

Monopoly of Labor

"The laborer is worthy of his hire". Those who bear the burden and heat of the day deserve the consideration due to the vital forces underlying our ^{great} economic prosperity and our ^{future} progress. Those of us who have often seen the day when it was uncertain where the next meal would come from know what "the struggle for existence" means; the sense of isolation in the face of the great powerful forces of the successful world; to be poor and yet to wander through miles of streets filled with opulent homes; to see absolutely no bridge crossing the impassable gap from ignorance and poverty to intelligence and wealth; to begin to feel as if one were in an inferior class whose interests were all arrayed ^{in hostility} against those who possess the comforts and luxuries of life, and then to develop the bitterness of those who have not against those who have. It is difficult to see all sides of a case when one is "down and out"; it is human to think that the lack of success is not in ourselves, but in others, not in the want of common sense, industry, sobriety and skill, but in the greed and mercilessness of those who care only for the value of the service rendered.

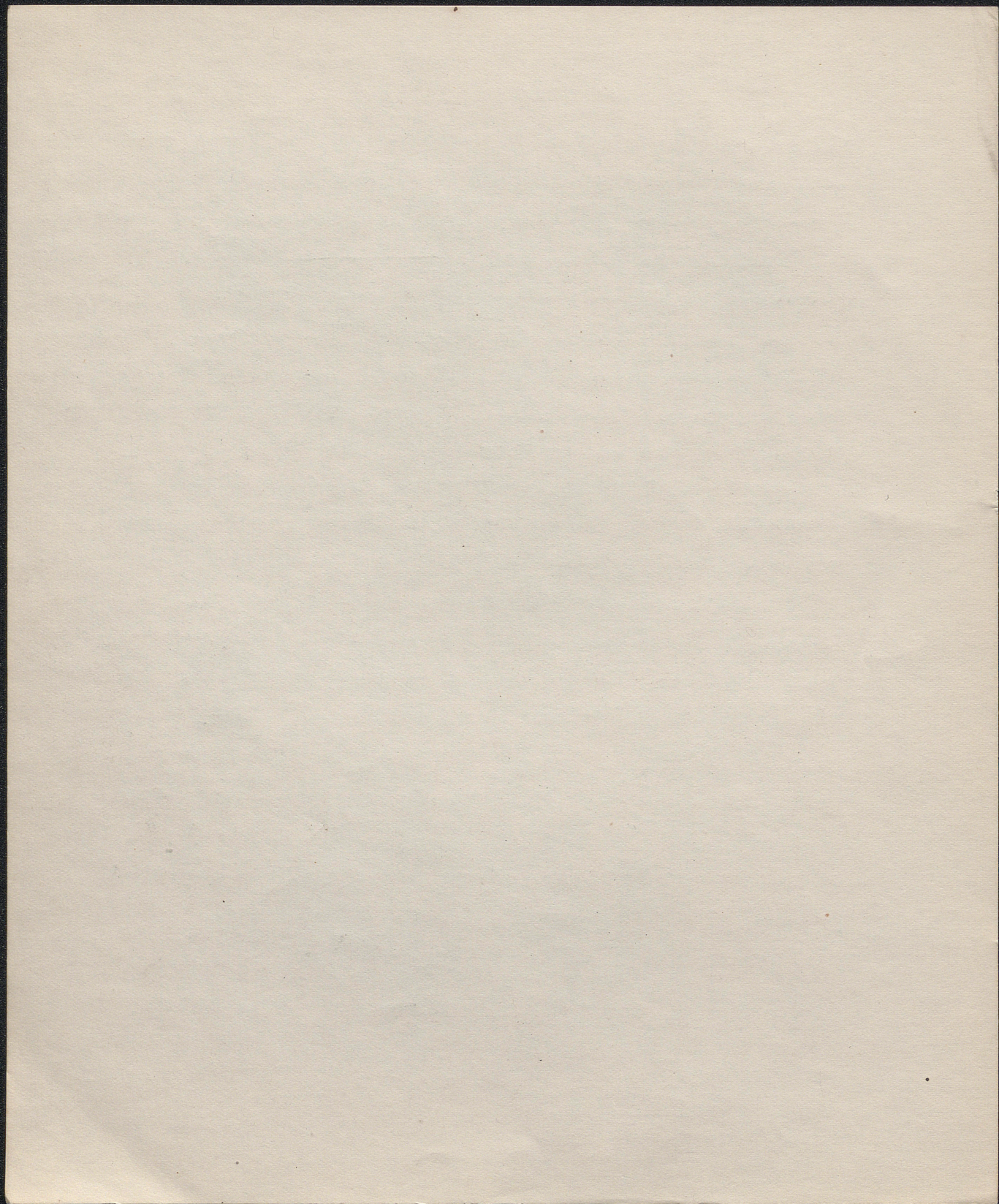
Today, in this country of new opportunity, we know there are legions who have started from

Banking

with honor

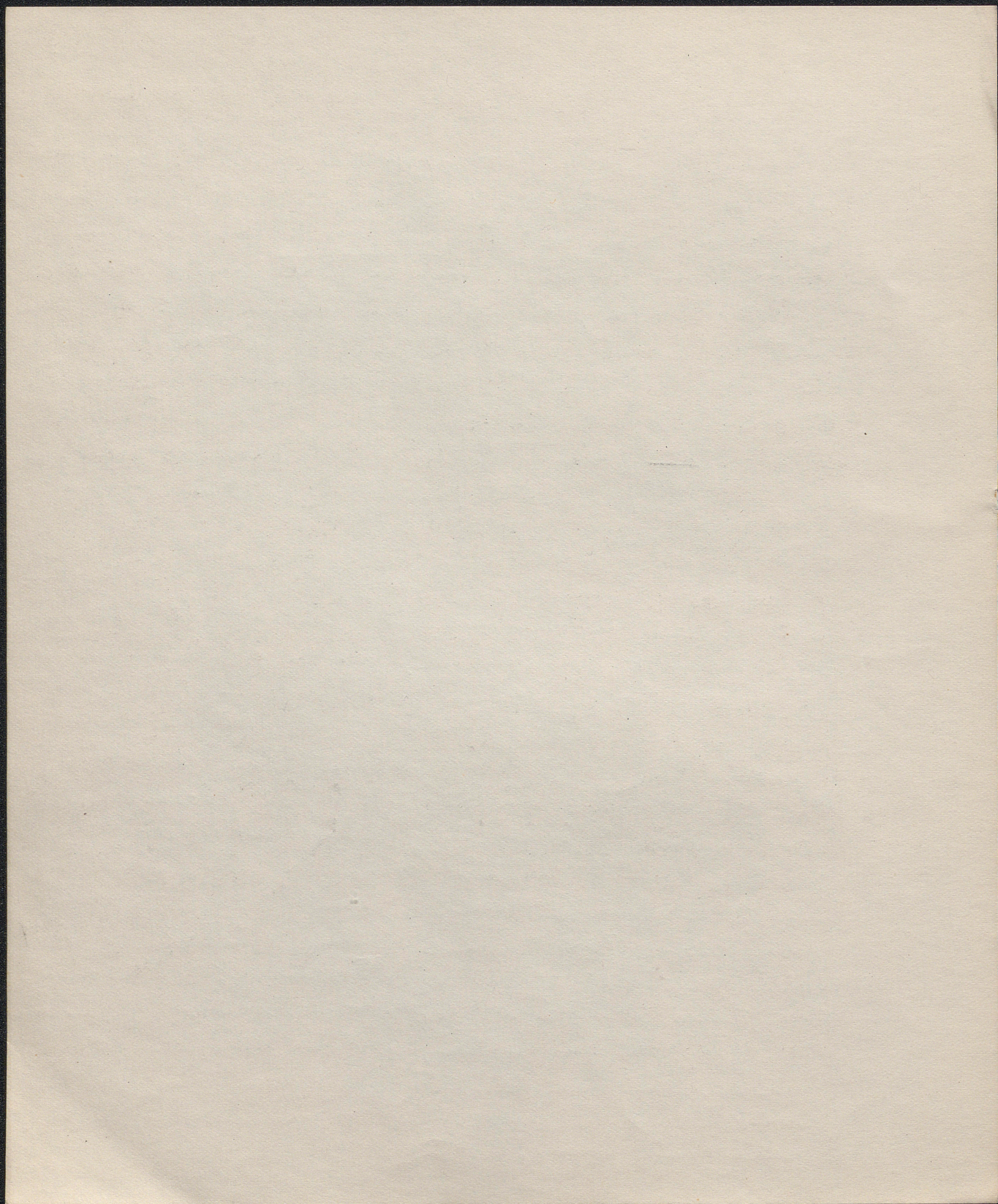
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nothing and yet who have accumulated a competence. That has been done. Yet everywhere about us are those who have not succeeded; who feel dumb, helpless, discouraged - but who do not like to accept as inevitable a ~~state of life-long~~ ~~conditions of~~ depressing, grinding poverty. Therefore, when we attempt to discuss the ways by which the laborer may escape from his poverty (or even the ways by which the man who already has something may improve his condition) we must be willing to take into account all sides of the question, to be sympathetic with failure, but to be as just as a surgeon who cuts out the cause of disease. Or, to change the figure, if we are to cross the water in a boat freighted with all our dearest hopes, we must be sure to see whether there is a hole in our boat.

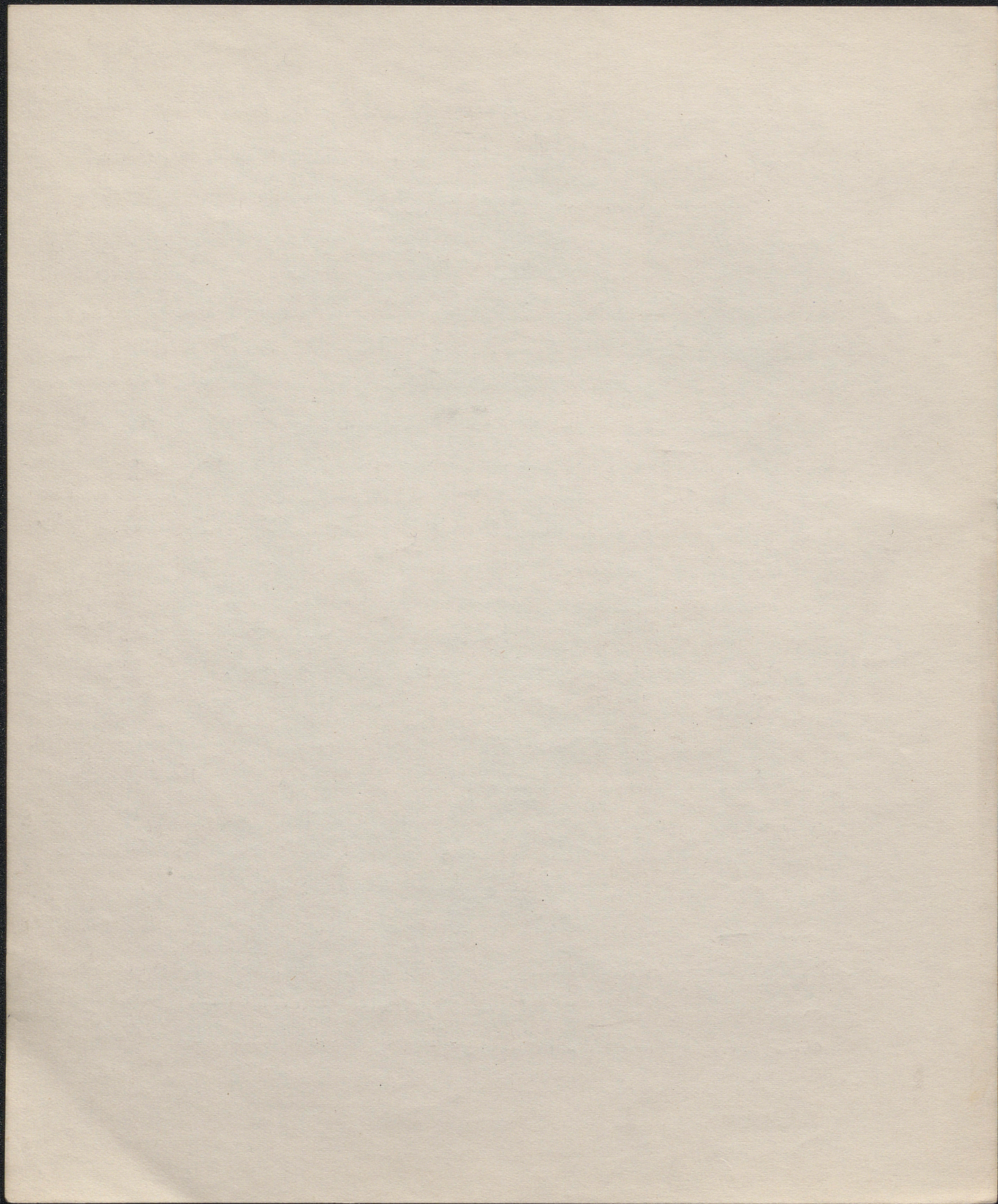


In the most commonplace things of everyday life we find the stuff on which to test our reasoning about life, our theories as to success and failure, our plans to improve these conditions of existence. Today, the ugly thing which hits us in the face wherever we turn is the high cost of living. The way we handle that problem is a fair test of ourselves, of our insight, experience, breadth of view, and our capacity for fairness and impartial examination, and our freedom from prejudice and emotion.

