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*WAGE-SLAVERY*

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***WAGE-SLAVERY***  
***BY J. K. HEYDON***

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***LONDON : JOHN LANE THE BODLEY HEAD, LTD.***

X:952.8

F4

FIRST PUBLISHED IN 1924

4591

Made and Printed in Great Britain at the Athenæum Printing Works,  
Redhill, Surrey.

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## FOREWORD

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THE very first word of this book will convey to the reader that it deals with its subject in relation to a comparatively small, remote, and exceptionally placed field. And if he has purchased his copy because of an interest in the subject which centres in some other field, England or America perhaps, he may experience a wave of disappointment, and even of annoyance at having received no warning from the title.

But on second thoughts I think he will realize that, after all, the Labour Problem is the Labour Problem, presenting very much the same phenomena wherever it is viewed. Differences are chiefly differences in degree, or differences in stage of evolution. And for this reason an analysis applicable to any advanced community is likely to be more or less applicable also, either immediately or within the near future, to all other communities not fundamentally different in structure. I happen

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to be an Australian, and I have thought it best to write as one, confining myself to the field which I think I understand. But if there is any sense at all in what I have written it is not conceivable that it will be wholly without a moral of interest in other Anglo-Saxon countries.

If there is any sense at all in what I have written —ay, there's the rub! Much as I should like to say, These are my opinions and they are good opinions, it is not competent for me to say such a thing; the reader must judge for himself. But it is competent for me to say, and I do say, that the reader must be careful of one thing: so far as my opinions are concerned he is at perfect liberty to disagree with them, or, if he likes, to regard me as a criminal lunatic for holding and airing them; but not everything in the book *is* mere opinion, some of it is fact; and there is no sense in disagreeing with fact.

One fact in particular I invite you to bear in mind throughout the reading of this book. It is a very awkward fact, and one that seems either not to have been much noticed or else to have been thrust out of mind as too unpleasant to dwell upon. It is this: that workmen are not working as well as they can, or as well as they used to. This

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fact is undeniable. As to its explanation, that is perhaps a matter of opinion ; but I do not see how there can really be two opinions. The working man's outlook is changing. For better or worse he no longer stands in the position of Tennyson's Northern Farmer Old Style, but is coming to occupy that of the Northern Farmer New Style. He is working for himself and not for his master. It is *quid pro quo* with him.

Whether this change of spirit is beneficial or the contrary is wholly a matter of opinion ; it may mean progress, it may mean retrogression. But, whatever it means, there it is. And to sigh for the old spirit of pride in good work will not bring it back ; it is a thing of yesterday, and yesterday does not return. So that clearly the whole literature that deals with the problems of industry upon the postulate of a continuation of that old spirit is also a thing of yesterday, an obsolete system that must be replaced by another more conformable with things as they are. Not, indeed, to found such a system, but to point out modestly the lines which in my opinion it must follow, is the purpose of these pages. The method may be disagreed with, but the alternative cannot be a reversion to the ostrich tactics of pretending that the workers are



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giving their best while they are not. If you do not agree with me, produce a better idea.

Take England's case. Now at this very moment of writing, December 7th, 1923, the voters have turned down Protection, even very much modified Protection, in a way that not even its political opponents expected. And in my opinion the voters are perfectly right. It may, no doubt, be a case of their building better than they know; for in all probability the chief motive influencing many of them has been the superficial one of fear of a rise in the cost of living—a matter that would probably adjust itself after a short period of discomfort. But there is a very real case against Protection in England, and its kernel is just this: that England is done for, finished, if she cannot maintain her position on her merits. If she finds herself hard pressed, her men must work harder, her employers must think harder, she must increase her productivity—or go under. And Protection is an effort to avoid this only real means of salvation. It is an opiate. Anti-dumping and similar measures to prevent unfair competition are another thing altogether; and so is Imperial development; but simple Protection, which is an effort to stave off in the home market the effects of more efficient

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work in other parts of the world, is an admission of defeat. That way a healthy future for England does not lie ; her way lies along a new system, towards which this little volume is supposed to be something of a finger-post, of obtaining greater efficiency in production.

It has to be admitted that England's case is a hard one. She attained a position, and a population, by virtue of an early start, which imposes upon her a severe struggle now that other countries have largely made up their lee-way. Many thousands of her employers are not making, and perhaps could not possibly make, more than slender profits even with good work and low wages. And it would be simple impertinence to wave before the eyes of men in such a position the facile suggestions applicable to Australian conditions. I do not do so. But still, on a broad view, these marginal employers and their marginal trades are not England. In the last resort it may be necessary to see some of these industries, in which England is evidently not well equipped to compete, disappear, and their employés drift either to the same trade in countries where it is more congenial or to better-paying trades at home. As to the backbone of English trade, it is still healthy, still profitable,

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still able to hold its own against the world. And to that trade I should not be surprised if every word that I have written about Australia is applicable almost without modification.

As to America, the case is different, and I would rather pass it by in silence. Perhaps the time is not ripe to make suggestions in that quarter. In England the defects of the old system have come to light on account of the stress of economic conditions, and in Australia on account of the precise opposite. But in America, occupying a midway position, the stress of conditions is sufficient to oust the labouring man from effective self-assertion, but not sufficient to force employers to seek him out and study his wants. She can, and I suppose will, carry on with a social system that presents many ugly features.

Yet it is an odd circumstance that this book owes its existence in some measure to American influence. It was in 1903, while I was a student at the Massachusetts Institute of Technology, that I met an American workman, a moulder, and, I suppose, an agitator, who lectured me upon the injustice of the American system of industry. His eyes kindled as he thundered out a demand to know whether I agreed with what he was saying. Of

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course he expected me to disagree ; and I shall never forget his face when I said I quite agreed with him. He opened his mouth once or twice like a fish, and said, "You're an exception." And then, after he had gathered his wits together again, he proceeded to bind me to a solemn promise to remember, if ever it should be in my power, to act on the principles to which I had agreed.

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*I*  
*INTRODUCTORY*

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## I.—INTRODUCTORY

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**A**USTRALIA has been called the laboratory of Social Science. And for several reasons she deserves that title. The country is populated by a community representing probably as high a type of intelligence on the average as any on earth ; and that intelligence has been trained by an elementary and secondary educational system as efficient and universal as any in the world. And this raw material for social experimentation finds itself situated in a new continent, unbound by time-honoured traditions and hereditary rights, and so thinly populated that Labour is able to make itself felt by reason of a persistent excess of demand over supply ; and, moreover, of such low intensity of competition that bold experiments can be tried without risk of any great disaster in case of non-success. Finally, and by far the most important circumstance of all, the Australian community has inherited from the mother country, and has further developed on its own account, a

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full measure of those altruistic feelings without which the power-holding classes could never have sacrificed their own strong position, as they have done, for example, by educating the masses, and enfranchising them on terms level with their own.

Considering all these factors favouring social progress, it is not surprising that this country should stand in the forefront of Democracy; that government by a political Labour Party supported by the votes of many outside the ranks of actual labourers should be a customary thing; or that we should have a statutory minimum wage representing a standard of living unsurpassed anywhere.

What *is* surprising is that notwithstanding all this there should still be widespread and intense discontent among the working men.

It would be pleasant to believe that this discontent is merely the normal restlessness of progress, the healthy symptom of an energy which, having got so far, is urging forward (if with a little precipitancy and impatience, yet with a glorious spirit of high endeavour) towards a goal of general happiness yet unseen, but dimly sensed like the first faint flush of dawn. It would be pleasant, but unfortunately it is not possible.

There is, no doubt, a large section of Labour



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which is actuated, if not with the poetry of lofty purpose, at least with a sane, a practical and a very British determination to remedy defects of social justice here and there and piece by piece as they are observed and as occasion offers. For that matter, there is a large section which has not even this degree of discontent with the perfection of our social system, but in a more or less dull spirit of fatality takes things as it finds them, and which after a manner and in various frames of mind, or in simple want of any ideas upon the subject, is content with its lot. But there is a large and growing residuum of discontent which cannot by the most optimistic onlooker be mistaken for the feeling of one who loves and reveres the institutions of his country, and in sheer love of them yearns to correct their minor imperfections, so that they may flourish with the greater lustre. On the contrary, the spirit of this discontent is the spirit of bitter resentment against the social system as against something which, so far from being the cause, however imperfect, of well-being, is the cause of distress and deprivation.

It would be convenient if we could wave aside the manifestations of this hostile spirit as mere envy on the part of the worse elements among those

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who have less of the good things of life against their more fortunate or more capable fellows; or as the propaganda of dreaming theorists anxious to prescribe their own quack nostrums for the supposed welfare of society; or as an importation from other lands by those who do not yet appreciate the power of peaceful evolution under a free constitution and the British temper of perfecting things little by little.

But unfortunately it is impossible, here again, to take any of these convenient views. If we are honest with ourselves, we are forced to admit that rancour against the capitalist system permeates the best elements of the industrial community, and is the reflection of grievances which, rightly or wrongly, are held by law-abiding respectable men to be grave injustices. Or rather not held, but felt, to be injustices: because those concerned are unable for the most part to state their case. They feel that the distribution of wealth is too ununiform to be the result of justice, yet they cannot frame grounds upon which to base a claim for a better share. Thus we are all familiar with the expressions "class warfare" and "wage-slavery," but beyond a vague general realization that the men who use such expressions are discontented with the

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results they experience, we are unable to learn even from themselves what it is exactly that they complain of as the cause of those results.

For this reason the breach seems to widen. On the part of the capitalists there is a natural tendency to regard as non-existent a complaint which cannot be, or at any rate is not, stated in calm reasoned language ; and on the part of the men, their very inability to define the trouble appears as a proof of the studied subtlety of the trap in which they are caught. Even disinterested and well-meaning spectators tend to under-estimate the reality of the position, and to make matters worse by ill-adapted efforts to make them better. The newspapers, for example, with perfect sincerity, and faithfully reflecting, as they mainly do, the sympathetic but undiscerning spirit of the so-called upper classes towards the lower, are never wearied of exhortations to peace, to patience, to long-suffering, to mildness, to reasonableness, to every virtue known to man ; but with no result except to be called the Capitalist Press, and to stiffen the backs of intending strikers or go-slow workers to renewed efforts to inflict loss upon their enemy if at all possible.

It is sufficiently obvious that if the expressions "class warfare" and "wage-slavery" are real

representations of the mind of Labour, or even approach to being such representations, it is about as useful to prate of reasonableness and fair play as it would be to ask the hurricane to be more gentle. The only rational course is to find out what the trouble really is.

Disregarding the attitude now quite out of date, and admitted in every feature of our civilization to be false, that might is right (and that therefore it does not matter whether the grievances of Labour are well or ill founded), the three possibilities of the position are: first, that the men have no real ground of serious complaint at all; secondly, that they have grounds of complaint so profound that they go to the root of the whole capitalist system, and cannot be met by any adjustment within that system; and, thirdly, that, though their complaints have a real and serious basis, this does not go to the root of capitalism but can be remedied without overthrowing civilization.

The first of these alternatives is the belief of the average capitalist, and, it would seem, of the average citizen outside the arena of industry; the second is the belief of the Socialist. And if either of these be true the case is hopeless, and we must await the deluge with such equanimity as we can

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muster. The working men cannot be expected to change front and endorse the former view, and the owners of wealth cannot be expected to endorse the latter ; therefore the fight must go on till the best man wins, or civilization goes down in ruins under the strain.

With such a forlorn prospect before us in these two cases, it becomes a matter of anxiety for everybody that the third alternative may prove to be the truth : and it becomes of urgent importance that its intricacies be investigated, and that no stone be left unturned in the search to discover the basis of the dumb giant's grievance, and its remedy.

In such a case it is necessary to mobilize the services of every one who may have a suggestion to make. The danger is too imminent for anyone who may think he sees the elements of a solution to be excused for leaving it to the professors of Political Economy. These have examined the position over and over again and have produced nothing of value. Possibly they have gone the wrong way about it, or possibly there is indeed no solution, except such as may emerge of its own accord from the confusion of battle. At any rate no apology is needed in the circumstances for the

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present effort to make some contribution towards a solution of the riddle.

It would seem that the professors, with few exceptions, *have* gone the wrong way about this problem. For they have first emasculated their own science by being at great pains to make of it a science of reason alone, instead of what it is, a branch of Ethics. And having thus ruled out all question of the moral rights and duties of man, they naturally search in vain among the conclusions of "enlightened self-interest" for the answer to a question that is purely and simply ethical. Labour complains of injustice; and, although apparently unable to give any coherent account of wherein the injustice lies, the mere use of the word carries the inquiry at once out of the field of a science from which justice is expressly excluded.

So far from the exponents of such a science being the proper parties to guide us to social justice, they are more dangerous and subtle enemies to it than any blatant selfishness of the exploiters of poverty. For starting with first principles which deny the applicability of any principle of justice and view the whole field of human endeavour as a mere struggle for survival (mitigated only, it may be, to some extent, by the beneficent interference of

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Governments), their so-called inquiries are foredoomed to sterility; and their voluminous dissertations serve only to give an appearance of justification to the dictates of pure selfishness, as though they were of their nature unavoidable.

The influence of bastard economics, as retailed by superficial newspaper writers, would appear to be the chief cause of the remarkable phenomenon that in this age of growing ethical consciousness the relations of labour and capital alone should have produced but comparatively little public opinion in favour of the view that the more fortunate have responsibilities to, the less fortunate. The same man who curses the Germans for their poison-gas, who gives generously to the hospitals, who applauds the kindly care of criminals, who would be shocked if anyone advanced the view that venereal disease is only nature's way of removing the unfit and ought not to be combated, who even feels righteous indignation at cruelty to animals—this same man, if an employé were to say to him, "My work is worth more in this business than you pay me; in justice I should receive more," would shrug his shoulders and reply, "I have no time for sentiment. If you don't like the pay you know what you can do. I can get plenty of

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### *Wage-Slavery*

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men to take your place." He would not even realize that a moral problem had been propounded to him. Because he *can* get labour at a certain price, therefore he will, regardless whether it represents the value of the man's work, and whether it suffices to keep the man and his family in decency, and thinking only of his own profits.

The writer was in England in 1909, when Lloyd George introduced the Old Age Pension of five poor shillings a week. Speaking from memory it was estimated to cost the revenue £7,000,000 a year, and the outcry against such extravagance was widespread. The industries of the country would suffer, it was said; the cost of production would rise and cripple us in competition with other countries.

The error of such an attitude was twofold. In the first place, it was ludicrous to imagine that England could not afford to provide a little food for her aged poor folk without having to make them work for it in the workhouses: in the Great War she found not only £7,000,000 a year, but £7,000,000 a day, and was yet not ruined at the finish. And, in the second place, it set up a pecuniary consideration which, even if it had a grain of truth in it, was a trifle compared to the



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grave moral considerations which it was supposed to outweigh ; or rather, not to outweigh, but to preclude altogether.

It might possibly happen in a prolonged siege, or to a shipwrecked crew, that there were not food enough for all, and that the only chance for any to survive were the killing of the weak and useless. Yet beyond the slightest doubt such an act would revolt public opinion, and would rightly bring down on the man who ordered it universal condemnation as a ruthless egotist, and a murderer.

And if this is so, how are we to explain the strange difference of attitude when it was a case of condemning thousands of the aged poor to death from want (if, as was commonly the case to the knowledge of every one, they preferred such a death to going to the workhouse), not because of any dreadful necessity, but simply to save a penny on the Income Tax ? It would be easy to make the cynical reply that in the one case sympathy would be cheap and in the other it would cost money. But such a reply would be grossly unjust to the opponents of the Old Age Pension, many of whom would no doubt have been willing to subscribe considerable sums to relieve distress.

There can be little doubt but that the real explana-

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tion is to be found in that view of industry assiduously preached by economists from Adam Smith onward; according to which every man gets what he is worth and is worth what he gets, because supply and demand determine price, including the price of flesh and blood, and therefore his market price, called his market wages, must faithfully represent the workman's value. According to this view voluntary payments in excess of the market wage are "uneconomic," and tend to handicap and ruin industry.

The degree of success met with by the exponents of this shallow view is the more remarkable because the conflict of considerations in such a case is not a clash between the dictates of self-interest, enlightened or otherwise, and the supernatural law of God. If it were, though it may sound cynical to say it, there would be nothing surprising in the higher law being flouted and ignored. For men find the Divine law a hard saying without the assistance of scientists, and they have evaded it, by the simple process of denying its existence, in such numbers that they keep one another in countenance and pass through life giving the victory to self without loss of respect in their own eyes or the eyes of their fellows. But the conflict is not between

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self and God, but only between lower self and better self. That is to say, it is between the natural animal law of self-preservation, which forms the basis of man's survival as an efficient denizen of the earth, and the equally natural and equally undeniable laws which Mother Nature imposed upon him the moment she made him a responsible moral and social being, the laws that distinguish him from the beasts, of which the whole object is to balance the ferocity of the lower laws with a code of moral obligations.

It is so perfectly clear, and so universally admitted by everybody with the least claim to regard himself as respectable, that some measure of truth, honesty and justice is essential if mankind is to live in a civilized community, or indeed in a community at all, that the practical exclusion of their consideration from the labour problem is indicative of some special and powerful cause. And, as we have said, the writings of economists of the classical school would appear to be that cause. By false first principles, and a misuse of words, they have made it appear that in this one case justice does not mean justice, but power. Whence spring such absurdities as denying to the poor the smallest chance to be anything else but poor, and then

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pointing to their poverty as proof of their worthlessness ; and the demonstrated absurdity of the not very remote past when men, women and tiny children toiled naked and starving eighteen hours a day for a crust of bread : an abomination which gave Karl Marx the opportunity to preach his doctrine with such deadly effect that, though false, it is still gathering momentum.

The mistake of Marx was that he, no less than his opponents, ignored the true ethical principles on which society is founded. But he served this purpose at least : he showed that unless capitalists are prepared to discuss the rights of Labour *as* rights, they cannot complain if the men take them at their word and regard it as a battle of strength, in which if they are victorious, they will be entitled as having the power—*ex hypothesi* the only thing that matters—to re-establish civilization on a new basis without capitalists.

As yet Labour has not seriously abandoned the ethical standpoint. There are rumblings ; but on the whole Labour, with praiseworthy forbearance, is still knocking at the door of capitalism asking for justice. And every consideration of honour, of patriotism, and ultimately of self-interest, obliges capitalists to meet the challenge

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squarely, and either prove that the men's demands are not just or else, if they are just, to grant them.

It may be said, no doubt, that it is Labour's duty to state its case before there can be any case to answer. But in American phraseology this is only a talking point. It falls upon the employing class, as being those who profit from the injustice, if there is any injustice, and who, by reason of their living in comparative leisure on the proceeds of the labour of others, have the opportunity and education, to investigate the matter. There is quite sufficient evidence that all is not well, and this is enough to put us on inquiry.

But before proceeding with the task of making this inquiry it seems desirable for the present writer to place himself on a more personal footing with his readers than is customary in writings of this kind. He has neither the inclination nor the ability to produce literature for his own pleasure or for the entertainment of others, and he would not have undertaken to write anything except for the fact that he believes himself able to lay bare that elusive, but very simple thing, the fundamental grievance of Australian labour, and three injustices of the industrial system which among them cause that grievance. And if he is correct, or even

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partly correct, in this belief, it would obviously be a pity if his attempted exposition were rendered abortive solely by reason of that tendency in readers to suspend judgment upon the subject matter of their reading until it passes from their minds without having affected them at all.

The psychology of the relationship of reader to writer is a matter too often overlooked. Thousands of books are written and millions of newspapers printed, apparently under the impression that they are carrying conviction, forming opinion, and converting those of opposite opinion ; whereas, for all practical purposes, they might as well be pictures in a picture gallery.

The reason for this is that the writer has an advantage over the reader inasmuch as he has time and quiet and, in the case of habitual writers, experience in presenting his ideas in the most telling manner ; while the reader, except in exceptional cases, has neither time nor knowledge nor ability to review the case presented to him with so much studied care, and detect its errors. At first sight this advantage of the writer might seem to promise him a preponderating influence over the minds of his readers ; and this promise is fulfilled *when* he has their confidence. But as between a

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writer and readers who do not trust him, or do not know anything about him, a perception of his stronger position creates a self-defensive attitude on the part of the readers which more than neutralizes his advantage. They simply let his words go by them with an "I suppose there is an answer to all this," against which the pen of an angel could do nothing.

It is essential therefore for anyone who hopes to gain adherents to gain first the confidence of his public. And there are in general two ways of doing this : either by writing so much, and for such a long period, in a simple and apparently sincere way that the public gradually gets to know and to love the author, and to accept what he says as the sincere expression of a mind worth attending to, or else to give evidence in some striking fashion that he possibly knows what he is talking about, and honestly means it, and is deserving of consideration without a defensive barrier of scepticism.

For this reason, and for this reason alone, the present writer thinks it permissible and advisable to say what otherwise might appear a personal thing, quite out of place in a book the good sense of which ought to be judged by what it contains : namely, that the views herein expressed are the

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outcome of an investigation undertaken not in the first instance for publication, but to enable him to decide what he ought to do in the case of a manufacturing concern under his own control.

Not that this fact lends to the views expressed any added probability of correctness, but it removes them at once from the category of literary effusions and places them in that of statements fully considered, soberly made, and seriously meant. It constitutes them a declaration contrary to the pecuniary interest of the maker; and such declarations are recognized to be usually sincere. So much so that courts of law admit them as evidence of the truth of the fact so declared, even when they are not, and cannot be, substantiated on oath.

