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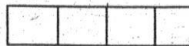
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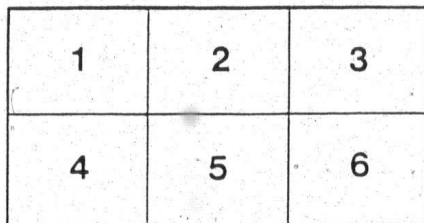
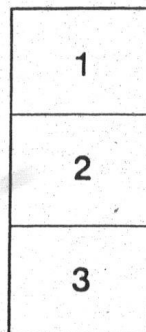
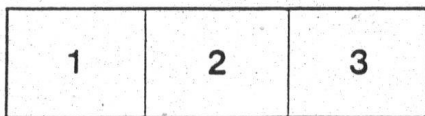
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Course in Banking

LESSON XIII

Economics

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LESSON XIII.

(a) Wages (Continued).

Next must be noted the effect of migration, which now goes on at a tremendous rate. In a single year of late more emigrants have left Europe than during the whole eighteenth century.

Emigration (in thousands).

	United Kingdom	Italy	Germany	Austria-Hung.
1902	205.6	507.9	32.0	185.4
1912	395.6	704.6	31.6	386.5
1907	467.6	711.6	18.5	246.3

Emigration from United Kingdom (in thousands).

Year	To British N. America	To U. States	To Australia	Elsewhere	Total
1815-1820	70	50		2	123
1821-1830	139	99	9	1	269
1831-1840	322	308	67	4	703
1841-1850	429	1,094	127	34	1,684
1851-1860	198	1,317	473	26	2,016
1861-1870	130	1,132	267	41	1,571
1871-1880	177	1,087	303	110	1,678
1881-1890	301	1,713	372	169	2,558
1891-1900	176	1,090	119	258	1,644
1901-1905	181	290	27	85	584
1815-1905	2,128	8,185	1,768	736	12,718

Immigration, 1910 (in thousands).

From	Into U. States	Into Argentina	Into Australia	Into Canada
Austria Hungary..	258.7	5.2	.8	4.8
Belgium	5.4	.3		.9
France	7.3	4.3	1.1	1.7
Germany	31.2	3.2	2.4	2.5
Greece	25.8		.3	.4
Italy	215.5	102.0	.8	7.1
Russia	186.7		.7	4.5
Spain		131.4		
United Kingdom . .	98.7	1.8	81.4	59.7
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China	1.9		1.8	2.1
Japan	2.7		.5	.2
British N. America	56.5			

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The Theory of Population. What conclusions are to be drawn from these and similar facts as to the growth of population? Is there any rule or law governing this growth? When we look about us at the world of life lower than man, we are struck at once by the almost boundless possibility of increase each species possesses and also by the actual little change in numbers from year to year. The possibilities of reproduction are striking; even the elephant, slowest of breeders, producing one calf at a time, and not oftener than once in three years, would in a few centuries grow in numbers until every inch of standing room on the earth was occupied, if every calf born lived to full age. A single green fly, such as attacks our rose-bushes, in a few months could produce descendants whose weight would exceed that of the whole human population of the globe. The codfish with its six million eggs, the myriad frogs and insects and countless plants that nature sends struggling forth, would fill ocean and land in a few years were their increase not rudely interfered with. Yet as a matter of fact each species is restrained within narrow limits, by the attacks of enemies and the scarcity of food. What is the tendency of the human species?

Over a hundred years ago, in 1798, Thomas Malthus, an English clergyman, laid down the famous theory of population since known by his name. It was the time of the French revolutionary upheaval, and in England, as in France, men's minds were sharply divided as to the merits and the feasibility of the revolutionary programme. In controversy with his father, who optimistically looked to see a new heaven upon earth dawn with the overthrow of tyranny and privilege in France, Malthus had been led to take the position that no permanent improvement of the lot of the masses of the people was possible. If they did secure some betterment of wages or other conditions, that would simply mean that their temporary prosperity would stimulate the birth-rate until the over-supply of labor had forced down wages to the old level, and all the slack was taken up again.

Following out this argument in detail in his *Essay on the Principle of Population*, Malthus urged that there was a constant tendency for population to increase faster than subsistence. The experience of the United States had shown that if unchecked, population would easily double every twenty-five years, or in geometric ratio; subsistence, on the contrary, could with great difficulty be made to increase in arithmetic ratio, that is, the quantity of food could at best be increased each twenty-five years by an amount equal to what is at present produced. There would, therefore, soon develop a tremendous gap between population and subsistence: in two centuries popu-

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Population Increasing
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Now, of course, population does not increase at this rate: it is brought up short by the possibilities of subsistence. Nature imposes checks of a preventive kind, which nearly always involve vice, or of a positive kind, which involve misery? That is, man is not entirely like the lower animals, which multiply without thought for the morrow. As he looks about him and sees the heavy burdens, the distress and squalor which a large family may involve for the average man of limited opportunities, he is led to restrain his impulse to multiply his kind. This restraint, Malthus continues, almost necessarily, though not absolutely so, produces vice, promiscuous intercourse or prevention of birth or destruction of offspring after birth. Even so, however, these preventive checks are not sufficient to restrain population within the limits set by the possible supply of food. The positive checks come in to redress the balance; such checks are extremely various and include every cause which in any degree contributes to shorten the natural duration of human life—all unwholesome occupations, severe labor and exposure to the seasons, extreme poverty, bad nursing of children, great towns, excesses of all kinds, the whole train of common diseases and epidemics, wars, plague and famine. In one way or the other population is kept within the bounds of subsistence, but the tendency to exceed those bounds is always present and stands an insurmountable obstacle in the path of all utopian reformers.

Criticism and further deliberation led Malthus to modify this attitude in the second and later editions of his *Essay*. He now recognizes that voluntary restraint need not necessitate vice, and, if thoroughly carried out, will prove an adequate check and make it unnecessary to call in the positive checks of misery. If men would exercise moral restraint, not marry until they had a competence and keep their families within the bounds of reason, all would be well, and progress would be possible: "squalid poverty would be removed from society or at least be confined to a very few who had fallen into misfortunes against which no prudence or foresight could provide." This qualification changed the Malthusian theory from a pessimistic denial of the possibility of progress and perfection into an optimistic programme of betterment; an appeal to men to raise the level of comfort by reducing the size of their families. The doctrine still was a stick with which to beat the working-

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classes, not, as before, to prove that all schemes for their uplifting were bound to fail, to come to grief in the bog of population, but to prove that if their wages and their lot generally were not what they would like, the fault was their own and the remedy lay with themselves. The Malthusian doctrine of population and the law of diminishing returns bulked very large in the economic theory both of the special student and of the general public of the Victorian era.

A century's experience has changed the facts which Malthus sought to explain; and a century's discussion has shown weaknesses in the theory which he put forward to explain the facts as he knew them. As has been noted in the tables given above, population still continues to increase, but in the western lands this is due either to immigration or to the fact that the death-rate has been reduced; so far as the birth-rate is concerned, nearly every civilized country shows a rapid decrease and the prospects are that all will follow the example of France, where births barely equal deaths. So great has been the change that, instead of Malthusian exhortations to prudence, declarations against race suicide have become fashionable. Many English and French writers advocate state bounties or pensions to mothers, while some countries, notably the United Kingdom and the United States, regulate their income tax so as to throw heavier burdens on the small than the large family.