Viewed from the standing of those who have a very limited income — and there are the ones who should most concern us; for the well-to-do can generally look out for themselves — the steady rise in the price of nearly every article of daily consumption is a very serious thing; it is like the contracting walls of a prison closing in on its victim. Either the walls must stop contracting, or the inmates must be able to get out. Which is it likely to be? Shall we stop prices from rising? or increase money wages? or how shall we escape from our dilemma? These are the things which we ought to discuss together, in all fairness and justice, without prejudice or preconceptions, as sympathetic human beings who would like to see men have more comfort, leisure, beauty and power.

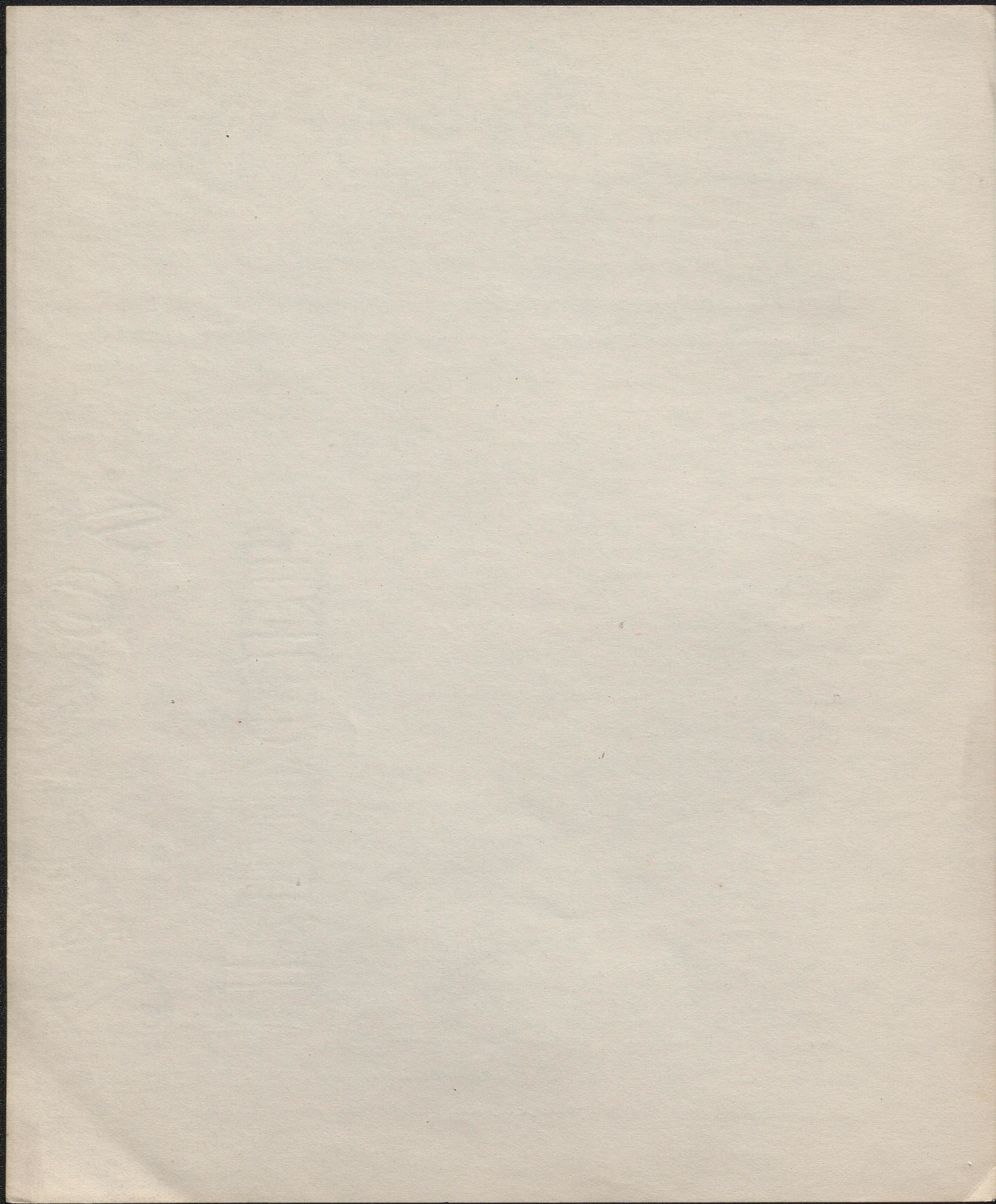


The first indisputable fact we find in the struggle of the working classes to better their condition is that, while money wages have risen, prices have risen correspondingly; as wages have gone up, the higher wages buy very little, if any, more than they did before. Consequently, no sooner has an increase of wages been obtained by the hardest kind of effort and hostile threats than the demand for another increase of wages becomes as necessary as it ever did before, because increasing prices have again cut into the margin of subsistence. What are we going to do about it? Should this thing go on in this fashion for ever? Shall we trail on indefinitely in this vicious circle? Where are we coming out? If wages increase from ^{#2} to ^{#200} a day, and prices increase 100 times, where with are we better off? Where with does it profit us if we take in more, but give out more, and have just the same quantity of satisfactions? The only salvation in this procedure, on the face of it, seems to be to make the wages-increase turn its wheels faster than the price-increase. On this point, if ever, ~~in~~ ⁱⁿ any social question, the economist can be of any assistance, he ought to be obliged to bring to the solution of this problem his best and most impartial intelligence and knowledge.



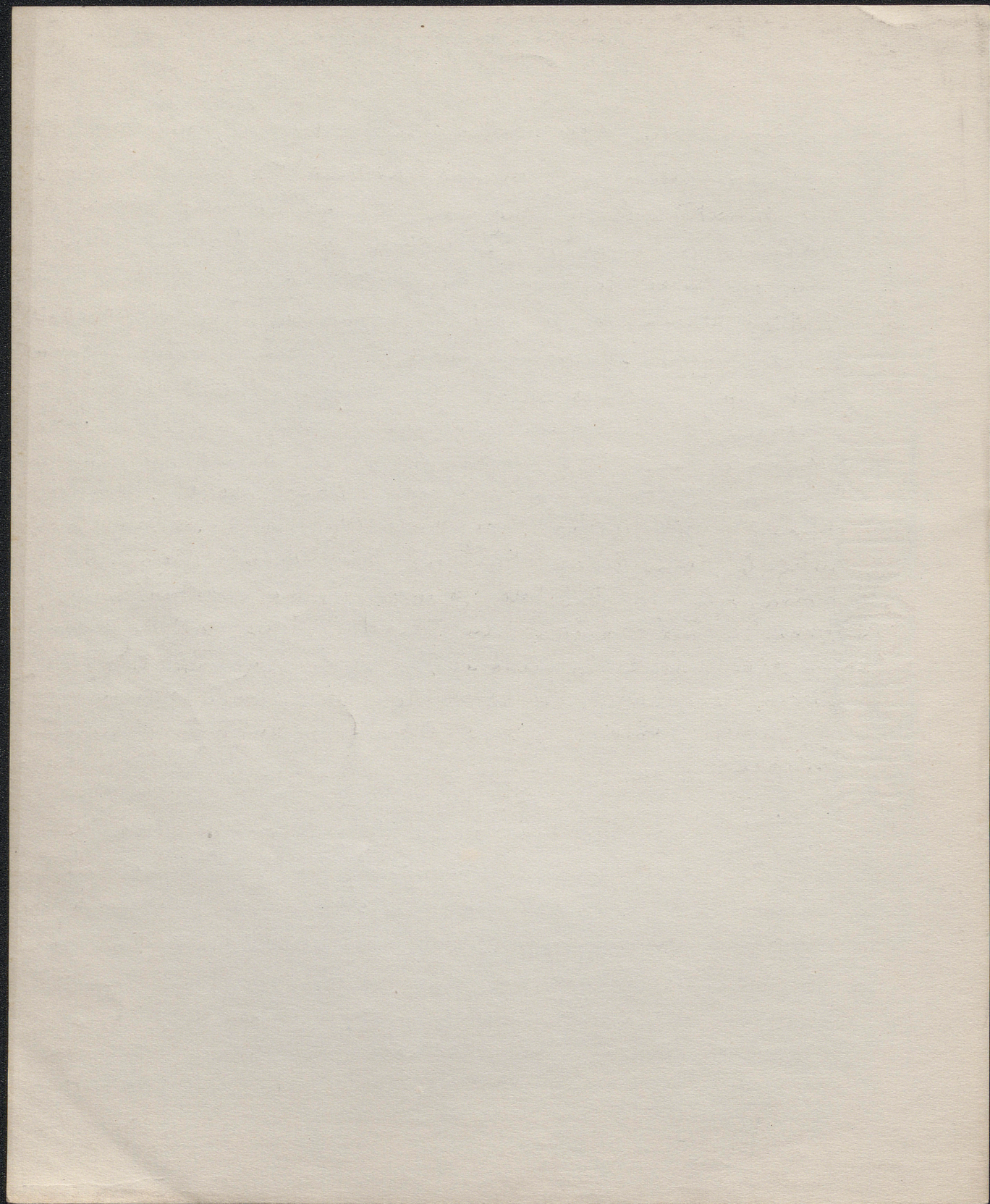
The "economists" of the Labor Unions — I say "economists," for whether trained, or not, they are ^{in fact} applying their minds to one of the most difficult of all economic problems, namely, the causes determining wages — have very emphatically announced one particular solution of this question of wages and cost of living. They have declared with ^{all} the reasoning they possess, informed by the power of their Unions, that the solution of this vital question is to be found in the "monopoly of labor." They have taken one leaf ^{from} out that have taken of the past history of industry; and their principle of economics is to be the fixing of the price of labor by control over the supply. And why not? Have not the great combinations in many staple articles of general consumption attempted, or even succeeded, in fixing prices by a control over the supply? Is not sauce for the goose also sauce for the gander? If employers resort to the theory of monopoly, why should not the laborers?

The Unions have a definite objective: to increase wages (not merely money wages, but real wages); that is, to get more per hour, or per day; or, to get the same wages for a less number of hours; to better their sanitary or ^{hazardous} conditions of work; ^{and} to secure permanence of employment, and a means of advancement for merit and skill.



Such being the workman's objective, and "monopoly of labor" being the means adopted to secure that end, we must calmly inquire whether it will work. Indeed it is more to the interest of the laborer than of any one else to have the practicability of this method tested - which is in fact the generally accepted method of workmen's organizations. I am perfectly aware that my motives will be misinterpreted, if I venture to examine critically any accepted labor doctrine, and that I shall be classified as an enemy of organized labor. That result, however, should not deter any one who is confident of his integrity, and who believes this examination to be primarily in the true interest of the workman, from going ahead. In the long run nothing can succeed which is untrue. If a doctrine is futile, sooner or later it must be abandoned, even by a labor union. Now let us proceed to our examination.

1. In the first place, this country has declared itself against monopoly, or practices in restraint of competition. As against producers, the Sherman Anti-Trust law has been invoked in a way to draw the attention of everyone. Quite independent of the merits of the ~~cases~~ act, it is now on the Statute books. In any democratic society the law ^{must} have no favorites; it cannot be applied to the poor and not to the rich; nor can it be applied to one combination and not to another, all ~~the~~ ^{must be} equal before the law. Indeed, in

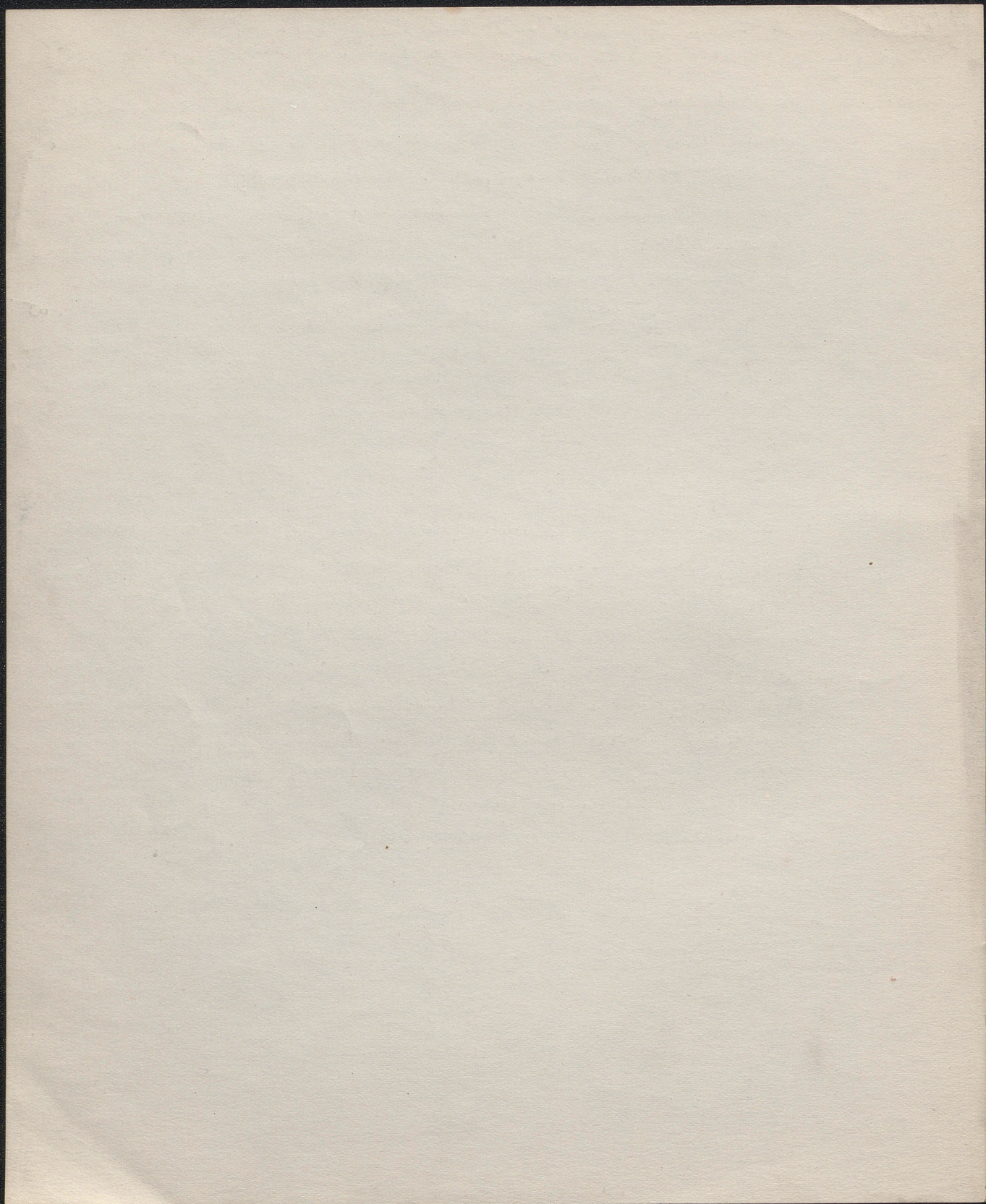


Labor leaders seem to understand that their theory of monopoly is exposed to the penalties of the Anti-Trust laws.

