence of any labor organization based upon the principles underlying the Knights of Labor. These are simply illustrations of the condition of thought and of knowledge even at so recent a period as 1885, when the American Economic association was organized, and serve to show how much work has been done in order to give us that basis of knowledge with which any economist now begins a study of labor.

Another way of getting at the same thing is to contrast the report of the industrial commission, created by act of 1898, with the voluminous report of the senate committee on labor and education, in 1885. This earlier report has some value, because it gives the opinion of all sorts of people on all sorts of questions in any way connected with labor in 1885. It allowed a good many cranks and some thoughtful people an

opportunity to express their views, and perhaps served as a safety valve, which is probably the chief purpose which those had in mind who were responsible for the existence of the committee. The American economists are so numerous, and they have made themselves felt to such an extent in every part of the country, that probably we shall see no more federal reports on labor like the one issued by the senate committee of 1885. It is a great thing that it is known that there are in this country a body of economic experts, and that the state of public opinion is such as to demand their employment. The entire character of the report of the industrial commission, the way the work is planned, and the way it is executed, show the constant guidance of the economist. The economists employed belong, for the most part, to those whom we would naturally designate as the younger generation of American economists, a generation younger than those who founded the American Economic association, being, indeed, mostly students of those who were active in the early days of this association. When one considers all the circumstances surrounding their work, it must be said that they did their work remarkably well, and that they have strengthened the position and the influence of economists in this country. The three experts chiefly responsible for that portion of the final report dealing with labor are Dr. E. Dana Durand, the secretary of the commission, Professor John R. Commons, and Mr. Charles E. Edgerton. Other experts employed by the commission whose work fell under the head of labor, are Messrs. J. R. Dodge, for agricultural labor; Samuel M. Lindsay, for railway labor; Victor H. Olmsted and William M. Steuart, for prison labor; Thomas F. Turner, for Asiatic labor on the Pacific coast; F. J. Stimson, for labor legislation, and Eugene Willison, for mine labor legislation. Miss Gail Laughlin also treated the subject of domestic service. It is then seen that, out of twenty seven experts employed by the commission, eleven had to do directly and immediately with various phases of what we broadly designate as labor problems.

While the work of the commission was so broadly outlined in the act which created it that it could take in every subject pertaining to industry, even when industry is most

broadly interpreted, it was to be expected that a large part of the report should deal with labor. There are nineteen volumes in the entire report, and at least ten of them deal directly and immediately with the subject of labor to a large extent. If there is any one subject which transcended in interest labor in the investigations of the industrial commission, it is the subject of trusts and industrial combinations, and it is in part the influence which these have upon labor that is responsible for the interest in them.

The mass of material furnished in the report is so vast that it is discouraging to the busy man, who would glean from it its practical and scientific teachings, until he discovers how admirably it is all arranged, and how excellent is the review of the whole subject in the final report. Each volume has its preliminary review of its substance, which is followed by the digest of evidence, the digest giving references to the pages of testimony. Each volume also has its own index. The final volume has an index covering all the nineteen volumes, as well as the general review, to which reference has been made. This general review, which covers only a little over two hundred pages, is admirably prepared, covering briefly the most essential points concerning labor in the preceding eighteen volumes. The one exception to this statement relates to agricultural labor, which is treated too briefly to harmonize with the general plan. The final review is followed by the recommendations of the commission.

The method of using that part of the report of the industrial commission which deals with labor is then very simple. The student will read, first of all, the entire final review and will find it the best text book as yet written on the labor problem. After he has read this broad, general survey, quite accurate in its description of the contents of preceding volumes, he will consult these volumes for a further study of particular topics which specially interest him. If the reader is a legislator, especially concerned in regard to prison labor, he will, if intelligent, desire to read the entire final review, in order to see the relation of prison labor to other kinds of labor. After he has done this, he will carefully examine the small volume entitled Prison Labor, and ascertain the different

arrangements for directing prison labor in the various states of the union. He will also gain some information concerning prison labor in other countries, and will have this knowledge, together with the recommendations of the commission, as a basis for legislation. Those who are interested in various phases of labor legislation will similarly, after having read the final review, consult the volume entitled respectively *Labor Legislation and Foreign Labor Laws*.