With this too great success (as many consider) of Malthusianism in practice there has come increasing disbelief in Malthusian theory. So far as the first version is concerned, it is clear that he erred in assuming that vice and misery were the only checks to population, and erred, again, in the contention that betterment in conditions would inevitably lead simply to an increased birth-rate. As a matter of fact, increase in income, the rise of the standard of living, tend to reduce the birth-rate, provided, that is, that the institutions of the private family and of private property exist, bringing about a close and direct connection between individual prudence and individual comfort. The second version of the theory is sound in so far as it contends that there is always a possibility that population will increase faster than subsistence. This is, however, no more than a possibility. It cannot be considered a definite or inevitable tendency. The rate of increase of man and the rate of increase of food are both hypothetical. It is by no means certain that an increase in population would result in there being a smaller share for each man; it may be that one community is in the stage of diminishing returns, or, in other words, that the population already exceeds the natural resources and the capital available for its support and employ-

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ment, but equally it may be true that another community is in the stage of increasing returns, requiring a greater population to utilize adequately and efficiently the natural wealth and the capital and credit resources that are available. Where the former condition of affairs exists, a reduction in the size of families may, from the economic standpoint, be better alike for the individual family and for the whole community; where the latter condition exists, such a reduction may still be advantageous for the individual family, but is not so for the community.

The Malthusian theory of population has had great historic importance, as it influenced public opinion on the wages question and social problems generally, throughout the nineteenth century. The first and second versions of the theory differed widely, but in both the belief in the almost irresistible tendency of population to exceed subsistence persisted. Later experience has shown the danger of sweeping generalizations and the need for closer examination of the facts, but Malthus did good service in calling attention to the problem, and setting out conclusions which are true in certain cases.

Assuming, then, that Malthus has only set the problem, and called attention to some essential factors, and not solved it, or at least not solved the twentieth century problem, we may go on to note afresh some of the considerations affecting, first, the birth-rate, second, the death-rate, and, third, the immigration-rate, and thus in combination determining the rate of growth of the population.

There are many obvious forces tending to keep the birth-rate high, some of individual origin, others conscious attempts on the part of church or state to regulate the individual for the nation's good. Primary is the sex-instinct, nature's powerful device for keeping the world going. The desire for the companionship of children, the instinct for mothering the helpless, the wish to continue a sound stock or noble family, reinforce this influence. Perhaps less consciously the economic motive works in the same direction, wherever, as in new rural communities or in factory towns where no child labor laws restrict employment, the labor of children may be a source of advantage or gain. The churches, whether or not exalting celibacy as the highest state for those who feel so called, advise a full quiver of children for those who do marry, mainly because of the sinfulness of any interference with God's provisions for the increase of the race. Statesmen have endeavored by exhortation or legislation to increase the birth-rate, for food for

powder or more heads to tax. The provision in the British income tax law for deducting £20 from the sum assessed, in the case of persons with incomes not exceeding £500, for every child under sixteen; the Prussian practice of deducting 50 marks for each child under fourteen, and reduction to a lower rate of tax in case there are three such children; and the United States income tax provision for exemption of \$500 for each child up to two, illustrate the present tendency. All legislation taking from the parent the burden and responsibility of providing for his family, for example, laws ensuring free meals for school children, operates more or less consciously in the same direction.

Acting in the contrary direction there are many forces of increasing strength. It is significant that the fall of the birth-rate is most rapid in those countries which are most prosperous and, at least in their own estimation, most progressive and enlightened—western Europe, the United States, Canada, Australia, New Zealand. The primary cause is economic, or, to be more correct, so far as wealth is needed to advance certain aims, whether for comfort or for power or for intellectual development, the desire for wealth is the immediate and direct motive, expressing and focussing these various aims, which is in large part responsible for the dwindling size of the average family. Children have ceased, in most communities, to be an economic asset. They are still an asset for the western homesteader, but for the city-dweller, with compulsory education laws and child labor laws compelling him to support the child to the age of fourteen, they have become an economic liability, whatever may be their advantages in other respects. "One master trait of contemporary society," declares Dr. E. A. Ross, the originator of the phrase "race-suicide," "is democracy. The barriers of caste are down, and less and less is a man's place in society fixed by his origin. The more flourishing peoples grade men according to something that can be acquired—wealth, efficiency, knowledge, character. Wide stairways are opened between the social levels: and men are expected to climb if they can. In such case prudence bids each avoid whatever will impede his ascent or imperil his social standing. To the climber children appear incumbrances, and so the ambitious dread the handicap of an early marriage and a large family. With the wiping-out of sharp class lines, inherited standards of living lose their grip. Wants and tastes once confined to the social elite spread resistlessly downward and infect the masses. Tidal waves of imitation carry the craving for luxuries, hitherto looked upon as the prerogative of the rich, among millions of people of limited means, and these in their endeavor to gratify their newly awakened wants learn to economize in offspring. The little stranger trenches on raiment, bric-a-brac,

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upholstery, travel, entertainment. Here the decencies, there the comforts, yonder the refinements and varieties of life compete with the possible child and bar it from existence." The emancipation of women, the lessening of influence of the church in some quarters, customs requiring a dot or dowry on the wife's part or a certain minimum of wealth on the husband's part, or a law requiring the equal distribution of property among one's children, all make for postponement of marriage and smaller families.

The death-rate presents a simpler problem than the birth-rate. The rare, if increasing, cases of suicide apart, death comes involuntarily to most, and all but some hopeless cynics agree in the desirability of endeavoring to reduce the rate. The progress made in recent centuries is very great. Dr. Irving Fisher has shown by investigation of European medieval records that the average duration of a man's life is to-day nearly twice what it was in the thirteenth or fourteenth century. Even fifty years ago a death-rate of fifty or sixty per thousand was not unusual in crowded centres, whereas to-day many great cities have a death-rate of only fifteen, and a rate of thirty is considered disgraceful. The fall in the birth-rate and the fall in the death-rate are connected; the smaller number of children born makes greater care possible as well as necessary, while on the other hand a sudden setback in the population, such as that caused by famine or a disastrous war, sometimes seems to leave a gap which an increasing birth-rate hastens to occupy—as witnessed, for example, in both France and Germany in wars early and late in the nineteenth century. The chief factors in the decrease of the death-rate have been the tremendous advance in sanitation, the progress of medicine and surgery, and the growth of public and private institutions for bringing these aids within reach of the mass of the people. The importance of the economic factor and the great room that still exists for improvement are alike brought out in a recent investigation of Johnstown, a typical industrial centre in Pennsylvania, by the Federal Children's Bureau. "The deaths of the babies investigated were in inverse proportion to the earnings of their fathers. Babies whose fathers earned less than ten dollars a week died at the rate of two hundred and fifty-six per thousand. Those whose fathers earned twenty-five or more dollars a week died at the rate of eighty-four per thousand."

Particularly in Canada migration has been extremely important in determining the extent and quality of the population. All peoples are more or less migratory in their habits, man has been a wanderer on the face of the earth since the earliest times, and though there has been ebb as well as flow,

nearly all the habitable world has gradually been occupied or at least staked out by expansion from the original home of the human race. Ancient migrations were largely movements of whole tribes or peoples, taking forcible possession of new lands when the old proved too narrow for their support. Modern migration is more of an individual affair, yet considered in totals there is no question that the modern migration greatly overshadows the famous invasions of Hunnish or Gothic or Tartar hordes of old. The pace has been increasingly rapid of recent years. As was pointed out above, more people have left Europe in a single year of late than in the whole eighteenth century, and of the twenty-eight millions who left Europe for overseas during the nineteenth century, all but four millions sailed in the latter half.