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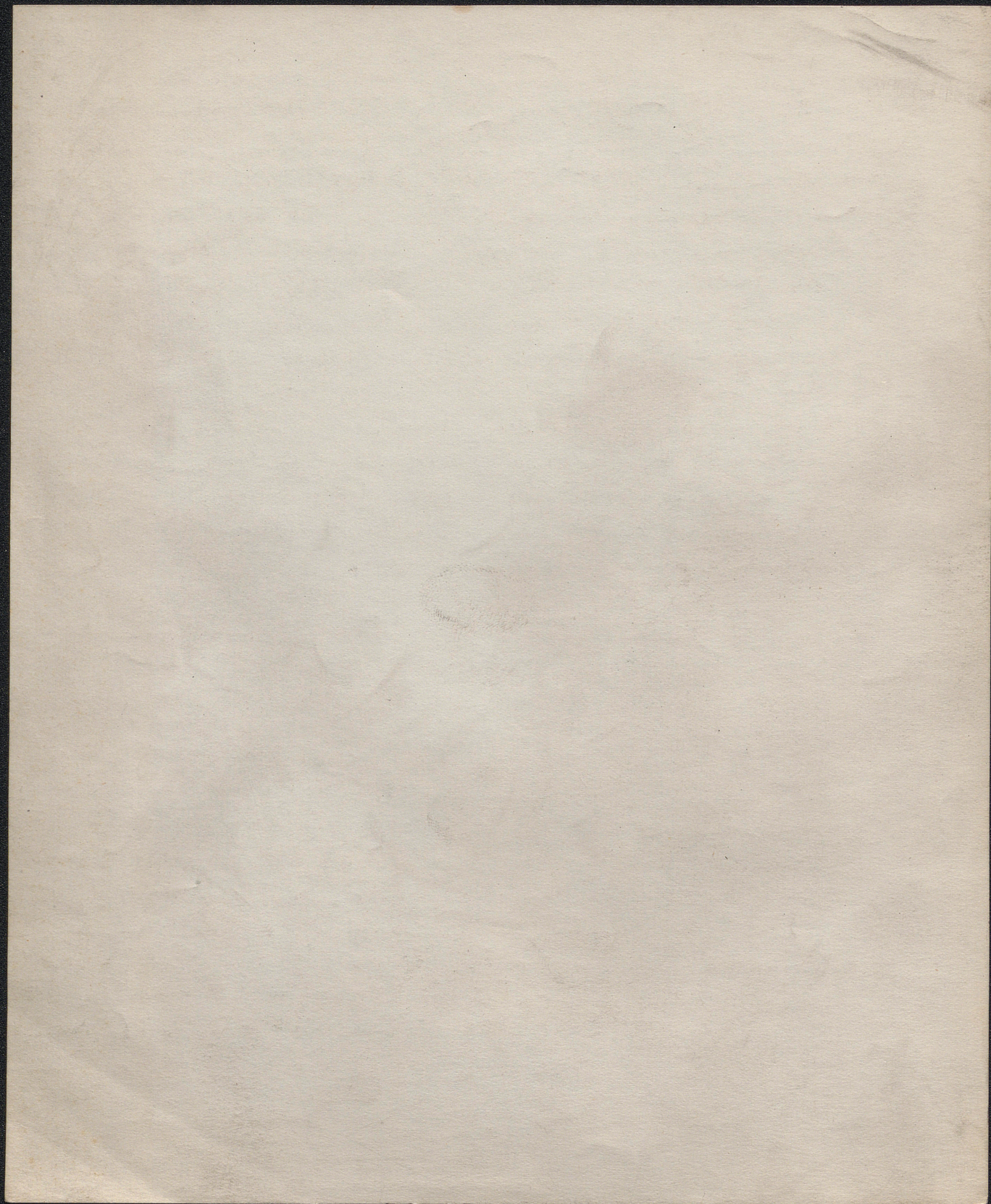
Indeed in the closing hours of the last Congress, ^{vain} attempts were made to except labor unions from the Act which forbids monopoly. Without doubt, the American has determined to prevent monopoly wherever the federal law can reach it. How, then, can the doctrine of monopoly of labor continue to exist in the face of definite statutory prohibition? Any laws which would except labor unions from the provisions of the act would not be constitutional, and would not stand. There is evidently no escape in this direction.

It is childish to assume that such a conclusion indicates any hostility to labor unions. Quite the contrary: one would be an enemy to labor who would point out a road up which it should laboriously climb for years only to find out that it was absolutely closed to passage. It is high time to inquire who are the true friends of labor: those who are exploiting the economic ignorance of laborers for selfish purposes, or those who are helping them to a means of permanent improvement and independence.



2. If, then, monopoly of labor is contrary to law, what is the remedy? Is the law wrong, and should it be repealed? Shall we grant unregulated monopoly to big combinations of capital as well as to big combinations of labor? Both must be equal before the law. Is the law economically unjustified? Could it be shown that monopolistic control of supply is economically ^{so} effective to labor that the law is bad legislation? A word or two, therefore, may not be amiss in a brief analysis of monopoly as applied to labor. Perhaps we may discover ^{in this search} some new road by which labor may proceed to indefinite and permanent improvement in its rewards and morale.

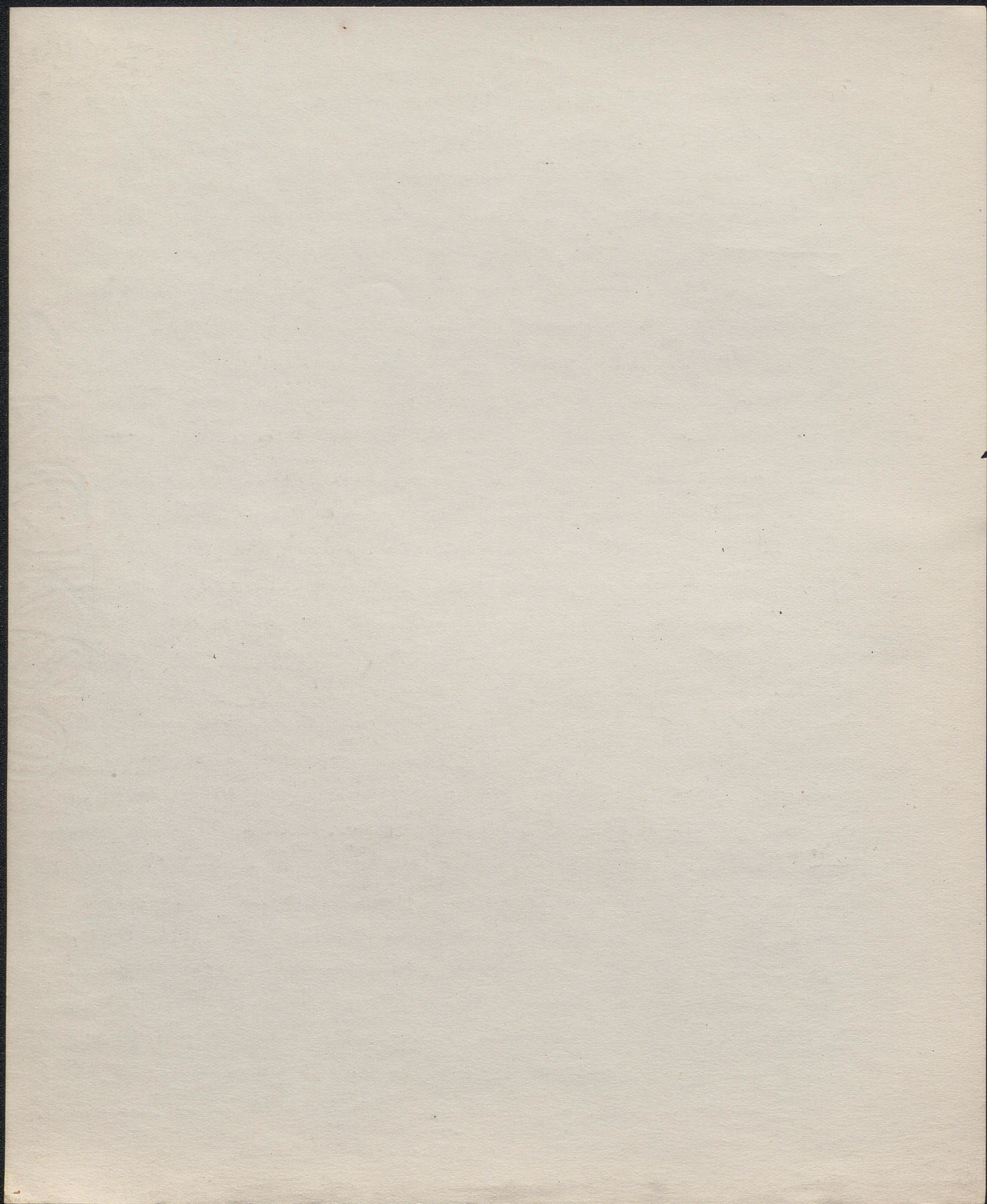
Monopoly means the control of supply in a given market. Monopoly is like a wall about an enclosure with no gate in it open to the public. Monopoly excludes competition. Competition is like a gate through the wall by which the public have free access. Competition is the free entrance into a market of any of the factors of production (such as labor, capital, managerial ability etc.), or of goods. There is nothing complex about it. A monopoly of labor is a control of the supply of any kind of labor at any point of demand. Free competition of labor is the ability of any man to enter the market for employment on equal terms with any other man.



3. Monopoly assumes different forms. A "strict monopoly" exists if some authority has a control of the whole supply in the market. We very seldom find a "strict monopoly". The wall must be so high, and the gates so tight, that no one can enter over or through it ~~wall~~; those inside have no competition. But only by a control of the whole supply can the price to the buyer be fixed. If the wall be low, or broken in spots, more or less entrance is afforded to others; and so more or less control over price is wanting.