Having embarked upon an attempt to find an answer to the simple question, What is my real relationship to these men who work for me, the writer was at once struck, and soon utterly dumb-founded, by the difficulty of locating any source of definite guidance; indeed, the great majority of books having titles suggestive of forthcoming help turned out to render help of a negative quality, discouraging the idea that an employer has any concern with such a question. So that now, when finally he has succeeded in unearthing a conclusion



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satisfactory to his own mind, he ventures to offer it as a solution, both of the personal question with which it originated and of the wider question of the Labour Problem, to any of his fellow countrymen who may have given thought to the same subject in either aspect, and who may have been less fortunate in reducing it to an issue.

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*II*  
*ETHICS OF THE PROBLEM*

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## II.—ETHICS OF THE PROBLEM

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**T**HE nature of the grievance of working men against the results of the capitalist system, the grievance epitomized as wage-slavery, and the three particular defects of that system which give rise to it, and their remedies, will all appear, when we come to them, to be matters not susceptible of immediate remedy by legislation, but requiring the exercise of personal justice between the individual employer and the individual man. It will therefore be necessary to take a preliminary survey of the position with a view to establishing the propriety and practicability of an appeal to personal justice.

It must be admitted at once that the idea of duty on the part of the particular master towards his men is out of fashion to such an extent that it is hardly ever invoked, even by those who admit the inadequate degree of equality produced by our social system.

For example, Hugh Dalton, of the London

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University, in his book, "Some Aspects of the Inequality of Incomes in Modern Communities," says : " It is not worth while to insist on ' human selfishness,' in the sense of the normal pursuit by most individuals of the economic interests of themselves and their families, as a cause of the inequalities of incomes. The possibility that we should all abandon completely the pursuit of self-interest and agree, not only to work hard, but to ' share and share alike ' in the results of our work, though an occasional theme for writers of imaginative literature, is hardly less remote than the possibility that the law of gravitation should be suspended." And after this he says no more of abandoning self-interest, whether completely or in any other degree, although the whole book is a conscientious and well-intentioned search after causes of, and remedies for, inequality. Yet it would certainly seem that if it is not worth while to consider selfishness as a cause of inequality (so far as inequality is an evil), it is not worth while to consider anything else, and he might have saved himself the trouble of saying anything: we shall then all be " economic," and shall send into Parliament " economic " men to represent us, and they will duly help us to make the inequality as great as possible. Unless, of course, and until,

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*Ethics of the Problem*

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our representatives are in a minority ; and then God help us !

This author devotes pages to an endeavour to find an answer to the question " What is Justice ? " ; but he never finds it, for the reason that he will not regard justice as a personal quality but only as a social one.

But a better example of this curious obliquity of vision may be found in Stephen Leacock's book " The Unsolved Riddle of Social Justice." This writer does not approach the subject in the manner of a vivisector, but, on the contrary, as a human being full of fellow feeling for the sufferers from inequality. Yet, notwithstanding that he demonstrates forcibly that the results of orthodox economics have nothing in common with justice, he never so much as dreams of relying on an appeal to a sense of personal justice to set them right. He does not use it even as a subsidiary suggestion. Indeed, he appears to think private justice a non-existent thing in the sphere of business. He says : " The single employer rightly knows that there is a wage higher than he can pay and hours shorter than he can grant. But are the limits that frame him in real and necessary limits, resulting from the very nature of things, or are they mere products of

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## *Wage-Slavery*

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particular circumstances? This, as a piece of pure economics, does not interest the individual employer a particle. It belongs in the same category as the question of the immortality of the soul and other profundities that have nothing to do with business. But to society at large the question is of infinite importance.

“Now the older economists taught, and the educated world for about a century believed, that these limitations which hedged the particular employer about were fixed and assigned by natural economic laws. They represented, as has been explained, the operation of the system of natural liberty by which every man got what he was worth. And it is quite true that the particular employer can no more break away from these limits than he can jump out of his own skin. He can only violate them at the expense of ceasing to be an economic being at all and degenerating into a philanthropist.”

In so far as Leacock is here saying that a man cannot do more than he can, he is saying what is not worth so many words. But his real thought is shown by the under-current of suggestion that a man cannot be expected to do more than he must : because this would cause him to degenerate into a philanthropist. And thus he leads up naturally

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to his conclusion that the only hope is from enlightened legislation.

Yet "degenerating" sounds oddly even in conjunction with the somewhat debased word "philanthropist." And if we replaced "philanthropist" by "just man" we should have the sentence reading: "He can only violate them at the expense of ceasing to be an economic being at all and degenerating into a just man": a sentence with which no one would disgrace himself, least of all Stephen Leacock, who entertains an evident detestation of the injustice produced by the unethical theory of business.

Consider for a moment his own conclusion, that the only hope of social justice resides in legislation. A legislative code that starts from sounder principles than those which have obtained hitherto can do a great deal towards progressive betterment. Each decade can be an improvement upon the last. Hitherto we have been hampered at every turn by the supposed obstacle of immutable economic laws. The theory of "natural" wages and prices of a supposed economic order that could not be disturbed, set up a sort of legislative paralysis. The first thing needed is to get away entirely from all such preconceptions, to recognize that the

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“natural” order of society, based on “natural” liberty, does not correspond with real justice and real liberty at all, but works injustice at every turn. And at every turn intrusive social legislation must seek to prevent such injustices.

Is there not some fundamental confusion of thought in all this? Does not Leacock stand in a strangely untenable position midway between those who care nothing for justice and those who feel it pressing upon them as an individual duty and regulating all their actions? He says we are hampered by a supposed obstacle, but legislation can remove it. But we are the legislators—by our mandated representatives at least. How can we, as legislators be wiser than ourselves as employers? We are to make a legislative code starting from sounder principles than we possess! As employers we must be on our guard to avoid degenerating into philanthropists, but as legislators we must be careful not to degenerate into economic beings! The truth of course is, as every legislator knows, that the law cannot proceed much in advance of public opinion, even under an enlightened despot; and under a democracy like ours public opinion is not only a necessary condition of successful legislation, but is actually the source of legislation. Therefore,



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the only way to get just laws is to have a public sense of justice, that is to say a general willingness to practise justice.

No doubt it can occasionally happen that the individual employer finds himself in such a position that, if he violates the limitations placed upon him by the conduct of his competitors, he may degenerate not into a just man, nor even a philanthropist, but simply into a bankrupt. For example, when the sweating trade in seamstress' work was at its worst in London in the seventies and eighties, the misery of the wretched toilers was so appalling that a number of businesses were started by kindly people with the object of manufacturing linen goods under conditions reasonably humane to the workers. But all these businesses were financial failures, the reason being that the sweating employers were not the willing causes of the conditions, nor were amassing fortunes from the labour of their slaves, but were themselves caught in the toils of cut-throat competition and making but slender profits.

In such a case it will be true that the legislature must endeavour to correct the conditions which produce this result, and it is far indeed from our purpose to minimize the potency of sound legislation in promoting the welfare of the workers and of

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the whole country. But to say that intrusive legislation must check injustice at every turn is simply State Socialism. It would leave no scope for a personal sense of justice. And since this sense of justice is essential to produce the very legislation demanded, the process recommended is that we shall cut off the source of all the moral principles which *could* actuate the legislature in forwarding social justice, and then turn to the same legislature with a demand that it shall produce moral action.

The real function of legislation so far as it can affect the question of social justice in industry is threefold. First, it can, and must, protect industry from the incidence of conditions inimical to the possibility of justice : examples of such legislation in Australia are the White Australia Policy, the control of immigration, and protective tariffs. Secondly, it can secure certain minimum degrees of comfort for the workers approved by public opinion for general application : for example, the living wage, the eight-hour day, and old age and invalidity pensions. And, thirdly, it can by less direct action assist labour, or employers if necessary, towards justice by a variety of actions, such as education, arbitration, equitable taxation, etc.

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None of these functions is social justice : the first and third are helps towards justice, and the second is a substitute for justice ; it is compulsory justice, and compulsory justice is a contradiction in terms. For justice is essentially a voluntary movement of the will. Or, if this appears to be a philosophical refinement, and barren—and, indeed, escapable by philosophy of the second order, which might find voluntary acquiescence in a compulsory action—then at any rate there is this practical observation to make : that the exercise of all three functions of legislation is strictly limited by the necessity of keeping the legislation general and not particular, a limitation which operates so as to bring the possible effects of such laws to a stop at a point of justice far short of the point to which the individual employer ought to be willing to go, if he is a man to whom justice is a real obligation, and provided he finds himself able to give effect to its demands upon him. Take, for example, the growing demand for a saving wage. It is fairly evident that it would be simply unjust for the law to impose payment of a saving wage upon all employers : for it would operate to entitle the men to make a profit out of the proceeds of work which might be showing no profit. Yet, on the other hand

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if Henry Ford, for example, paid the smallest wages he possibly could he would be branded as a man without the most elementary ideas of common decency.

The truth of the matter is that the real grievance of labour is elusive precisely because it turns on an instinctive realization by the working men that they are suffering from injustice, without its being understood by either the men themselves or the employers, or by well-intentioned outsiders, that the injustice is of such a nature that legislation cannot supply the remedy. And it is thanks to the influence of writers who consciously and explicitly, or unconsciously and implicitly, have ruled out the doctrine that moral obligations are binding upon individuals in business, that understanding of the problem has been withheld. Whether the writers have written in defence of the extreme form of individualism, or in advocacy of wiping the slate and starting afresh under socialism, or in a spirit of compromise between the two extremes, or in the "scientific" spirit which regards it as an insignificant accident that the actions of free moral beings should be under discussion and not the necessitated behaviour of animalculæ, the same false position is almost uniformly present.

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The effect has been singular. It has produced a system of industry under private enterprise which is at the same time too individualistic and not individualistic enough. Both employers and men have been taught to leave the question of justice to the State, which will attend to it like the wise and gracious mother that she is : and to this extent business is not individualistic at all. In the theory of the Individualists who controlled Anglo-Saxon thought in industrial matters until late in the nineteenth century, the matters so to be left to the State were few, the fewer the better ; because natural economic laws would automatically exclude injustice. And in the theory of the State Socialists, who have been gaining control increasingly during forty years, the matters for legislation are many, the more the better. But in either case injustice was no concern of the employer or of his men. But the State, being all the time really quite unable to solve the question, because it is chiefly an individual matter and out of her province, leaves it to the parties to worry along as best they can, subject to a few general statutes of a minimum character. And so business becomes purely individualistic again, minus the restraints of morality, the burden of which has conveniently been left with

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the State. And, since under democracy the people and the sovereignty are co-extensive, the Gilbertian position arises of the citizens in private deciding that justice is no affair of theirs, and referring it to themselves as rulers; whereupon they as rulers take the opinion of themselves as private citizens, and finding it adverse they decide that the time is not ripe for action.

In practice the position is not quite so ridiculous as this, perhaps, because legislative power resides not immediately in the people by virtue of their sovereign power, but in their elected representatives. And these representatives may bring to the task greater wisdom than the sovereigns they represent. Indeed, much recent Australian history might aptly be described as government by beneficent political betrayal. The persistence and beneficence of such betrayals, however, is not safely to be relied upon, and the only proper principle is a moral and wise public opinion acting individually and thence reflected if need be into legislation. And the heart being a safer guide than the head, there is some evidence of the growth of such a public opinion, retarded, indeed, and confused, by the science of economists, but not to be gainsaid for ever.

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Ultimately the strange system whereby justice in industry becomes mislaid somewhere between the citizens and the State is traceable to the rejection by scientists and philosophers, not of the natural moral sanctions for conduct opposed to pure self-interest, but of the supernatural sanctions. For materialism, by denying the existence of God and a hereafter, created a state of things in which poverty and misery appeared as evils from which common sense urged their victims to fly by suicide. Hopeless misery is endurable only on supernatural grounds ; and, supernatural motives being removed, reason dictates a self-sought release. But atheist philosophers have not gone quite so far as to envisage with equanimity the wholesale suicide of the working classes ; and therefore they have been at pains to elaborate some alternative to Heaven as a motive for the endurance of misfortune. Accordingly they have presented us with the notion of the worship of Society, the State, or Humanity : the Race-Soul, and so forth. " The individual withers and the world is more and more."

And although the individual does not wither in the slightest but remains as intent on his own welfare as ever, and more than ever because of the removal of the restraining influence of Christian

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self-sacrifice, and although the true welfare and progress of humanity, so proposed to us as the great object of worship, is possible only through spirituality and is directly and exactly frustrated by materialism, yet some of this high-sounding rubbish has struck root as being the only possible alternative to the hope of personal happiness for those who are superior to anything so childish as belief in a future life.

Not that the State is not a proper object of veneration to all its citizens. Beyond doubt it is, as a natural institution, necessary to enable them to fulfil their destiny as individuals and as progenitors of future generations of individuals. But the effect of the substitution of the State for God is to exalt it to a position of quite artificial importance, and to correspondingly depress the units that compose it to the position of negligible beings that will perish soon, and go to nothing, and become replaced by others who will disappear in due time in like manner. And these negligible beings are expected to have an over-riding civic sense, an absolute reverence for, and submission to, deified Society; which they cannot have, and simply do not have, even when they are free, happy, patriotic men, and of which talk becomes utterly ridiculous when



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they are told that they are insignificant cogs in a vast meaningless machine.

In this process the workers suffer most ; they lose individuality altogether and become Labour, a commodity of certain wealth-producing value to the Moloch-State, to be kept in a state of efficiency like well-oiled machines. Yet each workman is a human being, created intensely individualistic by his Maker, seeking his own happiness with such singleness of purpose that natural morality is barely sufficient to restrain him, and he requires restraint by the most powerful agent ever devised by Divine Wisdom—supernatural hope and fear. And this our would-be guides have tried to laugh out of court.

We have said that it is surprising to find Australian workmen profoundly discontented notwithstanding advantages undreamt of by the toilers of any previous age. But to a materialist with any clearness of vision the surprising thing would be that they display any patience at all. It is not atheist philosophers who are to be thanked for the fact that Bolshevism or outright Anarchy has not overtaken us long ago ; but our thanks are due to the very failure of their disastrous creed. The fallacy of Socialism, and of Anarchy, does not reside

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in their being unreasonable, as philosophers assure us when they become frightened of the Frankenstein monster they themselves have raised. It resides in their being too reasonable, too much the logical results of reason ; and we have thus far survived their onslaught only by virtue of our innate natural morality as developed and reinforced by a thousand years of Christianity.

No doubt Materialism is now on the wane, but a legacy of confused thought has been left which it is simply essential to straighten out before it will be possible to approach the question of the grievance of Labour.

It is necessary to show that individual justice is the necessary and sufficient force for the attainment of social justice. And to deal with this theme adequately would take several volumes the size of this. But condensing the argument to the compass of a mere synopsis it may be said that the effect towards social justice of the sense and practice of individual justice in industry, that is to say in what is coming more and more to be the one great occupation of the community, falls under three headings.

*First* there is the undeniable truth that man as a social moral and responsible being owes it to his

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fellow men, and to his own self-respect, and to God, to deal justly with other men ; that commerce is no exception to this rule ; and that any theory of science or philosophy which says otherwise is false, immoral and destructive. Such a duty is both natural and supernatural ; but it will be sufficient here to rely on the natural moral obligation of justice. Therefore justice will be confined to mean that which is fair, right and proper as between man and man according to the moral sense of all respectable men, so that citizens may live in harmony in society one with another. Or otherwise expressed, Justice will be taken to mean that which is fair, right and proper as between man and man according to the dictates of a right conscience. In industry especially men are bound together in an unavoidable partnership as employers and employés, in a concerted effort to win the objects of their material wants and desires ; and while intelligence alone would prompt them to take advantage of one another at every opportunity, conscience, that is to say the natural sense and arbiter of morality, was implanted in us by Nature, or let us say frankly by God, who created nature, for the very purpose of over-riding this dictate of reason.

In Australia with its low degree of intensity of

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competition there is no excuse for the majority of employers to avoid doing justice to their men on the ground that to do so would render them unable to reap a fair return for their functions as employers.

Therefore if it can be established that any feature of the industrial system as operated does tend to produce injustice to the workmen, or any of them, it will at once become the simple duty of employers to watch that feature in their own case and see that it does not produce injustice, or, if it does, to remedy the injustice so arising, if they can. And in the majority of cases there will be no impossibility of their doing so.

Accordingly it is to be expected that a considerable number of employers will take steps to effect individual justice the moment the existence of a real injustice is brought home to them. And the sum of these cases of individual justice will be a respectable measure of social justice already achieved.

*Secondly*, as to the employers who do not voluntarily respond to their duty though able to do so; and as to employers who, from causes of various kinds quite unconnected with any inherent worthlessness on their own part or in the business which they conduct, are unable to relieve the injustices of their men: the appropriate means to compel them

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to justice (or the external appearance of justice) in the one case, and to assist them to give justice in the other, is legislation. But legislation in order to be effective, and in order to come into existence at all in a democratic country, presupposes a public opinion in its favour. And such public opinion can hardly be brought into existence better than by the current practice of a considerable number of citizens.

Therefore the task of completing social justice by legislative action requires an initial display of voluntary individual justice, if not as the only possible preparatory step, at least as by far the best and most effective step.

Therefore, while it is true that the well being, the tranquillity, order, security, and prosperity of the country as a whole is a greater thing than the natural well-being of individuals, and while it is true that for this reason the material interests of the individual must be subordinated to those of the State, this very result can be accomplished best, if not solely, by the sense and practice of individual justice among a sufficient number of the best citizens.

*Thirdly*, there is an ideal larger than either the material well-being of the individual units of the

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population or the material prosperity of the country. This is the future progress of Anglo-Saxon civilization.

History testifies that the natural and inevitable end of a civilization which adopts as its ruling spirit the powers of the human intellect alone is retrogression and decay. And the explanation of why this should be so is simple. For the intellect, as intellect alone, follows the dictates of self-interest. Self-interest may, no doubt, be given a wide and refined application by exceptional men so as to embrace the glory of the fatherland for the lustre they will have as its citizens, and to recommend the more remote happiness of honour and achievement rather than the immediate pleasures of sense. But this is rare, and in any case it is the limit : intellect alone cannot prompt any individual to sacrifice himself for another without hope of reward. Yet without self-sacrifice it is only a matter of time for a race to decay physically and mentally. Therefore nature implanted in man, besides intellect, two powerful agencies to supply that stimulus towards self-sacrifice which is wanting in the intellect, and which is simply essential for evolutionary progress ; the first is the religious instinct, and the second natural morality and idealism.

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But, if this is so, it is plain that the enormous capabilities of wealth-production which we have suddenly become possessed of through the achievements of intellect are a dangerous acquisition. They enable us to make giant strides of progress or to sow the seeds of degeneration, according as we use them unselfishly and so maintain and enhance the self-sacrificing instincts, or as we use them selfishly and so dull those instincts.

Australians have every reason to hope that as Anglo-Saxons, with the heritage of all those splendid qualities which make England shine even amid Western Civilization, and now in possession of a new continent which they may develop to their liking, they stand in the van of progress to the best of mankind's future. And Australians have enough idealism to entertain and cherish that hope. But success is conditional on their using their wealth, as stated, unselfishly.

Therefore the exercise of individual justice for justice sake is the precise requirement of this critical time in the history of human evolution. Without it the only force capable of producing future social justice and future healthy growth of every kind will tend to atrophy and die.

In the course of human social progress hitherto

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no single triumph of idealistic self-sacrifice by the powerful classes over the dictates of their self-seeking reason is worthy to compare with the abolition of slavery and the admission of even the humblest to the status of a free citizen. The ideal beneath this great deed was that of equality of opportunity. And the same ideal to-day in Australia, enlarged by the vigorous growth of our evolution, by the education of the masses, and by the change of circumstances which render it no longer a physical necessity for the bulk of mankind to exist in extreme poverty, has thrown up a new task for our powers of self-sacrifice. This is the abolition of wage-slavery.



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*III*  
*WAGE-SLAVERY*

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### III.—WAGE-SLAVERY.

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**T**O the question, "What do Australian workmen mean when they call themselves wage-slaves?" the answer has just been given by implication. They mean that having regard to the circumstances of this country the ideal of equality of opportunity is capable of being given effect to, and should be given effect to, in greater measure than it is, and in a new order. They mean that the movement which occupied the nineteenth century and which had for its object the securing for them of equality of opportunity on the side of politics and education is now complete, and that the time has come when they expect equality of that order to bear its natural fruit in equality of opportunity to acquire wealth.

Workmen in so far as they are sensible men with moral consciousness do not complain of simply being poor. If the luck is against them they can accept poverty with as much philosophy, or with as much resignation to the dispositions of Providence,

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as the members of any other class. There are poor clergymen, poor doctors, poor lawyers, poor employers ; so why not poor workers ? No doubt they are entitled to a living as a matter of right, on grounds quite other than a claim to equality of opportunity. But wealth beyond a frugal living cannot be claimed as a right, apart from circumstances, by any human being. And it is not claimed by the working man.

Neither does a reasonable and moral workman complain that his employer is rich, if such be the case ; nor even that his employer is rich while he is poor, provided the relative positions of the two are based on justice.

A working man reading this last statement may feel inclined to differ. He may, in particular, doubt whether a great discrepancy between the positions of an employer and an employé is conceivable except as a result of injustice. But it will be for the advantage of his cause, as he will see in a later chapter, to grant the statement, and also the statements to be quoted in a moment in defence of great discrepancies of income. For from these considerations will spring the strength of his claim for justice—a claim that is more securely based upon his instinct of right and wrong than upon

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his intellectual efforts to estimate the requirements of justice.