The Americas and Australia were thinly peopled when they came within the white man's ken, though in one sense they were much more crowded than they are to-day: in so far as the Indians of this continent or the black fellows of Australia were still in the hunting stage they required a vastly greater area per head for their support than the present agricultural and manufacturing inhabitants, and, in fact, between war and famine it is believed that for many years before the white man came the population of America had been stationary. Into this vacuum there poured millions from crowded Europe and latterly thousands from still more crowded east and south of Asia. Canada was long outstripped in the competition for immigrants by her southern neighbor, which had a greater variety of climate and of economic opportunity and, in the opinion of most emigrants, greater political freedom as well as greater political prestige than any colony could suffer. In three periods, however, notably early in the thirties, the fifties and the eighties, Canada received a large share of the emigrants from Britain, and finally, about 1900, the great flood began. No country has ever received relatively so great an access of population in a brief space. The total population of Canada in 1901 was about 5,300,000; between 1900 and 1913 the immigrants numbered 2,700,000, or over half the total population at the outset. Canada's immigrants in recent years have been to the existing population as one to twenty, whereas the immigrants into the United States have not been more than one to eighty. The highest mark was reached in the fiscal year 1913, when 402,000 immigrants arrived in Canada, of whom 150,000 were from the United Kingdom, 139,000 from the United States, and 113,000 from other countries. In 1914 the numbers fell off slightly, with of course a sudden fall in the year following (ending March 31, 1915).

Huge as has been this inward flow, it has in some measure been balanced by an outward flow. Many of the immigrants

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to Canada, as to other new lands, proved birds of passage, returning when a modest competence had been secured or when the dreams of quick and easy success had vanished. Others drifted to the United States, and many of the native-born followed the same path. Of late years, the exodus to the United States has slackened, and has usually been more than counterbalanced by the immigration from that country, but it has by no means ceased. During the first generation of the Dominion's history, this southward movement attained astonishing proportions: in 1860 there were in the United States a quarter, and in 1870 a half million Canadians, and these figures rose steadily until in 1900 there were 1,181,000, a sum only slightly exceeded ten years later. Counting as Canadians the native-born Canadians, their children, and half the children claiming one Canadian-born parent, there were in the United States in 1900 nearly two million Canadians, or over one-third the number living in Canada itself. Canada with its five million people and its millions of vacant acres had more of her sons helping to build up the republic than England with its thirty-two millions in their crowded land. In such occupations as those of actors, artists, architects, bartenders, clerks, dentists, doctors, engineers, nurses, cotton-mill operatives and even lumbermen, the number of native-born Canadians living in the United States in the nineties approached and in some cases exceeded the number living at home. Even of late years it is surprising, at least at first sight, to find the emigration to the United States from Canada, with its seven or eight millions in half a continent, more than double the total emigration from Germany with nearly seventy millions in a territory of 240,000 square miles. Fortunately, as has been noted, this drain has slackened and has been offset by the northward flow.

Notable for its political as well as for its economic effects has been the migration from province to province, doing much to give unity and national consciousness throughout the far-flung Dominion. In Manitoba there are over seventy thousand Ontario-born, nearly a hundred thousand in Saskatchewan, fifty-seven in Alberta and forty-five in British Columbia, while Manitoba in its turn has given over twenty thousand to Saskatchewan. The Maritime Province migrants have made the flight from ocean to ocean, there being more native sons of each of the three eastern provinces in British Columbia than in any of the provinces between.

In all these ways, by birth and death, by immigration and emigration and migration within the country itself, the population, so far as Canada is concerned, has changed as indicated in the following table:—

Population of Canada: 1871-1911.

Province.	1871.	1881.	1891.	1901.	1911.
Alberta				73,022	374,663
British Columbia	36,247	49,459	98,173	178,657	392,480
Manitoba	25,228	62,260	152,506	255,211	455,614
New Brunswick	285,594	321,233	321,263	331,120	351,889
Nova Scotia	387,800	440,572	450,396	459,574	492,338
Ontario	1,620,851	1,926,922	2,114,321	2,182,947	2,523,274
Prince Edward Island	94,021	108,891	109,078	103,259	93,728
Quebec	1,191,516	1,359,027	1,488,535	1,648,898	2,003,232
Saskatchewan				91,279	492,432
Yukon				27,219	8,512
Northwest Territories	48,000	56,446	98,967	20,129	18,481
Total, Canada	3,687,257	4,324,810	4,833,239	5,371,315	7,206,643

In spite of exhortation, in all the western world the birth-rate is falling rapidly, as the spread of democracy, the breaking down of caste barriers, the desire for luxury or pleasure, the decay of religion, the emancipation of women, and the increase of compulsory schooling and child labor laws exert their influence. The fall in the death-rate, due to the greater care given the smaller number of children, and to the advance in medicine and surgery and sanitation, has hitherto balanced the decrease in the birth-rate, but there are obvious limits to this offset. Meanwhile migration on unprecedented scale intensifies our political and economic problems—and opportunities.

Now what is the effect upon wages of such a growth in numbers? At first glance it might seem that the result would be to increase the competition for employment and thus force down the wage-level. Such a belief underlies the general opposition offered by trade-unionists to a policy of extensive immigration, notably in Australia and more recently on this continent. Yet it needs only brief consideration to see that such a result does not necessarily follow.

It is sometimes assumed that the total amount of employment possible is a definitely limited sum, that there is only so much work to be done in the country, so that if more people, whether the increase in the native-born or immigrants, compete for it, there will be so much the less to go round among the older inhabitants. This lump-of-labor doctrine is a fallacy. There are no definite limitations to the demand for workers. That demand is potentially infinite, as infinite as men's desires and hopes and ambitions. Every rise in the standard of living of the present inhabitants, every addition of fresh demands by newcomers, whether by birth or by immigration, means a call for the products or the services of work-

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ers in many lines. Each newcomer not only competes for work with the men already established in his own trade, but he adds to the demand for the work of men in other trades. Of course there must be present also the capital and the natural resources and the enterprise to aid in meeting this increasing demand. If further employment is to be given, two things, among others, are requisite: an increasing market or demand for the products of that employment, and capital to finance the production. Money must be spent for articles of consumption and money must be saved for purposes of production. Each newcomer who spends his earnings, or who saves them in such a way that they are added to the supply of capital available in this country, or whose coming is an inducement to a foreign capitalist to lend money for production here, conceivably adds as much to the sum total of demand for labor as he adds to the supply of labor.

Or look at it from another angle, the newcomer's productive power. In last analysis wages, like other shares in distribution, depend upon the total product of industry: no more can be divided than is produced. Does the newcomer increase the total production in a proportionate degree, that is, does he produce as much wealth as the average man here previously? If not, he lowers the average; if he does, he may maintain it, or perhaps increase it. Whether the average rises or falls with each newcomer depends, in the first place, upon the personal efficiency of that newcomer, upon whether or not he is as capable a man as his average predecessor, and, in the second place, upon whether the country is in a state of diminishing or increasing returns. If the natural resources, the capital, the enterprise of a country, are already too small to employ the workmen available, that country is in a state of diminishing returns, and each average newcomer will mean a reduction of the average product. If, however, as is emphatically the case in new countries such as ours, the natural resources, the enterprise, and perhaps to a less extent the capital are great in proportion to the number of inhabitants, a state of increasing returns usually exists.

The fact that a great increase of population does not necessarily mean a reduction of wages is clear from a review of the industrial history of European countries. There is no question that not only the wages but the general working and living conditions of the average English workman are much better to-day than when the population was a half or a third of the present total. The industrial progress of Germany is another instance of the same development: the great advance made in German industry in the forty years before the European war was due not so much to expanding markets abroad as to expanding markets in Germany itself: "The fact that there were

almost twenty million more people in Germany in 1904 than in 1870 accounts for much of the increase of demand directly. More of the new demand, however, comes from the increased consuming power of the people which accompanies industrial development. Technical progress in manufacturing and transportation cheapened prices, cheaper prices stimulated demand, which in turn led to production on a large scale, lower cost of production, and eventually still lower prices. The technical progress, which was the primary cause of this series of causes and effects, was at first almost completely borrowed from England. Germany secured her first foothold in foreign markets because she could make imitations of high-grade English wares and could offer them at cheaper prices on account of their poorer quality. It is this cheapness, even at the expense of quality, which developed the great home market." (Howard.)