Dr. Durand, the secretary of the commission, has stated that the tone of the final review is progressive. This characterizes it correctly. It is progressive, but at the same time it cannot be called radical. It is based upon a profound knowledge of existing conditions, upon keen analysis, and very evidently upon long continued and fruitful thought. No one else who has written on the subject of labor has given evidence of such careful study and accurate knowledge of the questions at issue as those responsible for this final review. Dr. Durand has stated that the tone of the report is more progressive than the commissioners, as a whole, would be inclined to endorse. It is quite probable that the commissioners did not give so much attention to the part of their report which deals with labor as to other parts, although there seems to be evidence of modifying suggestions received from them in a good many portions of this final review. At the same time, this review is in general harmony with the portions of preceding volumes dealing with labor, and the recommendations of the commissioners themselves could scarcely be characterized otherwise than as progressive.

The final review is divided into four main parts, namely: I. General Conditions and Problems; II. Relations of Employers and Employees; III. Protection of Employees in their Labors; IV. Labor on Public Works.

The first main part, dealing with general conditions and problems, is especially valuable on account of the careful discriminations which are made in this survey. A considerable space is devoted to negative work, which is necessary to clear the ground for profitable discussion. Popular errors must be examined, and the necessary limitations of the investigation must be made clear. It is pointed out under

Profits and Wages that we must sharply distinguish between two different aspects of the problem which they present. One aspect deals with the share of industry which goes to the factors of production, as labor, capital, land, monopolies, etc. The second aspect deals with the income and social welfare of the manual working classes. Every economist knows that here we have two different orders of inquiries, but this fact, important as it is, is often overlooked. Under the head *Uncertainty of Statistics* we have a correction of errors which are too common; as, for example, that the rate of interest on investments is an indication of the proportion of the product of labor and capital which either one receives. Strange as it may seem, it has been supposed that 10 per cent on an investment indicates that labor receives 90 per cent of the product. On the other hand, there are those who have drawn the conclusion that because of the value of manufactured products the aggregate wages amount to a little less than 25 per cent, that is all that labor receives of the joint product. Manifestly, it is necessary to examine into the cost of raw material used in manufactures, and the portion of that which accrues to labor.

A useful discrimination is made with respect to the earnings of capital, and here we come to something which even economists have not always borne in mind. We have to distinguish between the interest on disposable capital and the profits on established enterprises. The profits on established enterprises include, it is said, such things as good will, trade marks, patent rights, and monopolies of various kinds. The final review continues: "monopoly privileges, for example, wherever they exist, become more and more valuable as population increases, and the net returns are thereby augmented; but, at the same time, the rate of interest on disposable capital, not protected by these privileges, has continually declined." After an examination of the actual decline in the rate of interest since 1865, it is asserted that there is an insurmountable difficulty in the endeavor to discover the rate of profit received in industry, with one exception, namely, national banks; for the reason, it is said, that we cannot ascertain the amount of capital invested, since census returns and statistical inquiries

include under capital, not only cash investments, but such factors as those which have just been mentioned, namely, good will, trade marks, franchises, monopoly values, etc.

The treatment of wages which follows is illuminating in its presentation of facts, and in its fine discriminations. Here as elsewhere, what we need is careful analysis, but it requires a great deal of time and effort to educate the general public up to the point where analysis is appreciated. The ordinary man wants what we may term rough and ready conclusions. He wants to know that wages have risen so many per cent, or that they have fallen, and between the two broad statements he finds no middle ground. One of the gains which we may hope will result from the publication of the report of the industrial commission is that it will gradually impress upon the more intelligent portion of the American community the importance of those distinctions which the economist so well understands, but which are too apt to be dismissed by the daily press as merely academic exercises. It is pointed out that the movement of wages is slower than the movement of prices, as a consequence of which, in time of general prosperity the wages do not rise so rapidly as the commodities which the wage earner must purchase; whereas it is affirmed that in time of depression the wage earner suffers from lack of employment and does not enjoy the fruit of low prices. There does not seem to be sufficient support in any part of the report of the industrial commission for this broad statement, and the facts in the case have not received anywhere, so far as the present writer is aware, scientific treatment. Elsewhere in the report it is shown that unemployment is not so great as many have supposed, and probably a good deal of support could be adduced for the thesis that ordinarily the wage earner is most prosperous under a régime of low prices. Wages, however, have risen since 1869, according to the statistics presented, which are based upon a careful examination of a variety of sources. Wholesale prices, however, have fallen in marked degree. The conclusions reached in this particular are of especial interest on account of the fact that we may take it for granted that those who prepared

the final report were not seeking to make out a case for existing conditions.

