

CAUSE OF HIGH WAGES IN THE UNITED STATES.

BY A. MAURICE LOW.

[A. Maurice Low, journalist; born London, Eng., 1860; educated at King's College, London and in Austria; since 1866 has been in charge of the Washington bureau of the Boston Globe; for several years was chief American correspondent of the London Chronicle; since 1896 has written for the National Review, of London, an article every month on American Affairs; contributor to leading English and American reviews and magazines, principally on international and political topics; investigated phases of English labor legislation, 1900. Author, *The Supreme Surrender and Protection in the United States.*]

According to the theory of protection, protection, in so far as wages are concerned, is both cause and effect. The effect of protection is to increase wages, and the increase of wages, that is, the higher scale of wages resulting as the effect of protection, increases the wealth of the country, puts into circulation a larger volume of money, and enables the wage worker to become a larger consumer, thus creating a larger demand for all commodities, and is one of the reasons (but not the only one) why the manufacturer is able to pay high wages. It is an endless chain, beginning in protection and ending in protection.

It seems unnecessary to waste time in the discussion of what no one disputes. It is a fact conceded by economists, statisticians, manufacturers and workingmen, by protectionists as well as free traders, that wages are higher in the United States than in any other country in the world; higher than in England, the country, next to the United States where labor is most liberally remunerated; in some trades in America wages are more than twice as large as those paid in England.

While it is no longer disputable that wages are higher in America than elsewhere, the assertion is frequently made that these earnings are more nominal than real, as the cost of living in the United States is so great as to absorb the difference between the European wage and the American. In other words, that the purchasing power of a shilling in America is no greater than sixpence in England, and while the American workman is paid a shilling for the same amount of work which brings only sixpence in England, after both men have paid for the necessaries of life, the money remaining in the hands

of both would balance. That phase of the subject will be considered later; for the present an attempt will be made to show what the effect of protection has been on wages, and the reason why wages are higher in America than elsewhere.

One of the definite and most important results protectionists hoped protection would accomplish was to raise the general scale, to bring about a higher standard—a higher standard of living, of wages, of intelligence, of initiative, of the physical strength of the nation. These things, protectionists frankly admit, cannot be had for nothing, they must be paid for, and though the cost of living in America as compared with the cost in free trade countries may be a trifle higher, the difference is more than met by the advantages derived. Moreover, the cost of living in America compared with that in England is not the difference between the wages paid in America and those paid for like labor in England.

Cost is only a relative term. The price of an article or a service may be high or low compared with a similar article or service elsewhere or at some other time; the price of an article is high or low as measured by the amount of labor that will purchase the desired commodity. If in one country a man must work, for the sake of illustration, twelve hours before his labor enables him to purchase a loaf of bread, the price of bread would be high and the price of labor would be low. If, on the other hand, a man need work only six hours to purchase a loaf of bread, even if the loaf of the same weight should sell in the market at twice the price of the loaf in the first country, the workman would still be twice as well off. It is true that simply comparing the prices of the two loaves one is higher than the other, but compared relatively to the earning capacity of the two men it is the first and not the second loaf that is the more expensive. In the one case the workman must give twelve hours of labor—which is his maximum capacity—to obtain a single loaf, and has therefore expended all of his resources for that one purpose. He has made a draft upon all his vital energies and has no further stock to be converted into labor and exchanged for some other commodity. In the other case the workman has expended for his loaf of bread only one half of his raw material or his capital (accord-

ing as one may choose to call the pent up energy of a laborer before it has been transformed into service, the laborer's raw material or his capital; the terms being interchangeable and, in this case, synonymous) and has still remaining a stock of energy which may be converted into other articles of diet, clothing, means of amusement, anything, in fact, for which he has a desire.

It must be obvious that the man whose day's labor yields a loaf and a pound of meat is better off than the man whose day's labor is the equivalent of only a loaf of bread. The question of actual cost in England or America is of only minor importance, and the comparative cost is of still less consequence. The only practical consideration is the ease with which the article can be procured or, conversely, the labor which must be expended to earn the required amount of money to pay for the article in question.