Assuming, then, that a country has still great resources to develop, and that the newcomers are or can be made at least equal to the average of their predecessors in efficiency, and are productively employed, the presumption is that the increase in population will raise, rather than lower, the general standard of wages.

Increase in the population of the whole country will not lower the average man's share of wealth unless the total supply of labor increases faster than the total demand. To demand there are no definite limits; there is no definite lump of labor, in danger of exhaustion. The new-comers—by birth or immigration—may add as much to demand for labor as to its supply, and a rise in the standard of living may have the same effect. Or, from the standpoint of the total production of wealth, out of which, in last resort, wages, like other shares, are paid, if the country is in the stage of increasing returns, each new-comer of average efficiency may enlarge production more than in proportion.

Is it, then, a matter of indifference to a worker how many are seeking a job in his occupation? Has the question of numbers, after all, no bearing on wages? Certainly not. Thus far we have been considering only the increase of population, and thus of candidates for employment, in the country as a whole. It has been seen that there is no definite limit to the total demand for workers. It is also true, however, that there may be at any time a very definite limit to the demand for a certain class of workers, and that the supply of such workers may be greatly in excess of this demand. In the discussion above it has been tacitly assumed that the newcomers are distributed properly, in the old industries that are expanding

or the new industry, ever, is often not a decrease of population, but a surplus of births, crowded while a few may enjoy a life, are liable to be incapable as themselves, employer to engage

The question of connection with the country, as a factor, is often considered in relation to seeking employment in relation to the country. Especially in a country where men's desires are to a limitless extent, exceeding demand, distributed. But in such conditions, there are no relations between supply and demand, the striking differences due to the demand, and what of one occupation to another grade of

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or the new industries that are being developed. This, however, is often not the case, and particularly so when the increase of population comes by immigration rather than by the surplus of births over deaths. One occupation may be overcrowded while another is much undermanned; one set of workers may enjoy a virtual monopoly of their calling while others are liable to be swamped by a sudden rush of newcomers as capable as themselves, or, at least, as profitable for the employer to engage.

The question of numbers must always be considered in connection with the demand. The total population of the country, as a factor in determining wages, must be considered in relation to the total demand for labor. The numbers seeking employment in a single occupation must be considered in relation to the total demand for labor in that industry. Especially in a country such as ours, it has been seen, with men's desires and natural resources and enterprise of almost limitless extent, there is little likelihood of supply as a whole exceeding demand as a whole, provided the supply is well distributed. But as regards particular industries and occupations, there are at all times great variations in the ratios between supply and demand which exist in each. How far are the striking differences between wages in various employments due to the differences in these ratios of supply and demand, and what causes these differences, this overcrowding of one occupation and this scarcity in another occupation or another grade of work?

Increase in the numbers seeking employment in a particular occupation may, however, depress wages. The demand for the products of any given industry, and hence for labor of a given class, is not indefinitely expansible, as is the demand for products and services and labor in general. More depends upon the distribution of labor between the different occupations than upon the total numbers.

Differences in wages, or rewards for services, are of two kinds, first, differences which merely balance other advantages or disadvantages, and equalize the total reward, and, second, differences which are not so balanced, but are due to the possession of some monopoly advantage. If men were equal in capacity and were able to go into any occupation they pleased, only differences of the former kind would exist.

There may be differences in the agreeableness or attractiveness or social status of occupations, and one may be willing to accept a lower wage, may in fact be compelled to accept a lower wage, in the more attractive occupations. Many men prefer white collar positions to overall jobs, and are content to

take a low wage as clerk in a store rather than a higher wage as an artisan. A domestic servant in this country can usually earn more, living expenses included, than a girl of the same capacity working in shop or factory, but because in a democratic country domestic service is considered a menial occupation, and because the hours are more indefinite and the work involves more personal contact and possibly friction, the money advantages barely balance the social or personal disadvantages.

There are differences in reward, again, due to differences in the cost of mastering the trade or profession. The occupations which require a long apprenticeship, an expensive training, an investment both of time and of capital, must pay proportionately more in money (or in social prestige) if the supply of candidates is to continue. Part, at least, of such differences in wages may be considered interest on the investment.

Regularity or irregularity of employment is another equalizing factor. Workers in the building trades, which can be carried on only during part of the year and are irregular even in the building season, must receive higher pay per day or per hour to equalize advantages. Similar to this factor is the influence of a few great prizes in a calling. In law, for example, some men reap very great rewards in money as well as in opportunity for political advancement. In spite, therefore, of the barrier of an expensive training and long apprenticeship, many ambitious youths crowd into this profession, with the result that many draw blanks where others draw large prizes. A successful opera singer may receive several thousand dollars a night and be famous over every continent, and so there are thousands of would-be Carusos and Tetrazinis struggling to secure a footing. Considering the training required in both callings and the high average of ability, it is probable that in these lottery callings the average return is smaller than in alternative occupations.

Some differences of wages merely equalize advantages, greater money wages balancing disadvantages of other kinds. This equalization takes place, however, only between occupations of the same grade, into which entrance is equally easy.

Yet these considerations do not cover the whole ground. It is obvious that, as a rule, it is not the most dirty and disagreeable occupations that are best paid: the scavenger does not receive money compensation to balance the disagreeableness of his work as compared with the skilled watchmaker. The rewards earned in business and the professions are usual-

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ly greater than would simply recompense the extra expense or time involved in preparation. It is only occupations that are open to the same class of persons that are equalized in advantages in the way mentioned. The difference in the wages of the factory girl and the domestic servant is offset by differences on other points, but the differences between the wages of the bricklayer and of the ditch-digger, between the reward of the doctor and that of the scavenger, are not equalized or offset. In the one case there is a free passing from one occupation to the other, from domestic service to factory work or vice versa, until the total sum of advantage, financial and other, has been balanced. In the other case there is not this free passing, and the relative advantages are not balanced. There are barriers, quasi-monopoly advantages, which keep the reward of some occupations high by keeping the numbers who can enter relatively small.

The first of these barriers is the lack of the inborn qualities required for the higher work, lack of the ability or character demanded. Not all men have the deftness of brain, or the soundness of judgment, or the quickness of brain, or the unremitting diligence, or the unquestioned honesty that this or that calling may require. Much of the difference between men in these respects is due to their training and environment, but a large region remains in which the difference in heredity is undeniable. Adam Smith once declared that "the difference between the most dissimilar characters, between a philosopher and a common street-porter, for example, seems to arise not so much from nature as from habit, custom and education." Important as is the influence of environment, perhaps more in determining the direction than the degree of ability or character, few would to-day deny the importance of heredity, after Darwin's demonstration of the inborn differences between individuals of the same species, of the transmission of distinctive qualities from parent to offspring, and of the close connection between physical and mental traits. The laws of heredity, it is true, are as yet imperfectly known, and it is impossible to tell in any individual case which qualities, if any, will be handed down. Yet it is broadly clear that there are persistent strains in men as in other living creatures, and that on Mendelian or other principles many important qualities of body and mind are handed down from parent to child. The inequalities between men are the first cause of differences in reward: the differences in reward may be greater than the differences in capacity, the ten-thousand-dollar man may be far from ten times as able as the thousand-dollar man, his ability may be far from ten times as rare, but usually the difference exists. The supply of candidates for the best-paid posts, then, is smaller in proportion to the demand than for

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Next, there are the limitations in the supply of candidates for this or that occupation which take the form of legal or religious or custom barriers. In western lands these have now largely disappeared. In Europe of old the craft-gilds had a monopoly of their trades. In India to-day certain castes or classes have a monopoly or at least a preference in corresponding occupations. In Australia trade unionists are by law given a preference over other workmen in all government employment. A few trade unions attempt to set up a closed union plus a closed shop, that is, to make an agreement with the employer to engage none but union labor and then endeavor to make the entrance into the union difficult by charging very high entrance fees. In the provinces of Canada it is not permissible to practice law or medicine unless a prescribed examination has been passed and heavy fees paid: no such rules exist in the case, say, of architects or engineers, though the training required is nearly as extensive.