Attention is called, however, to the fact that we must consider not merely or chiefly daily wages but rather yearly wages; to the further fact that the average wages must be higher, on account of the increasing relative proportion of wage earners living in cities, if the wage earner is to be equally well off in his economic well being; and furthermore, mention is made of the increasing intensity of exertion, on account of the introduction of machinery, and the division of labor which must be considered when passing judgment upon relative wages.

Finally, a distinction is made between the earnings of organized men and those unorganized. And it is a difference of importance. It is shown by various illustrations that the organized workmen have been able to secure a greater relative increase in wages than the unorganized. These conclusions are summed up in the following words, "taking into account these observations, it must be concluded that the daily rate of wages is not a safe measure of the changing conditions of labor, and that in a discussion of the progress of the working population account must be taken of the amount of annual employment, depending on general conditions of prosperity and depression, the life earnings of the worker, depending upon the increasing intensity of exertion and overwork, and the increased necessary expenses of city life."

After a fairly satisfactory treatment of the payment of wages, with respect to time and piece payment, cash payments vs. payments in kind, etc., the sweating system is examined. The most satisfactory results of legislative efforts aimed against sweatshops are found in Massachusetts, and that, not because the legislation itself is most advanced, but because such legislation as there is is rendered effective by excellence of administration, on account of the high grade of inspectors employed, and the civil service laws which give continuity in office and protection to the inspectors. This is only one of several places where the importance of administration as distinguished from legislation is emphasized. In the treatment of child labor it is shown that in addition to good

laws there must be a sufficient body of inspectors to enforce the laws effectively. The importance of compulsory school attendance for children is something recognized by the experts employed by the commission, and almost, if not quite unanimously, by the members of the commission themselves. But the District of Columbia offers an illustration of the fact that a compulsory attendance law has little significance unless it is the duty of some specific person to enforce it. It is well that this importance of administration receives emphasis, inasmuch as in the administration of law we Americans have been weak, whereas we have been too inclined to think that mere legislation in itself could accomplish beneficent results.

Unemployment receives especially full treatment, as might be expected from the personnel of the experts who prepared the final report. Again we find that careful analysis, which has been so frequently mentioned. The causes of unemployment are divided into three main classes, namely, personal, climatic, and industrial. Reports of charity organization societies serve as a basis of the treatment of personal causes of unemployment, and this section of the work suggests the admirable treatment upon the same subject found in the late Professor Amos G. Warner's book *American Charities*.

The climatic causes of unemployment are due either to weather or to changes in consumption on account of the succession of the seasons. Some kinds of seasonal unemployment could, perhaps, without impropriety, be placed under the heading of vacation. The teacher cannot be regarded as unemployed during vacation, and there are seasonal trades which have periods of idleness, which could possibly be treated as rest periods. At the same time, it is interesting to note that with the progress of industries greater regularity in employment is secured. One kind of employment in the summer is followed by another sort in the winter, and certain trades have to a greater extent than heretofore conquered nature. Building is carried on more extensively in winter than formerly. However, after all allowances are made, it is still true that seasonal irregularities are an evil which is keenly felt by large numbers of wage earners.

Under industrial causes of unemployment we find a treatment of strikes, machinery, and employment agencies. The loss of employment through strikes is a serious one, but not so great as we are frequently led to infer by statistical statements. In many cases, the strike means simply a transfer of a period of unemployment from one time to another, and there must be cases where a period of unemployment would, to some extent, coincide with a strike period. The ordinary opinion of experts concerning machinery as a cause of unemployment, is in the main confirmed. An illustration is found in the increasing number of railway employees in the United States, notwithstanding all the improvements and economies of labor which have been introduced. The imperfect and insufficient character, however, of the statistics of unemployment is mentioned, and the conclusion suggests itself that there is an opportunity for various labor bureaus to render service in increasing our knowledge of the facts of the case. More has been done by the New York bureau of labor statistics than by any other, but the researches even of this bureau embrace only organized labor in the state of New York since 1897. The work of the free employment bureaus is described, but they are evidently considered simply a palliative and no real remedy for the evils of unemployment.