It may be well to say that the use of the word labor must not be taken to apply solely to manual labor. Every man who does not derive his means of subsistence or his income from rents or other forms of investment is a laborer, whether he be a day laborer, a skilled artisan, a clerk, a writer, a doctor, a lawyer or a preacher. Each has to contribute a certain portion of his own particular form of labor to obtain a return in the shape of wages or salary or income, and his comfort and happiness are measured by the value which his labor produces. Protectionists constantly point out that free traders made the mistake of believing that protection is in the interest of a class and that it is not of equal benefit to the entire community. This, from the standpoint of protection, is a fundamental fallacy which free traders have long cherished. American experience has proved the contrary. A nation in which a wide gulf exists between prosperity and poverty is not really prosperous. The day laborer no less than the clerk and the professional man profits by protection and a high return for labor.

The American workman demands a higher standard of living than the European workman. Various reasons for this have been ascribed by various writers. Levasseur finds that "the democratic spirit of the American people has as-

sisted materially in preserving the custom of high wages," and de Tocqueville wrote: "In proportion as social conditions become more equal, wages rise; and as wages are higher social conditions become more equal."

I shall not go too narrowly into the causes that make the American workman insist upon certain diet and comforts which the European workman does not deem necessary. Every observer is aware of the fact, exactly as he admits that wages are higher in America than elsewhere. The standard which the American workman has set can be maintained only by high wages. It may be open to discussion whether the standard is the cause or the effect of high wages, and whether it tends to increase wages or simply acts as a restraining influence in preventing their decrease, but I think it must be accepted that the higher the standard the greater the demands that will be made upon capital by labor, and the tendency will be to increase wages. The more wants a man has the greater his desire to satisfy them.

The standard of living in the United States being higher than in any other country, employers are compelled to pay higher wages. To make this highly paid labor remunerative the employer might increase the hours of labor over those prevailing in other countries and thereby obtain a larger output per man, or he might by more scientific methods make his labor more productive. He could not put in force the first method because labor in the United States will not allow itself to be unduly exploited or sweated for the profit of capital. Consequently, the alternative left to the manufacturer is to devise a system whereby the laborer in America, frequently paid double the wages of the laborer in England for the same class of work, shall produce an output so much greater that the actual cost per unit of production is lower in America.

The experience of the American manufacturer engaged in every branch of productive industry has shown that the cheapest labor is not the labor that commands the lowest price in the labor market, but, on the contrary, that the cheapest labor is the labor that is the most productive irrespective of first cost. Here the American manufacturer with his practical experience runs foul of the theories of Adam Smith,

Ricardo, Mill and other economists who believed that a day's labor in one country was the equivalent of a day's labor in any other country, if the work engaged in was the same in both places, and on this theory the so-called iron law of wages was founded, a law which was not a law, but merely an assumption, which the facts have routed. The American manufacturer has learned that low wages do not mean cheap production, and that the best instructed and best labor proves itself to be the most productive, so that the rate of wages and the cost of production are not alternative or equivalent expressions, although so frequently and ignorantly confused. The American manufacturer has made the further discovery that the highest paid labor is usually the quickest labor, and is capable of turning out work which commands the highest price in the market, and produces better workmanship than labor less highly paid. In fact, so thoroughly is this now recognized, that one of the best known American advocates of free trade was compelled to use this significant language:

"In almost every employment of an industrial nature a very great amount of training is requisite to make it effective or make it serviceable at all. Only in times of very great demand and scarcity of labor would any one employ crude labor in factories where skill is required. The first question at all times for an employer to put would be, What can you do? How skillful are you? What are your earnings? Never would he ask, How cheaply can you work? He would surely take the one offering his or her services first who had been in the habit of earning the highest wages, doing the greatest amount of work, etc. In times of depression or lesser demand, he would surely dismiss those of his hands who earn the lowest rate of wages, and keep those who are best paid per diem, etc. How, then, can it be that wages cannot rise beyond the point of mere subsistence of the worker, when the skill of the worker is so powerful a factor in determining the rate of wages?"

Another equally well known American writer, who has championed the cause of free trade, finds that wages must be determined in the long run by what the product will bring, and not by what the capitalist may promise or be willing to pay for a given time. Low wages are not essential to a low

cost of production, but on the contrary they usually indicate a high cost of production.

"Even at piece work," says an English author, "the rapid working man is cheaper than the slow one in industries in which costly machinery is required. The cost of production is less with fast working men because the cost on capital per unit of production is less."

Many other equally eminent authorities might be cited, but cumulative evidence is unnecessary. It may be accepted as an economic axiom that the cost of labor is not the determining cost of the product of labor, and that the highest paid labor, which is always the most expert labor, produces the cheapest product.