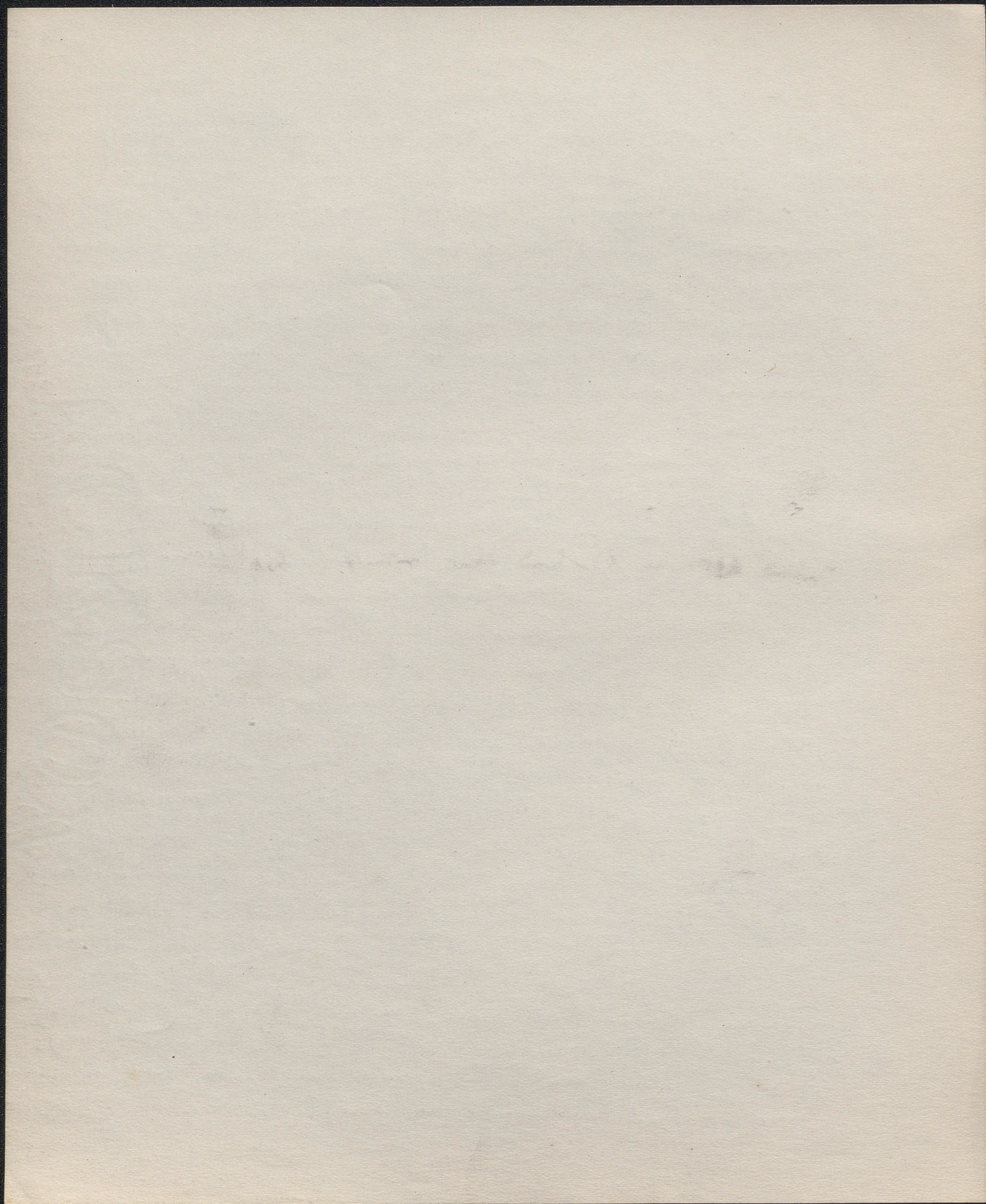
In the case of labor it is very rare to find any such control over supply as gives complete monopoly; for the reason that unions do not include all men of a certain trade, nor those who may enter the trade by a short period of training, nor the supply which may come from another part of the country or from foreign countries. In general it is stated that unionized labor comprises no more than 10 per cent of the total number of persons engaged in gainful occupations in the United States. Without question, therefore, it may be assumed that unions ^{do} cannot have a "strict monopoly", and cannot control the rate of wages, where such competition exists.

This general conclusion jibes with the well-known fact that strikes are ^{usually} accompanied by violence ~~ex-~~erted to prevent competitors from taking the places of strikers. In fact, the inability to control supply and gain the practical effects of monopoly is the very reason why terrorizing methods and dynamite have been resorted to. in some cases, a "closed-



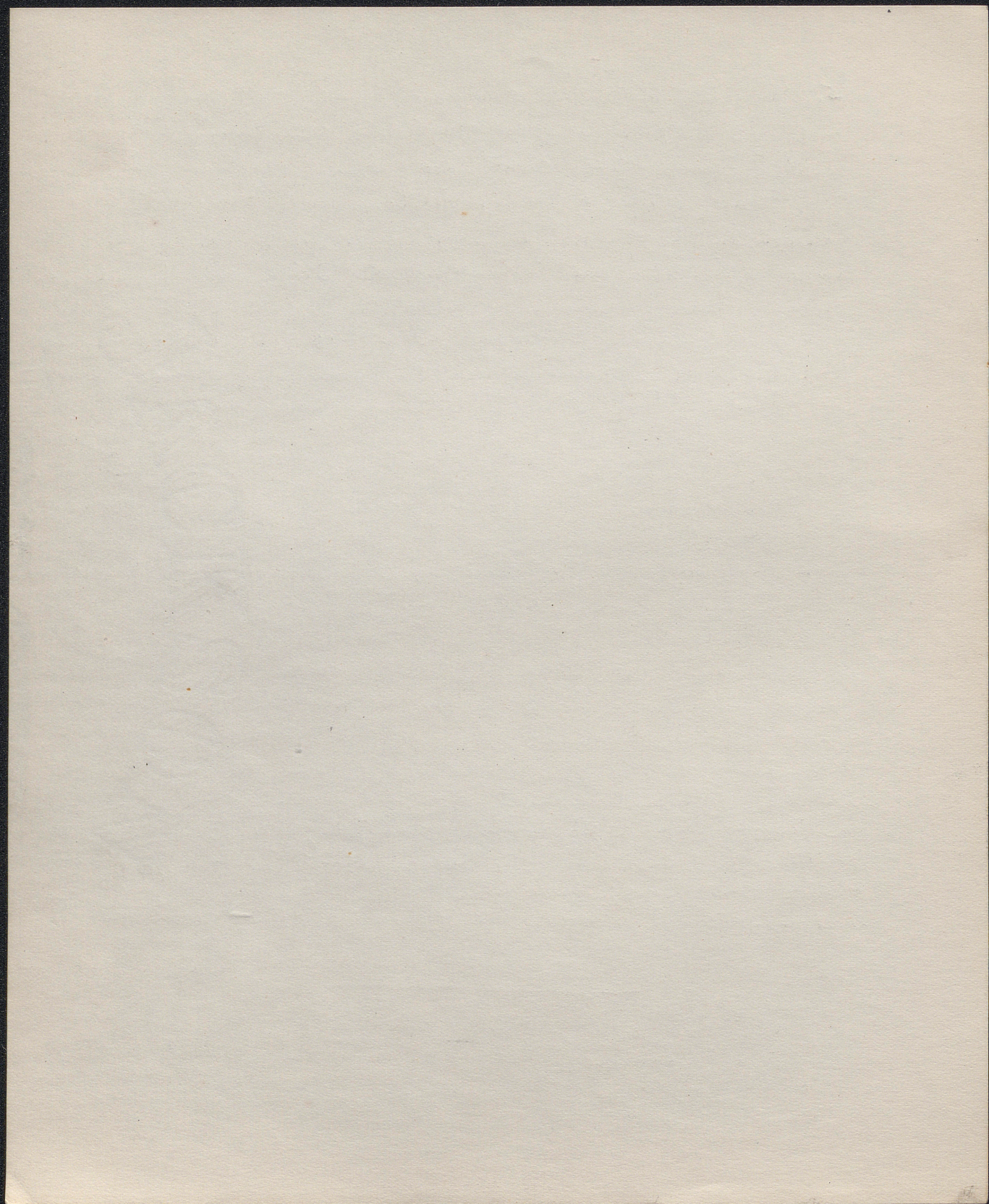
shop" is itself evidence of the inability of a union to control ^{the} supply of its labor ^{so to} ~~and~~ fix prices.

4. The existence of monopoly may be ascribed to (1) natural, or (2) artificial causes. An "artificial monopoly" is a control of supply due to special privileges such as protective legislation, patent or copyright laws; or to undue influence, duress, unfair discrimination, unjust treatment and the like. That is, the kind of monopoly which has today excited universal disapprobation is the one founded on unjust suppression of competition and ^{unjust} ~~unjust~~ ways of driving out competitors. Recent decisions ~~have~~ ^{have} been based on that claim. Whatever objections exist to monopoly have peculiar urgency against ^{these} forms of "artificial monopoly"; although it must be remembered that certain kinds, even of "artificial monopoly", may be justified on grounds of some desirability to the State, such as a business artificially created by a patent, or a copyright. But, as a whole, a monopoly due to special privileges, or to unfair or forcible suppression of competition, cannot for a moment hope for support from a fair-minded people like ours. Such a monopoly is today illegal; and ^{law} ~~the~~ seems to be good legislation. Since a control of labor by unions is an "artificial monopoly", not based on any natural causes (such as skill, intellect, &c.), it has come under the penalties of the law when- ever it has attempted to baffle competition of labor,

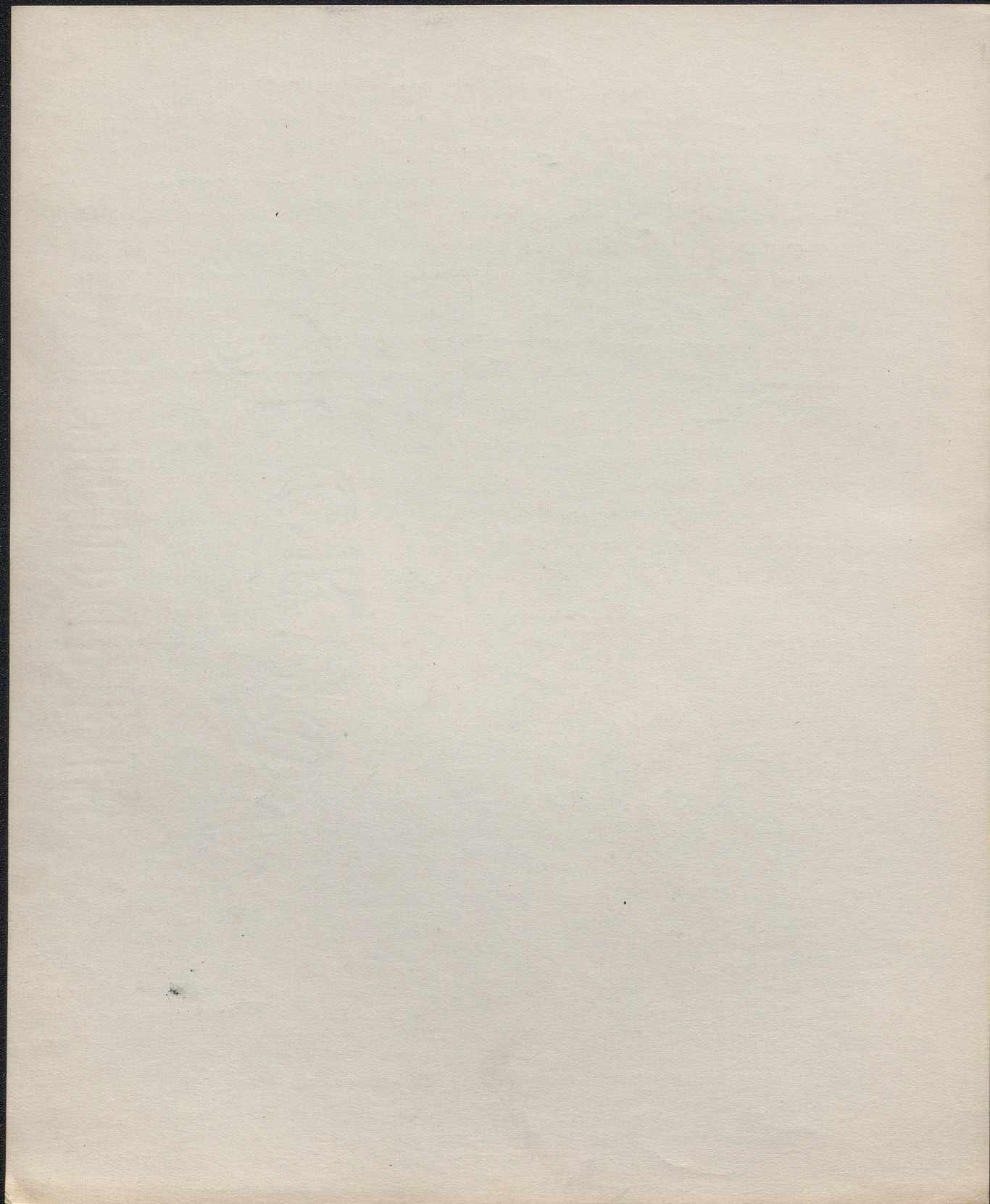


5. Finally, there is "natural monopoly" due to superiority of a personal or physical character*. Under purely competitive conditions, where all have an equal opportunity, the superior person will surpass his inferiors in the industrial world; he will do business more efficiently and cheaply and drive out the inferior rival. A "natural monopoly" is based on the admitted inequality of mankind; it is the inevitable expression of superiority in the field of open competition. For instance, although there was open competition in the land, Daniel Webster occupied ^{almost} a monopoly position because he had few rivals. Likewise, a winner of an international marathon race is such by virtue of a natural monopoly. So, too, is a ^{class of} laborer who has won a monopoly position, because of the possession of an exceptional skill and personal worthiness. This is the only kind of monopoly which is legal, and whose position is likely to be permanent. If there is free competition the superior man will always outstrip the inferior; he will do the lion's share of business because of a monopoly due to natural ability. Hence, whenever conditions are equal to all we must expect to find ~~monopoly~~ ^{natural} ~~not artificial~~ monopoly. That is a law of nature. In fact, the labor world is full of monopolistic conditions; there are non-competing strata of workmen superimposed one above the other, from the un-

* We will not here discuss monopoly due to possession of natural resources, such as anthracite coal bed.