So far from the existence of wealthy people being an offence to the poor, unless they are simply envious or are misled by false theories or mistake the abuse of wealth for its use, the truth is that the wealth of the wealthy is so beneficial to the world, including the poor in the world, that it may be said to be simply necessary. Charles Devas, one of the economists who refused to allow his science to be divorced from its ethics, thus rightly sets forth the argument for wealth.

Four principal arguments can be urged for serious inequalities of income.

"1. *The industrial argument.*—Although without inequality there can be a certain amount of industrial organization and progress, the organization can be but rudimentary, the progress but slow. For with men as they are, the eagerness to make a fortune and live in ease and abundance is a needful spur to concerted labour, elaborate production, improvements, and inventions. And although not in itself a high motive, it can be elevated by the eagerness being for the advancement and ease not of oneself, but of one's kindred ; and grasping ambition may be transmuted into family affection. At

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any rate without this motive, progress in the arts of production would be less, industry less organized, and the field smaller for the law of increasing returns. Hence the increase of population, and the corresponding subjugation of the earth, both needful for men's destiny and welfare, would be hindered.

“II. *The intellectual argument.*—Although without inequality there can be some small science and primitive art, this is not enough for the development of man's faculties. The serious study of any kind of science, whether philosophy, mathematics, the historical sciences or the physical ; and also the development of beautiful literature, of music, painting, sculpture, architecture, and all the ornamental arts, require an upper class provided with leisure and servants ; and therefore require inequality ; and therefore inequality is necessary to man's welfare.

“III. *The political argument.*—Although without inequality there can be some political organization, village communities, highland clans, small republics of peasants (as once the Forest Cantons of Switzerland), it is impossible without accumulated riches and great inequalities of incomes to attain any great development of political life ; nor

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could anyone exult in the possession of a noble fatherland, or the citizenship of a great empire. In truth, the mighty fabric of an imperial State is no mere aggregate of equal units, no mere association of equal partners, but is an organic unity, implying inequality of parts with diversity of functions, implying variety as the requisite of harmony, and subordination as the requisite of order.

“IV. *The religious argument.*—Although without inequality many virtues can be practised, yet a multitude of others require inequality for their existence, such as loyal service, reverence, obedience, innumerable deeds of kindness, generosity, self-denial, and submission to the dispositions of Providence ; all of them virtues of singular fitness for man upon earth ; where, as natural theology and ethics teach us, the immediate end of man is precisely the exercise of virtues.”\*

It will be noticed that in the catalogue of virtues enumerated under the religious argument for wealth justice is not mentioned, and lest this should be thought a grievous oversight, vitiating the reliability of Devas as an authority, a word of explanation must be given. The omission is

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\* Chas. S. Devas, “Political Economy,” 3rd. Edn., 1911.

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really a mark of the great care and accuracy of the writer. For justice is a virtue affecting rather the *acquisition* of wealth than its disposal, and its inclusion in the list would have seemed to suggest that wealth may be acquired unjustly provided it is afterwards used justly, which would be absolutely false. Justice, therefore, is presupposed both in the getting and in the using of wealth, on the principles that wrong may not be done that good may come, and that one must be just before being generous.

This being understood, then, it has to be admitted that the world is, or could be, a happier place by reason of the existence of rich men. And therefore the complaint of the working man cannot be based on the *fact* that his employer is rich, but must be based on a belief that he is not using his riches justly.

And the ground of this belief is the fact that the man has not a chance to exchange his poverty for richness, under any circumstances that are reasonably possible, or at any time until he dies. He knows himself to be living in a land of opportunity, a great empty land of vast natural wealth and of easy generous conditions, in which all around him men of the most ordinary intelligence, men,

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it may be, clearly his inferiors, but with a little capital, are seizing openings and marching on to wealth; while he, in receipt of a wage carefully calculated by experts to provide him with a living and nothing more, a wage which, even at that, he receives owing to the political power of his class and not to his employer's willing justice, must recognize that the opportunities are not for him. He and his class, alone of the population, are debarred from hope of participating in the good things open to all others if they have the strength to grasp them. Give him a thousand pounds, five hundred, one hundred ; or give him a chance to save, and he might die a rich man. Or give him a chance, even, that if the profits of his industry improve he may then be able to save, and he will be content ; it will be a chance, something to hope for, work for, and wait for.

This is clearly the idea at the bottom of the epithet wage-slave. It cannot be that he works for his living, because that is the common lot of the vast majority. It is that, like a slave, he is deprived of the natural hope that by industry, and with a little good fortune, he may some day benefit by his work, save capital, and gratify those ambitions which act as an incentive to exertion among



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workmen no less than among employers—to provide for his family, to educate his children, to have a little leisure for thought and reading and recreation, to spend the evening of his life in honourable rest. But, instead, he is condemned to lifelong toil on the hunger line, or near it, without hope of its ever doing him any good. He may win a sweepstake, or, if he is of really exceptional ability, he may perhaps force his way; but ordinarily speaking, so far as his labour is concerned, he has no real hope, not even a remote one, of ever benefiting himself. He is not a slave in the physical sense; on the contrary he is an educated and enfranchised freeman. He is a sovereign, and a guide of the destinies of the country, equal in power to his employer or to the most elevated man in the land. Yet all this freedom and power is turned to mockery more exasperating than the bonds of slavery by the absence, which he feels to be unnecessary, of an opportunity to reap real fruit of his apparent advantages. All his freedom, all his education, and all his sovereign power, serve only to raise hopes that are not only disappointed but that cannot but be disappointed: or, rather, that never reach the stage even of being disappointed, for they are not real hopes but mere qualifications

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suggesting a hope which it would be folly and self-torture to entertain. Should he entertain hope he is promptly disillusioned. If he invokes his sovereign power to help him, and sends his own representatives into Parliament with a working majority, these very representatives accomplish nothing and refer him to his employer. If he turns to his employer he is informed that the economic laws cannot be infringed, that supply and demand determine his wage, that he is receiving his market wage, and that nothing can be done except by the Government. Whereupon he subsides baffled; with an instinctive feeling that there is a fallacy somewhere, but where he cannot tell.

The fallacy lies in the answer of his employer. For there is no economic law entailing disaster upon payment of wages in excess of the wage fixed by supply and demand. This wage is the purest accident of circumstances and has no relationship whatever to the payment which industry should be expected to make to its workers. Neither has the statutory minimum wage. So that the employer's answer means either that he admits himself utterly selfish, and declines to pay a penny more than he is forced to, or else it means nothing at all,

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and is based on a mistake arising from the false doctrines of unethical economics.

What economics, that is to say sound economics, does teach upon the subject is stated in wide and general terms by Devas, who comments thus on his four arguments for inequalities of income : "These arguments cut like a two-edged sword. . . . while they make grave inequalities of income appear just and reasonable, they do something more. For the very reasons whereby inequality is justified, confine it within certain limits, engraft many duties of property upon rights of property, and link riches and responsibility with an inseparable bond. In proportion as a man grows richer he gains *ex vi termini* more control over others and incurs liabilities towards them. The particular liabilities depend on the circumstances of the country at the particular time, and can be determined with reasonable accuracy, as well as the question, which are to be enforced by law, and which lift to the internal forum of conscience."

Assuming that the profits of a business are large, this doctrine contains the germ of a very different conclusion from that of the employer who rejoices in an excess of supply over demand in the labour market, and talks glibly of the absurdity of ques-

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tioning the finality of the low market wage resulting.

But, it may be asked, is the statement quoted from Devas economics at all : it is the word of one economist out of a hundred, and anything can be proved if it is only a matter of choosing a favourable so-called authority? Well, whether it is economics or ethics, it is the plainest common sense a priori, and the plainest common morality ; and further, since the proof of the pudding is in the eating, the contrary view of the ninety-nine other economists is condemned as erroneous by its results. For its logical results yield precisely the impossible position in which Australian workmen find themselves to-day, a position which conveys to them in the clearest terms that they have nothing to hope for from peaceable methods.

Or, if these answers should seem not to meet the case squarely, then we say that there are two fatal errors in the view which seeks to make of Economics a natural science, a mere technique or mode of calculating results from laws deduced from the observation of phenomena, whose function does not include the teaching or recognition of any doctrine as to what morally should or should not be, or the consideration of any phenomena arising

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from such doctrines. For, first, the subject matter of the science is the conduct of human beings in all those relationships bearing upon their concerted efforts to create wealth, that is to say, to provide for their material wants and desires ; and, since the distinctive quality of human conduct is that it is free instead of necessitated, and moral instead of animal, the exclusion of the consideration of these crucial factors in the case would, even if it were possible, reduce the science to a partial one upon the fringe of the subject. But, secondly, the exclusion of free-will and morality and the duties of men thereby arising is impossible, and the attempt to exclude them amounts in its results, as sometimes it does in intention, to the negative doctrine that there is no such thing as free-will or morality in business : that we might as well talk of abandoning selfishness as of suspending the law of gravitation.

Thus Professor A. C. Pigou, of Cambridge, in a book having the title " The Economics of Welfare " and being a deliberate effort to show us what we ought to do, gropes at great length for the advice he is to give among the conclusions of a science which he describes explicitly as " a positive science of what is and tends to be, and not a normative

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science of what ought to be." This illustrates the double error most strikingly. For, seeing that men have the power to direct their tendencies, and a code of moral laws to guide them aright in doing so, this power and these laws are part of "what is": and the Professor is entitled and actually bound to treat them as data in the case. But he prefers not to do so but to reduce his scope to a mere physiology of the social organism without distinction between healthy and morbid conditions. This is the first mistake. Then the second is that he soon abandons "what is and tends to be" for what in his opinion we ought to do. The effect, of course, being that the student is submitted, in all the more important aspects of the subject, to the undeclared, unconsidered and inexpert views or prejudices of the teacher. It is not good enough: let him either stick to "what is and tends to be" and leave "what ought to be" to others; or else study with the utmost care, and declare his position in regard to free-will and moral obligations. That the views of "what ought to be" which he expresses, implies, and suggests, happen to show a marked impress of current ethical ideals only makes matters worse. For it lulls to sleep the critical faculty; and it is only by conscious attention that one

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realizes how inadequate is his grasp of the science of "what ought to be."

Professor Alfred Marshall, also of Cambridge, and the greatest living Economist, occupies a somewhat singular position. He does not rule out the ethical side of his science, but on the contrary claims it as the more important department. Yet in the result nothing much of personal moral application emerges from his writings. His position can, perhaps, be summed up thus : Economics is the science of human conduct in business, and the ethical side of human conduct is the more important, whether in business or outside it : but the ethical side of business is somewhat vague and unprecise, whereas the pecuniary side is quite fairly precise : therefore, although I shall develop both sides as well as I can, you must not be surprised if the pecuniary side appears to overshadow the other ; it will only be an appearance arising from the uneven adaptability of the two sides for scientific development. This is a reasonable and honest position ; and we can only regret that the ethical side does not present itself to him in a clearer light. It is not in reality so shadowy a subject ; but he, like almost every other writer, regards social justice as the starting point instead

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of individual justice. And this sterilizes him ; for it is beginning at the wrong end. Social justice in point of fact does not exist in any real sense : it is merely an analogue of justice when that vague concept, the Social Organism, is treated as analogous to the individual. The same half-analogy gives us the phrase the Public Conscience : it does not exist otherwise than as the sum of individual consciences ; neither does Social Justice except as a sum of individual justices.

But when he takes up the cudgels to defend the early economists, and to represent them as having occupied a similar position to his own, he attempts the impossible. He says : “ ‘ Money ’ or ‘ general purchasing power ’ or ‘ command over material wealth, ’ is the centre around which economic science clusters ; this is so not because money or material wealth is regarded as the main aim of human effort, nor even as affording the main subject matter for the study of the economist, but because in this world of ours it is the one convenient means of measuring human motive on a large scale ; and if the older economists had made this clear, they would have escaped many grievous misrepresentations. The splendid teachings of Carlyle and



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Ruskin as to the right aims of human endeavour and the right uses of wealth, would not have been marred by bitter attacks on economics, based on the mistaken belief that that science had no concern with any motive except the selfish desire for wealth, or even that it inculcated a policy of sordid selfishness." The effort is heroic ; but he is forced to admit that the older economists brought the reproach on themselves by their omission to make something plain. And since that something is not merely omitted to be stated but is negatived by the whole tenor of their writings, and since their high-priest was a declared Free-thinker who to a moral certainty must have denied free-will, and with it the whole field of ethics, and since even to this day many leading economists explicitly deny that something, and since the influence of the older economists has been, as a simple historical fact, to retard the effective belief in that something in the most remarkable and striking manner, the only rational conclusion is that the reproach was no misrepresentation at all. To sum up the position : Economics as it ought to be is blameless, but Economics as it was taught was justly blamed. And it was bitter attacks, or rather the irresistible moral march that prompted them, which has at last brought a

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tardy and partial recognition of the truth from economists.

This dignified protest of Marshall's seems to indicate a complete unawareness of the tremendous responsibility that inevitably rests upon the shoulders of economists. He regards them as people who have done rather well, all things considered. One wonders whether the position could be brought home to him. We shall make one effort at any rate. In the purely natural sciences a "law" is a generalized statement of fact. And of this nature was apparently Ricardo's law of wages, which stated simply that granted certain assumptions (one of which was that workers will breed like rabbits if they have the chance) then wages must naturally tend to a level at which they will barely suffice to keep the worker and enable him to breed. Now in this scientific sense of the word "law" there is no fault to find with Ricardo's law; it is probably simply true. But economics is not a purely natural science, and cannot be made so; it is a human science, and therefore its laws must react so as to become, or suggest, precepts. And as a precept Ricardo's law is an immoral abomination. It may faithfully represent a natural tendency, and as such it is interesting, and though trite it

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might possibly be useful to enable us to foresee difficulties ahead ; but as a guide to what wage a prosperous industry should in justice pay its employés it is nought. Yet the latter was the use made of the law, and sanctioned by economists by silence at least. But, we are told, this was only a regrettable mistake ; the economists should have been more careful perhaps, but people should not have been so silly as to mistake the economic laws for moral precepts. But this answer won't do : it was not a silly mistake, or any mistake at all, except on the economists' part. Scientific laws about the tendencies of the remote future do not agitate the world ; but Ricardo's law did, and it was meant to. And, whether or no, economic laws, whatever their intention, must be, or involve, moral precepts, because the science deals with free human conduct. And when we come to Marshall himself this is recognized, and he undertakes to define *fair* wages ; that is to say morally just wages. But what is his definition ? " Real wages in any occupation are fair, according to this definition, when, allowance being made for differences in the steadiness of demand for labour over a year in different industries ' they are about on a level with the payment made for tasks in other trades which

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are of equal difficulty and disagreeableness, which require equally rare natural abilities and an equally expensive training.'"<sup>\*</sup> Now, shorn of verbiage, this means that I am to pay as little as supply and demand will permit, but if other employers are less fortunately situated, then I ought to pay what supply and demand compel them to pay. But this is a moral precept which is ninety-nine per cent non-moral—it is the same old market wage touched up a bit to meet the case of the market not being quite free. Argument by analogy is seldom attractive, but here it really seems useful ; so we may imagine another professor laying down this principle to working men: "Do as little work as you can for as much pay as you can get; but if other workers are unfortunately compelled to do a little more work for the same pay, then I think you ought to do a little more too." The cases are not strictly parallel, admittedly ; but they are much closer than most analogies, and quite close enough to illuminate the insufficiency of Marshall's ethics. And if his doctrine is to pass as a moral principle, then economics will be a drag on progress in the future

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<sup>\*</sup> Pigou, "Economics of Welfare," p. 505, quoting Marshall's introduction to L. C. Price's "Industrial Peace," p. xiii.

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as it has been in the past. For economists will continue teaching ethics, and now with expressed intention, and will teach it wrong. There is no ethical quality whatever in the action of supply and demand, and no wage based upon it can be fair unless by the purest accident. And, indeed, it is a question which is worse, economics without ethics, if such a thing were possible, or economics with false ethics.

However, it is fortunate that in Devas we have an economist who was not only sound on the necessitated side of his science, but sound on the ethical or free-will side. Therefore we shall adopt his statement as true. It will be our Magna Charta, and the whole of the pages following will be no more than its expansion and application to present-day conditions in Australia. Let us enunciate it once more, italicizing the elements that render this temperate, unexciting-looking passage a veritable charter of liberty pregnant with promise for the wage-slaves: *The very reasons whereby inequality of income is justified*, confine it within *certain limits*, engraft many duties of property on rights of property, and link riches and responsibility with an inseparable bond. In proportion as a man grows richer he gains more control over others,

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as implied by the very definition of riches, and incurs liabilities towards them. *The particular liabilities depend on the circumstances of the country at the particular time, and can be determined with reasonable accuracy, as well as the question, Which are to be enforced by law, and which left to the internal forum of conscience?* (See p. 74 above.)

We must wait for the following chapters to see the application of this charter in particular ; but applying it in general, at once, it comes to this : all the reasons which justify the existence of rich men depend on the same consideration, that it is in the best interests of the whole community that they should exist, provided they use their wealth to further those interests. But it cannot possibly be in the best interests of Australia that honest hard-working intelligent educated men, who possess full measure of that energy and independence of spirit which characterize this country, and who play an essential part in creating our wealth, should needlessly be placed in the same position, so far as regards their prospects in life, as habitual criminals committed for the term of their natural lives as incorrigible. Therefore it must be *either* that the condition necessary to justify the wealth of employers, namely that they use their wealth in

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furtherance of the best interests of the community, is not fulfilled (and in order to fulfil it they must use their wealth so as to give fair opportunity to their men also to acquire wealth): *or* that the reasons which alone can justify their wealth cannot, in the circumstances, justify the whole of it, even on conditions; and that those reasons justify instead the demand of the men for an opportunity for themselves to acquire wealth. Which alternatives, in effect, come to the same thing: namely, that the workers are entitled to claim an opportunity for wealth, either mediately through a trusteeship on the part of the rich, or immediately in their own right absolutely.

As to the loss caused to the community by the lack of such opportunity, it is multifarious. Apart altogether from all question of moral loss, the mere material loss is vast. First there is the loss due expressly to the conscious resentment of the men. Then there is the loss of efficiency caused unconsciously by the lack of contentment among the men; for peace of mind is a necessary condition for good work. Then again the fret of a mind not satisfied with its scope drives many men to seek distraction in drink and licentiousness; whence comes a harvest of evil—loss of efficiency, premature old

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age, defective and neglected children, crime, disease and death. And then there is the loss of the services to the community of all those men, and of the children of all those men, who with a fair chance might rise to be most valuable citizens.

The case is so plain that if it were within the power of legislation to extend to the working men a substantial share of opportunity, the same reasons which justify the government in leaving their wealth to the wealthy, for the benefit of the community, would justify it in taking away a considerable share of that wealth for the purpose of giving opportunity to the workers. And not a little can be done in this direction, and is being done, and is justified. And much more can be done, and will be done, and will be justified. But, for the reasons which have been mentioned, the greater part of the task must be placed, for the present at least, in the category of those liabilities of wealth which are not to be enforced by law but are to be left to the internal forum of conscience.

And for the purpose of causing the conscience of the individual employer to engage effectively with its task the general welfare of the community is not enough : what is everybody's business is nobody's business ; and moreover the extent and method



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of the necessary action is too indefinite to be serviceable. Hence it is necessary to demonstrate individual liabilities of justice, and to reduce them to definite form applicable in practice. This can be done ; and it will be our remaining subject. The voluntary action required of employers can hardly be stated in numerical terms, naturally ; but it can be established " with reasonable accuracy," and sufficiently to serve as a guide to anyone who brings to bear on the subject a moderate amount of good will.

We shall find that the industrial system presents three features which contain strong tendencies to injustice. In two cases the injustice tending to be produced is a direct and simple withholding from the workmen of money justly due to them ; and in the third case it is an obstacle placed in their path, rendering it impossible for them to secure a redress of the other two.

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*IV*  
*THE WAGE-CONTRACT*

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#### IV.—THE WAGE-CONTRACT.

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**T**HE first source of injustice in the industrial system is the nature of the wage-contract.

It is not merely that the wage produced by the blind automatic operation of supply and demand is in no way connected with the justice of the case, as viewed from any of the standpoints from which it may be viewed—that is to say, the amount of wealth produced by the man, the amount of profit passing into the hands of the employer therefrom, the requirements of the man and his family, and the requirements of the progress of the community. That the market wage of a particular man is entirely unconnected with all these criteria of justice is an evident fact ; but it is not the immediate point we are to consider here. The defect from justice arising from this non-connection of market wages with the criteria of justice is a casual matter which may or may not arise in particular circumstances ; and, theoretically at least, the injustice, if any, arising from it might be against

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the employer as easily as against the men. If, for example, the supply of some highly skilled and essential class of labour were for any reason to be suddenly reduced far below requirements, the few remaining men would be able to exact a wage out of all proportion to their real deserts. They would be able to command an income greater than that of the Prime Minister.

For three reasons we need not consider the injustice arising from an excess of supply over demand in the labour market. In the first place, it probably, in normal times, affects Australian workmen less than the workmen in any other country ; because normally there is a comparative shortage of labour. Secondly, its effects tend somewhat to disappear, through a proportional lessening of the general cost of production, and a consequent fall in the cost of living, so that the lower market wage tends to acquire a greater purchasing power. In other words, it affects nominal wages more than real wages. And, thirdly, its remedy is by nature, both theoretically and practically, a matter falling outside the scope of individual justice, and within the scope of governmental control. The Government has ready to its hands a simple remedy for inequalities in

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the supply of, and demand for, labour of any category, in the regulation of immigration. The country is growing steadily, and therefore a well-managed system of immigration can rapidly correct an over-supply of the available labour of any class, almost as easily as an under-supply. Therefore we may dismiss this source of possible injustice, both because it does not normally contribute much to the grievance of the working man, and because its remedy does not fall within the limits of our subject.