Again, there are the still more important limitations imposed by poverty. The time and money required to get the training needed for some occupations, it has been seen, affect the award received; in the long run, wages, or wages plus other reward, must be sufficiently higher than in other occupations to give a return on the investment. As a matter of fact the extra reward received is much more than what is necessary as a balance. The majority of people choosing a life occupation do not compute beforehand, carefully and methodically, the relative advantages of this and that calling, weighing the advantages of immediate small earnings in one calling against the advantage of larger earnings later in another. The choice is often Hobson's choice. It is the parents who would have to make the investment, and it would be the children who would reap the greater part of the return. Even where parents are willing to make the outlay, often they are unable to do so. Schooling may be free in the lower stages, but even here there is the positive cost of support and the negative loss of the earnings that might be coming in. Few day laborers have the foresight or the altruism or the financial means to train their children for much more advanced work. Much depends upon the daily environment, the effect of initiation and example, the range of associations, the presence or the absence of influential friends to give advice or an introduction or an opening. In a country like Canada or the United States, where there is a widespread feeling of equality, great mobility of labor, and cheap and accessible education, this is less true than in old lands, but even here the barriers exist, and limit the supply of workers in many occupations.

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The supply of labor seeking employment in each industry greatly influences wages in that industry. There cannot in a country such as this, for many years to come, be too great a population, provided the quality is maintained, but there may well be an overcrowding of certain occupations. The differences of wages in different occupations depend largely upon the differences in the number of those capable of working in these various occupations, relatively to the demand. The number of competitors for the better positions may be lessened by lack of the necessary mental or moral qualities, by legal or other barriers, or by crippling poverty.

Organization.

depends upon organization, upon whether or not the workers in an industry combine, upon the vigor and vision of their leaders. A thousand employees who combine to demand bet-

It is, however, not merely numbers that count. Much ter conditions will stand more chance than the same thousand acting individually, each going his own road. Perhaps some of the ablest among the thousand may receive less than if they had bargained for themselves individually, but usually the average wage will be raised. To the employer, no one of the thousand men is indispensable; organization gives to each of them something of the indispensability of labor as a whole. It makes it possible to pool resources, for workmen on their jobs in ninety-nine towns to aid their fellows out on strike in the hundredth town, or to maintain unemployment funds or other benefits which remove the temptation to cut rates. If the leaders are able and honest men, their superior bargaining capacity, their better knowledge of conditions, are at the service of their comrades.

Organization, however, is a game at which two can play. The number of employers is smaller, they have other interests in common, they have greater facilities for meeting and for passing on information. The organization of workmen into trade unions is often countered by the formation of employers' associations, while the trust and merger movement has the incidental effect of making the new corporation better able to handle labor difficulties than the dozen scattered plants were before.

The importance and methods of organization, will, however, be discussed later in the chapter on Trade Unions, as well as in the sections devoted to Co-operation and Socialism, which are other methods of labor organization.

The Standard of Living.

It will be recalled that in the discussion of earlier wage theories it was shown how the iron law of wages had been transmuted into a golden law by many recent writers. They urged that conventional necessities should be included along with physical necessities in the minimum necessary for subsistence, which wages were assumed to cover. If this were so, the workmen had only to extend the range of their conventional necessities, to raise their standard of living, in order to see wages expand in equal proportion. This theory, it was seen, erred as much on the side of optimism as the earlier theory erred on the side of pessimism. Wages determine standard of living rather than standards determine wages. There is some causal connection between standards of living and wages, but it is less direct than is assumed in the theory mentioned. The standard of living is only one factor in the bargaining process, and it is by no means inevitable that the wages received will be such as to make it possible to maintain this standard. Men will lower their standard rather than starve.

The standard of living, that is, the scale of comfort, the range of goods and services which an individual or a class has come to think indispensable to happiness, and to maintain which any reasonable sacrifice will be made, affects wages in two ways. In the first place, the desire to retain or to advance the standard of living is an important factor in determining the size of the family and thus affecting one of the conditions, the supply of labor, upon which wages ultimately depend. So far as workers are divided into non-competing groups, so far as the supply of workers in each occupation is largely recruited from that occupation or others on the same level, the birth-rate in those occupations will have a very marked effect on wages. There is thus a close connection between standard of living, birth-rate, supply of workers, and wages.

The second effect of the standard of living is more immediate, influencing the wages of the present rather than of the next generation. When a cut in wages is proposed, the fact that this would involve a lowering of the accustomed standard tends to stiffen the resistance of the workman, to secure a certain degree of sympathy from the general public, and to make the employers themselves hesitate to push matters. The standard of living thus very directly affects bargaining power. It is not the only factor to be considered, and in times of depression the only alternative to a cut in wages and an enforced reduction of the standard or more careful economizing may be a loss of work entirely.

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In an increasing degree the state intervenes in the bargaining process. Employers and workmen are not left to fight it out alone. In Australia and in England and lately in several of the states to the south of us minimum wage laws have been established, setting a rate of wages below which no employer in specified industries may go. In New Zealand the compulsory arbitration law amounts in practice to the settlement of wages by judicial decree. In Canada the federal and several of the provincial and local governments insert fair-wage clauses in all contracts they give for work to be done, requiring the contractor to pay a certain minimum wage. In these and other ways, to be noted in the chapter on the State and Labor, the state throws its weight into the scale.

It is not merely numbers that count in the bargaining contest but the organization of those numbers, the discipline of the workers and the generalship of their leaders. Standards of living affect wages indirectly, in this generation by stiffening resistance, in the next by affecting the birth-rate. More and more also the state throws its weight into the scale.

Machinery and Wages.

The influences determining wages will be brought out more fully by considering two special topics, the influence of the invention of machinery on wages, and the difference between men's and women's wages.

When the age of machinery dawned, late in the eighteenth century, and steam-engines and locomotives and power-looms began to multiply in England, workmen looked on the new developments with much distrust or open hostility. Machines were smashed in turbulent riots, and parliament was called on to pass laws limiting the extent to which machines could be used or the amount of work they could turn out in a day. The machines, it was felt, and the new processes, were rendering valueless a craft and a skill built up by a life of work. The skilled man had little advantage over the unskilled in operating or tending many of the new machines, and in many cases it was not convenient or possible for middle-aged men with families to move to the new centres where the industry became concentrated. The hostility toward the machine, therefore, was very natural, and it still persists in many quarters. It was parallel to the opposition offered by lawyers, at about the same time in England, to proposals made to simplify legal pro-

cedure, sweeping away the cumbrous technicalities a knowledge of which was many lawyers' chief stock in trade, acquired by a lifetime of study; to abolish the technicalities was to make this skill valueless.

Now there is no question that the sudden introduction of machinery often injures the workmen in the particular trade concerned. The demand for their products may not be very elastic, and a smaller number of men, with the aid of the new machines, the "iron men," may be able to meet the demand. In such a case the older workers face either the loss of employment, or working with the new machine at the lower wages paid for the less skilled labor required, or else, as many weavers continued to do in England, working on desperately at their old tools or primitive machines and facing the ever fiercer competition of the new machinery and capital behind it. This was particularly true in the woollen industry in England: the demand for woollen goods did not greatly expand, largely because cotton was being used for more and more purposes, and so many hand-workers in this industry had to face the above alternative.

