

## The Minimum Wage

Leading economists of this continent and Great Britain are unfriendly to the principle underlying the minimum wage

By W. W. SWANSON.

Symptoms of labor unrest appear everywhere in the industrial life of Canada and the United States, as well as in Europe. This is due in part to prevalent high prices, and in part to the monopoly position in which labor fortuitously finds itself. Everyone will admit, both capitalists and laborers alike, that the strike is wasteful and rarely permanently settles the question at issue. After the war the stabilization of industry and the prevention of unemployment will be the two big outstanding problems that the community must face. It is important, therefore, that the closest and keenest study be given to the industrial problems of Canada here and now.

Too frequently in the past business men, backed by the economists of the day, have defended practices that have long since been thrown upon the rust heap. Most of us know that child and women labor, carried almost to the point of slavery, was justified by the capitalist class a few generations since. After legislation had been pushed through parliament controlling working conditions for the weaker element in the community, employers generally acquiesced in the changes effected and accepted the result secured. Beyond peradventure, such legislation has made for the betterment of both parties to the wages contract. To-day the economic life of the nations is in a state of flux, and the war has compelled employer and employee alike to accept a settlement of hours of work and wages that would not have been tolerated in days of peace. The State, for example, has thrown aside the conception so long held by economists that, to effect the best results, labor must be left mobile and free to move where it pleases. Not only is labor in the United Kingdom allocated to certain types of work, but the hours of work, the profits on the capital employed and many other phases of the nation's industrial life have come under strict supervision. Notably, one of the most degraded classes of labor in Great Britain, agricultural workers, has been suddenly lifted to a relatively high standard of living by the instituting of a minimum wage. It is safe to say that labor will not accept the old economic theory of all things work together for good in the best possible of all economic worlds, as long as free competition obtains. We have learned that free competition may mean much or little according to the way it is applied; and that it affords poorest results in determining the relation of labor and capital.

As already stated, the strike is an outworn instrument, wasteful and vicious in its operation in industry. The use of the strike during these hard and bitter days of war when our soldiers are giving all that they have that the economic and cultural content of Anglo-Saxon civilization may be protected, is little short of treachery. Other methods are imperatively essential for co-ordinating the economic activities of the Dominion. After the war, when there will be grave danger of unemployments in any event, unless the most careful consideration is given to methods of prevention now, there is likely to be much economic distress and misery. Less than ever can the strike be accepted then as a way of escape from hard industrial conditions.

The strike has been used as a means of raising the standard of living from time immemorial, although many imagine that it is characteristic only of our generation. The relations of labor and capital have always been difficult to adjust; but, however great be the progress achieved in politics and in the extension of democracy, the war will have been fought in vain unless it brings real solidarity to our country. There is no room in the Dominion for the individual who, in this hour of peril and of trial, or in the days of peace to come, will batten upon the prejudices of the ignorant and seek to make profit by turning class against class. Once more let it be said: Unity and solidarity are fundamental in realizing true nationhood and an enlightened citizenship.

The minimum wage has been so largely made use of, both in the United States and Canada, as well as in the United Kingdom, Australasia and elsewhere, during the course of the war, that it merits more than passing scrutiny as a means of achieving industrial peace. True, the leading economists of this continent and Great Britain are unfriendly to the principle underlying the minimum wage; and declare the theory upon which it is based an economic heresy. This is a day, however, in which heresies most remarkably

are becoming sound doctrine, and heterodoxies accepted guides of conduct.

While the standard of living, notwithstanding the great increase in prices, has been materially raised during the war there yet remain industries in which the level of living is such that the primary deficiencies of life—food, clothing, shelter, and essential social expenditures—are not provided for. This was more characteristic, to be sure, of pre-war days, when women and children as well as men were frequently exploited by parasitic employers. Now the orthodox economist justified less-than-living wages on the ground that it was better for women and girls to receive little than nothing at all. Professor Taussig, perhaps the most distinguished economist in the United States, and head of the department of economics in Harvard University, for example, a year or two since defended low wages for women and girls on the ground that if these low wages were not accepted, labor would be unemployed; and that in any event only one in five of such workers had to make her way on her own resources. The other four were members of the family economic unit and thus received part of their support from the home. He argued that an increase in wages would cut off employment from four out of five such workers; and that it was better that one should suffer rather than that unemployment should spread through the whole field of industry. Admitting that conditions were bad, the minimum wage, by causing unemployment, would make them very much worse.

The assumption underlying this reasoning is that free competition and perfect mobility apply to labor just as much as to gold, wheat, cotton and other commodities. Further, in the long run, free competition and flexibility of supply and demand reduce prices to the cost of production, thus protecting the consumer; and at the same time furnish most employment to labor. But as everyone knows the war has made it imperatively necessary to fix the prices of wheat and other commodities in order that a supply commensurate with the demand might be forthcoming, and that the costs of production might be met. We are not so certain of the virtue of free competition as in pre-war days. And if it is essential to determine prices without respect to market conditions for such commodities as wheat and steel, how much more essential it should be to assure such a return to labor as — to put it on the lowest material basis — will cover its cost of production. Carlyle it was who laid sardonic emphasis upon the fact that a horse is often far more valuable to society than a human being — the former ultimately going to the glue factory while the latter is frequently scrapped in the height of his powers.