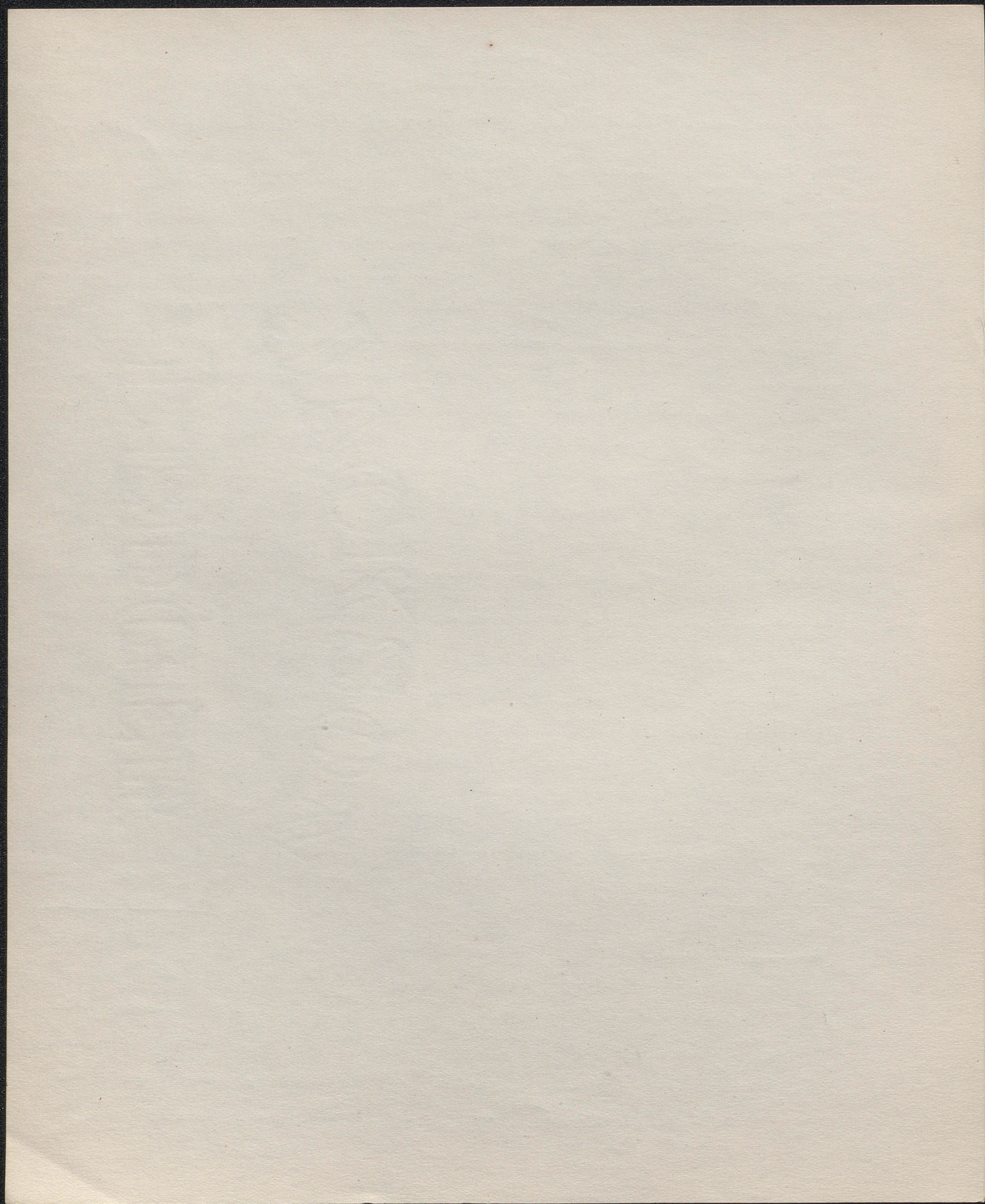


skilled hod-man ✓ to the skilled engineer of the Panama Canal - between whom there is no competition for the same kind of employment. Natural monopoly is everywhere: skill gives monopoly and freedom from competition ~~of those who~~ lack of skill. So also brains gives monopoly. In fact monopoly is unescapable, - so long as men are unequal in body and mind.

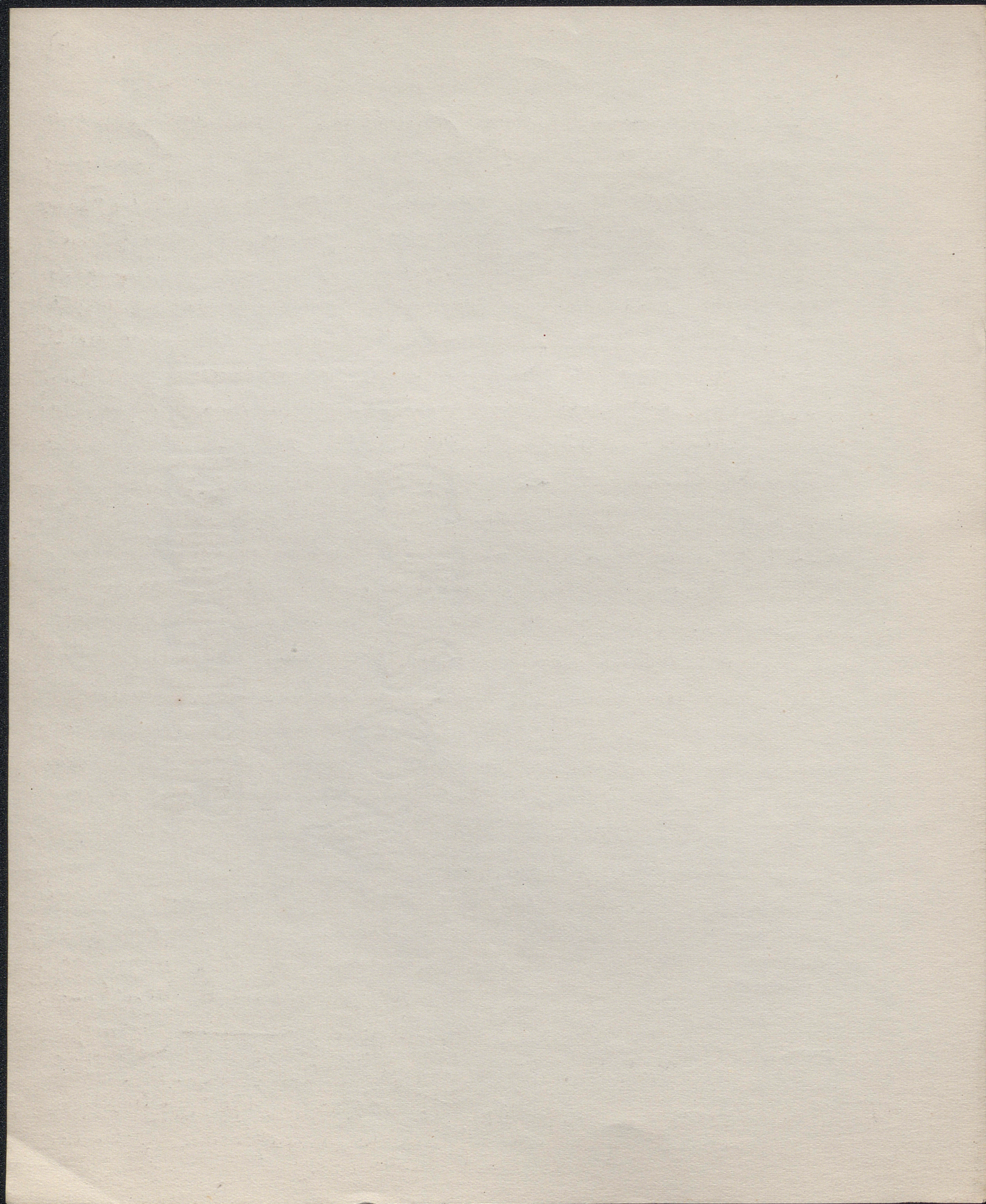


Since, then, the fundamental economic principle on which Labor Unions are based is the monopoly of the supply of labor (that is, a restriction of efforts for higher wages only to members; or, if possible, the inclusion of every laborer in unions in order to create a strict monopoly); since a strict monopoly, and control of wages by control over the whole supply, is practically impossible; since monopoly of labor and exclusion of any man from a free choice to compete is already contrary to the laws of the land; — some doubt has been already cast upon the wisdom and efficacy of the principle of monopoly of labor as a means of improving the conditions of life for workmen. It now remains to examine whether, from a purely economic point of view, higher wages, forced by the principle of monopoly as applied by labor unions, will really add to their consuming power and bring about the ends they have in mind.

If a shoemaker had to pay more for leather, he would undoubtedly charge more for his shoes, ceteris paribus. If an increased tax were levied on imported sugar, or coffee, the price to the consumer would be accordingly raised and the burden of the tax passed on to the consumer. In short, it is an economic commonplace that an increase in any of the items entering into a producer's expenses of production will cause an increase in the price paid by the public for that producer's goods, when the

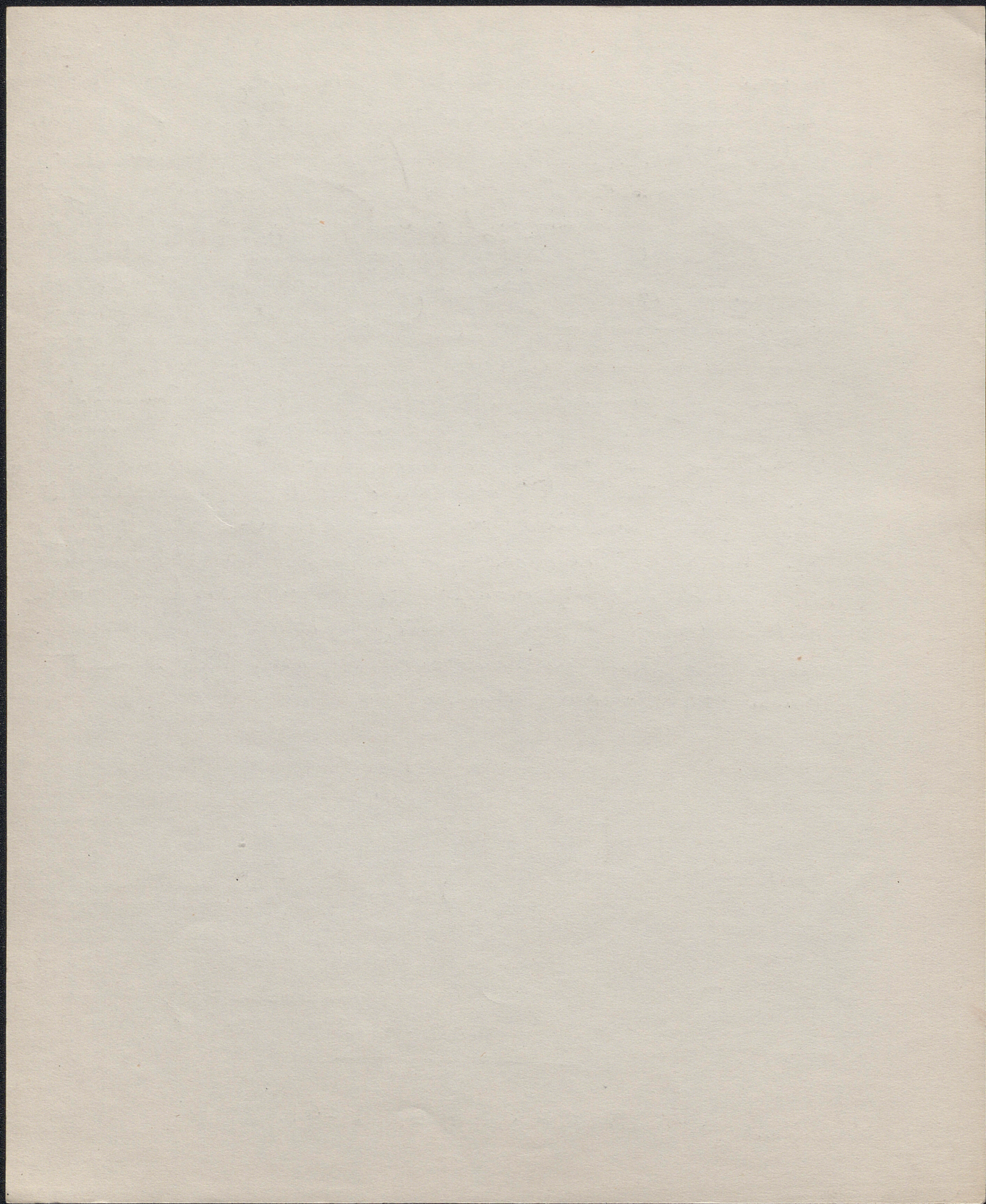


wages of miners in the anthracite coal mines were increased, the price of coal per ton to the consumer was correspondingly raised. The public, not the employers, paid for the higher wages. Wages are obviously an important constituent in the expenses of producing most staple articles. An increase of wages paid for the same amount and ^{same} skill of labor will raise the price of the goods they are working on just as surely as will an increase of taxes or ^{of} the cost of materials. Reduce taxes, and pro tanto the expenses of production and ~~the~~ prices to the public will fall - or ought to fall. Reduce the Tariff-taxes on clothing and pro tanto prices and cost of living will be reduced; but it must always be kept clearly in mind that the revision of customs-taxes will not in an important way lower the cost of living. Why? Because the item of taxes in expenses of production is not a large one compared with materials, or wages, ^{if} revision makes materials cheaper that would be ^{very} important. In 1905, the total value of ^{manufactured} products in the United States were \$14,802 millions, of which wages constituted about 18 per cent, and materials about 60 per cent. Now, as a matter of cold fact, how has the workingman fared on this method of raising wages in recent years? In the principal manufacturing and mechanical industries, ~~and~~ leaving out salaried employees, in 1907 money wages per week had increased from a base of 100 (the average of 1890-1899) to 122.4 in 1907. Suppose this result were wholly due to the influence of labor