While American labor commands the highest price in the world, the product of that labor is able successfully to compete with labor paid at a much lower rate. What is the explanation of this seeming paradox? Intelligent British workingmen find the answer in the enterprise of the American manufacturer, his readiness to adopt more improved machine processes, and the substitution of machine for hand labor; and the British workingman also believes that the American workingman is compelled to work longer hours and under a greater strain, the Englishman being satisfied with lower wages and an easier life. Scientific observers and writers are content to ascribe it to the greater productive power of the American workingman, without explaining the secret of the productivity of the American workingman. Thus one writer says, "American higher earnings are only in other words an expression of a higher working capacity," which is doubtless true, but it teaches nothing. "The whole product of a nation," says another writer, "depends upon two factors, its natural advantages and the efficiency of its laborers," but the causes which produce efficiency are not revealed.

The belief entertained by British workingmen that the increased productivity of the American workingman is due in part to the more extensive use of machinery, and especially the latest and most improved type of machinery, is true; but the general substitution of machine for hand labor is possible only because labor is expensive. It is only where a high rate

of wages prevails that machinery can be profitably employed. It has been pointed out that in railroad building and canal work in India it is found that the low day rate at which laborers can be hired for carrying the dirt away from the banks makes the employment of machinery unprofitable and unnecessary.

In America, on the contrary, railroad building, canal digging, and other like work can be more profitably done by the use of steam shovels, excavators, and similar machinery, than by an army of workingmen. The relation which the use of machinery bears to the cost of labor is concisely expressed by a distinguished French author. A manufacturer considering the purchase of a machine, he says, which will cost \$10,000 and displace four laborers, but which must pay for itself in ten years, will not hesitate to make the purchase in a country where wages are \$500 per annum. The machine will affect a saving of \$1,000 per annum. A manufacturer in a country where wages are \$200 cannot use the machine, however, because it would cause an annual loss of \$200.

This explains in very few words why the American manufacturer so quickly discards an obsolete machine, and is always willing to substitute for it a machine that will do its work better and cheaper. A machine costing \$5,000, which in five years has saved \$6,000 in wages, can be sacrificed at the end of that time without the manufacturer feeling that he is losing money. He is not losing money. He has made money by the use of the machine, and if he can obtain something better, something that in the next five years will have paid for itself, and saved \$7,500 in the cost of production, he will feel that he has made a good investment. But it must be understood that it would be impossible for him to make these changes, unless the money he invested in machinery effected a saving in the difference between machine and hand labor, and this is only possible in a country where high wages prevail.

The economy of machine over hand labor is now recognized by all writers on economics. One of the strongest American advocates of free trade, who denounced protection and the injury which the McKinley bill would do to the

country, is forced to recognize the advantages possessed by the American manufacturer over his European competitors. Our labor, he says, being machine labor, is generally cheaper than European labor, which is to a large extent hand labor, or inferior machine labor, or unproductive, under fed labor, as compared with higher productive American labor.

The doctrine of high prices is always preached by the protectionist; and high prices for labor, he believes, is a nation's salvation. Let no one, he says, manufacturer or workman, be deluded by the belief that cheapness means prosperity, or that because things are cheap a man can have them in abundance. Nothing is cheap to a man without money; nothing is expensive if a man can afford to pay for it.

But it will undoubtedly be asserted, and believed, that while conditions in America result to the advantage of the workingman, in that he obtains higher wages, they entail an additional and unnecessary expense upon the manufacturer, and that in the last analysis this cost is paid by the consumer; and the workingman, being a consumer as well as a producer, bears his burden of the cost, and is no better off than the workingman in foreign countries. The history of American industry affords, however, convincing proof that the use of the most improved types of machinery and the most highly specialized and best paid labor results not in increasing the cost, but, on the contrary, in decreasing it. A machine can better do that which was formerly done by hand, and the greater the skill of the hand which controls the machine the greater the production, and consequently the lower its cost. It follows, therefore, that the use of machinery in charge of intelligent and highly trained men is of advantage to the employer, because his profits are increased; to the advantage of the consumer, because cost is decreased; to the advantage of the laborer, because the employer can afford to pay higher wages in proportion as the cost of manufacture decreases and its profits are increased.