To a new country such as is Canada, manhood is the most precious commodity. Capital is essential to our economic development, but without population a pioneer country can make no progress. So truly was this recognized in the days before the war that no effort was spared to bring immigrants from Europe, especially to the West. And after the war it will be found that an expanding West, made possible by a growing population, will be the best assurance for industrial stability and the profitable employment of capital. Strange to say, however, although the need of population was keenly felt, there was little or no attempt before the outbreak of hostilities to make that population self-reliant, virile

and efficient, by a concerted effort to maintain the standard of living at a high level.

Labor, of course, unlike most other commodities, is perishable; and is lost daily forever to the worker unless it can be daily sold. Moreover, labor is not mobile, moving rapidly from place to place to follow the lure of high wages. Experience proves that most women and girls, and the majority of men, prefer to stay in the community in which they have established themselves and made friends, and to maintain the family connection, rather than strike out elsewhere for better living conditions. But even if that were not true, if wages in the several trades and employments were standardized by perfect mobility of labor and free competition, the problem of providing a minimum standard of living sufficient to cover a reasonable measure of comfort as well as the deficiencies of life would not have been solved. Even now, with an artificial monopoly of labor in certain of the industrial occupations the standard of living for many workers, both in the United States and Canada, is too low.

It is argued that if the practice became general, as it has become general in certain of the American States and in Australia, of providing a minimum wage for workers, men as well as women, unemployment would result. It is assumed that under free competition prices of commodities, in the long run, must sink to the level of the cost of production; and that if some employers were forced by law or otherwise to pay their employees more, they would be driven out of business. But it is evident that such industries as the Standard Oil Company do not necessarily determine selling prices by the costs of production. Rather, they apply the principle of charging what the traffic will bear, for the commodities they sell, and of paying the market price for labor. It is equally obvious that if, through negotiation or legal enactment or some other method, the wages of labor were raised, prices of commodities to consumers might well remain as before. The added labor cost would be shared between manufacturer, wholesaler and retailer. If industries are charging what the traffic will bear, it is fairly certain that an increase in the cost of production will not, because it cannot, be passed on to the consumer. A slight increase in price of products, in these particular industries, would be more than offset by the curtailment of the demand.

In many instances a 2 per cent increase in wages may mean an increase of only 5 per cent in manufacturing costs. That increase, as already remarked, may be shared by the various distributors through whose hands the commodity passes, without effecting any great change in profit. In any event higher wages mean higher purchasing power, as well as increased efficiency of the labor employed. In this way increased costs of production would be neutralized, partly by their absorption by a community better able to pay high prices, and partly by the elimination of cost through increased labor efficiency.

Whatever the solution of the labor problem may be — and there is not one but many solutions — it is safe to say that Canada cannot make the progress that ought to be made if there is constant appeal on the part of labor to sabotage, malingering and the general strike. Labor has an imperative duty to itself and the State; but capital has obligations no less essential to the permanent welfare of our social life. If employers would give one half the attention to the labor question they at present pay to overhead costs, prices of materials, machinery and equipment, it is certain they would gain much thereby. The labor turnover — hiring and firing — is not only wasteful but exceedingly expensive to any industry. A contented labor force, efficient and alert, is industry's biggest asset.

### TO SETTLE FISHERY DISPUTES.

Disputes in connection with the fishing industry affecting the United States and Canada are being settled at the meetings of the American-Canadian Fisheries Conference being held at Lake Champlain. The principal matters under discussion are the requirements of Canadian fishing vessels passing through territorial waters of Alaska, fishing by United States lobster smacks off the Canadian coasts, protection of Lake Champlain fisheries, the protection of the Pacific halibut industries, the rehabilitation of the sock-eye salmon fisheries of the Fraser River, and the privilege accorded fishing vessels of each country in the ports of the other. Some of the questions have been pending since the time of the American

revolution. As far as possible meetings have been held where the controversies have arisen and where witnesses could be secured most readily. Sessions have been held in Boston, Gloucester, St. John, N.B., Seattle, Prince Rupert, B.C., Ketchikan, Alaska, Vancouver and New Westminster.

The members of the conference are Sir Douglas Hazen, Chief Justice of New Brunswick; George J. Desbarats, Deputy Minister of Fisheries, and William A. Found, Superintendent of Fisheries of Canada, representing the interests of this country, while the American members are Secretary of Commerce W. C. Redfield, Assistant Secretary of Commerce Edwin F. Sweet and Commissioner of Fisheries Dr. Hugh M. Smith. The conference has been marked by extreme frankness on both sides.