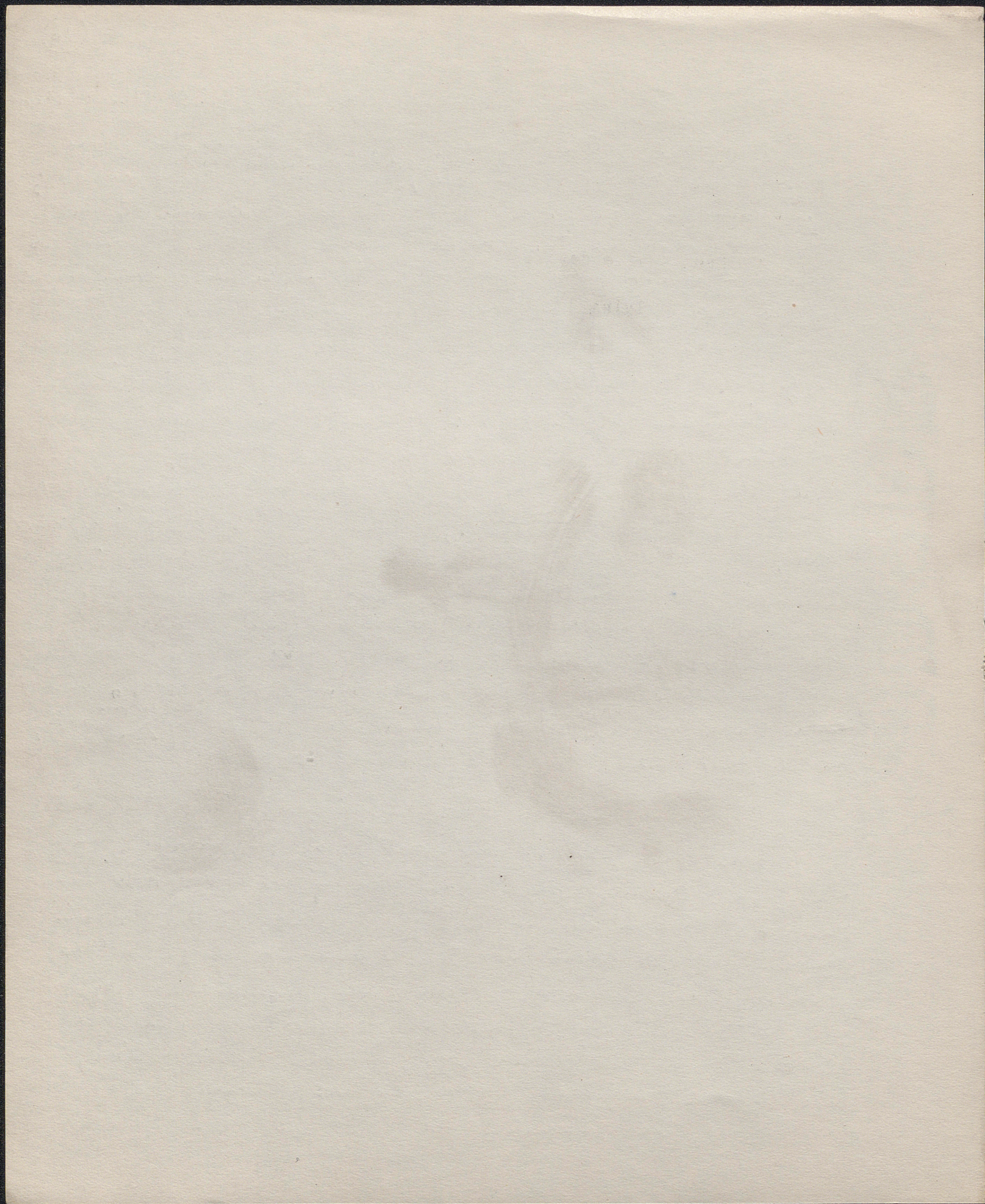
unions with their principle of monopoly. How did they come out in regard to the purchasing power of their increased wages? Retail prices of food likewise increased from 100 to 120.6, and the purchasing power of the money wages had gained by only 1.5 per cent. That is the whole effect of wages-increase had been nullified by the rise in the prices of food usually consumed in a family budget. After all the bad blood stirred up in about twenty years the unions have accomplished practically nothing towards raising their power of consumption. Obviously, something is very far wrong with the principle on which they are operating. They have climbed this hard up-hill road for decades only to find no passage through at the end. Economically, the principle of monopoly of labor does not work out in favor of the laborer. Why? It is very important that, in their own interest, they should know the reason why.

* Statistical Abstract of U.S., 1910. p. 251.



From the purely economic point of view the reason is simple. An increase of wages ^{paid} for the same productive effort ^{the expenditure of production and} increases the price of the product; an increase in prices of articles consumed by the laborer reduces the real wages of the laborer as much - if not more than - the increase in money wages. He is just where he was before, without any gain for his pains. In any industry producing an article of general use, (supposing entirely free competition) an increase of expenses of production due to an increase of money wages paid for the same effort will be followed by a compensating increase of prices to the consumer ^{and the laborer is a consumer.} This increase of price, mark you, is not under the control of the Labor Unions. Even if they could control wages, they could not control the prices of the articles they consume. If the laborer standing in a rising tide of water succeeds in raising the platform under him by a foot, and if ~~then~~ the water ^{then} rises about his head by ^{another} a foot, he is just as near drowning as before.

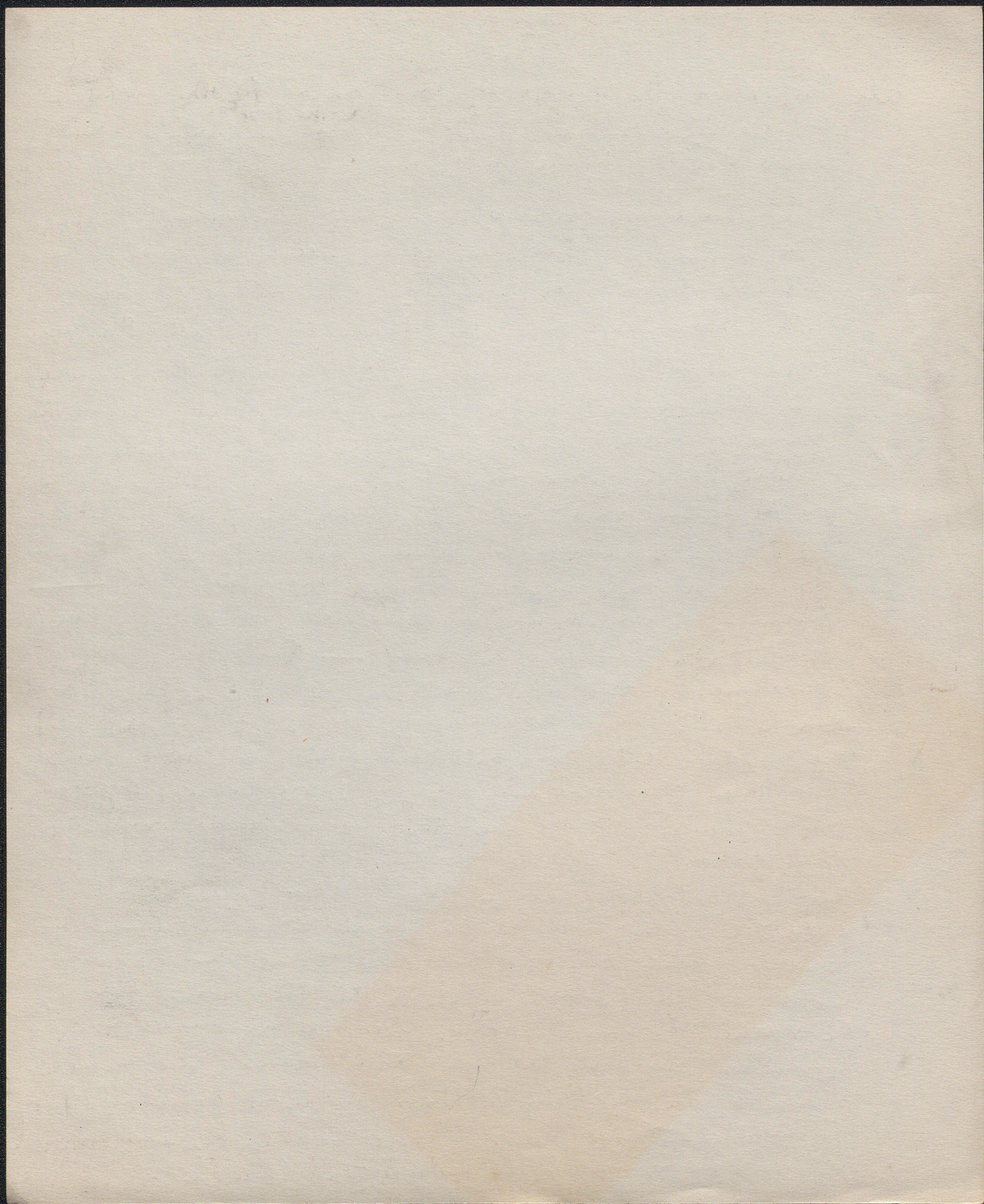
There is no question whatever that the rise of prices in almost all articles of general consumption during the last decade or two has been due, as much as to anything else, to the rise in money wages paid for the ^{one} same, or even a less, productive effort. Moreover, the effect is cumulative. In the expenses of producing raw materials such as coal, ore, wool and the like, into whose processes labor enters more largely than machinery, the general rise of wages raises out of



all proportion the price of materials from which finished goods are made. ^{The cost of} These materials and wages together unite in pushing up the price of goods.

Take the price of food and agricultural produce, for example. We have been seeing a silent, irresistible revolution going on in American agriculture.

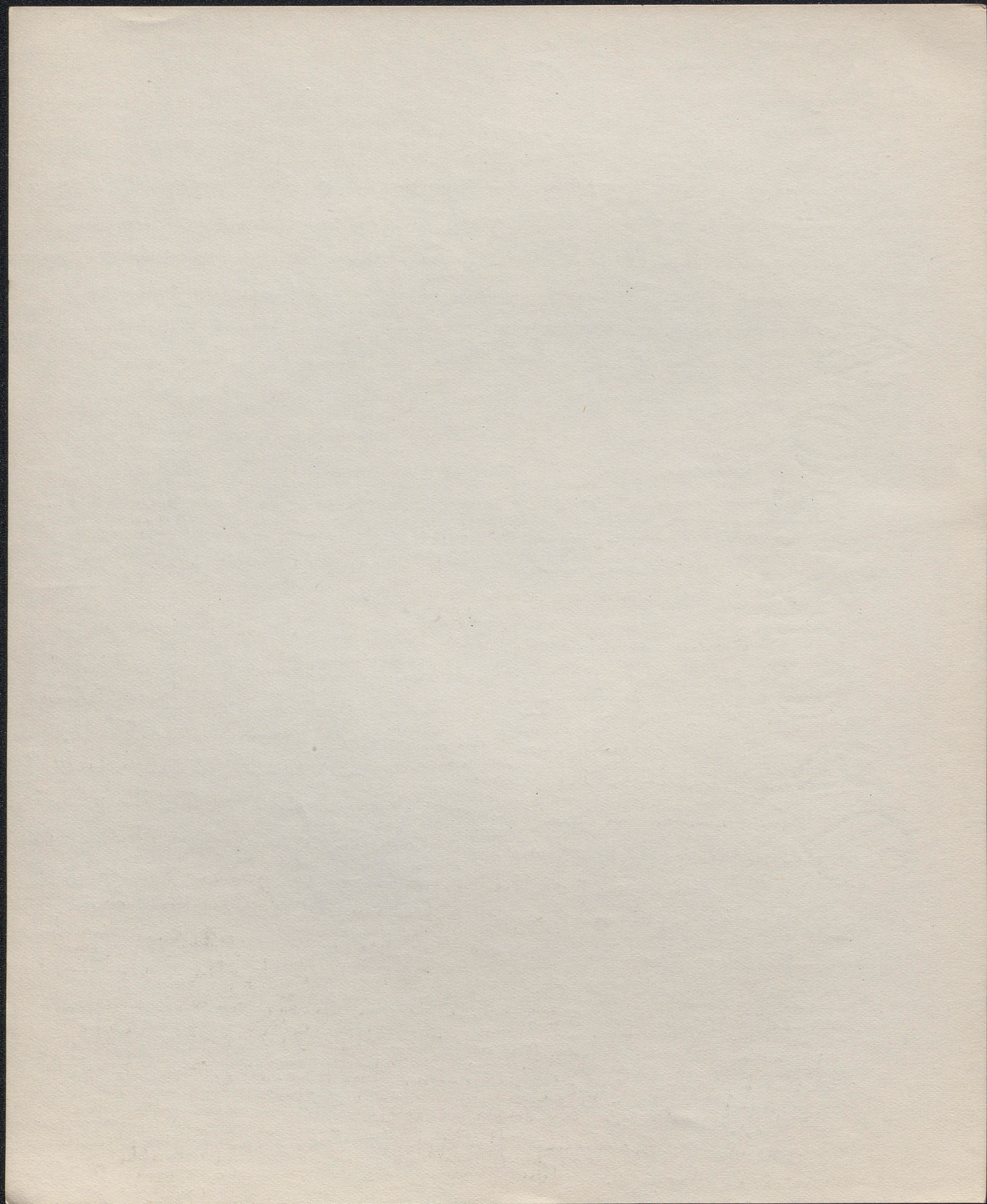
The movement from the farm to the city has been marked in all countries, and made labor scarce and high-priced on the farm. The great rise in the value of farm lands has increased the investment needed for growing food products. Men will stay on the farm only when they receive as high wages as they can get in the city, and when they receive as high a return on capital invested. If many farmers, charged up to expenses of production ^{at 5 per cent} the price of land and buildings and improvements, and added reasonable wages for themselves and members of the family such as they might get in the city, it would be found in most cases that even the ^{high} present prices of vegetables, eggs and butter would not cover the expenses of production. They go on practically without systematic book-keeping, not counting in their labor, and glad to earn a living. Wealth gained in agriculture in the last few decades has not come from growing crops, in the main, but from the enormous rise in the value of land. When labor is accounted for in agriculture as fully as in manufactures agricultural products are certain to hold a higher price relatively to manufactured goods, because machinery ^{some want} can be used in the latter to reduce the labor cost.