The matter we have to consider under the heading of the wage-contract is not a casual, but an inherent and persistent, cause of injustice, of a kind peculiarly connected with personal ethics, which is the science of a right conscience. And in order to escape confusion with questions of excess of supply over demand in the labour market, we shall assume the contract of service to be entered into between an employer and an employé who stand in equally advantageous positions the one towards the other. The employer has a plentiful supply of applicants from whom to choose, and the applicants all have comfortable balances in the savings bank: no party stands in any pressing need of concluding the contract which, in the event, comes to be con-

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cluded between the employer and some particular man.

Very well ; now what is the nature of this contract ? It is this : that for a fixed wage the man shall give his conscientious services. It is a very remarkable contract ; we are so familiar with it that its quality escapes our notice, but it is in reality quite anomalous. It is neither wholly economic nor wholly moral.\* During its formation it is economic ; for the two parties either bargain the matter out, the man trying to get the best price he can for his work and the employer to give as little as he can, or else, if the man belongs to a recognized category of labour, he receives his market wage without personal bargaining—the market wage having been arrived at by the bargaining process in other similar cases beforehand, or by collective bargaining with or without the aid of an arbitrator. But the moment the contract comes to be performed it becomes a moral contract,

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\* "Economic" is here used, for lack of a better word, in the colloquial sense it has come to bear of that which involves no element beyond pecuniary considerations. It is not used as importing any connection with the science of Economics as properly understood. Since etymologically it does import such a connection; the very existence of the colloquial sense is an eloquent testimony to the prevalence of an unethical view of the science.

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but only on one side. A moral responsibility descends upon the employé as to the measure of the service he is to give, while the employer remains entirely free from any moral responsibility as to the measure of the payment he is to make. It becomes the employé's duty to do conscientious work, not to the value of the wage, but to the reasonable best of his ability ; while it remains the employer's duty only to pay a wage which has been fixed without reference to any moral principle ensuring its equivalence to the service, and indeed on a principle which amounts to a perfectly frank admission that it is as far removed from such equivalence as he could make it.

Observe that we are not here concerned with any theory of wages ; we are simply stating a fact of common knowledge, which nobody is likely to deny : that employers hire labour as cheaply as they can and expect the men to do their best, and that employés sell their labour as dear as they can and promise to do their best. In other words, that the pay is ascertained by pecuniary bargaining alone under the influence of supply and demand, and the work is ascertained by the conscience of the workman, at any rate beyond a minimum set by supervision and fear of losing the employment.

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It will not be overstating the case if we say that such an arrangement contains a possibility of injustice. It might be said in defence of such a form of contract that nothing better can be done, seeing that the nature of the case is such that the pay must be fixed when the man is engaged, that is to say before he has done the work, and the doing of the work must then be left to his sense of fair play. But this would be false; for much better can be done, especially if, as is normally the case, the work is directed to the creation of cash profits. Or it might be said that workmen are not troubled with consciences, and do not work harder than they have to. But this also would be false, and cynical; as proved by the absence of concerted "go slow on the job" except as an occasional protest against something expressly complained of. Or, again, it might be said, and has been said, e.g., by D. F. Schloss,\* that the labourer is not morally bound to give more than a fair day's work for a fair day's pay. But this glib solution begs the whole question, which precisely is, what is a fair day's *pay* for a fair day's work. It is a groundless and most improbable assumption to suppose

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\* "Industrial Remuneration," 3rd Edn., p. 24.



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that the market wage is a fair wage, if by "fair" we mean the same thing that we mean when we speak of a fair day's work. The latter means an honest conscientious day's work, the former means a day's pay fixed without the least trace of conscientiousness or honesty, but by the free play of supply and demand.

No doubt supply and demand are restrained and limited in this country by the fixation by law of a minimum living wage ; but this does not get over the difficulty. It robs us of the opportunity to show that supply and demand might, as they very often did in the earlier days of organized industry, produce a market wage so far removed from fairness as to cry to heaven for vengeance, but it does not touch the fundamentals of the argument. For the living wage is expressly a *minimum* wage, and there is not the smallest presumption that it is fair in any particular case. The basis of the living wage law is not an effort to recompense the conscientiousness of a labourer, nor even an average degree of conscientiousness, but the quite different matter of providing that even the slowest worker shall not starve.

The truth is that the employer's slogan of a fair day's work for a fair day's pay is parallel with

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the fallacy which formal logicians call the "fallacy in four terms," illustrated by the old joke, that dry bread is better than nothing, but nothing is better than pheasant, therefore dry bread is better than pheasant. "Nothing" has different meanings in the two premises of the jocular syllogism; and "fair" has different meanings in the two limbs of the slogan. And if any considerable body of workmen do the logical thing and correct the fallacy by estimating the degree of fairness of the pay, and delivering work of the same degree of fairness in their opinion, there is uproar at once. This process is called "ca'canny," and is reprobated as immoral and ruinous to the country.

Of course it is clear enough that ca'canny *is* ruinous to the country if persisted in as a permanent policy; but as a temporary means of illuminating the illogic of the position it is extremely telling. A fallacy is propounded to the men, a fair day's work for a fair day's pay: they correct the fallacy by reinterpreting "a fair day's work," and the result is ruin: therefore it is the "fair day's pay" that must be reinterpreted, and employers must find a better test of fairness than what they are able to force on the men.

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It comes to this : that industry is impossible without conscientiousness ; but it is sufficient for financial success if this conscientiousness is limited to the men's side of the bargain ; and this limitation the wage-contract effects. Under it the employer makes the best bargain he can for himself, and does not consider the interests of the employé, even while he demands that the employé shall consider him ; the employé undertakes the obligation of considering the employer's interests, and licenses the employer to get the better of the bargain by so much precisely as he discharges that obligation well.

And this is the wage-contract at its best ; for we have made extravagant assumptions so as to make the man a really free and equal party. If on the contrary employment is scarce, children many, and food dear, what are we to think of his chances of receiving a "fair" wage ? But for the interference of legislation providing for a living wage and for so-called compulsory arbitration, a state of things might easily prevail which would render talk of a fair day's pay too grotesque even for the most "economic" employer.

A word more must be said in parenthesis about

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the living wage and arbitration, or else an impression might be left that the whole discussion lacks reality as being belated and inapplicable, seeing that we now have these pieces of legislation to perfect a system which in the past may have been defective (indeed evidently was defective since these laws were passed to perfect it), but which is now reasonably satisfactory. An impression of this kind would indicate a total failure on somebody's part to make clear; or to get clear, the point of the argument. The point is that if the market wage system ever did produce injustice, it does so still; because legislation has been directed not to perfect it, but only to limit to some extent its power for evil. So far from the existence of these laws affording ground for hope that supply and demand will now produce a fair wage, it indicates unescapably that in the opinion of legislators supply and demand may produce a wage so unfair as to compel the interference of legal restraint.

If these laws were so far-reaching as to displace pecuniary bargaining entirely from wage relationships, then, no doubt, it would be a futile performance to analyse the effects of pecuniary bargaining. But this is far from being the case.

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Compulsory Arbitration in theory could place the whole question of wages in the hands of the State, but in practice it is an experiment that has failed ; its chief interest is as an example of legislation that tries to outrun the sanctions available for its enforcement. We cannot imprison the whole working class, nor will Australian opinion tolerate even the imprisonment of the leaders unless they incite the men to violence. The basic wage, on the other hand, is a real step forward, but it is of necessity a mere cautious minimum provision, applicable to bodies of workmen *en masse*, and designed to leave the relations of employers and employés as free as possible consistently with ensuring some measure of decency. What must be clearly understood is, that as between the individual employer and the individual man, so far as the law has left them free to agree upon wages, the wage-contract involves conscientiousness on the part of the man and not on the part of the employer. And that this renders the contract one capable of producing injustice.

Or, since this last statement is needlessly mild, we can say definitely that the nature of the wage-contract is such that it puts the employer on notice

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of a strong likelihood of injustice, and therefore throws upon him the onus either of proving, as to each individual man in his employ, that it so happens by chance that no injustice is done by payment of the bargained wage, or else of augmenting the wage according to its defect from justice.

Whether the matter be regarded from the point of view of the personal relationship of employer and employé, or from that of the welfare of the community, the injustice which tends to arise from this source is one of quite singular offensiveness to the most ordinary sense of what is right and proper. From the personal standpoint it is nothing short of humiliating to an employer to think that he should be enriching himself by demanding and receiving from poor men the benefit of moral obligations, while he accepts no moral obligation to them in return. And, from the standpoint of the country's welfare, it is simply an unsound foundation for society that the stronger class of citizens should be basing its conduct upon the non-moral principle of taking as much and giving as little as possible, while nothing stands between that principle and the chaos of universal *ca'canny* save the fact that the weaker class is basing

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its conduct on the higher principle of doing its best.

It is conceived that this view of the case may cause doubt whether it can possibly be free from a fallacy of some kind, seeing that it presents such a striking appearance and yet has escaped notice so largely. The explanation of this will be found in the history of the wage-contract.

Before the industrial era commenced, some two centuries ago, the great bulk of wage labour was occupied with tasks which did not result, immediately or at all, in the production of cash profits to the employer. Farm labour (which did little more than provide necessaries for the household), building for use and not for sale, fighting, and menial service: these were the occupations of the working classes, so far as they were employés at all and not independent small peasants and artizans. And under those circumstances the idea of measuring the amount of service rendered against the payment made for it could scarcely arise. There was no common measure applicable to the two things. Custom, based ultimately on the cost of living, was the arbiter of wages; and where the employer provided food and lodging the payment was nothing, or the merest pocket money. Moreover, the

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organization of society was such that the idea of measuring the amount of service against the amount of recompense could not have arisen even if it had been possible to effect such measurement. For there was no glimmer of an idea of applying the same rule to master and man. Society was still feudal in spirit, and was divided into a privileged ruling class on the one hand, and their dependants on the other. In such a society ethics would, and did, dictate various duties between the two classes, but among such duties there could be none remotely suggesting freedom of contract of service, and still less freedom of contract governed by identical measures of responsibility. In a word, it was a totally different world from ours.

Then occurred what is called the Industrial Revolution on the introduction of machinery, and workmen found themselves hired under so-called free contract by industrialists who were engaged in the search for cash profits. And these profits supplied the measuring-rod whereby it became possible to measure pay against service. But the feudal ethics of the time did not provide for such a contingency ; and, moreover, the change occurred so rapidly that it took men by surprise ;



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and before they well had time to adjust their ideas, before indeed the Industrial Revolution was well under way, the classical economists were in the field with their doctrine that morality had nothing to do with the case, because "natural" wages would arise simply by the play of supply and demand. And these gentlemen were so unanimous and cock-sure about it that they stifled any appeal to moral principles, such as would assuredly have brought order out of chaos. So that between the time when there were moral principles but no field for them to work upon, so far as wage-labour was concerned, and the time when the field existed but moral principles were relegated to the back-ground, there was scarcely any interval.

Hence it is not so very surprising if clear, and even glaring, injustices remain to this day unappreciated. For a century and a half our ideas of right and wrong have been growing with a steady progression; but in the one field of industry they have been held back to an outrageous extent by the opposing force of economic doctrine, or at any rate economic suggestion. So that now they burst upon us almost like a strange new teaching. Though we are too sensitive to

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hang an atrocious murderer, we take it for granted that the workers shall loyally toil to pour riches into our laps while we grudge them the living wage. Or, if we do not grudge it, we regard ourselves as benevolent rather than just.

The curious mentality which assumes a conscience on the part of the men but not on the part of the employer scarcely needs illustration, it is so evident; but take this passage from Pigou's "Principles and Methods of Industrial Peace": "The employed, like all other classes, are at once brigands, citizens, and workmen. To gain their ends they have three appeals—to violence, to the Government, and to a strike. To all or any of these they may resort." He ignores the fact that the employed, like all other classes, are also men, and therefore have two more appeals—to the conscience of their employer, and to "go slow on the job." The first he rules out no doubt as "the science of the good" and not Realistic Economics; the second—how? As unthinkable? Or only unthought of? Seeing that it is not true to say that all classes are workmen, it almost seems as if he had first written "brigands, citizens and men," and then substituted

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“workmen.” So near could he go and yet not see the point.

It is one of the surprising and humbling limitations of the human mind that we are almost completely subject to the prevailing ideas of our time. We neither have capacity to make allowances for the standards of former times, so that for instance we shudder at what we regard as the awful brutality of holding the bulk of the native-born white population of the country in abject slavery ; nor are we able to leap forward in spirit and shudder at what our descendants will quite certainly regard as our equally awful brutality.

For this reason the moral ideals current in a community are among the principal “circumstances of the country at the particular time” which govern the liabilities of wealth ; and so arises the almost paradoxical position that, within such limits as are set by the absolute law of God, the rights of men and the duties of masters become automatically enlarged or curtailed to meet what the community thinks those rights and duties to be. Which makes it abundantly clear how dependent progress is upon ethical ideals.

It also makes it clear how the doctrines of rational-

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izing scientists, operating in the fertile field of a still semi-feudal society, produced not only no advance on the standards of conduct, so far as industry is concerned, but actually produced a considerable temporary retrogression, such that intellectual men were capable of regarding without the least misgiving so absurd a conclusion as that employers owed their men barely the necessaries of life, while the men owed them their best services. An employer might own a vast factory, producing millions of pounds of profit, and employing thousands of workers ; and these workers might live huddled together and dying in unconscionable filth and misery ; yet if the employer smiled at a workman's baby and gave it a penny he was a benevolent old gentleman. And he *was* a benevolent old gentleman : the fault was not with him, it was with the " iron law of wages " which, he assumed, bound him hand and foot. Of course he might have remembered that this " iron," or as it has been called by the Socialists " brazen," law was not proposed to him as a law in the sense of a commandment, but in the scientific sense of a generalized statement of fact ; that is to say, it was somebody's deduction as to the tendency of wages upon certain assumptions—one of the assumptions

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being, in fact, precisely that he does not upset the calculation by being otherwise than perfectly selfish. But simple as the inference may seem to us, that the sooner he interfered the better, this was hidden from his eyes, as from the eyes of almost everyone, including writers on economics, by the power of the Spirit of the Age, a spirit to which the economists were in part themselves enslaved, but of which in larger part they were the authors. The law expressed a "natural" tendency, and therefore it would be "unnatural" and utterly disastrous to interfere with it.

And the discovery of the absurdity of this doctrine has not come from the intellect of scientists but from the rationalizing of the workers, who now see that reason can prompt them also to take as much and give as little as they can. At least the men have pretended to make this discovery; and it is sincerely to be hoped it is no more than a pretence, and a weapon, otherwise it is the end.

Of course the workers are so accustomed to hearing that the ruin of the country is impending if their demands be granted, that they can hardly be expected to take seriously another case of the

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same kind. "We have at the present day in most of our advanced societies the remarkable phenomenon of the intellectual and educated classes, at first almost invariably condemning and resisting the successive steps in our social development, uttering the most gloomy warnings and forebodings as these steps have been taken—and then tardily justifying them when they have become matters of history."\* But, whether the men believe it or not, the genuine rationalization of the workers would be the ruin of the country; not so much because the national income would suffer, but because it would mark the end of the operation of the only force of progress. "In such a state of society the classes who have obtained wealth and power, and all other classes in turn, instead of acting, as they do now, under the influence of an evolutionary force operating largely in the future interests of society, come to hold it as a duty to themselves to serve their own present interests by such direct means as may be available. In vague popular phraseology, society in this stage is said to be irremediably corrupt; speaking in more exact terms, the social organism has exhausted

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\* Benjamin Kidd, "Social Evolution," 4th Edn., p. 237.

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### *The Wage-Contract*

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its physiological capital, and has, therefore, entered on the downward stage towards disintegration."<sup>•</sup>

However, it is ridiculous to think of Australian civilization as irremediably corrupt before it has well begun. Nor could all the rationalizing doctrines in the world obliterate in a generation or two the deep natural springs of morality, or the influence of a thousand years of Christianity. They have not obliterated them in any class, as our undoubted progress testifies, and the true explanation of labour unrest is that ethical consciousness has now culminated in a sense which is no longer content with a *régime* that may have harmonized well enough with the standards of former days.

The time has come when an energetic, capable and conscientious man, who gives his best service without stint according to his bargain and his duty, should no longer find himself in the same position exactly as if he were measuring out his work with a niggardly hand ; that he should no longer find all his efforts unavailing to advance his dearest interests, and merely pouring undeserved profit into the

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<sup>•</sup> *Ibid.*, p. 246.

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## *Wage-Slavery*

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pocket of an employer who scarcely accords him thanks, but gives the credit to the ability of his manager in employing a good man. In a word, every possible consideration, except the most crass selfishness, demands that the employer should give *conscientious recompense for conscientious service*—his own sense of right and wrong, his self-respect, the teachings of ethics and religion, the good esteem of his fellows, the welfare of the men who create his wealth, the welfare of his country—or, if this catalogue be insufficient, then the knowledge that his men have discovered his secret, have devised a weapon of infinitely more subtle power than starving themselves, and will see to it that with what measure he metes it shall be meted to him again.

And if anyone should think it contradictory to attribute to the men's conscientiousness their refusal to be treated unconscionably, he would be wrong. Moral principles undoubtedly inculcate patience and resignation to the adversities of life, but no less do they give self-respect and an appreciation of the natural dignity and rights of oneself and one's family. They are the very soul of true freedom and true progress, and, the men's wrongs being remediable, sound ethics bids them seek the remedy,



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with patience, no doubt, and with respect for others, but with indomitable determination. Nor does Christianity teach otherwise. How could it when its Author was also the Maker of nature ?

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*V*  
**UNDESERVED PROFITS**

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## V.—UNDESERVED PROFITS

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**W**E have been dealing in the last chapter with a source of injustice to working men which is of a peculiarly personal character between the employer and each man considered apart from his fellows ; and the rectification of this source of injustice (upon which practical side of the matter a few more words must be said later on) would result in the addition to the wages of many of the hands of various increments, above the wage of a hypothetical man just worth employing, according to the wealth-producing power of each.

This process would bring to a condition of justice the relationship of master and man in a business operated under *normal conditions of profitability* ; for it would accord to each man the fair equivalent of his contribution to the total wealth produced, and leave to the employer the fair recompense of his function as employer. It may be regarded as establishing a correspondence between

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## *Wage-Slavery*

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the intrinsic worth of employer and employé on the one hand, and their rewards on the other, and therefore as opening the gate of opportunity to the men, without injustice to anyone, so far as the road to wealth lies along the way of hard work and skill.

If the condition of profitableness of the business is below normal, no new feature of special interest arises. In such a case justice is met by a pro rata abatement of the increments deserved by the men, who are merely suffering from adversity of fortune which is also affecting their employer.

But if the business is *above normal* in its profitableness, as is commonly the case in this country by reason of the fact that the entire atmosphere of industry is one of mild competition and vigorous growth, there arises a second source of injustice to the workers which we are now to consider. The removal of injustice from this source, which is not an individual matter between the employer and particular men, but a matter affecting all the employés in any industry to which it applies, will have the effect of opening the gate of opportunity to the workmen so far as concerns the second, and only remaining, road to fortune, namely, the road of undeserved good luck.

This second injustice is the appropriation by the

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### *Undeserved Profits*

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employer of the whole of the profits of industry, even when they cannot fairly be regarded as being deserved by him.

That the employer, as owner of the business, should take the profits which are made by it (at any rate after payment of wages increased above market rates so as to meet the requirements of justice arising from the nature of the wage-contract), may seem to be the most natural thing in the world and to go without saying. Yet it is far from being self-evidently just, and has been the subject of a bitter and prolonged discussion ; and we cannot do better, by way of introduction, than run very briefly through the history of this dispute.

Before the rise of the industrial era it was universally taken for granted that the poor must work for the rich. Men had different stations in life, and the station of the poor was to work as servants, receiving at first, as actual slaves, merely the food, clothing and shelter provided by their masters, and, later, wages fixed by custom.

From the beginning of life in cities down to about A.D. 1750 this state of things continued ; and during this long period the advance of civilization was slow, so far as material results were concerned. The patient herd fed the whole community ; and

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## *Wage-Slavery*

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the community threw up an occasional intellect capable of adding some contribution, great or small, to the sum of knowledge. The bulk of the rich class devoted its energies to personal ambitions or enjoyment, "some with lives that came to nothing, some with deeds as well undone"; but always a small trickle of thought, and of growing moral consciousness, carried forward the stream of evolution, whereby the toil of the masses was some day to be rewarded, albeit vicariously, for its support of a leisured class.

And the toiling masses were content, in the sense at least in which the cab-horse is content. Sometimes their lot was comparative comfort, when natural kindliness of character, or Christianity, gave them benevolent masters; more often it was great privation and misery. But they knew nothing better, and hoped for nothing better. Probably they could not have had anything much better as a matter of physical possibility, for the wealth of the whole world was very small.

Such was the world still when the slow science, developed through the leisure of the rich, bore fruit in the Industrial Revolution, commencing about the middle of the eighteenth century with the application of water power to spinning and weaving, and

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### *Undeserved Profits*

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then with the discovery of steam power and cheap steel. The importance of these discoveries can scarcely be exaggerated ; they accelerated the progress of civilization a hundredfold. Population rose rapidly ; wealth increased enormously ; the leisured class grew ; thought surged up to grapple with the new problems ; the world leapt forward.

