Economics for Workers

BY PETER T. LECKIE.

WAGES
NOMINAL, REAL AND RELATIVE.

THE Nominal wage is comprised of the Dollars and Cents the worker finds in his envelope, but in itself it does not give any conception of the real, or relative wage.

The real wage is the purchasing power of the money wage, and real wages may fall while money wages rise, while on the other hand real wages may rise while money wages fall; for instance, if commodities that go to maintain the worker fall faster than nominal wages, real wages rise.

The Relative wage is the proportion of wages to the total production. Relative wages may fall while both nominal and real wages rise. The above statements are best conveyed to the worker's mind by the following tables. The first table shows an increase of nominal and also real wages, from 1860 to 1891 in the United States.

223 Commodities and wages equals 100 in 1860.

Commodities 100 fell to 94.6.

Wages 100 rose to 168.

This shows wages rising from one dollar to one dollar sixty-eight, while commodities fell from one dollar to 94.6 cents. The nominal and real wage therefore have risen.

The following shows that nominal wages increased while real wages fell in England amongst the tailors from the years 1777-9 to 1801.

Wages: 21/9d. (1777-9) rose to 27/—(1801)

Purchase power (1777-9) 36 loaves of bread; Purchase power (1801) 18½ loaves.

Nominal wages have increased since the golden age of English laborers but foodstuffs have risen faster. We find that 15 week's labor in 1495 could buy more than 52 week's labor in 1593.

Nominal wages increased during the war but real wages fell in most cases. The London "Times" of 14th Feb. 1920 gave the following figures I have tabled.

Living increased 136%

Nominal wages increased 130%

The purchasing power had fallen; therefore, real wages fell.

The United States Bureau of Labor Statistics shows real wages have fallen, although nominal wages increased, thus:—

Year.	Wages	Living Costs.
1914	102	103
1915	102	105-1
1916	106	118-3
1917	112	142-4
1918	130	174-4
1919	191	199-3

In 1920 wages fell to 189 although living had gone up to 216.5, a result of a glutted labor market of unemployed.

The only period in which nominal wages increased the real wage is in the first table, from 1860 to 1891. The reason for this was because of the large development of mechanical appliances, lessening the value of commodities and producing and distributing with greater facilities with the introduction of steam boats, railroads and every other facility of transportation and communication, and this condition especially in the United States made a demand for workers so we had increased money wages alongside falling prices. When we come to the subject of prices I will give more detail of this great industrial development.

If we take the purchasing power of wages in Canada since 1914 we will find that nominal wages have risen while real wages have fallen. The wage of the carpenter at $2.50 a day was a higher real wage than when he received $7.00 a day.

The following are some of the things that could be purchased with the carpenter's wages of $2.50 and $7.00.

$7.00	Contrasted with	$2.50
13 lbs. bacon		17 lbs.
112 lbs. flour		140 lbs.
210 lbs. potatoes		255 lbs.
20 lbs. coffee		20 lbs.
10 lbs. butter		20 lbs.
24 lbs. lard		28 lbs.
35 lbs. prunes		50 lbs.
Two pairs overalls		three pairs
46 lbs. rice		50 lbs.
5 work shirts		6 work shirts

This is the only way to find out the real wage; by finding what the nominal wage will buy. A great deal of confusion arises by looking at dollars and cents alone.

When prices and living was the principal topic, a letter appeared in the Ottawa daily press by a farmer, saying that it was the high wages of organised labor, making it hard for the farmer to obtain labor unless he paid exorbitant wages, which caused the high price of butter.

The farmer advanced the argument that 30 years ago butter was 15c a lb. because labor demanded only $1.50 a day, and this was the cause of dear butter, selling at 55c a lb. I wrote the press, showing the fallacy of the farmer's contention, from the viewpoint of real wages. A labourer with $1.50 a day, when butter sold at 15c a lb., was worth, in wages, 10 lbs. of butter a day, but at the time of the discussion the labourer had only $3.00 a day, and instead of quoting butter at its market price of 55 cents, I gave the farmer the preference and called it 50c a lb. to make the illustration clear. Then Mr. Farmer was not paying the labourer as high a wage, because, expressed in butter, he only got 6 lbs. a day instead of 10 lbs. 30 years ago.

We had this same foolish reasoning cropping up when they discussed the proposed Fixed Rent Bill of Labour Minister Rollo of the Ontario Parliament.

I hope I have made Real and Nominal wages clear. Let us now take the Relative wage, i.e., the proportion of wages to total production.

We saw both the nominal and the real wage increased between 1860 to 1891, yet in that same period the Relative wage fell.

Capital.	Product.	Wages.	Year.
100	100	100	1860
546	397	168	1890

Here we have the product increased 297 per cent. while wages increased only 68%. The capital had increased 446%, which shows proof of what Marx's opponents called the great contradiction, when he pointed out greater exploitation although a fall in profits, because profits are declared on the total capital. This I will elucidate on the lesson on profits. The above table, then, points out a decrease in relative wages.

The Steel Industry of the United States shows this relative wage decrease, and in the 1880s nominal wage fell also.

Year.	Ton production per man.	Average wage.	Profit per man.
1870	66	$453	$332
1880	81	304	360
1890	260	460	405
1900	395	506	900

From a book entitled "Railway Nationalization and the Average Citizen" by Wm. H. Moore, (Toronto, 1917) I have drawn the following table, showing the decrease in Relative wages in Canada, in manufacturing industries.

1900	1910
$481,000,000	$1,166,000,000

$128,000,000 (wage increased)

$685,000,000 (increased wealth, which means five times the increase of the wages).

The High cost of Living Commissioner of Canada's report, 1915: while it shows wages rose 40%, the Relative wage declined, in proportion to total production, from 23.5 in 1900 to 20%, 1910.

Therefore, Relative wages fell.

Once the worker has a grasp of the wage system he will use his knowledge for its abolition, instead of merely carrying on the struggle to increase wages.

The condition from 1860 to 1890 when real and nominal wages rose I don't think will ever repeat itself. You had a young and vigorous system, with a large undiscovered world to open up markets, giving an impetus to trade and the cheapening of commodities. You had wages rising while commodities fell because of the industrial booms, which had longer periods of life than industrial activities have today. The population of England rose from 20 million in 1821 to 45 million by 1911, as a result of this industrial development.

We have said that the labourer, on the average, like every other commodity receives the value of his labour-power. This can be well illustrated by the following:—

From 1890 to 1899 in England prices fell 5%. Wages rose 2 %.

From 1900 to 1908 prices rose 6% while wages fell 1%.

A 7 % improvement at first, with a 7% retrogression in the second decade.

That kills the lie that prices depends on wages. From 1875 to 1896 (in England) prices kept falling while wages kept rising, and yet, as we saw in the illustration of relative wages, total profits increased.

I think I have given enough illustrations to explain the Real, Nominal and Relative wage, and to study classes I advise the enlarging of the tables I have given as a beneficial method for the students to grasp the subject, as it is hard to grasp in the abstract.

Between 1896 and 1914 prices rose in Britain 35%, and in Canada 50%, with nominal wages rising so slow that real wages fell 30%.

The figures given by one of the U. S. A. economists are:—

Money wages, 100.3 in 1890 rose to 187.4 in 1918, with food prices rising from 101.9 in 1890, to 266.6 in 1918.

Wage money increased 87.4%.

Prices increased 164.7%.

So we have a great fall in real wages.

Next Lesson: EXCHANGE VALUE.

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