This, however, by no means always follows. In most industries, in fact, the reduction of prices which comes with the introduction of efficient machinery stimulates a new demand, opens up new uses for the product, appeals to fresh layers of the population. This was especially notable in the cotton industry, when the invention of the cotton gin, the spinning-jenny and the "mule," carding and wool-combing machines and the power-loom, all in the late years of the eighteenth century, so greatly cheapened cotton cloth that from a luxury it soon became one of the commonest necessities. This new demand led to the employment of a vastly greater number of people in spinning and weaving cotton after the Industrial Revolution than before it. At first the labor of women and especially of children was employed to a very great extent, wages were low, hours long, and working conditions unhealthy, but with the passing of Factory Acts and the establishment of strong trade unions, standards were steadily raised, and the cotton-workers of England have long been counted relatively well-paid. There are immensely more railway men to-day than there were teamsters and stage-drivers in the days of old. The number of people engaged in printing is beyond comparison greater than the number of monks and other copyists who wrote out books by hand before the days of Gutenberg and Caxton.

The introduction of the linotype, the machine by which these lines are set, affords a still more recent instance both of the possibility of expansion and the methods of readjustment. The invention of the machine, making it possible to set type

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very much more speedily than by hand, threatened to displace many hand compositors. The Typographical Union recognized that its introduction was inevitable and sought to regulate the conditions under which it was used rather than to maintain a futile opposition. They endeavored to confine the operation of the machine to printers, and to secure for themselves some of the advantages of its greater efficiency by shortening the hours of work: concessions in the wage scale were agreed upon for the time that journeymen were learning to operate the new device. Meanwhile, the lower cost of composition led newspapers and business men to increase greatly the amount of printing. As a result, not only were hours reduced, but the boy labor problem was rendered less acute, a bothersome method of computing work done and pay due was done away with, and the wages of linotype operators were raised above those which hand compositors had formerly received: the drawbacks were the greater intensity of the labor and the nervous strain which resulted. In not all cases, however, has the union been strong enough or far-sighted enough to take the position maintained by the Typographical Union.

When we pass from the effect of the introduction of machinery upon the workers in the particular industry concerned to its effect upon workmen as a whole, it is clear that so far as wages and prices are concerned, the effect has been for good. The productive power of the community has been tremendously increased. A share of this benefit is obtained by the workmen in the form of higher money wages, and another share in the form of lower prices for the things they buy. The workman, like every other consumer, shares in the benefits of more efficient methods of production. Nor, so far as workmen as a whole are concerned, does the invention of machinery lessen the demand for their services. As has been seen, there is no definite and limited amount of work to be done in the world, no "lump of labor" which is in danger of being used up. Consumers' demands are infinitely expandible, and as labor is set free from one task it can turn to another. It should be noted that, for the most part, the changes in the numbers called for in different industries come gradually, and the readjustment is made not so much by the transfer of men already employed from the dying to the growing occupations, but by turning the stream of new workers into the latter channels.

Whether or not the introduction of new machinery or new processes will reduce demand and thus reduce the wages of those employed in the industry effected depends much upon the elasticity of the demand for the products of that industry. If this

demand increases, thanks to lower prices, all the previous workers or more may be absorbed. Adjustment usually takes place by diversion of the stream of new workers rather than by the displacement of old workers. So far as workmen in general are concerned, they benefit as consumers by lower prices, and are in no danger of being entirely displaced as producers by machines.

Women's Wages.

The entrance of women into gainful occupations outside the home has been a striking feature of the past century. It is, in the main, merely a shifting in the scene of their activities. Work formerly carried on in the home has been transferred to factory or office or school, and the women have followed the work. Spinning and weaving and the making of clothing, the baking of bread and the preparation of jams and pickles and breakfast foods, laundry work and to a less extent other cleaning, have gradually been taken away from the home and transferred to the factory. In households where there is a fairly large family, enough of the old traditional occupations of women remain to occupy them, but where there is no family or a small one, or in the case of unmarried women, new forms of work or new ways of employing leisure must be found. Where, then, economic necessity or a feeling of independence leads women to work, it is more and more to work outside the home.

In this work, in school and office and mill and shop, women's earnings as a rule are much lower than men's. Why so? An answer to this question will emphasize some of the factors already mentioned as determining wages.

The first reason is, excessive competition in a few lines. Women in industry are still confined to a comparatively few occupations. Physical weakness bars from some callings. The jealousy of men or notions as to the unsuitableness of certain occupations for women—a Quebec judge has recently declared in an official decision that it would be indecent and unwomanly for a woman, even though duly qualified, to be allowed to practise law—makes entrance into others difficult, though one by one all the trades and professions are being invaded by daring pioneers who make broad the paths for their sisters to follow. The lack of gentility of other occupations is equally deterrent, for the desire to be womanly is no stronger than the desire to be "a lady." But it is chiefly the reluctance to undergo the preliminary training required that shuts the doors of many lucrative callings. And why this reluctance? Simply because—and this is the root of woman's industrial inferiority

—not one woman. Marriage is her business world, long years of will likely be all that either through be called upon the training need comparatively low earnings low

Again, women of organization. The trade union in forcing higher have been less or not expecting able of team-work of courage and tion, notably in a rule organization

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How, again is the influence is the same as in any source, when tion. Women's productivity may relative to the

—not one woman out of ten goes into industry as a life-work. Marriage is her life-work; she is only a bird of passage in the business world, so that it is not worth her while to spend long years of apprenticeship preparing for a calling which will likely be abandoned in a few years. Her parents assume that either through marriage or by their bequests she will not be called upon to work, and drift along without giving her the training necessary. Thus competition is concentrated in a comparatively few callings, with the natural result of keeping earnings low.

Again, women's bargaining power is weak, on the side of organization as well as on the side of distribution of supply. The trade union, which has been one of men's chief weapons in forcing higher wages, has done much less for women. They have been less willing to organize, lacking class consciousness, or not expecting to be long in the occupation, or being less capable of team-work. There have been some striking displays of courage and tenacity, on women's part, in union organization, notably in the garment trade strikes in New York, but as a rule organization has been sporadic or entirely lacking.

The woman's standard of living, with many exceptions, but normally so, is the single standard, whereas normally the man's must be a double or family standard. The standard of living, we saw, exercised only a secondary influence on wages, principally by the pressure exercised on the public's or the employer's opinion and by the stiffening of the worker's own demands. These forces clearly work less strongly in favor of women than of men, and women get less partly because they can live on less. The fact that some women have families dependent upon them does not alter the wage received, unless her relation with her employers is more than usually personal. One reason, further, why women can live on less is that their standard is sometimes not even a single standard, but only a fractional one: many women work only for pin-money, are bounty-fed competitors, supported for the most part by fathers or brothers. It is significant that the earnings of men in English towns where the industries are such as give little opening for women are nearly as large as the combined family wage in other districts where both men and women find employment.

How, again, does women's competition affect men? What is the influence of this increased supply of labor? The answer is the same as in the case of an increased supply of men from any source, whether by an increased birth-rate or by immigration. Women may drive men from some fields of work. Their productivity may possibly be less, but it may also be greater relative to the wage paid. In the cases where the transition

is still going on, where the men in the invaded occupations are directly exposed to competition, there is a likelihood of reduction of wages or loss of work, just as when a labor-saving machine is invented or a flood of immigration of a certain grade comes in; here too, however, it must be recalled that usually the adjustment is gradual, and is effected by fewer young men going into the occupations in question rather than by the older ones being crowded out. In the long run, however, once this transition stage is passed, it does not appear that women's competition has had an injurious effect on men's wages. For every branch of work thus abandoned to women, several entirely new branches have sprung into existence for men, until the choice of the savage between fishing and hunting has expanded to a choice between the hundreds of occupations listed in the census. And usually the shift has been for the better; they have been attracted up rather than forced down. Giffen has shown, in the case of England, that in spite of the great increase of women in industry a larger proportion of the men are now engaged in skilled handicrafts than was formerly the case. Men's field has narrowed on one side only to widen on another. Any other conclusion, any fear that men might be shut out from employment entirely, is based on the fallacy several times referred to, the lump-of-labor doctrine.