The longest section of Part I., dealing with general conditions and problems, is devoted to hours of labor, and this is the final section. The benefits of shorter hours are described and emphasized strongly. The movement to secure shorter hours is favored, and it is insisted that, inasmuch as the tendency of industry requires increasing intensity of exertion, a corresponding shortening of the working day is needed to preserve the health and vigor of the wage earning population. Restrictions of output, on the other hand, are discountenanced as a disadvantage to American industry. Testimony is adduced to show that up to the present time, as a rule, the shortening of the working day has not decreased production, although it is admitted that it is a rule with exceptions. It is also admitted that one part of the American union may be placed at a disadvantage as compared with another section, on account of the more rapid rate in the decrease of the length of the working

day in the former. In the matter of foreign competition it is claimed that this disadvantage of American workmen does not hold, because American labor receives the advantage of the protective tariff.

The efforts of labor organizations to secure shorter hours are described and then there follows a treatment of legislation covering the hours of labor. Emphasis is naturally laid upon the decision of the Supreme court of the United States in the well known Utah mining case, where an eight hour day for the miners was sustained, on the ground that in protecting a large class of employees the state is protecting the community as a whole. The decision of the Supreme court of Massachusetts, sustaining a law limiting the hours of women in certain employments to sixty hours per week, is also cited, as well as the decision of the Supreme court of Illinois, declaring an eight hour law, applying to adult women in factories, unconstitutional. It is interesting to notice the opinion expressed in the final report that legislation upon the subject of hours of labor cannot be general, but must be based upon accurate investigation of the conditions in the several industries. It is urged that the United States department of labor should be furnished with adequate funds to conduct a full investigation of injurious occupations, employing medical and technical experts for this purpose. This is important in view of the tendency of the courts to rule against what is called class legislation; for the question can very well be raised, if effective legislation must not necessarily be based upon a recognition of classes in the community, with needs which vary according to class. A special point is made of the desirability of uniformity of legislation among the states of the union, concerning hours of labor. It is in the main, however, recommended that legislation restricting the hours of labor should be applicable only to those under twenty one. The legislature of New Jersey, limiting the hours of labor in factories to fifty five per week, is recommended as a standard which should be adopted by every state with factory production. It is recognized that federal legislation must be restricted mainly to those engaged in interstate commerce, and to those directly employed by the federal government.

Having treated with such fullness that portion of the final report which gives the general survey, the remaining parts can be passed over much more briefly. The first topic which is discussed under Relations of Employers and Employees is labor organizations. Their growth and membership are briefly described, and it is shown that they are a necessary feature of industrial evolution. As a distinct wage earning class arises, trade unions come into existence, and as industry expands labor organizations expand likewise and become national and international. The two greatest efforts in this country to give unity to the organization of labor are those which have proceeded from the Knights of Labor, and the American Federation of Labor. The Knights of Labor endeavored to secure a unity like that of the republic indivisible, which was the ideal of the leaders of the French revolution, whereas the American Federation of Labor has had as its ideal a large degree of autonomy for the separate organizations, along with unity in important matters of general concern. The founders of the American federation of labor undoubtedly had floating before their minds as a model of organization the political union of the American states. The advantages of labor organizations find sympathetic treatment. If the attitude of labor organizations towards nonunion labor is not justified it is at least explained, and it is needless to dwell upon the importance of understanding the real basis of the antagonism of union labor towards nonunion labor. There are comparatively few people outside the wage earning ranks who understand how much can be said in favor of the position which organized labor assumes in this particular; and this can be admitted, even if we are unable to justify the conduct of labor organizations with respect to those outside their ranks. This conduct is undoubtedly frequently reprehensible and sometimes even criminal. But those will not succeed in finding a remedy who do not understand the real nature of the question.

After a brief discussion of the political activities of labor organizations we have an extended treatment of collective bargaining, conciliation, and arbitration. Collective bargaining is defined as a process by which the general labor