Momentarily it was a bad time for the poor. They flocked to the cities under the influence of the lure that has always made city life more attractive than country life, and they bred ; and the cities were able to hold them, on account of the wealth produced by the factories. But their lot was unutterable misery. For they were no longer the personal retainers of their masters but something new, impersonal commodities to be bought and used for the benefit of masters who took no thought for them. Their women and children were drawn into the maelstrom, and if the united labours of father, mother and children were just sufficient to buy bread for the family they were lucky. The principles of morality and religion were unchanged, but events moved too fast for them to be readjusted. And moreover these events coincided with an extensive abandonment of religion in favour of

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## *Wage-Slavery*

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the worship of intellect. Scientists were puffed up with a sense of achievement in the mastery they had suddenly acquired.

There soon arose a branch of science which purported to unravel the intricacies of the new problems of concerted industry. Adam Smith, a keen observer, and a fairly keen thinker, but most unfortunately a man who held religion in contempt, produced his treatise on Political Economy in 1776; and he was followed by a crowd of others. It was a false start, and laid the foundations of that view of business which persists largely to this day, and which held the field almost undisputed for a century, under which natural forces, as opposed to ethical forces, are supreme. Under the teaching of this school the necessity of a continuance of submissive service on the part of the workers was recognized; and not even on the basis of natural propriety tinctured with mutual benevolence, but as a mere inexorable necessity, as expressed in Ricardo's law. Accordingly the poor right to strike was denied, sabotage was punished with death, and trade unions were declared unlawful conspiracies.

Into these surroundings burst Socialism, at first a sentimental reaction from the hateful brutality



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### *Undeserved Profits*

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of industry, and afterwards, in the hands of Karl Marx, about the middle of the nineteenth century, a coherent and scientific system, the essence of which was a denial of the right of the rich to take the produce of the labour of their servants. Here was a revolt indeed from the current doctrine of the time ! But it was another false start, useful only in furnishing further material for thought. In particular it brought into discussion the fundamental question of ownership of "surplus product," that is, the difference between the wealth produced by a man's labour and the wage he receives. Socialism would accord this to the State ; classical economists to the employer. And on the irruption of Socialism the economists were hard put to it to defend their doctrine; which, in fact, they had inherited and taken for granted, contenting themselves with giving fancy names to the employer's profit rather than offering any grounds of its justification.

But after Marx a vast number of theories were put forward by the economists in defence of profit. These all had one idea in common, that of showing that the income of the employer is not really unearned at all, but is fairly his due as a reward either of abstinence, which is assumed to have been the

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## *Wage-Slavery*

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source of his wealth, or of his consent to accept deferred payment, or of exceptional ability and brain work, or of his furnishing the antecedent conditions necessary before industry can be established ; or of this or that. The very variety of the apologies throws doubt upon the case, and one economist contradicts another. Thus Menger, the Austrian protagonist against Socialism, demolishes the defences of his colleagues in trying to establish his own thesis, that profits justly belong to the employer because man-made law accords them to him. He admits with the utmost frankness that profit is unearned : " Our present law of property, which is based upon private ownership, does not guarantee to the worker the whole product of his labour. By assigning the existing objects of wealth, and especially the instruments of production, to individuals to use at their pleasure, it invests such individuals with an ascendancy, by virtue of which, without any labour of their own, they draw an unearned income which they can apply to the satisfaction of their wants. This income, for which the legally-favoured recipients return no personal equivalent to society, has been called rent by the followers of Saint Simon Buchez and Rodbertus ; by Thompson and Marx surplus

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### *Undeserved Profits*

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value. I intend to call it unworked-for income." \* Needless to say, Menger's contribution to the discussion, after he had so calmly admitted the error of all the other apologists, was less valid even than theirs. As Rousseau had said of Grotius a hundred years earlier, and with less justification: "His invariable mode of proceeding is to establish right by fact. A juster method might be discovered, but none more favourable to tyrants."

Thus the effort to establish the proposition that the employer is entitled to the profits of industry, by reason of his having earned them, failed. But this line of defence having failed, and the socialists rejoicing in consequence, and continuing with greater assurance and in increasing numbers to claim the surplus value for the Socialist State, what defence of the capitalist system remained? Two remained, and are still the subject of advocacy to-day. But one of them is a broken reed. This is the defence which says, in effect, that no defence is necessary; because with all its faults the capitalist system does creak along, does feed the community, and, when sufficiently interfered with by legislation, does admit of progressive betterment; whereas Socialism could not do even this much.

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\* Menger, "Right to the whole produce of labour."

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## *Wage-Slavery*

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The fallacy of this position is: first, there is no assurance that Socialism would not feed the community much better than capitalism *for a time*; just so long, that is to say, as the Socialist State could draw upon the reserve of moral principle which it would find ready to its hand in the community, but which reserve it could not augment or even maintain. And no appeal to reason alone will suffice to dissuade a human being from seeking that which, for his life time, and that of his children and grandchildren, promises to give him what he wants, or thinks he wants. He will freely leave the further future to look after itself. Then secondly, the very legislative interference which these apologists postulate is a measure of Socialism; and who is to say where the interference is to stop? If no other force of progress is to be counted upon it would presumably, in time, go to the limit, and produce one of those State-managed Utopias so dear to the heart of some would-be prophets, but so repulsive to any normally individualistic human being, in which opportunity will have ceased to exist for the employer without having come into existence for the worker.

This last purely intellectual line of defence for capitalism offering, therefore, no sure foothold,

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### *Undeserved Profits*

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many people have been coming back gradually to the truth, that they made a horrible mistake in pinning their faith to rationalism, and that moral principles must be applied to the solution of the problem of unearned income. And these principles have given the answer immediately, and we have quoted one of its best expressions in the two passages from Devas, the gist of which, in brief, was that the receipt of unearned income is justified by considerations of the general welfare of the community, which very considerations cast duties on the recipient to use his income for the benefit of the community, and *place limits* on the amount of income he may receive ; which duties and limits depend on the circumstances of the country at the particular time.

This is the only valid defence against Socialism. If it be denied, then morality and reason alike must retire from the arena, and a battle of sheer brute strength decide between capital and labour. But if it be accepted, then its implications, of duties and of limitations, must be accepted with it ; and these implications we must further examine.

In the first place it is to be noticed that although profits may be all unearned in the sense that they do not represent the reward of any form of exer-

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## *Wage-Slavery*

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tion, present or past, yet they may reasonably be separated into two categories, deserved profits, and undeserved profits.

That some profits are fairly to be regarded as deserved is readily admitted, and their existence is the explanation of the fact, which would otherwise be inexplicable, that such disinterested and honest men as, for example, Mr. Mallock, should have thought all profits capable of reference to deserts on the part of the employer. Without attempting to catalogue all the various profits that may be classified as deserved, we may group them into two types, namely, fair recompense for initiative, originality and enterprise; and fair interest on capital according to the risk run.\* On the other hand it is equally clear that some profits are not deserved but result from sheer good fortune. As illustrations of such profits may be mentioned profits caused by the effect of protective tariffs, exceptional buoyancy of trade, accidental monopoly, and the introduction of improved methods.

Assuming for the present that the profits of some

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\* The question whether capital was originally earned or unearned does not arise; because even if it were unearned, or even stolen, it is usually impracticable to undo the past, and therefore it is necessary to recognize ownership in the party holding it at present.

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### *Undeserved Profits*

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But the undeserved profit due to nothing but good luck is another matter. The separation which we have supposed to be made, whereby the deserved profits have gone to the employer as his due, enables us to grant to the classical economists that their arguments to establish in the employer a title to the profits are effective so far as these deserved profits are concerned ; but this very admission serves only to make the case of undeserved profits the more hopeless. And we shall take it as granted that the receipt of these by the employer is defensible only if, and so far as, such receipt is conducive to the welfare of civilization. In the nature of the case the undeserved profits, equally with the deserved, come into the hands of the employer; but the question is whether, and to what extent, they come charged with obligations to apply them for the welfare of the country ; and whether and to what extent they come to him without being his at all,

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### *Undeserved Profits*

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but justly claimable by some other or others, or by the State, on the same ground of the best interest of the community.

Now, so far as the State is concerned, we need not pursue the discussion far. The Government is admittedly entitled to, and as a matter of course does, claim so much as it requires, in the form of taxation, and applies it for the general purposes of government in the interests of all. For example, if it should be thought fit to inaugurate a scheme of pensions, or of unprofitable work for the unemployed, the necessary funds would be raised by taxation and so become a charge on the undeserved profits of industry.

But although the State is able in this way to do a great deal for the betterment of the community, and accordingly is the reliance of all those mitigated Socialists who look to legislation as the only hope of the future, yet in two all-important particulars such action is bound to fall short of the mark of sufficiency if it be attempted to rely upon it alone. In the first place, sole reliance on State interference tends to displace, and to cause the weakening from disuse of, personal moral self-sacrifice, which is the only force capable of carrying evolution forward. Taxation is a thing which the practical and common-

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sense law of the land, in odd contrast with the absurd aspirations of Society-worship, recognizes that men are fully entitled to evade, if they can do so without infringing the letter of the law; and, when it has been gathered in, its application for the fulfilment of its purposes is something quite devoid of personal morality. And in the second place State action is incapable by nature of satisfying the very want which we are considering, the want of opportunity to acquire personal wealth, which is what the workers, true to a healthy and proper instinct, demand. It may assist towards such a goal, but not itself produce the result. If relied upon as the sole agent of progress State action might conceivably turn us into a flock of fattened sheep, with all our bodily needs provided for ; but the very achievement of this condition would immediately be found to have supplied none of the more real requirements of human energy, but on the contrary to be a paralysing fatuity. The working man has no desire to live in a world where everything is provided by a blue form, and every irregularity is prevented by a ubiquitous policeman. He wants the very opposite, he wants scope to use the capacities he knows to be in him. He wants freedom ; and every State interference is a limitation

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### *Wage-Slavery*

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of freedom. That some, even very many, limitations are simply necessary in a complex modern State, may be true ; but the fact remains that they are necessary evils rather than desirable goods. A bishop speaking of Prohibition has said that he would rather see England free than England sober. And though this particular case is a special one in which a contrary opinion may be held (because drunkenness is not only the cause of incalculable material damage, but is itself a moral evil akin to suicide, and facilities for committing moral evil are not true freedom), yet it illustrates forcibly the truth that freedom is essential if mankind is to fulfil its destiny. It can be said absolutely that it is better to be free and thin than fat and a slave. And the workmen know it. If they seem to incline towards Socialism, it is only to the extent that they despair of real freedom ; if they must remain slaves they may as well be fat slaves : a result which Socialism could produce.

But such a miserable conclusion cannot be ours. A road to true emancipation of the wage-slaves must exist, and it is with so much of the undeserved profit of industry as the State is not obliged to take in taxation that the real hope resides. And the

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conclusion to which we must come is that a share of this profit is due to the individual men engaged in the industry which produces it.

That such a conclusion is probable follows from considerations quite distinct from the question of the justification of undeserved income, and the limits of such justification. For consider how undeserved profit arises. It does not arise of itself, and so come as a windfall to the owner of the business by virtue of possession for want of a better claimant. Because although in a certain colloquial sense it may be said to be the result of good fortune, yet good fortune cannot of itself be the cause of anything ; it is merely a favourable condition. The profits themselves arise from the operations of the industry. Therefore the good luck of favourable circumstances can only be regarded as fertilizing and rendering fruitful above normality the wealth-producing power of the various agents at work in producing wealth. And, as the workmen are wealth-producing agents, we must regard them as receiving an undeserved efficacy added to their efforts, and so as producing more wealth. Therefore reasoning parallel with that which justifies the receipt of proportionately more pay by the man who normally produces more than another, suggests

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it as a congruous conclusion that he should receive more again when good-luck renders his work still more productive. True; it would come to him as undeserved ; but then it would come as undeserved also to his employer ; and the rival claims abate in force together. Moreover, it is an ideal of the greatest attractiveness that, other things being equal, a man should receive the wealth he himself produces.

But, although all this may indicate a natural propriety in giving increased pay when the profits are swelled by favourable outside circumstances, it cannot amount to a proof that there is any duty upon the employer to give such an increase. It may seem ridiculous that the employer should have all the luck, but to endeavour to stretch this into a proof would only weaken the case we have made out for increased pay earned by normal excellence. For the point of that argument was, the quite undeniable duty of giving a conscientious recompense for conscientious service ; and the man's conscientiousness is no greater for the mere fact that luck smiles on his work.

The real argument is this : that civilization in this country has reached a stage of development



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at which working men have an intelligence and a sense of responsibility sufficiently well-formed to enable them to play a useful part, otherwise than as mere drudges, in further developing the country and promoting its progress. We ourselves have brought about this state of things by educating them and admitting them to sovereign power on equal terms with ourselves ; and we cannot now deny the fact. In the legal phrase we must be presumed to have intended the natural consequences of our acts, and we must accept the liabilities resulting. But if the receipt of undeserved income can assist the working men to fulfil this useful part in developing the country and furthering its progress—and it is admitted to be the natural means for the purpose by the very arguments whereby alone the receipt of undeserved income by any individual can be justified—then it follows that these very arguments justify a demand by the men for undeserved income, if it is available for them without injustice to others. And if the undeserved income which they claim by this title is wealth of their own creation, being nothing else but the undeserved profit attending their work, then it is impossible to deny that some share of it at least is available for them

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### *Wage-Slavery*

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The fallacy of this position is: first, there is no assurance that Socialism would not feed the community much better than capitalism *for a time*; just so long, that is to say, as the Socialist State could draw upon the reserve of moral principle which it would find ready to its hand in the community, but which reserve it could not augment or even maintain. And no appeal to reason alone will suffice to dissuade a human being from seeking that which, for his life time, and that of his children and grandchildren, promises to give him what he wants, or thinks he wants. He will freely leave the further future to look after itself. Then secondly, the very legislative interference which these apologists postulate is a measure of Socialism; and who is to say where the interference is to stop? If no other force of progress is to be counted upon it would presumably, in time, go to the limit, and produce one of those State-managed Utopias so dear to the heart of some would-be prophets, but so repulsive to any normally individualistic human being, in which opportunity will have ceased to exist for the employer without having come into existence for the worker.

This last purely intellectual line of defence for capitalism offering, therefore, no sure foothold,

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### *Undeserved Profits*

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many people have been coming back gradually to the truth, that they made a horrible mistake in pinning their faith to rationalism, and that moral principles must be applied to the solution of the problem of unearned income. And these principles have given the answer immediately, and we have quoted one of its best expressions in the two passages from Devas, the gist of which, in brief, was that the receipt of unearned income is justified by considerations of the general welfare of the community, which very considerations cast duties on the recipient to use his income for the benefit of the community, and *place limits* on the amount of income he may receive ; which duties and limits depend on the circumstances of the country at the particular time.

This is the only valid defence against Socialism. If it be denied, then morality and reason alike must retire from the arena, and a battle of sheer brute strength decide between capital and labour. But if it be accepted, then its implications, of duties and of limitations, must be accepted with it ; and these implications we must further examine.

In the first place it is to be noticed that although profits may be all unearned in the sense that they do not represent the reward of any form of exer-

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### *Wage-Slavery*

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of freedom. That some, even very many, limitations are simply necessary in a complex modern State, may be true ; but the fact remains that they are necessary evils rather than desirable goods. A bishop speaking of Prohibition has said that he would rather see England free than England sober. And though this particular case is a special one in which a contrary opinion may be held (because drunkenness is not only the cause of incalculable material damage, but is itself a moral evil akin to suicide, and facilities for committing moral evil are not true freedom), yet it illustrates forcibly the truth that freedom is essential if mankind is to fulfil its destiny. It can be said absolutely that it is better to be free and thin than fat and a slave. And the workmen know it. If they seem to incline towards Socialism, it is only to the extent that they despair of real freedom ; if they must remain slaves they may as well be fat slaves ; a result which Socialism could produce.

But such a miserable conclusion cannot be ours. A road to true emancipation of the wage-slaves must exist, and it is with so much of the undeserved profit of industry as the State is not obliged to take in taxation that the real hope resides. And the

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### *Undeserved Profits*

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conclusion to which we must come is that a share of this profit is due to the individual men engaged in the industry which produces it.

That such a conclusion is probable follows from considerations quite distinct from the question of the justification of undeserved income, and the limits of such justification. For consider how undeserved profit arises. It does not arise of itself, and so come as a windfall to the owner of the business by virtue of possession for want of a better claimant. Because although in a certain colloquial sense it may be said to be the result of good fortune, yet good fortune cannot of itself be the cause of anything ; it is merely a favourable condition. The profits themselves arise from the operations of the industry. Therefore the good luck of favourable circumstances can only be regarded as fertilizing and rendering fruitful above normality the wealth-producing power of the various agents at work in producing wealth. And, as the workmen are wealth-producing agents, we must regard them as receiving an undeserved efficacy added to their efforts, and so as producing more wealth. Therefore reasoning parallel with that which justifies the receipt of proportionately more pay by the man who normally produces more than another, suggests

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it as a congruous conclusion that he should receive more again when good-luck renders his work still more productive. True, it would come to him as undeserved ; but then it would come as undeserved also to his employer ; and the rival claims abate in force together. Moreover, it is an ideal of the greatest attractiveness that, other things being equal, a man should receive the wealth he himself produces.

But, although all this may indicate a natural propriety in giving increased pay when the profits are swelled by favourable outside circumstances, it cannot amount to a proof that there is any duty upon the employer to give such an increase. It may seem ridiculous that the employer should have all the luck, but to endeavour to stretch this into a proof would only weaken the case we have made out for increased pay earned by normal excellence. For the point of that argument was, the quite undeniable duty of giving a conscientious recompense for conscientious service ; and the man's conscientiousness is no greater for the mere fact that luck smiles on his work.

The real argument is this : that civilization in this country has reached a stage of development

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### *Undeserved Profits*

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at which working men have an intelligence and a sense of responsibility sufficiently well-formed to enable them to play a useful part, otherwise than as mere drudges, in further developing the country and promoting its progress. We ourselves have brought about this state of things by educating them and admitting them to sovereign power on equal terms with ourselves; and we cannot now deny the fact. In the legal phrase we must be presumed to have intended the natural consequences of our acts, and we must accept the liabilities resulting. But if the receipt of undeserved income can assist the working men to fulfil this useful part in developing the country and furthering its progress—and it is admitted to be the natural means for the purpose by the very arguments whereby alone the receipt of undeserved income by any individual can be justified—then it follows that these very arguments justify a demand by the men for undeserved income, if it is available for them without injustice to others. And if the undeserved income which they claim by this title is wealth of their own creation, being nothing else but the undeserved profit attending their work, then it is impossible to deny that some share of it at least is available for them

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### *Wage-Slavery*

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without injustice to others. Therefore their claim is good as to some part of the undeserved profit; the particular part being determined, as between the rival claims of themselves and their employer, by the balance of advantage to the country.

And the claim by the men for some part, yet to be ascertained, of the undeserved profit attending their work being good, it is a simple injustice on the part of the employer to withhold it and convert it to his own use. And this would be so even if the men were docile and submissive to it. But since they are not submissive, but with perfect propriety insist upon their rights, and so vehemently that capital lurks in foreign securities and banks rather than venture near industry for fear of labour: it is made as clear as daylight that the withholding of their share of profit from the men, so far from being possibly in the best interests of the country, is actually hampering development. And thus this injustice passes from a latent to an active and virulent state. For that benefit to the community which employers have to prove in order to justify their retention of the whole undeserved profits of industry, not only does not exist, but is replaced by actual damage: damage of a kind



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### *Undeserved Profits*

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which might, only too possibly, mean the loss of this continent by the white race.\*

It appears, therefore, that so far from the retention of profits by the employer being a thing too self-evidently right even to be discussed, the difficulty is to justify it at all ; and the only sound defence which exists or can exist carries with it, in the circumstances of Australia, an equally sound defence of the workers' claim to some share whenever the industry in which they work is producing more than normal profits. Whence it follows that *a personal duty rests upon employers to account to their men accordingly.*

It is to be anticipated, as a matter of course, that the old feudal spirit that lingers on under the guise of the Capitalist spirit, aided and abetted by the promptings of self-interest, and of "common-sense," will argue that it is a mere sentimental aberration which sees damage to the country in the appropriation of the profits by employers. The workers, it will be said, will waste their share of profits, or at least will leave them to stagnate in

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\* It is somewhat beyond the scope of this book to suggest legislative interferences with freedom, but it does seem clear that labour ought to insist upon a severe penalization of income derived from foreign investments. Australia needs for her own development all the capital she has.

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### *Wage-Slavery*

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the savings bank ; and thus Enterprise will be curtailed, the national dividend will be diminished, progress retarded, and a net balance of damage will accrue to the country. We reply in advance that this attitude is simply a perfect specimen of the " gloomy forebodings " mentioned by Benjamin Kidd. Such shallow wisdom has been falsified a thousand times ; and shall we never learn ? One whose wisdom was not shallow said : " Be not solicitous, therefore, saying, What shall we eat, or what shall we drink, or wherewith shall we be clothed ? For after all these things do the heathen seek. For your Father knoweth that you have need of all these things. Seek ye therefore first the Kingdom of God, and his justice, and all these things shall be added unto you." Advice which receives a singular significance from the occurrence of the somewhat unexpected word " justice " ; advice that can be observed justifying itself throughout history, and individually all about us ; and advice that requires little faith to accept in the present case, as mere worldly wisdom can see a good investment for the country in contented workers.