The differences between women's wages and men's illustrate the influence of such factors as relative supply of labor in different industries, organization, and standards of living, while the effects of women's competition on men's wages show once more the difference between short-time and long-time results and disprove the lump-of-labor fallacy.

(b) Profits.

Incomes from property have been divided into rent and interest. Incomes from personal services are classified as wages and as profits, wages being the return to labor under direction, and profits the return to the director of industry, the enterpriser or risk-taker. Both in popular and in scientific usage the term is a somewhat ambiguous one. It is often used to include the whole return upon one's investment of capital, as well as the return for personal services. It is, however, less confusing to use the term interest or rent for the normal return upon capital, whether lent to another or employed under one's own direction, and to keep the term profits to express the gain secured by personal effort, the share of the man in control.

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The simplest case arises where one man is in control of a business, and borrows all his capital; his outlays, whether for wages, interest, or rent, for purchase of raw materials or for advertising or taxes, or allowance for depreciation, must all be deducted from his gross income, and the balance is his profit. Where he also invests some capital of his own, it is customary to estimate the balance left after all his actual payments to others have been deducted as profit, and to calculate it as a percentage of the capital invested. Strictly speaking, however, the return upon his own capital, computed at the prevailing interest rate, should first be deducted, before his true profits can be estimated.

More difficulty is met when we turn to the modern corporation. Who is the profit-taker, the entrepreneur here? The answer will vary with the organization, the division of functions, the degree of control exercised by the shareholder, the interest of the manager in the business, and similar factors. The distinctive point to remember is that profit is the residual share, the share that is not definitely stipulated in advance. The return to the bondholder is pure interest. The return to the shareholder, particularly in the larger corporation, is made up both of interest and profit, in part, a return for the use of the capital, and in part the return for risk-taking and for the small or large share in directing the policy of the organization. The chief officials, again, may be paid salaries definitely determined in advance, or they may be given a share in the profits.

Profit is the residual share in industry. The shares of the other factors in production are fixed in advance, and though there is always a possibility that they will not receive the amount agreed upon, a possibility that the ill-success or dishonesty of the management will dissipate the resources relied on for their payment, still they have first claim upon whatever resources are left. It is one thing to make a definite bargain for a certain amount, and then to run a measure of risk in not obtaining it, and quite another to have no possibility of certainty as to what one's surplus or profit will be. It is the risk-taking in the latter sense that is the mark of the profit (or loss) taker.

Since the profit is essentially a surplus, it fluctuates with every influence that increases gross return or that lessens gross outlay. Profits are the buffer share in industry: their expansion or contraction leave the other shares relatively uniform. Speaking generally, profits increase in times of rising prices, and fall in times of falling prices, though there will be countless individual exceptions. Rising prices mean that the margin of profit is broadening, since the payments made or agreed to be made for materials and labor and other factors have been

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adjusted on a lower scale of prices. This added profit stimulates more to engage in business, and leads all but the most conservative to expand the scope of established businesses. Entrepreneurs compete with one another for labor and capital and eventually wages and interest and rents advance, until the margin of profit is cut down to the old level. When once the downward slope has been entered upon, the entrepreneur loses by the reverse process, his payments being based on a higher scale than his receipts, until he is able to compel other classes to share his losses with him or to curtail his production.

It is, however, difficult to speak of "profits in general." The striking feature about profits is their irregularity, their unevenness, not only as between one business period and another, but as between different managers. The difference in the wages of a first-class workman and of a duffer is, after all, quite small; the range is not great, either in amount or in proportion, especially when compared with the tremendous variations in the profits of different men and different companies. There may be, as is sometimes contended, a tendency towards uniform rates of profit, high profits in one occupation drawing in more competition, but it is only a tendency, and is constantly being offset by counter forces.

Everything that lowers one man's costs below those of his average competitor increases his profits. One business man will be shrewd enough to foresee and well-provided enough to prepare for the coming rise in value of his raw materials, while his rivals are blind to the coming change or compelled by straitened finances to adopt a hand-to-mouth policy. One will be keen in driving a bargain, quick to discover or take up new methods or processes or machinery, gifted with the executive ability to organize his working force and his plant so that each man is in his right place and each machine is utilized to full capacity, and filled with an enthusiasm and driving power that prove contagious, while his competitor may go into bankruptcy for lack of the same qualities.

Equally so, everything that increases the receipts of the industry makes for the profit of the residual claimant. The man who can forecast the shifting of demand, who can get into a new industry, take up a new invention, before its possibilities have dawned on his fellows, the man who can forecast a rise of prices in a staple industry, usually has his reward. Where he can obtain a monopoly advantage, whether by ownership of a patent or copyright or exclusive franchise, or by the possession of limited natural resources, or merely by the size of the capital required for competition or the prestige of long-standing eminence, he may reap profits much beyond the level in less sheltered fields, though potential competition, the possibility of sub-

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It is not, of course, merely moral practices that are socially helpful, that bring profits. The entrepreneur is the climax, the essence, of the competitive system. On him all the forces of competition impinge. He is in the thick of the struggle, and for good or for ill he bears the marks of the fray more than the wage-earner or the bond-holder who receives his stipulated compensation and bears, or claims to bear, no responsibility for the means by which the money was secured. The best and the worst features of the competitive system are found in different entrepreneurs, alike successful—sometimes, in fact, in the same man. Nothing is more common than to see unique executive capacity, ability in sizing up a man or a market, combined with a ruthlessness toward workers or trusting shareholders. Profits may be squeezed out by cheating, bribery, sweating, as well as by initiative and foresight and organizing power.

Some men are able to reap great profits in business, because the qualities that bring success are rare. If managing ability became the possession of the many and brute strength of body became rare, brawn might command more than brain. It is simply because managing ability is not the possession of the many that it commands a high reward. The imagination and the generalship, the sober judgment and the daring courage, the kindling personality, the executive capacity and the ability to select the ablest men for lieutenants, or the unquestioning ruthlessness and blindness to all but money gains, these and other qualities that in various compoundings make up the successful captain of industry or finance, are rare. Even the qualities needed for more moderate success, the diligence, the shrewdness, the constant thinking of ways and means, are rare in full combination. The mass of men lack the qualities or lack the will to back them up, and either because they deliberately scorn wealth and refuse to take part in the mad race once a competence is in sight, or because though thinking wealth the highest of all goods they are diverted by this pleasure or that distraction, they never reach the highest ranks.

The entrepreneur is loss-bearer as well as profit-maker. The mortality rate among business men is high. A popular saying is to the effect that ninety-five men out of a hundred fail. The available figures do not bear this out, but one has only to walk down a city street after an absence of a few years, or to compare business directories at different times, to realize how rapidly the face of the business world changes, not only by death and removal but by failure. Commercial failures rarely exceed one per cent. of the number of firms do-

ing business. In Canada in 1908, for example, the number of failures was 1,715 out of a total of 118,875 in business, or 0.14 per cent., while in the United States in the same year 0.94 of the 1,487,813 engaged in business failed. The preceding three years showed the following percentage of failures:

	1905.	1906.	1907.
Canada	0.125	0.11	0.12
United States	0.74	0.67	0.71

Of these 1,715 failures in 1908, 312 were declared by the compilers of Bradstreet's review to be due to incompetence, 740 to lack of capital, 101 to fraud, 56 to neglect, 48 to inexperience, and the rest to failures of others, unwise credits, extravagance and specific conditions. Of 14,044 failures in the United States in the same year, 3,030 were attributed to incompetence, 4,804 to lack of capital, 1,606 to fraud, 299 to neglect, 574 to inexperience, and the rest to the other causes mentioned. More than half of the failures in both countries had less than \$5,000 of liabilities.