American experience has demonstrated that the manufacturer who would keep control of his market and not be crowded out by more enterprising rivals must keep pace with the march of scientific or mechanical improvement or yield

to a competitor with more brains or more capital. Writers frequently deplore the fierceness of competition by which a manufacturer who has a large amount of capital invested in plant is compelled to send expensive machinery to the scrap heap because it has become obsolete, although it is still in good condition. No one who studies economics philosophically and in their broader relations to the welfare and progress of nations need waste a single tear over this tragedy. It is immaterial to the world whether a manufacturer, after having spent \$500,000 to equip his plant, must spend still another \$500,000 or else go out of business. If he is forced by improvement to replace the first set of machinery by other machines, it means simply that inventive genius has succeeded in producing a machine that will make certain articles at a lower cost than was possible by the employment of the machinery then in use. It is pathetically true that the individual manufacturer may be compelled to increase his capital by \$500,000 or be forced into bankruptcy, but that is more than counterbalanced by the advantage derived by the entire world being able to obtain a better article at a lower price, and by its increased consumption, for increased consumption always accompanies the reduction of the price of an article of daily use; greater profits also accrue to the manufacturer, who is able to pay larger wages to the laborer.

A manufacturer, describing a new loom before the United States industrial commission, said:

"The cost of the machines per spindle is about \$4, making \$60,000,000 invested in spinning frames; and these \$60,000,000 are doing to-day what \$120,000,000 would be required to do under the old method."

In a report of the chief of the bureau of labor of the state of New York there is testimony as to the use of machinery in the two principal manufacturing countries of the world:

"The United States and Great Britain are the greatest owners and users of machinery. Compare the general condition of the workers of those two nations with that of any other country on the face of the globe where machinery is unknown except in its most primitive form. Where lies the superiority? It seems almost a paradox, but it is true, that

machinery conduces to employment and to betterment; not only increasing production, but multiplying the chances of employment and incidentally the consumption of products."

The use of machinery, therefore, in its largest and most varied forms is a thing that every protectionist believes that every laborer as well as every consumer should heartily welcome. The man who has only one thing to sell, that is, his labor, can obtain for it more when he is required intelligently to direct the operations of a machine than he can when his labor is to be expended in the cruder forms of manufacture. The greater the use of machinery the higher the general rate of wages, and to repeat what has already been said of cost, because too much emphasis cannot be laid upon a fact which some economists ignore, the laborer, while a consumer, is also a producer, and the laborer as well as every other person is vitally concerned in maintaining a high standard of wages and securing a low labor cost of production. The more extensively machinery enters into manufacturing processes the lower the cost to the consumer. Therefore, machinery increases wages and cheapens production, so that the laborer obtains a double benefit by receiving a greater reward for his labor and having to spend less for the necessaries of life, which means a surplus to keep him from the border line of starvation. Furthermore, the physical and mental condition of the laborer is immeasurably improved by the substitution of machine for manual processes. It is claimed that the effect on a man placed in charge of a machine is to degrade him, because his work is so monotonous that it blunts his faculties and in a short time he becomes practically an adjunct to the iron and steel of which he is in charge. But no unprejudiced person who is familiar with conditions existing in industries before the use of machinery became general, and who knows present conditions, will deny that the general level of intelligence and the general condition of the workingman are higher now than ever before. It must be obvious that the strain on a weaver who has to watch a few automatic looms is a much less drain on his vital energies and less dehumanizing than the task imposed upon his grandfather who worked a hand loom. The automatic loom tender works about nine hours a

day with less physical discomfort than his grandfather, when fourteen hours counted as a day, and the wages of the modern weaver are as much larger than those of his predecessor as his hours of toil are fewer.

To the credit side of the use of machinery must also be added all the other things that have followed in consequence of its introduction. Compare the well kept, well ventilated shop of to-day with the miserable cottage at the time when cottage industries flourished in England, and before the factory system became universal. In countries where machinery is extensively employed the condition of labor is better than in countries where machinery is only sparsely used, and it will be found that the more general machine processes enter into all branches of manufacture the higher the social condition of the laborer.