They may raise their wages,
but they do not raise their
condition;

The true bearing of the ^{(labor} situation cannot be mis-
taken. The Unions are enforcing the theory of monop-
oly of labor as a means of raising their wages and
improving their condition; the monopoly created is an
"artificial" one maintained only by violence, or ^{by} unfair
restriction of competition which is clearly illegal;
the increase of wages thus obtained, without an ac-
companying increase in the efficiency of production, in-
evitably carries with it an increase in the expenses
of production and of prices which automatically re-
duces the purchasing power of the higher wages to the
old level. There is no hope for this principle either
in law or economics. It does not work in the
interest of labor.

There are two sets of forces in action, inde-
pendent of each other. On the one hand, wages are to
be raised; on the other, prices are to be raised. These
two sets of forces are not under common control.
The one nullifies the other. Now, what is the remedy?
Nothing under heaven but the bringing of the two into
some common cooperation for the gain of both. It is
of no advantage to the producer to raise prices per
se; since with a higher expense of production he
makes no greater profits by a higher price than he did
before. It is of no advantage to the laborer to
raise wages per se; since with higher money wages
he can buy no more than he did before. The
result, being no gain either to producer or to lab-
or, ^{is} a ^{very} ^{bad} ^{and} ^{an} impossible situation for the
general consuming public by the steady rise in the
cost of living. The monopoly of labor ^{has} ^{made} ^{nothing}

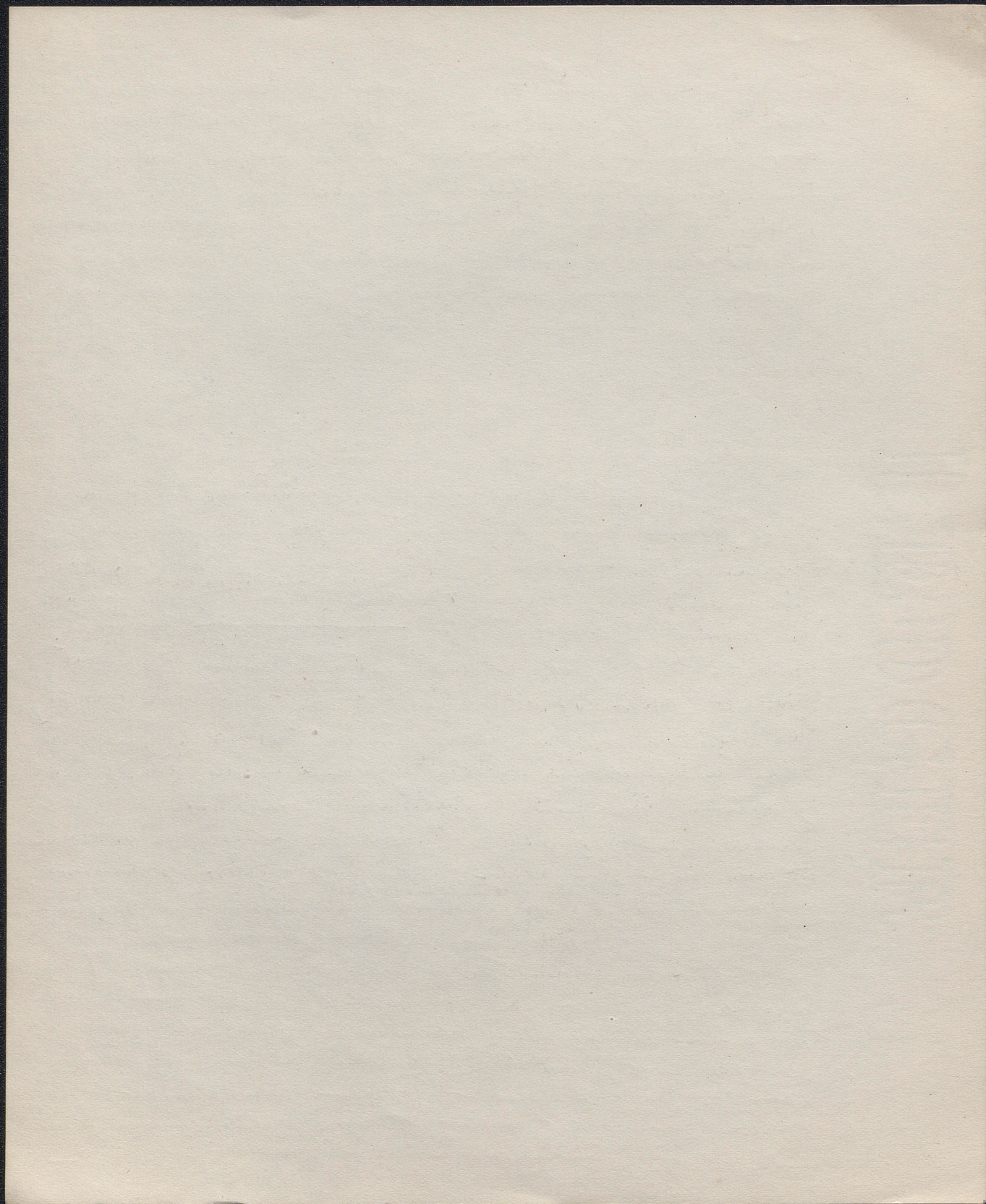


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to its credit, and only curses to its debit. The case against it legally, economically, and morally is overwhelming. And yet in the recent contest over the immigration bill in Congress the labor unions wished to apply the literacy tests on immigrants in order to prevent an increase in the supply of labor. Economically speaking this is darkest Africa.

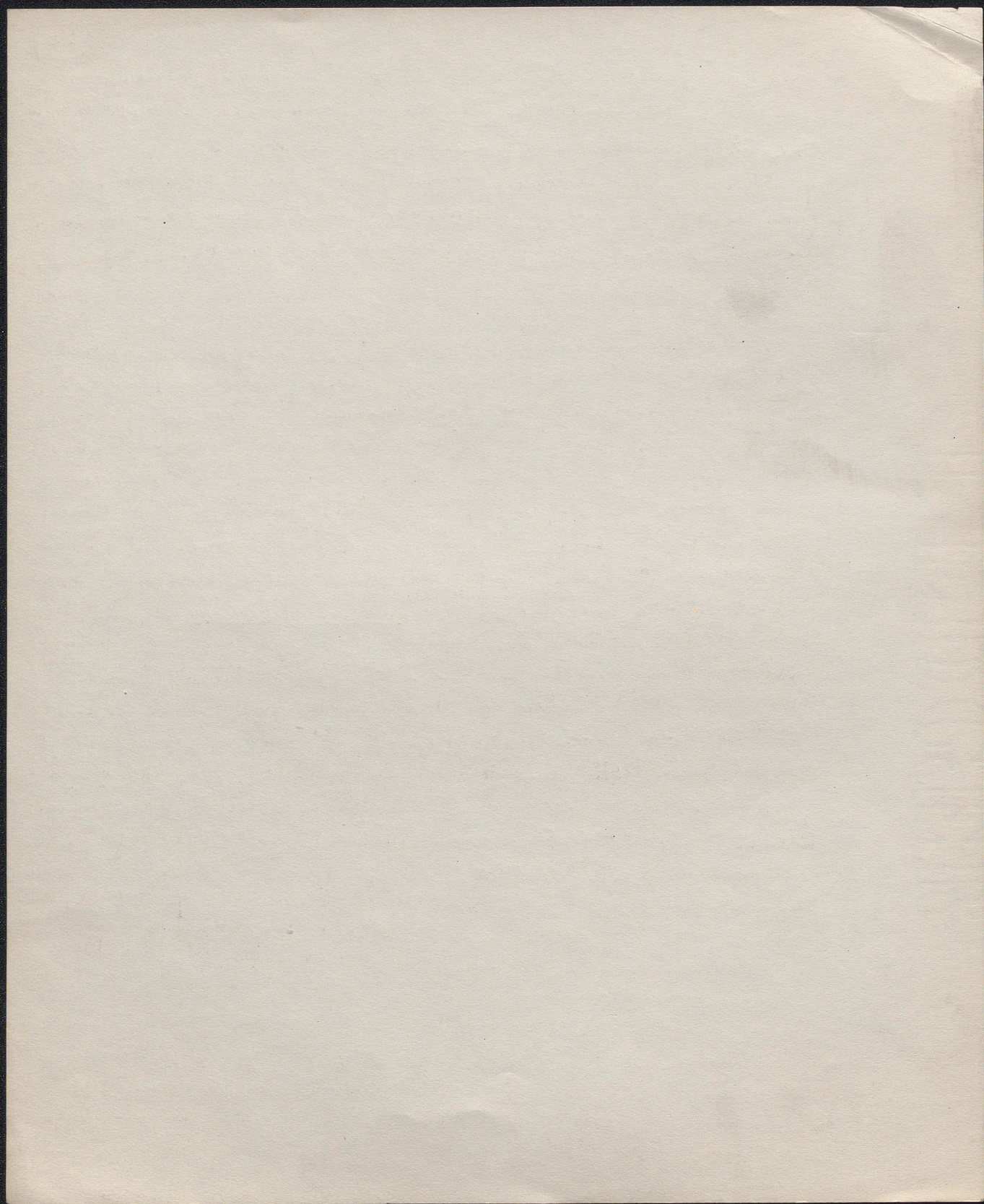
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The remedy can be found only in the coöperation of both labor and producer, to the end that ^{real} wages may be raised without an increase of prices by the producer. This is not impossible; but it means a complete reversal ^{of the principle of the} from the "artificial monopoly" of labor to the principle of the "natural monopoly" of labor. This is the solution in a nutshell. What does that mean? "Natural monopoly," as regards labor, is based on the superiority due to skill and personal worth working under conditions of entirely free and unrestricted competition. Under competitive conditions the most productive labor will obtain the higher wages: the labor that is more productive ^{when it receives higher wages} does not increase the expenses of production or cause higher prices. The laborer ~~that~~ ^{who} works in coöperation with the efforts of the producer to increase product, say, from 80 to 100 units with the same outlay, can have his wages increased by 20 per cent, and yet leave 5 per cent. of new gain to the producer — without any increase of prices. In short higher money wages may go — and frequently have gone ^{so} in the history of industry —



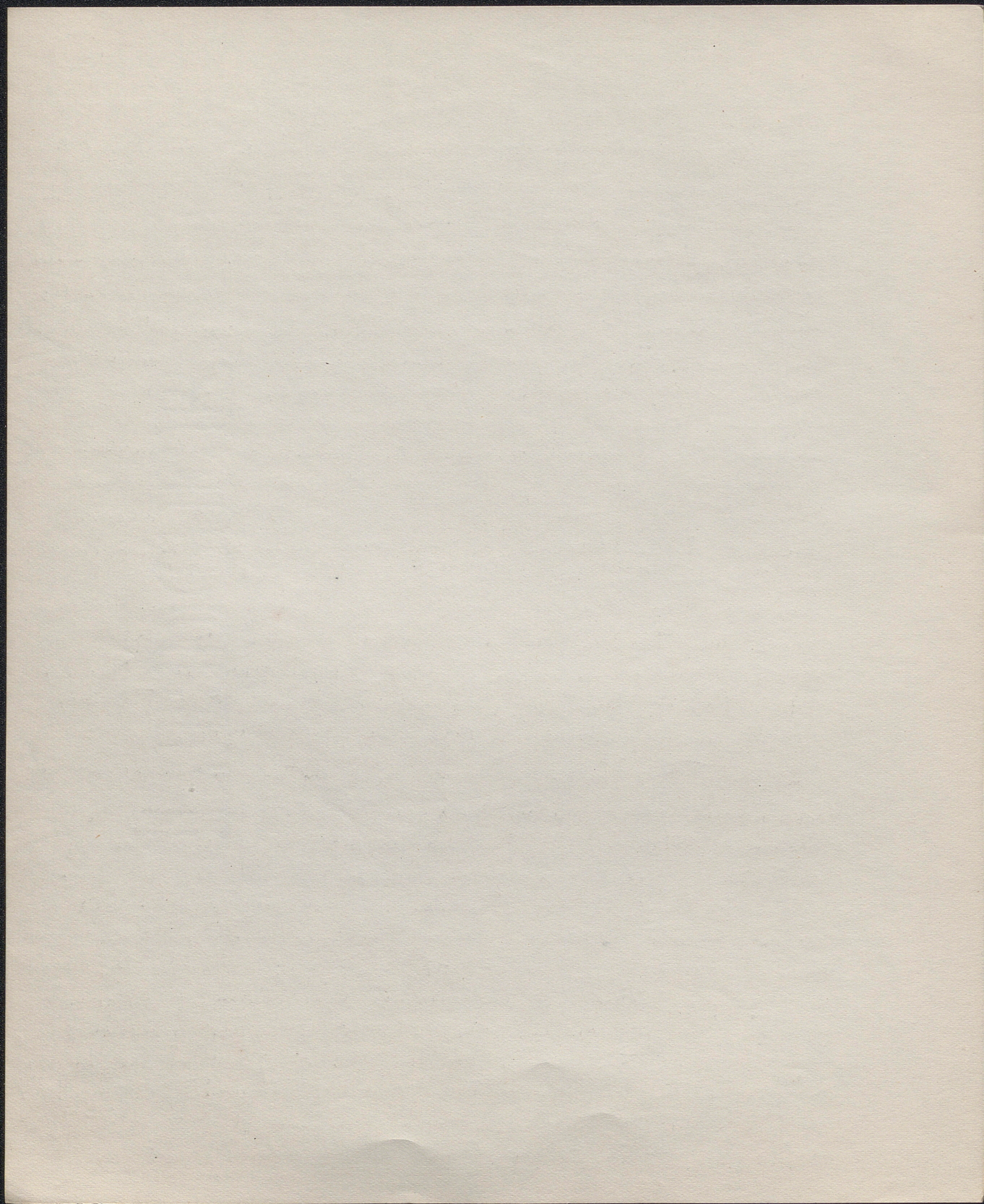
with a fall of prices. These laborers would gain doubly: not only by ^{the} higher money wages but by the greater purchasing power of those wages. That is a very different outcome from that due to the "artificial monopoly" of labor. Moreover, it is democratic, legal, moral, and economically sound.