Two practical questions are left : the separation of the deserved profits from the undeserved,

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*Undeserved Profits*

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and the division of the latter with the men. But these two problems we shall postpone to a semi-practical chapter at the end, together with a few further remarks upon the wage-contract and upon the third injustice now to be discussed.

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*VI*  
*INFLATION OF CAPITAL*

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## VI—INFLATION OF CAPITAL

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**I**F we have been correct in diagnosing two sources of injustice in the industrial system whereby the workers are deprived of their just expectation, of which one affects the deserved reward due to their individual conscientious efforts, and the other the undeserved increment of productivity added to their efforts by fortune ; and if some realization of the effects of these sources of injustice is present to the men's minds leading them to be discontented with the recompense they receive for their labour, and to express their discontent in various ways all more or less unpleasant to their employers ; then it might be predicted that the self-interest of the employers, aided by the intelligence that always subserves self-interest, would prompt them, not to meet in a spirit of justice the demands made upon them, but to remove as far as possible out of sight and out of reach the profits arising from those sources of injustice. We ought therefore to be able

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## *Wage-Slavery*

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to find in the industrial system a third source of injustice disguising the existence of, and blocking the remedy to, the other two : and the existence of this third injustice would be some verification of the correctness of the diagnosis.

Well, we do find this third source of injustice flourishing luxuriantly. It is the inflation of capital for the purpose of paying away in apparently modest dividends the profits out of which the just claims of labour should be satisfied.

This inflation falls under two headings : (a) inflation by pure capital, and (b) inflation by non-existent capital. But as both types have the same purpose and the same effect, and differ only in that the second is self-confessing, whereas the first is resorted to by highly respectable employers who do so to a large extent without a realization of its inner meaning, so that it works its mischief in a somewhat subtle and unrecognized manner, it will be sufficient if we confine our attention to inflation of the less flagrant type—inflation by pure capital.

It will have been noticed that up to the present "the employer," rather than the more customary "capital," has been mentioned in antithesis to "labour." The reason for this will now appear,

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## *Inflation of Capital*

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for we have spoken of the employer's capital as being something conferring upon him a right to fair interest as deserved profit according to the risk run, and we shall also have to recognize it, for reasons to be mentioned in a moment, as conferring upon him a further right to a share of undeserved profit. But the "capital" so referred to is a different thing from "capital" in its ordinary wide sense, so that we have been unable to use the words "capital" and "capitalist" until now that we come to distinguish the two classes into which capital may be divided.

That class of capital which we must recognize that the employer is able to set up as a counterclaim to the demands of the men in respect of undeserved profits, is the money or money-value which he genuinely risks in establishing his undertaking. This we shall call Enterprise Capital. And the other class, which we have called pure capital, but which we shall hereafter call Investment Capital, is that money or money-value which is not intimately connected with the establishing of the undertaking, nor associated with any form of activity or special merit in the business, but which is a mere commodity obtainable in the open market on terms of security and payment of market

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interest. It is otherwise known as finance, market accommodation, and investment money.

This latter class of capital cannot be regarded as justly available to furnish its owner with a counter-claim against the men's demands; and it is the interposition of this class of capital to take the undeserved profits that we are now calling the injustice of inflation by pure capital.

There is all the difference in the world between the money which an enterprising man risks in establishing a new industrial venture, and the money which cautious investors put into that undertaking after its success is proved, and after its solid assets have come to afford first-class security. The former as a rule goes to purchase machinery which afterwards could be sold for only a fraction of its cost, to install it in a factory, to purchase raw material and so alter its form that it cannot be resold as such, to pay wages for a long unproductive period, to do a hundred-and-one things which will not only not yield a penny of profit, but will hardly return a penny of capital unless the venture succeeds. It is unsecured in the most complete sense of the word; it disappears, and nothing can bring it back but



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### *Inflation of Capital*

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success : whereas Investment Capital is essentially a secured loan.

The difference is more fundamental even than the absence of security in the one case and its presence in the other. The two things belong to different orders. For Investment Capital, no less than labour itself, is forced to find employment or it wastes away. The owner eats it up and it is gone ; if he wishes to remain its owner he is compelled to use it to earn him interest. But Enterprise Capital is as free as air. No power on earth can compel its owner to run a risk. And since risks must be run by somebody, or progress would come to an inglorious end, it is simply necessary to tempt enterprise with the hope of rewards sufficient for the purpose. So obvious is this necessity that it has been used in the effort to claim for the employer the whole of the profit however large, and whatever the circumstances. And, though this extreme view is unreasonable, it is still true that enterprise has a just expectation of a generous reward in case of success ; otherwise, of course, it will not function, and the progress of the country will be retarded. And for this reason any sensible analysis must accord to Enterprise Capital a generous

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### *Wage-Slavery*

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proportion of the undeserved profits for the benefit of the community. With Investment Capital, on the other hand, no thanks are due, no temptation necessary, no generosity beneficial. It has to work for its natural reward, market interest.

For still a third reason these two kinds of capital differ in their bearing upon undeserved profits. This reason is that Investment Capital, whether it be frankly loan capital or whether it masquerade as ordinary share capital, is in reality impersonal as regards the industry in which it is used, if it is used at all—which it often is not, but lies invested in outside securities. It has an owner, no doubt; but only by a fiction is its owner, by virtue of such ownership, an owner of any share in the industry. Whereas, on the other hand, Enterprise Capital, being represented by the machinery, plant and other industrial assets of the concern, is so bound up with the person or persons who truly constitute the enterprising employer, that to regard the use of Enterprise Capital as equivalent to the personal exertion of its owner is natural and proper. "It is always the factor of production that is paid for its services, whether it be a human or a 'dead' factor, and the pay-

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### *Inflation of Capital*

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ment goes to the recognized owner of this factor.”\* Without wishing to carry the discussion to the point at which it may become academic and sterile, a certain amount of philosophical distinction is an aid to precision of thought. Accordingly it is to be noticed that the only immediate cause of wealth is labour. But labour without tools, machinery, raw material and factory premises could not function; and therefore these commodities are a real though indirect cause of wealth, as equipping labour for productivity. The one is the *causa causans* or operative cause, and the other the *causa sine qua non* or enabling cause. Hence it is reasonable to group together Labour and Enterprise Capital (the owner of the tools, etc.) as joint producers of wealth. But capital beyond that represented by the industrial assets is not a cause of wealth-production in the industry at all. Accurately speaking it simply is not capital in the industry.

On any of these grounds, or on all of them taken together, it appears as fundamentally illogical that Investment Capital should be permitted to take, over and above the market interest which

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\* Dr. Smart, "Distribution of Income."

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## *Wage-Slavery*

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is its due, a share of undeserved profits. To give it such a share is to elevate a mere commodity to rank as a human wealth-producing agent, and to accord to it the reward which is justly due to labour : labour, which *is* a human wealth-producing agent, being simultaneously depressed to the status of a mere commodity so as to make room for the interloper.

Yet this very process is busily going on throughout the industries of the country ; and is effecting an injustice to labour which, although not a direct injustice like deficiency of deserved wages and non-participation in undeserved profits, is worse than these direct injustices because it *permanently* frustrates all chance of remedying the direct injustices in every industry that practises it.

The principal form of this process is the capitalization of reserves into ordinary shares, and it may be useful to consider an imaginary and simplified, but by no means exaggerated case.

Suppose a Company with limited liability is formed to manufacture some article, say dynamite. Perhaps 5000 ordinary shares of £1 each might be issued to the promoter—in prospectus parlance the “Vendor,” though he has nothing to sell but his idea, and perhaps an option, bought for £1,

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### *Inflation of Capital*

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over a deposit of Diatomaceous Earth—and perhaps £5000 might be subscribed by half a dozen gentlemen of an enterprising nature. Now, if we pass the 5000 shares issued to the “Vendor” as a reasonable measure of his initiative, and not an example of inflation by imaginary capital, for we can afford to be generous in this argument, then the *bona fide* total of enterprise and enterprise capital will be £10,000. This total for simplicity we may call all Enterprise Capital. Very well; the Company starts work, and the end of the first year finds it well under way. Let us suppose it makes £1000 profit the second year, £3000 the third, and £6000 the fourth; and that none of this is distributed but is all turned back into the business: better plant is installed, more deposits of earth acquired, a laboratory equipped, and so on. This £10,000 of profits, undistributed and sunk in expansion, is also Enterprise Capital, which now stands at £20,000; and 10,000 new ordinary shares are issued to the entrepreneurs to represent this new capital. So far well and good: a proportion of the profits probably belonged to the workmen in the fourth year, but let that pass. Suppose that by now development is complete and no more capital can usefully be spent in exten-

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sion. And suppose that from the fifth year to the tenth year the profits from dynamite manufacture rise from £10,000 to £15,000. At the end of the fifth year a dividend of 20 per cent is paid, taking £4000; and £6000 is invested in gilt-edged securities yielding 5 per cent: sixth year £7000 to reserve securities, seventh year £8000, eighth year £9000, ninth year £10,000, tenth year £11,000. There is now in reserve securities £51,000, or, with its compound interest, say £57,000. And if we assume the 20 per cent dividend per annum which has been paid on the £20,000 capital to be a fair measure of its deserved reward, not ungenerous surely considering that only £5,000 was originally risked, then the whole of this £57,000 must represent undeserved profit, upon which labour has a claim.

But, needless to say, no such view is taken by our entrepreneurs. Instead they capitalize £40,000 of the reserves and give themselves a bonus issue of two new shares for each one previously held. And although these capitalized reserves, reposing in gilt-edged securities, cannot possibly be called Enterprise Capital, the shares issued as a bonus are ordinary shares indistinguishable from the original shares. Well, the reserve has now fallen

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### *Inflation of Capital*

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to £17,000 and the share capital risen to £60,000. The profits go on at, say, £17,000, derived as to £15,000 from dynamite manufacture (at which they remain steady) and as to the rest from interest on securities ; and 15 per cent is paid, absorbing £9000, while £8000 goes to reserve. This goes on another ten years, by which time the reserve with accrued compound interest, stands at, say, £130,000. Now another bonus issue of two shares for each one held is made, reducing the reserve to £10,000 and raising the capital to £180,000. The profits now go on at £23,000 (£15,000 from dynamite as before, and £8000 from capitalized reserves still invested at 5 per cent) and a dividend of 10 per cent is paid each year, taking £18,000 and leaving £5000 to go to reserve. This goes on another ten years, by which time reserve stands at £80,000. Of this the Company capitalizes £70,000, making the capital a round quarter of a million, upon which the profits, now going on at £26,500, can just pay ten per cent with a comparatively trifling sum of £1500 over. If this process went on still another ten years the reserve at the end of the fourth decade would be only £34,000. But we shall not pursue the Company into its fourth decade, but shall sup-

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### *Wage-Slavery*

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pose that the shareholders are now growing old and wish to put their affairs in order. Accordingly they list their 250,000 shares on the Stock Exchange, and sell out at an average price of 23s. 6d. per share, or £294,000 in all. There is no dishonesty; the Company is sound; the balance sheet looks like a jeweller's shop and contains no goodwill entry; and a cash reserve of £10,000 is thrown in. So far as the purchasers are concerned it is an unexceptionable deal.

But from the workmen's point of view what has happened? If we assume the deserved reward of the founders to be 20 per cent on their £20,000 of Enterprise Capital, and if we suppose, instead of as before, that this deserved dividend alone has been regularly paid; and if we ignore the question of the wage-contract, and assume that labour (including managers, salaried staff, and directorate) has regularly had its deserved reward; and if we assume all the undeserved profit to accumulate in 5 per cent investments up to the end of the thirtieth year of the Company's life, at compound interest; and if we further assume, for the sake of having a concrete case, that a fair division of the undeserved profit would be half to Enterprise and half to Labour; then calculation

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### *Inflation of Capital*

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shows that the men should be able to retire at the same time as their employers with the sum of a quarter of a million pounds to divide amongst them, their employers taking a similar sum.

That the men do not receive this sum is the effect of Injustice No. 2, and, in a way, it does not matter very much. Instead of being comfortably off they will die poor, as labourers have done for countless generations, and this is all. What matters much more is that Injustice No. 3 has blocked the way *for ever* to any better state of things so far as this Company is concerned. For the capitalization of the £230,000 of reserves into ordinary shares apparently converted the undeserved profits into deserved profits; and the sale for full value to innocent investors has converted this appearance into fact. There are now no undeserved profits; and if there ever should be any the men's claim upon them is reduced to a trifle.

But the sad thing is that this crowning injustice is almost completely gratuitous. Let us suppose that our manufacturers behave exactly as in the first case, with the exception that they do not capitalize the reserves. They draw their £294,000 of dividends, and they take the £230,000 as a final

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cash bonus instead of capitalizing it. In this case they have for sale at the finish a business with only 20,000 shares, earning £15,000 a year. Now suppose that before selling they bind their purchasers to do a justice they have not done themselves, namely to distribute to the men half the profit above £4,000 a year. In such case the purchasers will only pay for an income of £9,500; or, if we allow £1,500 to reserve so as to make the two cases comparable, then £8,000 will be the net income to be purchased. Now if this income be purchased on the same  $8\frac{1}{2}$  per cent basis as before, which is quite reasonable considering the now relatively more respectable existing reserve and allowance to further reserves, the price will be £94,000. Hence the manufacturers will receive in all from the business £618,000 as against the £588,000 they received from the inflated Company; so that they could not merely have left the door to justice open but have enforced a belated justice, not only at no cost but at a profit of £30,000.

This result, of course, arises from the fact that the profit made by withdrawing £230,000 in gilt-edged securities yielding 5 per cent (assumed marketable at cost price) instead of selling them on an  $8\frac{1}{2}$  per cent basis as assets of the Company,

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### *Inflation of Capital*

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happens to outweigh the loss caused by giving away an income of £5500 a year. And no importance must be attached to the particular figures, for they would be different if, as is commonly the case, the reserves were utilized in a more profitable way. But still, this simplified case does illustrate what is a fact ; that inflation of ordinary capital works an injustice which is not only permanently obstructive to a better system of industry, but which yields comparatively little advantage to those who perpetrate it.

Naturally so. For, as we have said, inflation is not by nature a direct injustice which deprives labour of monetary expectations ; but a mere shield, a smoke-screen, to disguise the effect of other injustices which do have that effect. And in our supposed case the erection of such a screen actually costs the owners £30,000, plus the capitalized value of £5500 a year—nearly £100,000 in all.

But it may be said that we exaggerate the evil : because even if these dynamite manufacturers do not capitalize their reserves, but withdraw them as a cash bonus, they will presumably sell the business at the best price obtainable, and, as industry is currently conducted, without any

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## *Wage-Slavery*

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proviso on the men's behalf. And in such case the purchasers will have to pay £159,000 or nearly £8 per share, and the undeserved profits will disappear equally as in the case of inflation. The profits will only show  $8\frac{1}{2}$  per cent on the market price, and this *ex hypothesi* is market interest for the security that has been purchased.

We have no desire to exaggerate anything. Heaven knows, there is no need. So it may be admitted at once that the normal unavoidable marketing of shares does operate to convert undeserved profit into deserved, so far as concerns the purchaser of shares at a premium. But it is a feeble argument that, because a certain regrettable result tends to happen naturally, placing the remedy of the direct injustices farther out of reach the longer it is postponed, therefore we are excused for producing the same result maliciously and in an aggravated form. Moreover, shares at a heavy premium tend to advertise themselves for what they are, speculative shares that have met with success, and not a sound solid investment at the price. Thus they carry a warning that the profits are undeserved enterprise profits subject to risks, including demands by labour, and not mere interest on well-secured money.

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### *Inflation of Capital*

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But further than these considerations there is a substantial *extra* damage caused to labour by the inflation of ordinary share capital not caused by the normal sale of shares at a premium. For it has nothing to do with the Company, regarded as a corporate entity, if its shareholders have purchased their shares at par, or at a premium, or discount : this is, so to speak, an accidental circumstance. The Company pays dividends on shares and not on the market price of them. And the workmen's rights are against the Company, and not against individual shareholders. It is largely for this very reason that the shareholders find it beneficial to themselves to merge their individualities in an artificial anonymous corporation, and they are bound by their election to acquiesce in those features of such a system of industry that are beneficial to the men : they cannot put off and put on the rôle of individual employers to suit their interest. Therefore, although the men may properly be expected to give some consideration to the average real position, so far as it is honest, of those who are the human units composing their employer, still the Company remains the employer, and the rate of dividend remains the criterion whereby deserved and undeserved profits are to be ascer-

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tained as between employer and employé. So that the destruction of undeserved profits by inflation of capital, by the Company itself, is a far more dishonest and far more damaging encroachment on the men's rights than any effect of the marketing of shares.

It need not be said, of course, that the creation of reserves has nothing to do with this source of injustice. And it need not be said that if the Company needs reserves the men can have no claim to their share of undeserved profits in cash, but must be content with evidence of their title in some form. Reserves are sound and obvious dictates of common business prudence. They give stability to the business and enable the Company to weather crises, and to expand at will. Nor can anything be said against their capitalization into Preference Shares carrying fixed Investment interest, provided, of course, that reserves genuinely risked or to be risked in new enterprise be not so capitalized. Such a course is distinctly beneficial as giving further solidity to the business, by removing the reserves from risk of dissipation in dividends or bonuses; and it also provides the genuinely *investing* public with safe investments. It is the capitalization into ordinary shares, and



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### *Inflation of Capital*

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still more, of course, the process known as "watering," which alone is responsible for injustice. It is of no utility to the business ; it is of no utility to the shareholders, unless, of course, the business is unsound and they wish to unload ; it sooner or later produces over-capitalization and causes loss and hardship to innocent investors ; and in particular it effects the disastrous injustice to the men which we are considering.

Too often it is directly responsible for a business being unable to pay its men even the market wage. How often do we not read concerning some great industry, which has puffed up its capital by frequent bonus issues, and finally finds itself in trouble, that the Directors have met the men's representatives in conference to see how the industry can be carried on ? The Chairman is urbanity itself, he deplures the situation ; but what is to be done ? He shows figures, he takes the men into his confidence : the simple fact is that the Company cannot carry on unless the men accept a reduction. Half a loaf is better than no bread : will the men take a ballot on the acceptance of a reduction of ten shillings a week—temporarily ? Think it over. Remember that this is a great industry on which thousands of innocent investors are dependent ; they have bought

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*Wage-Slavery*

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their shares at high prices and already have made a heavy loss. Will the representatives advise the men to take a reasonable view of this very regrettable state of things. Perhaps later on, when business improves—he is sure the shareholders will show their appreciation, etc., etc.

The men refuse and the business shuts down ; the newspapers trot out the widows and poor clergymen who are invariably the holders of shares that go wrong, and who owe their position, as likely as not, to the lure of an expected bonus issue : the great unthinking public expresses its disapproval of the callous unreason of the men ; no dole is paid by the Government, and the men are glad to slink back at a reduction, on the magnanimous promise of the employers that there will be no victimization.

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*VII*  
*SEMI-PRACTICAL*

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## VII.—SEMI-PRACTICAL

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**WE** have now outlined the three principal injustices, or sources of injustice, which disfigure the industrial system at present in operation in Australia, and which among them cause the deprivation of working men of that measure of equality of opportunity which they are entitled to expect from their own capacity to make use of it, and from the general circumstances of the country. But if we left the subject here it might well be that a charge of having said too much and too little would lie : too much for peace of mind, and too little of practical applicability. Accordingly, an effort must be made to reduce to something approaching applicable criteria the remedies for these sources of injustice.

At the same time, it is obvious that the circumstances of different industries are so various that it would be ridiculous to attempt to measure their requirements with one rod, or to do justice to the subject within the limits of one chapter :

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## *Wage-Slavery*

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moreover, it would be out of place to embark upon technical details in a sketch which is only intended to be suggestive of the necessity of bringing to the solution of Australian labour problems a conception of personal moral obligations.

So that, all things considered, we shall probably meet the requirements of the case by dealing with the practical remedies from a very general standpoint, and upon the broadest of principles. For convenience we shall take the three injustices in reverse order, which is the order of ease of remedy, and probably of urgency.

As to inflation of ordinary share capital by watering or by capitalizing reserves there is little to say. Watering is a dastardly proceeding directed most often not against the men but against the investing public. It is a device whereby those who have run a great risk for a great reward pass off the risk to others and pocket the reward. It deserves no detailed consideration ; and it deserves all that comes to it in the way of deliberate damage by the men. It is the manœuvre of sharks, not of moral beings.

Reserves, however, are a less simple matter, and the subject deserves careful discussion. Here however, it must suffice to say that they should be

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### *Semi-Practical*

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retained uncanceled until their final destination is decided. Such part as may, within the scope of reasonable foresight, be required for payment away in cash or the equivalent, as for example, for equalization of dividends, sinking fund, bad debts, losses, etc., must remain uncanceled. Then such part as it may be decided to apply in genuine new enterprise, either in the same business or not, must be canceled and issued to the correct parties, including workmen to the extent of their claim, in the form of shares carrying the appropriate rights to deserved profit and undeserved profit of the new enterprise, according to the risk run therein, and not according to the nature of the original shares. And, lastly, any remaining part representing Investment Capital which it may be deemed advisable to retain permanently, or for a time, in use in the business, for carrying stock or similar purposes, or merely invested, may either be left uncanceled or be converted into debentures at market interest, or be canceled into shares carrying a preferential right to investment interest and to a return of capital on winding up, according to individual preference or suitability.

One further point under this heading of inflation deserves a little attention. Inflation is resorted to

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sometimes for another reason than either unloading on the public or the making of a poor mouth to labour ; this is the making of a poor mouth to the Government.