One explanation of the greater productivity of the American workingman, I think it will now be conceded, is the greater use of machinery, and it has been shown that only in a country where the rate of wages is high is it economical to use machinery. But it is the belief of British workingmen, a belief shared in by many British manufacturers as well as British and foreign writers, that the American manufacturer is a hard taskmaster who, figuratively, stands over his workmen with lash in hand and compels them to excessive labor, which they can only accomplish at the expense of their physical well being. Never was there a more mistaken idea. The greater productivity of the American workingman is not due to the fact that, like the slave condemned to the galley, he is pushed to the extreme limit of exhaustion, but because the American workingman is the best fed, the best housed, and the best clothed workingman in the world, which enables him to do better and more work than any other workingman. That is the secret of his efficiency.

The American workman is the best clothed, best housed, and best fed workman in the world. He lives in more comfort than men of the same class in Europe; he has more money to spend on luxuries and pleasures; as a child he is not half starved or insufficiently clad; his mental and physical development is not stunted; he is not compelled to work at an age

when nature requires that the growing child shall have much time for sleep and play, and when good food is essential to make bone and muscle and brain.

All these things make up the sum total of the efficiency of the American workingman. The American who comes to the starting line of the race of life, who must spend all his days at the forge, the loom, or the lathe, is by reason of the higher environment into which he has been born, the better and more abundant food which he eats, the greater comforts generally with which he is surrounded, and the higher standard of living, more competent to perform work requiring skill and energy than the workman of a lower vitality or an inferior physical and mental equipment.

Can anybody question the cause of the American workman's efficiency or the effect which that efficiency must have upon the national welfare and the productivity of its workers? Apply the same test to an animal and it would not be disputable. Will a well fed horse, kept in a properly ventilated stable, do better work with less exertion than a horse insufficiently fed, whose stable is dark and rank, whose coat has never known the currycomb? Where shall we look for the better stock to perpetuate the strain, and would any sensible man in purchasing a colt hesitate in his choice between the colt of the former and that of the latter; and would it not be certain that if the colt was put to work when still immature it would break down at an earlier age than the colt which had been allowed to run wild until the time came when nature intended that it should cancel its debt by labor?

"In England," says Schoenhof, "I frequently heard it said that laborers brought from Ireland usually break down after the first week's trial; had then, living with friends, to first get used to the English standard of life, and feed up in order to do work at the English rate. Gradually, in keeping with their better feeding and living, they became as good and strong workmen as the English. Now, in American mills the very same holds good."

And the same author also says:

"They don't eat and don't work, said a shoe manufacturer of Vienna, when we compared notes on the productiveness of

Austrian and German labor and of American labor. Bread and beer swilling, and an occasional bit of sausage cannot give strength sufficient to compete with you."

The late Mr. Schoenhof, it may be remembered, was for many years one of the foremost American free traders.

To sum up: The American workingman has a productive energy greater than that of any other workingman, and this higher capacity is due to his being able to obtain more and a greater variety of food that is suited to his wants; to his being better housed and better clothed and having better surroundings than the workingman in other countries. Because he is a superior workingman it is profitable to make a more extensive use of machinery in America than in other countries, and this more general use of machinery has made it profitable to pay high wages, while at the same time it has reduced the price of commodities.

COMPENSATION OF SKILLED LABOR.

BY J. RICHARDS.

[John Richards, engineer; has been president of the Technical Society of the Pacific coast; he has spent more than twenty five years of his life in organized works, is himself a practical workman in various branches of mechanical art, and for twenty years was foreman, manager and owner of works during which he made a special study of wage systems.]

The subject of skilled labor and wages is by no means a simple one. Its complexity arises from the rapidly changing conditions and relations of skilled industry during the last sixty years. It is a branch of social economics that has but little useful literature, and, indeed, none at all that deals with the equities of the subject, unless it be in the current serial matter of the day, and that is almost never impartial.

Even the word wages lacks logical definition. Does it mean the money compensation for workmen's time, or does it mean compensation for work accomplished? These things are essentially different and require terms to define them. The first is a rate of wages, while the second is the amount of wages. I beg that you will keep these terms in mind, because out of them and the relation between them must arise much that will be said of compensation.

The amount of wages, or compensation for work accomplished, is the labor cost that enters into commodities, and constitutes the real economic problem, the one that directly affects our industries and determines their success.

The rate of wages, or compensation for workmen's time, is a social rather than an economic problem, dealing with the intellect and skill of workmen, their ingenuity and power of producing; consequently it affects directly the workmen themselves.

The amount of wages is very uniform the world over when measured by product—indeed, must be so, as will appear—but the rate varies with the productive power of workmen.

It does not much matter to an employer whether it requires one, two, or three workmen to produce a given result