Below is given a table of commercial failures in Canada since 1872:

Commercial Failures in Canada.

Calendar Year.	Number.	Assets.	Liabilities.
1872	726	.....	6,454,525
1873	994	.....	12,334,192
1874	966	.....	7,696,765
1875	1,968	.....	28,843,967
1876	1,728	.....	25,517,991
1877	1,892	.....	25,523,903
1878	1,697	.....	23,908,677
1879	1,902	.....	29,347,937
1880	907	.....	7,988,077
1881	635	.....	5,751,207
1882	787	.....	8,587,657
1883	1,382	.....	16,311,742
1884	1,384	.....	15,994,361
1885	1,327	.....	19,191,306
1886	1,256	.....	8,861,609
1887	1,252	.....	10,386,884
1888	1,677	.....	14,081,169
1889	1,777	.....	14,713,223
1890	1,847	.....	18,289,935
1891	1,889	.....	17,100,649
1892	1,688	.....	13,766,191
1893	1,344	8,321,570	12,689,794
1894	1,856	13,510,056	17,616,215
1895	1,891	11,500,242	15,802,989

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1896	2,118	12,656,837	17,169,683
1897	1,809	10,574,529	14,157,498
1898	1,300	7,692,094	9,821,323
1899	1,287	7,674,673	10,658,675
1900	1,355	8,202,808	11,613,208
1901	1,341	7,686,823	10,811,671
1902	1,101	7,772,418	10,984,777
1903	978	4,872,422	7,552,724
1904	1,246	8,555,875	11,394,117
1905	1,317	6,822,005	9,854,659
1906	1,184	6,499,052	9,085,773
1907	1,278	9,443,227	13,221,259
1908	1,640	12,008,113	14,931,790
1909	1,442	10,318,511	12,982,800
1910	1,262	11,013,396	14,514,650
1911	1,332	9,964,604	13,491,196
1912	1,357	8,783,409	12,316,936
1913	1,719	12,658,979	16,979,406

Some interesting comparative statements as to profits in banking and in other businesses were submitted to the House of Commons Standing Committee on Banking and Commerce in 1913, by Sir Edmund Walker. In part, his statement was as follows:

"Much of the criticism of Canadian banking seems to arise from the idea that it is an unduly profitable business. I have thought it best to begin by a statement of the profits of one hundred businesses selected from forty-nine different callings, covering a very wide range of industry. This is followed by a statement of the profits of British and Canadian banking, all upon the basis of the earnings applied to the real capital—that is, the capital and surplus, or rest, combined:—

1. Profits of 100 industrial businesses in Canada:

Capital and surplus	\$76,044,587	
Profit	13,563,363	Percentage, 17.84

In many cases there is good-will included in the capital, and if this could be removed the percentage would be higher. A bank cannot capitalize good-will or any other intangible asset.
2. Profits of 10 British banks:

Capital and rest	£3,979,300	
Profit	465,695	Percentage, 11.70
3. Profits of 19 Canadian banks on capital and rest:

		Percentage, 8.84
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If argued that Rest was made out of banking, show that \$48,228,000 out of reserve funds of \$106,872,000 was paid in as premium on stock. The remaining \$58,644,000 was accumulated mostly by the older banks over a period of 40 to 80 years.

"From this it will be seen that British banking is more profitable by one-third than Canadian banking, while the one hundred businesses put together average profits twice as large as the Canadian banks. Perhaps a better way of judging would be by applying net profits to the entire assets of the banks.

"Thirteen leading Canadian banks:

	Percentage.
1907 net profits to entire assets	1.43
1907 " "	1.37
1909 " "	1.37
1909 " "	1.17
1910 " "	1.26

"In 1903 the percentage was 1.50, so that it is lessening with the increased cost of living. In the main the percentage of profits on the total assets of the banks is declining. This is undoubtedly due to the increased cost of administration. Similar percentages in English banks range from .75 to 1.15. The proportion of their assets to capital, is, however, larger than in Canada, and therefore their profit and rest are larger. There are too many banks in the United States to quote their figures, but they generally agree with the Canadian results."

Questions for Review.

1. What is the difference between wages and profits? the popular distinction between wages and salaries?
2. What is meant by the general supply of labor in a country? Note the rate of growth of population of each of the countries cited, and also the variations in birth and death rates.
3. What have been the great sources of emigration? the chief outlets? What are the main sources of Canada's immigration?
4. Who was Malthus? What led him to investigate the subject of population? What did he try to prove? What were the possibilities of increase of population and subsistence, respectively? What checks restrained the growth of population? What conclusion as to schemes of reform could be drawn from these considerations?

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7. What immigration? said to be cr Canada recei century? W partly balanc been the effe the rate of in decade given

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10. What is this influe workmen?

11. Does How is its i affect wages?

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5. Explain the change of attitude in Malthus' second essay. What was the importance of the Malthusian theory in nineteenth century economic discussion? How far are the facts as to growth of population the same to-day as in Malthus' time? Aside from any change in facts, are there any fallacies in his argument?

6. What are the forces making for a high, and those making for a small birth-rate? death-rate? Is there any causal connection between a fall in the birth-rate and a fall in the death-rate? What net changes have occurred in recent years, as a result of the fluctuations in both rates?

7. What is the difference between ancient and modern immigration? In what sense could America and Australia be said to be crowded before the white man came? Why did Canada receive few immigrants before the opening of this century? Why so many since? What outward flow has partly balanced the inward flow? The causes? What have been the effects of inter-provincial immigration? What was the rate of increase in the total population of Canada in each decade given?

8. Does a growth of the total population necessarily lessen the chance of work of the older inhabitants? What is the lump-of-labor doctrine? What are the possible effects of newcomers upon demand? upon the average productivity? What light is thrown on the question by the experience of European countries?

9. Are the possibilities of expansion in each single industry unlimited? What will result in case of a very great and sudden increase in the number of workers in such an industry? What are the two classes of differences in rewards between different occupations? In what cases are such rewards equalized. What barriers exist to the free entrance of workers into certain occupations? To what extent may they be removed?

10. What is the effect of organization on wages? How is this influence exerted? How may employers organize workmen?

11. Does the standard of living directly determine wages? How is its influence felt? In what ways may the state affect wages?

12. What is the influence of the invention of machinery on wages, (1) in the occupations directly concerned; (2) in other occupations? Give examples of the effect. What is meant by the elasticity of demand, and what is its bearing on the question?

13. What have been the reasons for the increase in the number of women in industry? What are the reasons for women's lower average wage? Are their wages lower in all

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cases? What has been the effect of women's competition on men's wages?

14. Distinguish between wages and profits, interest and profits. Can one man receive income in several capacities? Classify the income of the average Canadian farmer under the different heads given. Who is the entrepreneur in the case of the corporation?

15. Why do profits increase in times of rising prices? From whose standpoint are such periods called "good times"? To whom are they bad times?

16. What are the sources of profits in businesses known to you? For how much does luck count? inherited wealth? special training?

17. Analyze the business failures in your community of recent months, and as far as possible determine the causes. What weight do you give to general business conditions? May a second-rate man float in good times while a good man would sink in bad times?

Questions for Written Answer.

1. In the Island of Laputa a law was passed compelling each workman to work with his left hand tied behind his back, and the law was justified on the ground that the demand for labor was more than doubled by it. Comment.

2. Discuss the question of Oriental immigration into Canada, in both its economic and its political aspects.

3. What do you consider the important factors in determining the earnings of (1) lawyers; (2) farm laborers; (3) printers; (4) teachers; (5) bank officials?

4. In the case of any three successful businesses known to you, analyze the personal factors or other conditions which you consider responsible for the success.

5. Bring up any difficulties.

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