Some four or five years ago the rumour became current that the Federal Government contemplated imposing an Excess Profits Tax. And immediately we saw a headlong rush by companies that were making profits at all large, to shelter from the wrath to come. Goodwill and Plant were written up and bonus shares issued to represent the additional paper-value ; dummy subsidiary companies were formed and balance sheets deliberately entangled ; and sales of the whole undertaking were made to new companies of the same name at large prices payable in shares. By any and every means the capital was extended until the profits would show no more than a modest return. And then a proportion of the watered capital was marketed so that the Government might find itself faced with an unalterable accomplished fact.

The threatened danger did not eventuate, but the mere rumour had done its work. It is more than likely that some of the companies concerned will sooner or later find the fictitious capital a grave

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inconvenience ; or at least the holders of the shares will ; and the workmen.

Now although it is not suggested that any legislative action can be invoked with advantage at the present time to forbid or to penalize inflation, since a change of public opinion must first take place, yet the Government ought at least to avoid provoking it. No doubt it is fair enough to tax more heavily the more profitable industries, though even this view loses force somewhat when the shares have *bona fide* changed hands at high prices ; but, whether or no, it is so very important, at a time when industries are springing up rapidly, to encourage the abandonment of artificial inflation, in order that the door may be left open for improvements in the treatment of labour, that the Government might well consider means of removing, once for all, fear of its own taxation as an additional cause of such inflation.

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With regard, now, to the sharing of undeserved profits, the first question is the separation of these profits from deserved profits ; and this presents few difficulties in principle.

The deserved reward of the employer will consist



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of two parts. First, interest upon the money which he has sunk in establishing the business, at a rate to be ascertained by considering the risk of losing it which he ran in so sinking it, in comparison with the interest he would have received by investing his money on the best obtainable security. And, secondly, interest, for simplicity reckoned at the same rate, upon the fair capitalized value of his initiative and ideas.

These two items might appear to be too indefinite to be of any value but for the fact that they are already well recognized in everyday business life. Every man who puts his money into a new Company tries to form a fairly clear idea of the risk he runs, and of the minimum return that will compensate that risk. Certainly he *hopes* for unlimited profit, but he does not expect it; and a certain "living wage" for his money is a definite and lucid concept. It varies not only with variations of market interest for well secured money, but with the capitalization and character of the undertaking; but in every case it is simply that return which would appear to a normally enterprising man with spare cash to compensate for the risks.

And the second factor, the reward of initiative,

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is merely the dividend upon the shares which are customarily issued, credited as fully paid up, to the promoters of the Company. That these shares are often excessive, especially in Companies subscribed among the promoters themselves, cannot be denied, and in such cases we see an illustration of anticipatory watering. But the fair point can be determined with quite a degree of precision, by those accustomed to Company promotion, by considering what issue of promoters' shares would pass muster if the prospectus were issued to the public and subjected to the frank criticism of financial Editors.

The deserved reward of Enterprise being thus determined, and the undeserved profit ascertained by difference, the next question is the just basis of division of the latter between Enterprise and Labour. And this question is much more complex.

One turns naturally to existing profit-sharing schemes, of which there are upwards of two hundred in operation in England, to see how the problem has been solved in practice. But the assistance so gained is not great. Many of the schemes are more paternal in spirit than necessary or desirable for workmen of the independence of character of

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Australians. And many of those that are not paternal are, on the contrary, aimed at obtaining increased efficiency rather than at the discharge of duties towards the men.

One excellent scheme which is neither paternal nor efficiency-seeking, and which, moreover, is extremely simple, is that of Messrs. J., T. & J. Taylor, Ltd., which has been described by its founder, Mr. T. C. Taylor, M.P., as follows :

" I am a woollen manufacturer of the fourth generation in the same line of business.

" For twenty years prior to 1892 I had been a partner in the old-established woollen manufacturing firm of J., T. and J. Taylor, carrying on business at Batley (Yorks.).

" At the beginning of 1892 I became sole partner, and immediately took the first steps to realize the scheme of Profit-Sharing and Labour Co-Partnership which I had cherished for years.

" I fully explained to the leading men of my business my complete plan, telling them that if at the end of the year there were any profit beyond interest on capital they should have a share of it, and that if the result proved satisfactory I should extend the principle first to foremen and later to the rank and file.

" This programme was duly carried out, and at the beginning of 1896, at the annual festive gathering of our workpeople, I announced that in future every man, woman and child employed the whole of any given calendar year would share in any profit the firm made over bare interest upon capital.

" To entitle the worker to receive a share of our profits I did not then lay down, nor have we since laid down, any

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qualifying conditions beyond continuous employment for the whole of a year. We pay fully the standard rates of wages, and we make our conditions of employment as good as we can. Our intention is that the worker's share of profit shall be a free, untrammelled, and extra payment to him out of profit that would otherwise go into his employer's pocket.

"The theory is that profits are the joint result of capital and labour—using the term labour in the widest sense so as to cover all forms of useful human exertion, including the functions of direction and management.

"The various forms of labour are remunerated as the year goes on by salaries and wages. After stock is taken and the balance sheet made, the first claim upon the surplus is the wages of capital, viz., interest at 5 per cent.

"Our principle is that when labour and capital have each had their wages, any balance remaining should be allotted to capital and labour at the same rate per cent, *e.g.*—take the case of a business with £200,000 capital, paying in the year wages and salaries amounting to £160,000. If the profits divisible at the end of the year were £37,000 on our plan we should first pay capital 5 per cent, viz., £10,000, and then divide the remaining £27,000 among the shareholders and workers at the same rate per cent, viz.,  $7\frac{1}{2}$  per cent. Out of this surplus of £27,000 labour would thus receive over and above wages £12,000.

"The basis of each individual worker's share in this total is the amount of his earnings in the year."

The spirit of justice displayed in this scheme is unexceptionable. It is entirely free from the smallest taint of those faults which have rendered so many profit-sharing schemes obnoxious as being apparently devices for detaching men from their Trades Unions, or for avoiding payment of market wages, or for increasing profits by promising the

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## *Wage-Slavery*

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men *some* of the *extra* profit arising from their working harder.\*

The Taylor system is plainly the work of a man aware of a duty and honestly carrying it out as he sees it. The figures he gives as to capital, wages and profits are, of course, those of his own Company ; and, proceeding to describe the Labour Co-Partnership side of his scheme (which does not concern us here), he mentions that the bulk of the £200,000 capital actually belongs to the men, being the accumulation of their share of profits capitalized from year to year. The workers, therefore, receive, in all,

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\* On account of the frequency of occurrence of defects of this character, some observers, for example Mr. Hobson, in his ' Work and Wealth : a Human Valuation,' have somewhat cavalierly brushed aside the whole idea of profit-sharing as futile, and have looked elsewhere for a remedy for injustice. Of course Hobson was speaking of England, and no doubt in that country the heyday of undeserved profits is over. But it is not possible to accept, as even approximately true, his hasty generalization that in England the benefit to the workers from profit-sharing must either be illusory, and based upon their being coaxed into greater exertions, or, if not illusory, must be due to a benevolent sacrifice by the employer of part of his deserved profit. The truth is that profit-sharing is a perfectly sound principle *provided* it is based on a sense of justice, this sense of justice being the one great sound principle of any reform ; but in the hands of "economic" employers it can be perverted to a most repulsive and hypocritical means of exploitation.

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between two-thirds and three-fourths of the entire profit.

But, nevertheless, with all honour to Mr. Taylor for his spirit of justice, it does not appear that his method has any theoretical basis, or produces a just result except through a fortuitous relationship between capital, wages and profits. For the comparable quantities are not wages and capital, but wages and dividend on capital (or on part of capital); that is to say, as Mr. Taylor himself puts it, wages of labour and wages of capital, or, as we should have to put it, the deserved recompense of labour and the deserved profit of the employer. Therefore the conception of distributing excess profits by a uniform dividend over wages and capital is an equation of non-comparable quantities. One might as well compare a week's wages or ten years' wages, with capital, as one year's wages.

Yet, on the other hand, it would not work out reasonably to distribute excess profit by a uniform dividend over wages and deserved profit. There is one English Company which does actually do this, the Walsall Locks and Cart Gear Society, Ltd., whose method is described by the Manager, Mr. W. G. Harrison: "The Society controls a capital of £16,000, and does a trade of upwards

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### *Wage-Slavery*

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of £30,000, and has nearly 300 employés. We hire our capital at the rate of  $7\frac{1}{2}$  per cent, although we also have some shares of a preferential character at 5 per cent. After the payment of this interest and provision for various funds, the profits are divided between capital and labour, the same rate being paid upon each £1 of wages earned as upon each £1 of interest upon capital." But speaking generally such a system would stultify itself in a new country like Australia, either by leading to an excessive estimate of the deserved profit, making it amount to practically all that Enterprise hoped for, or else by discouraging Enterprise from finding the necessary money at all.

Thus we find ourselves back where we started, namely, with no progress towards a solution. And this is natural ; because there simply is no rule of thumb whereby the rival claims of employer and men to the undeserved profits of industry may be compromised. It is, as we have seen, a pure question of balance of advantage to the country in the circumstances for the time being. As these circumstances change, so the mode of reconciling the rival claims will change ; and the most we can hope to do is to arrive at such a temporary solution as may commend itself to the majority of the best

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citizens as applicable to the present condition of our civilization.

This being so, we suggest two propositions for acceptance, which if accepted will yield a reasonably concrete result.

*First, since wealth is the means of progress, therefore the production of wealth must not be checked. And since Enterprise is an essential and non-compellable requisite for the production of wealth, therefore Enterprise must not be unreasonably discouraged. Therefore it must be recognized that Enterprise is entitled to expect in the event of success a share of undeserved profit sufficient to convert its deserved reward into a generous reward.*

*And, secondly, subject to the just expectation of Enterprise, it is an undoubtedly high ideal, and one to which we must aspire, and one for the attainment of which patriotic citizens must be willing to make some real reasonable sacrifice, that wealth should go to those who produce it. Therefore, so far as the requirements of Enterprise, as discounted by reasonable self-sacrifice, permit, the undeserved profits of industry should go to those active wealth-producing agents who produce it, and in the proportions in which they produce it.*

From these two propositions springs by reasonable inference the following conclusion :



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*The first undeserved profits should go mainly to Enterprise until its deserved reward shall have been converted into such reward as may have been reasonably agreed upon as generous; and thereafter undeserved profit should go to those who create it, that is to say to Enterprise and Labour, and in proportion to their deserved rewards.*

In other words, the undeserved profits must be separated into two parts; the one, more or less elastic according to the requirements of the case, representing the extra inducement required above its deserved reward to energize Enterprise; and the other, namely the balance, going to Enterprise and Labour strictly as indicated by the principle of each receiving what he produces, that is to say proportionally to their intrinsic or normal productivity as measured by deserved profit and adjusted wages.

It may be thought, perhaps, that the elasticity of the first item is so great that the whole thing amounts to nothing tangible at all. But this is not so. No doubt it is elastic; and what we have said shows that it must be elastic. Indeed, it must be expected that as civilization progresses this item will dwindle more and more, and perhaps vanish. It is quite likely that some day the notion

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of each receiving what he produces may seem as self-evident as it now appears to us evident that the employer should receive everything. But for all its elasticity its most natural interpretation is reducible immediately to a simple mathematical formula.

For if we suppose  $A$  pounds per annum to be the agreed deserved reward of Enterprise, and  $B$  pounds per annum the agreed estimate of what would be a generous reward—two quantities not by any means beyond human intelligence and goodwill to appraise—then Enterprise can claim against undeserved profits according to a scale whereunder it takes the whole of the first pound, slightly less of the second pound, and so on uniformly until, when it is receiving  $B-A$  pounds of undeserved profit (that is to say  $B$  pounds of total profit), it is taking just half the undeserved profits.

Such a scale would be represented in cartesian co-ordinates by the line  $y = 1 - \frac{x}{2(B-A)}$ . And the actual amount of undeserved profits claimable by Enterprise would be represented by the area below this line, namely,  $x - \frac{x^2}{4(B-A)}$ ; which will be the formula required;  $x$  being the un-

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deserved profit in pounds, and any excess of  $x$  above  $2(B-A)$  being omitted.

Then, of course, the amount to be distributed pro rata as a dividend on the deserved reward of Enterprise and adjusted wages will be the term  $\frac{x^2}{4(B-A)}$ , plus any excess of the undeserved profit above  $2(B-A)$ .

Supposing, then, the problem of division of undeserved profit to have been solved to the satisfaction of all parties, the third question that arises is the mode of dealing with the share of each workman : whether the ideal to be aimed at whenever possible is payment in cash, or, on the exact opposite, accumulation at compound interest against the time when he leaves the employment permanently.

There is a good deal to be said for each view. On the one hand it may be said with truth that the whole case is the result of an inquiry into what is justly the man's property ; and, this having produced a certain result, nothing remains but to give him what is his. On the other hand, it may be said with equal truth that the whole case turns on the man's complaint that his work makes him no richer ; and, as nothing can make him richer more surely than

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accumulation, this is the proper course, and he should welcome it ; and if he is improvident enough not to welcome it, real concern for his welfare must lead us to over-ride his wishes.

The two arguments appear to balance, and the matter can best be left to the individual view of the parties.

But now we come to an apparent difficulty. For it is obvious that if the men are, or may be, entitled to a share of profits, then they must have access to the accounts to verify the position. And this is a thing that Australian workmen have been demanding for years, and that their employers have been strenuously resisting for years.

No doubt good reasons *occasionally* exist for a refusal to disclose, even in confidence, a Company's finances. The writer is familiar with one very exceptional case in which the very existence of a now prosperous and sound concern depended for twenty years upon a financial secret known only to the Directors, and having no connection with the matter of wages. And the undoubted existence of such cases must be taken into account by Labour. But still, for every case in which there is a good reason for secrecy, there are a hundred in which there is no reason at all for non-disclosure to the entire

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world, and still less for non-disclosure in confidence to a trustworthy representative of the men; especially seeing that the men are, or ought to be, in the same interest as their employers. And at a time when industrial peace is essential to prosperity itself, to say nothing of progress towards a higher civilization, it is surely unwise to go actually out of the way to put the idea into the head of Labour, by needlessly withholding information, that it is being lied to. In the present stage of human development there are employers who will not hesitate to lie either to their employés or to a Court upon oath if it may increase their profits. And such men may be expected to find reasons for obstructing the inquiries of their employés. But there is no need for honest men to gratuitously furnish them with a convenient appearance of acting in good company on high principles. The simple fact is that, so long as everything is honest, the presence even on the Board itself, of one of the old and steady hands to represent the men, is actually beneficial to a Company's working. This is proved by experience in several English industries of considerable magnitude.

The prevailing view that employers ought on principle to deny the men's right to any knowledge

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of the accounts, whether there is any real reason for it or not, seems to be based ultimately upon the notion that working men are unreasonable wild beasts—under-men—from whom it is necessary to conceal wealth lest they should covet it. And if what has been said in preceding chapters commands any assent at all, it must result in the working man's being regarded, not as an unreasonable savage, but on the contrary as a very patient sufferer under real wrongs. And therefore the difficulty of disclosing to him the accounts ought to disappear without further argument.

. . . . .

Coming now to the injustice liable to be caused by the wage-contract, we have to deal with a matter which stands in a peculiar position. It is at one and the same time the most difficult of the three injustices to handle, the most urgent from the point of view of the employers' self-respect and of the rights of individual men of ambition or exceptional merit, and the least urgent from the point of view of labour unrest as a whole.

Indeed it can probably be said with truth that to remedy this source of injustice alone, without a genuine change of public opinion as to the proper relationship of employer and employé, would do

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## *Wage-Slavery*

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more harm than good. For as long as the old theory holds the field, that business is nothing but a fierce scramble among primitive apes to see which can rob the others of most cocoanuts, so long labour's only hope is unity. And so long organized labour must sacrifice the dearest hopes of many of its members in order to preserve a united front ; otherwise worse would befall.

Thus, for example, in America, where the rush for money is most intense and least controlled by moral principles, men of exceptional ability undoubtedly have a better opportunity than in England or Australia. . It simply *pays* to give a good man a better job, or more money for the same job if other employers are after him. But the resulting exodus of all the best men from the ranks of labour leaves the remainder less organized, less well led, less intelligent on the average, and more dangerous. And the natural consequence is less genuine progress towards a decent social system, and more violence and bloodshed.

Another illustration, still more striking, of the ill effects of a discriminatory treatment of workers when divorced from genuine just intention, is to be found in the piece-work system. Theoretically this system ought to result inevitably in an ideal

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adjustment of the wage-contract : practically it produces a result so far from ideal that the workers have directed their full and deliberate exertions to its abolition.

Accordingly, it may be confidently expected that organized labour will not welcome with great enthusiasm any form of discriminatory treatment in favour of the better men. It would be foolish if it did, until fully assured of an accompanying real and general spirit of justice towards labour. Nor could anyone conscientiously advise it to tolerate, still less encourage, such a system, unless on the hypothesis of such a general spirit of justice.

Yet, on the other hand, it is obvious that no such just public opinion can ever arise unless somebody makes a start. If every one is to be deterred by the hostility of organized labour, we might revolve for ever round the position that injustice causes a certain attitude of labour, and that attitude of labour prevents the removal of the injustice.

It is a serious dilemma ; but yet there can be in reality no doubt about the course to take. It is a question of personal justice, not of bargaining with Trade Union officials ; and the outcome must be left to take care of itself—as it will do far more



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surely through the simple doing of what is right than through the application of the highest intelligence of the wisest advisers. In fact, it furnishes a perfect illustration of the way in which hopelessly difficult problems solve themselves immediately upon the application of moral tests, just as in the case of unearned income.

We must conceive a hypothetical man just worth employing ; that is to say, a man whose work just produces (or if the conditions are not normal, would just produce under normal conditions), his market wage, or award wage, or living wage—whatever wage he must receive—with enough over to represent his proper contribution towards the employer's deserved profit. As to such a man the wage-contract is just. It is not usually extremely difficult to recognize the men who fill this position, and most employers know, or can find out from their foremen and managers, which of the employés are approximately so situated. Then using such a man as a standard it is possible "with reasonable accuracy" to grade the better men who are producing by normal excellence and not by favourable circumstances more than their contributions towards the deserved profit. Then, of course, each better man is simply to receive an increase of pay that will

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reduce his normal surplus product to its correct dimensions.

It is simple enough in principle, and the lines upon which it might be developed mathematically in artificially simplified cases are clear enough ; but it is questionable whether further elaboration would serve any useful purpose. Probably not. In truth it is a human problem rather than a mathematical one, and the point is simply that the employer must do his conscientious best to see that if any man is reasonably to be regarded as a good bargain to him, that is to say, as yielding by his intrinsic excellence a surplus product in excess of his proper quota of deserved profit, then the bargain of the wage-contract must be equalized by an increased wage. The guiding principle must be that the workman, as the weaker party, must be given the benefit of any doubt.

The general effect will be to reduce the size of the apparently undeserved profits ; the order of priority of claims being first bargained wages, second deserved profit, third increment of wages to equalize each individual wage-contract on its merits, fourth undeserved profit. In other words, until a Company is paying bargained wages, deserved profits *and* deserved wage-increments it

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## *Wage-Slavery*

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is not to be regarded as making any undeserved profit ; on the contrary it must be below normal in productivity and ought to be the subject of earnest heart-searchings by the management to see if the fault lies in that department.

It may perhaps be suggested that in practice the grading should be done by the employer (or Board of Directors) with the assistance of a committee of the most trusted hands, such as in England has been introduced in many concerns with great success, to advise generally upon all matters of factory management and discipline from the point of view of the workers. In any case the task should not be left to the works-manager, to whose duties it is fundamentally foreign.

There are two criticisms of this proposed adjustment of wages which must be noted in passing. The first is that it is impossible to know from week to week how profits are going, and the employer must guard against leaving himself short of his deserved profit. This difficulty, although commonly advanced as a stock answer to men who ask for increased pay, does not appear insuperable. If the worst comes to the worst, any doubtful part of the extra pay can be dealt with as a lump sum at the end of the year ; or a special reserve may be kept

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for the purpose. The second criticism, however, is valid and its existence very regrettable. This is that there may be a percentage of workers below the standard of the man just worth employing, who would be dismissed instead of being compensated for by the surplus of the better hands, as is most unjustly permitted at present. No doubt, if the business were making undeserved profits, and the employer were content to keep on the inferior workers out of kindness, he could do so. But simple justice, which is all we are discussing, does not extend to such kindness, and we have to reckon with the possible dismissal of the poorest workers.

In order to provide for the sufferers from this cause there is, however, an appropriate and ready means at hand in governmental action to provide some form of unremunerative work for unemployables. The loss incurred by so doing would not be a net deduction from the national income, but a neutral operation ; for the inferiors must live, and they will produce much the same wealth as before : they are a loss to the country in any case.

Or, if this solution of the problem of unemployables be regarded as too facile, then we must leave it with the remark with which Professor Taussig leaves the question of a minimum wage for American

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## *Wage-Slavery*

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workers: "It is a fair question whether it is not a merit in the proposal, rather than a defect, that the community would be compelled to face squarely the problems of decrepitude and degeneracy." \*

It may be objected, perhaps, by an acute critic that after being at pains to represent orthodox economists as perpetrating a gross fallacy in identifying the market wage with a morally just wage, we too have been driven into the same position: that we have said that the market wage has no point of contact with ethics and cannot be used as a basis for ascertaining a fair wage; and now we are doing that very thing: that the whole of this suggested wage-contract adjustment is merely an effort to accord to the workers payment which is *relatively* just on the assumption that the market wage is absolutely just as to some one man whom we use as a starting point, an assumption we are not entitled to make after what we have previously said.