But says the objector, the laborer who is unsophisticated enough to follow this advice will not obtain from grasping individual employers the higher wages due to increased productivity. Then organize and get it. Organization of labor is of vital importance. There is no objection to the Union as a form of organization; but there is objection to a wrong use of the Union. The principle of "artificial monopoly" of labor may be all wrong, but the principle of organizing labor in a Union may be all right. A heavy walking stick may be wrongly used in knocking down and robbing victims, but it may be well used in protecting the owner from foot-pads. If admission to a Union were based on efficiency tests, and ^{its} members held a natural monopoly due to superior skill, those outside the Union would not compete with them; and there would be no more need of the "closed shop" nor of dynamite.



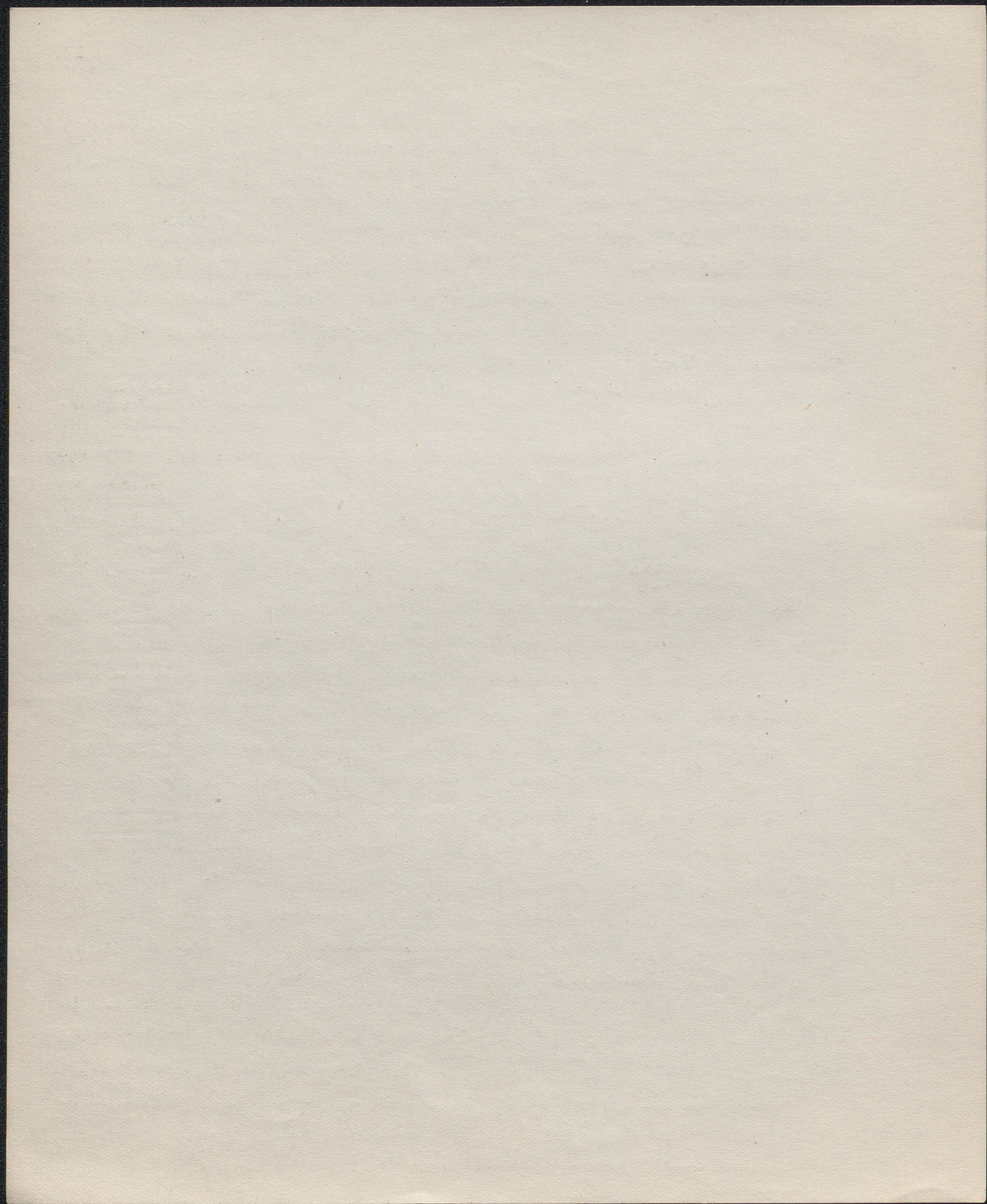
The only way in which ^{real} wages to the laborer can be raised without raising prices and the cost of living is by cooperating with the producer in all possible ways to increase the efficiency of industry, and lower rather than raise the expenses of production. That means ^{of course} an abandonment of the stupid theory of "making work", on the assumption that lengthening out the work will yield more employment. It is stupid, because a demand for labor arises whenever capital finds efficiency in production and a chance to increase product to meet an increasing demand for goods. If efficiency of production increases demand for goods falls off. For the very reason that Unions have forced higher wages - so far as they are able - for the same ^{labor} effort, it has driven the producers to devise and introduce machinery to economize the labor outlay. That is, the present policy of the Unions inevitably tends not only to a higher cost of living, but to a decreased demand for labor wherever machinery can be introduced.

Any thoughtless scheme for paying more wages for the same effort will increase the cost of living. That statement applies to the hysterical agitation for a minimum wage. To say that "I cannot live on \$5 a week, it is no reason at all why I should receive more wages. That may sound cold-blooded; but it is not. If wages are to be based on what it costs the laborer to live, then if I could live on \$8 a week, why should I ever receive more than that? In truth, on the basis of what the laborer contributes to the productive result should payment be made. Face the actual truth of life: is not a skilled carpenter worth more than a blunder? In any



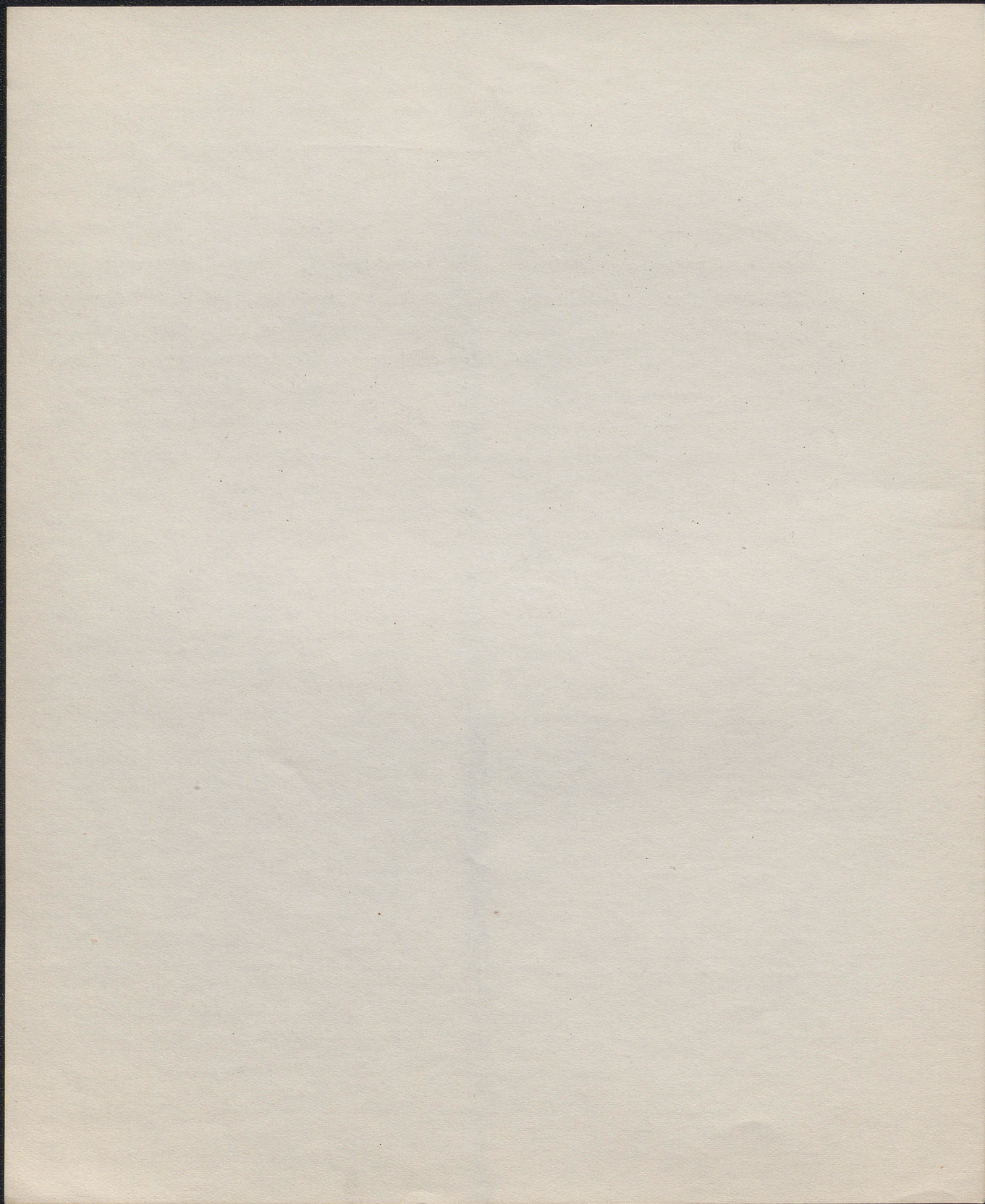
business Does not everyone agree that it is fair to give a very energetic, live, active, skillful salesman more than a stupid? If he is skillful he earns more, because he brings in more business. Shop being settled, we do not fix his wages on what it costs him to live. He has a right to spend his income as he pleases. Hence if we were to adopt the theory of the minimum wages we should be adopting a new theory of wages, which would justify the refusal to pay high wages based on efficiency.

We find Unions basing action on adherence to the laws of ^{artificial} "monopoly" of labor. It never has worked rightly; it never can work rightly for the true interests of labor. Finding difficulties ahead the loyal unionists fight the harder; implicitly believing that their principles must be right, they begin to create a code of ethics which places loyalty to the union rules above loyalty to the laws of the state. That more fact ought to cause deliberation. Is it possible that the whole development of liberty under constitutionalism for centuries has been a mistake, and that only the recent theories of unions are worthy of attention? It would be wiser to study further, and see if the progress of labor upward ~~away~~ ^{and} not be consonant with the progress of liberty under law. Direct conflict with the state can have but one result for unions. To force the false theory of "artificial monopoly" of labor against the bulwarks of civilized society would be like sending a derailed locomotive at full speed down a crowded city street: it may destroy and maim others, but the end is ruin for the engine.



I once heard a ~~sermon~~ by Phillips Brooks urge in a sermon that "a man does not have a right to add his rights," legal or moral. He may be able to enforce them if he wishes; but, as human nature goes, it is better not to exact the last scrap of what is due. It is good for the successful man to feel that he has some responsibility to the less successful. Those who are climbing up without looking around, would do well to take in the world about them, and their relations to others, as they begin to reach the top. It is they who must do the most to assuage the bitterness of un-success. No matter if the discontent is unreasoning. It is they who must temper the wind to the shorn lamb, in the great world of industry. Men do not want charity. The work to be done is to create conditions where men by self-help can work out their own salvation and make charity unnecessary.

The key to this problem so far as it concerns labor is the principle of superiority due to "natural monopoly". The only real permanent aid to low wages is to increase the productivity and skill of the persons at the bottom. Instead of talking of such injurious palliatives as minimum wages, create institutions abroad wherein these persons can begin a trade, or training for a gainful occupation. The cry for a minimum wage is evidence of the industrial incapacity, the lack of producing power, in masses of our people. The concrete ways of increasing the productive power of each man and



women are not unknown. The captain of industry, who does not "have a right to all his rights", can introduce into his shops carefully worked out plans for helping his operatives to get on in life; to better the conditions by welfare work; to encourage savings and thrift; to introduce the stimulus of profit-sharing; and, above all, establish civil service methods devised to pick out and promote the promising youth so that the path from the bottom to the top is open to every employee. Thus given unrestricted competition, there will be seen the inevitable results of "natural monopoly" by which superiority comes to its own, and wages are in proportion to productive power.