Well, in so far as this might be intended as a criticism of the principle we have adopted, it would be misconceived; for we simply do not base a scale of adjusted wages upon the market wage as a

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\* "Principles of Economics," 3rd Edn., Vol. II., p. 332.

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*Semi-Practical*

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starting point, but upon the normal productivity of a certain man, actual or hypothetical, for whom the market wage is, or would be, absolutely just, not because it is the market wage but because it is the just wage for him on his productivity. But in so far as it might be intended as a criticism of the practical feasibility of recognizing this basic man when he is met with, then we admit that it may or may not be in point. It probably depends on the circumstances. But, anyhow, the very difficulty, if there be difficulty, in being sure that the market wage is not still unjust even to the poorest worker employed, only emphasizes still further the absurdity of relying upon supply and demand to produce a just wage : one might as well rely upon the necessity for medical attention to fix the fair charge of a surgeon. For surgeon and workman alike it is fundamentally a moral problem, and we can but do our best. We can scarcely fail to improve upon the existing system, under which the employer says, in effect, to his men, Now that I have done the worst I could for you; you must do the best you can for me.

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*VIII*  
*IN CONCLUSION*

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## VIII.—IN CONCLUSION.

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**I**T is easy to mistake for the greater man the son who spends with display the fortune amassed by his saving father. And, similarly, it is easy to mistake for progress what is only the externalization of reserves of energy stored up by lowly-seeming ancestors.

If we compare our social condition of to-day with that of England in say A.D. 1700, we find less poverty, more knowledge, better education, greater democracy, vastly greater comfort, incomparably greater material achievement ; not unlikely we have even more refinement, more philanthropy, perhaps greater kindliness. But yet we are only heirs to a rich inheritance, not creators ; we are but reaping what was sowed with silent unostentatious patience in the despised Dark and Middle Ages. Through all those ages the slow ferment of Christianity was working to produce in Englishmen a character, a self-respect, a respect for others, and a respect for



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### *Wage-Slavery*

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God, which was the source of all the progress we have reaped.

If we are only *reaping* that progress, well and good; but what if we are *spending* it, frittering away in a search after wealth and comfort the splendid capacity for idealistic self-sacrifice which we inherited from Christian forefathers? What if our vaunted culture is only a hypertrophied delicacy of feeling which, so far from being a sturdy virtue containing the germ of further progress, is but a form of self-indulgence, a shrinking from what is ugly which is quite compatible with complete immorality and disregard for others? In such case we should be mere gaudy spendthrifts of the great legacy so laboriously amassed for us.

Men being as yet but very thinly veneered with civilization their evolution is necessarily slow, so slow that no real progress can possibly be appreciable within the space of a lifetime. And, this being so, it is only natural to find that Christianity—that religion which was devised by One who had made man and therefore knew his requirements—has a genius peculiar to itself, inasmuch as it lays the foundations for progress without attempting to precipitate visible results more rapidly than human nature is adapted to support. It works deep in

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the heart, bending the stubborn selfish will to deny itself, not primarily for the benefit of the State or of material general well-being, but for supernatural motives, and in a hidden manner. Thus it elevates the character in such a way that temporal progress follows naturally and inevitably, but only secondarily and slowly. It lays up in mankind a vast store of potential progress without too hastily opening the gates through which that potentiality may materialize in visible results.

But men are impatient ; they wish to see results ; and to produce results themselves in their own lifetime. Hence it is that we see in history a succession of revolts from the Christian religion, and each followed by an immediate and vast access of apparent progress : the abandonment of truth followed by an outburst of prosperity ; and not only prosperity but chivalry and patriotism, and many pleasing virtues of natural types !

It is not unnatural that such events should be a serious stumbling-block to those who do not appreciate their significance ; although this significance is plain upon a moment's thought. Christianity has been busy laying up a store of potential progress, and hasty man has burst into the store-house, made himself drunk upon the riches he has found within,

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and finds himself, when they are gone, in a worse position than his first.

What happens may, perhaps, be made clear in this way. The most primitive instinct of man is to seek his ease ; and we may suppose a community in some South Sea Island engaged in enjoying such ease. They sit naked under the banana trees and sing ; or occasionally go head-hunting for a little excitement. Into this community comes Christianity ; and after a thousand years it has developed in the people a capacity for resisting their inclination to bask at ease to a degree which we may represent by 100. But of these 100 degrees of self-sacrificing power perhaps five display themselves in manual work, building modest houses and making simple clothes, while ninety-five are hiddenly working, subjecting the will to God, loving Him, loving others and doing kindnesses for His sake, and in restraining lusts, pride, covetousness, hates and head-hunting propensities. Then arises an atheist who leads the people to abandon God and worship their own prowess and patriotism. At once 100 degrees of moral force are let loose and concentrated upon military ambition ; the islanders build war vessels and conquer all the islands for miles around : they build up commerce, and, in a word, they

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flourish. But no more moral force accumulates ; on the contrary, that which they have gradually wanes and finally disappears. Their conscience is impaired ; their natural virtue follows their acquired ; and they sink to a depth at which nothing is to be hoped for but their speedy annihilation.

At least one case of this has run its course from start to finish ; and by its history we can judge of the tendency of other similar cases not yet remote enough in time to be seen as completed episodes. This is the rise and decline of Islam. From being no more than a cloud on the horizon the religion of Mohammed in a few years overspread the East, swept half the existing Roman empire into its power and creed, and overthrew the Christian Teutonic kingdom of Spain. It seemed to call up a civilization with agriculture and manufactures, literature and philosophy, science and architecture, that threw the Christian world into the shade.

While Christendom was full of hereditary inequalities of wealth and power, Islam at one bound seemed to leap over centuries, and to secure the equality that is the aim of modern Socialists. But what is Islam now ? A stagnant pool that the blindest could not mistake for the spring of a glorious future. And that it has not sunk to

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### *Wage-Slavery*

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lower depths is due to the fact that Mohammedanism is at least much above Atheism.

A second case is the French Revolution, when, under the lead of Rousseau and Voltaire the Christian faith was swept away in favour of nothing even so good as Mohammedanism. But again, the result was an immediate and dazzling outburst of emancipated humanity, in literature and science, and later in armed victories that laid well-nigh all Europe at the feet of France ; and then the steady ebb of that glory as the accumulated waters of Christianity flowed gradually away. She concentrated her energies upon one quality—patriotism ; and the best soldiers in the world had no power of self-sacrifice left over to be faithful husbands or to rear families. Such hope of recovery as she had resided in the many pious peasants who had clung to the Faith ; and this last hope seemed to vanish with the suppression of denominational schools at the beginning of this century. Now has come the War, and it has brought France another chance ; for Unbelief has received a set-back. But it remains to be seen how the stream sets with the return of stable conditions.

Still a third, and, thank God, only a partial case was England's Reformation, which was in essence

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### *In Conclusion*

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an Erastianizing of Christianity, that is to say a subjection of spiritual independence to State control. And once again an outburst of prosperity followed, under Elizabeth, with almost uncanny precision.

What are we to think? Is the ebb to set in; or has it set in; or are we to escape by virtue of that considerable measure of the true Christian spirit which Englishmen did not relinquish?

The more optimistic view is taken by Benjamin Kidd in his "Social Evolution." "In England, where the religious movement of the sixteenth century proceeded with little interruption, it has been noticed that the most significant feature of the process of social development, in which the power-holding classes are in full conscious retreat before the incoming people, is that these classes are themselves deeply affected by the softening influences of the time. All classes of society have become sensitive in a high degree to the sight of suffering or wrong of any kind. The effect on the power-holding classes is to take away their faith in their own cause. With all the enormous latent strength of their position these classes do not make, and either consciously or unconsciously realize that they cannot make, any effective resistance to the onward movement which is gradually uplifting the people

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## *Wage-Slavery*

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at their expense. The best of them are, in fact, either openly, or in their hearts, on the side of the people, and the only fighting policy of the party is consequently one of temporizing defence.

“The practical consequence is of great significance. It is that the development in which the excluded masses of the people are being brought into the competition of life on a footing of equality of opportunity is proceeding, and will continue to proceed in Great Britain, not by the violent stages of revolution, but as a gradual and orderly process of social change. The power-holding classes are in retreat before the people ; but the retreat on the one side is orderly and unbroken, while the advance on the other is the steady, unhastening, onward movement of a party conscious of the strength and rectitude of its cause, and in no doubt as to the final issue. There is, consequently, no deep-seated bitterness on either side. Both opponents, still respecting each other, recognize, as it were, the ultimate issue of the battle. The great process is proceeding as a natural and orderly development—we are adapting the old institutions to the new wants. This is the real secret of that political genius the Anglo-Saxon peoples are now displaying, and there is scarcely any other quality which pro-

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mises to stand them in such good stead in that great social revolution with which the history of the twentieth century will be filled."

That is to say, Kidd believes that in England the moral obligations of right conduct are still supreme, and are extending their scope, driving men to do justice to their fellows to the sacrifice of self-interest; the better elements acquiescing voluntarily and even taking the lead, and the others following more reluctantly yet with resignation. It is a glorious belief; and the present writer shares it, though on different grounds from Mr. Kidd. It is not the Erastian movement of the *sixteenth* century which has any power for good; but the religious movement of the *first* century, of which no small part survived the dangers of the sixteenth. This, together with the exceptional endowment of natural virtue enjoyed by Englishmen, especially their incapacity to hate, and the fact that a steady stream is carrying many back each year to the full religion of Jesus Christ and of the Holy Spirit whom He sent, affords good grounds for hope that England is truly on the upward path of progress. Beyond question her conduct during and since the War is a record of which her sons may well be proud. She expended £8,000,000,000 and gave the lives of



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### *Wage-Slavery*

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millions of her best manhood in defence of the weak and of her own pledged word. In the hour of victory hers was the restraining hand, after America, who supplied the high-sounding phrases, had run away from the task and ensconced herself in safe disentanglement, brooding over the gold of the world. She waived all claim to reparations and inter-allied debts except sufficient to pay what America demanded of her. She settled her obligations to America before receiving the least assurance that she would receive anything from conquered Germany or from her Allies. And, not least, she freely extended to Ireland the same freedom that she had previously given to the Boers in South Africa.

All this seems to prove beyond doubt that England's heart is still in the right place and that she has not suffered in her power of self-sacrifice from the material prosperity of a hundred years. Indeed, such are the ways of Providence, it would not be surprising if the future were to show that the War was a special blessing to England, relieving her of wealth which she had accumulated somewhat in advance of her power to use it for the best. £8,000,000,000 expended wisely upon social betterment would have made England a paradise ; and

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next time she has such a sum to spend she may have developed the ideals to so use it.

Even in the sphere of private justice in industry England displays a healthy ferment of thought. Upwards of two hundred employers practise schemes of profit-sharing, and distributed over a million pounds to employes in 1920 ; while many others are known to intend doing likewise as soon as their businesses begin once more to show profits. All things considered, he would be a very pessimistic man who could not see good hope of a bright future for England. She deserves it.

But it is difficult to say as much in regard to the other great Anglo-Saxon nation, the United States. There the influence of Christianity has been so extensively diluted by simple indifferentism that the result stands as, in effect, a fourth example of national abandonment of religion. And the usual result, namely an outburst of material prosperity, has not been wanting. The prevailing spirit is a cult of "hustling," a worship of money, which does not augur well for the future. America of all countries in the world has had the best chance of achieving social justice, yet one looks in vain to her for a single useful idea. Ideas to get greater efficiency from the workers—oh, yes, plenty!

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### *Wage-Slavery*

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But ideas to give the truer to describe No. The opportun<sup>s</sup> corrupt. There is tion of a new contin<sup>s</sup> not general outside virile race of noble <sup>s</sup>ps the very energy in an orgy of greed, <sup>s</sup>cal, base though that failing to maintain <sup>s</sup>pe evils. They have England as a result <sup>s</sup>ad directness ; and, dence " as Taussig, <sup>s</sup>ssal it is, as yet, a the selfish limitatio<sup>s</sup>pe not a contradiction

No doubt the <sup>s</sup> is not intellectual the economic law <sup>s</sup>akes them there is wealth is sufficient

prevented from <sup>s</sup>inless they awaken ; But it also illustrate <sup>s</sup>now. The age of ward filtration can <sup>s</sup>under the misused shameful trickle <sup>s</sup>growing up a new rich. Nominal <sup>s</sup>wi than the old, which by no means so <sup>s</sup>it to do with us one wealth-distributio<sup>s</sup>he sacred right of other country. <sup>s</sup>children ; and to flourishes within <sup>s</sup>pe allowed to live, of millionaires. <sup>s</sup>pe allowed to bring wanton failure to <sup>s</sup>anged in body or for such a declen<sup>s</sup>ation. The spirit beginnings, the <sup>s</sup>its fetish of social glorification and <sup>s</sup>autiful and happy

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### *Wage-Slavery*

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But ideas to give them a share of the good things—  
No. The opportunity that arose upon the occupation of a new continent of unexampled richness by a virile race of noble ancestry has been squandered in an orgy of greed, and the original stock is already failing to maintain itself and is dying out in New England as a result of luxury and vice—or “prudence” as Taussig, with typical perversity, styles the selfish limitation of families.

No doubt the condition of America illustrates the economic law that if only the production of wealth is sufficiently great some of it cannot be prevented from filtering down to the workers. But it also illustrates the further fact that this downward filtration can be reduced to a miserable and shameful trickle by selfishness on the part of the rich. Nominal wages are high, but real wages are by no means so high; and the inequalities of wealth-distribution are at least as great as in any other country. In New York stark sweating flourishes within a stone's throw of whole streets of millionaires. And instead of regret for such a wanton failure to make use of her opportunity, or for such a declension from all the promise of her beginnings, the national attitude is one of self-glorification and contempt for other peoples.

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Yet perhaps it would be truer to describe Americans as asleep than as corrupt. There is corruption of course ; but it is not general outside the very rich classes. Perhaps the very energy with which they pursue their ideal, base though that ideal is, saves them from worse evils. They have a very noticeable simplicity and directness ; and, although their conceit is colossal it is, as yet, a modest conceit, if such a thing be not a contradiction in terms. At any rate it is not intellectual pride, and until this overtakes them there is hope.

But it will overtake them unless they awaken ; it is creeping upon them even now. The age of Psychology is just dawning, and under the misused name of this science there is growing up a new Materialism, ten times more evil than the old, which will soon be demanding the right to do with us one knows not what : to control the sacred right of marriage, and the begetting of children ; and to decide whether a child shall be allowed to live, and whether the parents shall be allowed to bring it up, and whether it shall be changed in body or mind by subtle means or by mutilation. The spirit of this æsthetic Materialism, with its fetish of social service, its mimicry of all that is beautiful and happy

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and pure and good and true, is the very spirit of Antichrist ; and there is no force able to stay its advance but Christianity. But this the Americans for the most part have discarded, and that they have discarded it in folly rather than in malice will not save them.

However, America is not our problem ; nor is it any longer an Anglo-Saxon nation.

As to ourselves, here in our own Australia, we are as yet too young to have been able to travel far on either the right road or the wrong ; and we have a task of exceptional difficulty which will require all that splendid endowment of character which we have received from British ancestors. For in one respect our case is more difficult than England's or America's. This is due to the fact that whereas in England labour has as yet been unable, and in America unwilling, to enter politics as an effective force, with us it is the dominant party and apparently need never lose control of power except through internal dissensions.

The result of this state of things is on the whole favourable to our chances of producing the best civilization the world has yet seen. For Labour, although inferior to the more wealthy classes in intellectual cultivation, is probably, and indeed for

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that very reason, superior in moral sense. It has a tradition of conscientious performance of duty as against a tradition of dependence on the conscientiousness of others.

But, on the other hand, Labour's control of the Government imports a danger inasmuch as it brings a type of modified Socialism within comparatively easy reach ; of which the effect might be no doubt an extensive amelioration of hardship among workers, but which would yet contain no elements of advance. It could not produce social justice, but only social comfort. It would be a condition under which the moral attributes not only of the more wealthy classes, but of the working men themselves, would tend to shrivel and die.

We have already alluded to the fact that it is erroneous to attack Socialism on the ground that it could not serve as a practical system of feeding the community and of giving it material comfort. The fact is that it ought to be able to do this, for the time, far better than our present system. For our present system is cumbered with a mass of private rights which, even if reduced to proportions which could be endorsed as just from the point of view of Christian ethics, would still shelter for their possessors a considerable fund which Socialism would



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simply commandeer and apply for the supposed general welfare.

So much is this so that it seems reasonable to conjecture that, unless the course of Russian history receives a violent distortion through some Fascist or Peasant counter-revolution, Bolshevism will quickly shed its more extravagant features and, under the influence of a debased or of no religion, will produce a material prosperity and power unexampled in Russian history hitherto. The resulting civilization will be essentially parasitic and unsound, but so far as temporary results are concerned its true nature will be indistinguishable from the highest and best kind of progress. And these results should follow within few years.

If this forecast is justified by events the danger to Australia will be intensified tenfold. For although the working men do not really want the particular type of results they could achieve by Socialism, but the results they can only receive through justice, yet if they see no chance of the one they can hardly be expected not to take the next best thing. Already they have plenty of "leaders" anxious to bestow upon them the blessings of Bolshevism; and though we may hope that the charms of these seducers will fail against British

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### *In Conclusion*

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character so long as the blessings of Bolshevism are to be taken on faith, it will be expecting too much of their conscientiousness to hope that they will resist the apparently demonstrated fact. Nor should we be able to ask it of them, for the position can only arise through our having likewise failed in conscientiousness.

But, even apart from the added danger which events in Russia may bring, it is still true that we are in a position new in history. Because, unlike England, we can only temporize and conduct our orderly retreat by grace of Labour. And if Labour should lose patience with our slowness it has at hand its alternative. Not that the writer is a scaremonger or a pessimist ; on the contrary he is an optimist. He could not easily credit that the descendants of Englishmen who conducted their revolution against despotism so differently from the French and the Russians and who have built up with infinite patience the sanest, freest and most wholesome constitution in the world, would lightly discard all their progress in favour of an upstart form of government. But yet the simple truth is that the wealthier classes in Australia may not even think of themselves as an hereditary ruling class whose utmost duty to their inferiors is

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## *Wage-Slavery*

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kindly care : they must think of themselves as kept in their position by the voluntary support of those who once were their dependents but whom they themselves have raised to be free and equal partners, in some respects even stronger than themselves.

And these free and equal partners are dissatisfied with their share of the drawings : they allege injustice. They ask for more. They have been a little incoherent in their statement of their case ; but in effect they have said that it is for us to justify our taking of the lion's share, if we can ; and that they will wait patiently for us as long as their patience lasts. Well, we cannot justify our share. On the contrary we admit three palpable sources of injustice. What are we going to do about it ? Conduct an orderly retreat ?

If this is to be our programme, and if we are to be allowed leisure to carry it out at our convenience, then at least we must make haste with remedying one of the three injustices—the third, inflation of capital. For, on the one hand, to do so will cost no self-sacrifice ; so that failure to effect a change can be due to nothing but a self-confessed desire to avoid justice ; and, on the other hand, it is a

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peculiarity of this injustice that Labour cannot afford to display the same patience in regard to it as even to the more direct injustices.

Australia is just beginning to become an industrial country ; factories are springing up, mines being opened, companies being formed. And in every factory, mine and other business in which extensive inflation of capital takes place, followed by a marketing of the shares, the road to industrial justice is blocked for ever.

Of this result Labour is aware. And it amply explains the symptoms of impatience displayed by the men. It would explain them if the symptoms were much graver than they are. For as long as inflation is proceeding merrily—and of course it is the general rule with concerns fortunate enough to be making the necessary profits—so long all reasonableness, all conferences, all arbitrations, all constitutional procedure are only playing into the hands of the opponent, giving him time to throw up his shield of innocent investors with moral rights. In such a case patience is the surest way of getting nothing, and the only way of getting anything is drastic legislation, if possible ; or, if not possible, then sabotage and violence. That we are free from such phenomena is due only to the fact that our

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workmen are conscientious Christians and Britons, and not international rationalists.

However we, too, are conscientious Christians and Britons, and we cannot simply leave the men to pay the penalty of being patient ; moreover, we are committed to optimism. Hence it is not only undignified but simply inconsistent to concern ourselves with an inquiry as to the least haste we may make towards justice, or how far we may hope to avoid the unpleasant necessity of acting like moral beings. Accordingly, although the change of conditions must be orderly and may even be somewhat slow, we must not call it a retreat ; rather let us say that we shall conduct an orderly advance, with what speed we may, to the emancipation of the wage-slaves.

That the correction of the three particular injustices which we have considered is all that will be necessary to produce an ideal state of industry in Australia it would be absurd to suppose. There would remain countless problems. As, for example, how and how far we can, and should, prevent the development of local competition such as will inevitably destroy undeserved profits, and with them the chief source of opportunity for the workers ; or, on the contrary, if for such a purpose employers

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and men conspire to produce large non-competitive combinations, how and how far we can, and should, prevent or control such a development in the interest of consumers.

We need not imagine that problems will ever be lacking. But sufficient for the day is the evil thereof : the pressing necessity of the moment is a recognition of a duty of personal justice between employers and their men ; and particularly a redress of the three injustices we have discovered. Thus will the workers receive what is their due for the time being : and thus will arise a moral public opinion to which all future problems can safely be left.

THE END.

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