

THE SECRET OF HIGH WAGES

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FOREWORD

This book treats of a very vital problem ; for on the challenging issues which it raises depends the economic future of Britain. No European can visit America without realising that across the Atlantic changes are occurring which amount to an economic revolution. Tens of millions of people have attained there standards of comfort and of culture far higher than those of any other country in the world to-day, and immensely in excess of anything hitherto known in the world's history ; while the rate of material advancement has accelerated to break-neck speed. With this abounding prosperity there have been developing new traditions and novel ideas in the world of affairs, in the relations between buyer and seller, between employer and employed, between those who own industry and those who manage it.

The Englishman visiting the United States inevitably asks himself where we stand in relation to these great and rapid changes. Is Great Britain destined to keep abreast of the great progress of the United States of America in the next ten or twenty years ; or can we hope to do no more than maintain our present standard while the New World passes by and leaves us to sink into the respectable but unexciting status of a comparatively poor relation ?

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Many of those who think that we cannot hope to keep pace with America base their view on the abundant resources with which nature has so richly endowed her. The evidences on this point are indeed striking. Recent figures show that whereas America contains only some 7 per cent. of the world's population, she produces 22 per cent. of its wheat, 43 per cent. of its coal, 53 per cent. of its copper, 58 per cent. of its cotton, 60 per cent. of its steel, and 72 per cent. of its oil. Truly the Dives of the modern world!

But Britain also has economic assets. Apart from the resources of these islands, she is a country which has great possessions and the world for her market. It is a mistake to assume that in the matter of resources America has everything her own way. The British Empire produces 60 per cent. of the world's wool and rubber, 70 per cent. of its tea and gold, 89 per cent. of its nickel and 99 per cent. of its jute, to mention a few only of its products; while Great Britain alone, with but 3 per cent. of the world's population, owns over 30 per cent. of the world's ships and 40 per cent. of its cotton spindles. While, however, the balance sheet of natural resources is an important factor in determining the prosperity of nations, these resources are useless without the knowledge and the enterprise needed to exploit them. The implicit assumption of this book is that if we fail it will not be for lack of resources but because we are too slow in learning new ways of exploiting our inheritance.

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Last autumn two highly qualified young engineers planned on their own initiative, and at their own expense, an intensive tour of some of the industrial regions of the United States, with the object of wresting from America the secret of her rapid industrial progress. The conclusions at which they arrived are contained in this book. It is a work of considerable importance—not primarily as a treatise on economics, but because it contrives to convey in an unmistakable manner something of the atmosphere of the American industrial world and the point of view of its managers.

The gospel which Mr. Austin and Mr. Lloyd have come home to preach is not a new one. Its central features are, on the one hand, the old theory of the economy of high wages, and, on the other, the business maxim, that it is generally more profitable in the long run to aim at a big output or turnover at low prices, than to aim at high prices. These doctrines are familiar in theory, but are too commonly ignored in practice. The thesis of the present report is that the hope of salvation for Great Britain lies in overcoming the deep-rooted prejudices against them.

It may be argued that America's experience is no real guide for Britain on the ground that the great growth of America's population has provided a rapidly expanding market, while the labour situation is entirely different from that in Britain. But these objections are not valid against the main contention. The manufacturer who

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casts his eye over the markets of the world will at once recognise that the problem with which the salesman of British industrial products is faced is not the absence of markets, but the fact that his prices are too high; and as to labour conditions any impartial observer must admit that the traditional wage policy of employers in many British industries is largely to blame for the opposition to payment by results, and for the fact that the wage earner concentrates more attention on the standard rate of his class rather than on the prosperity of his firm, or on the hope of rising to a higher position. Our recent industrial history would have been very different if more industries had realised the economic importance of a wage system which provided big prizes for wage earners.

In the bad old days, when factory hours were long, there was in every Lancashire town an individual known as the "knocker-up." Early every morning—often hours before the dawn—the silence would be broken by his insistent tap on one window pane after another down the empty street. Within a few minutes of his passing would be heard first one step, then another, quickly swelling to a roar of clattering clogs, hurrying along the cobbled road to the neighbouring mill. Mr. Austin and Mr. Lloyd are endeavouring to play the part of the "knockers-up" of British industry. Let us hope that they will find that the lady is only sleeping and will respond to their call.

WALTER T. LAYTON.

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PREFACE

This book is written as a result of our visit to the United States of America during the last quarter of 1925.

The visit was inspired by the thought that some possible benefit might be derived from a first-hand acquaintance with the American manufacturing industry during a period of unprecedented prosperity in that country and at a time when Great Britain was in the throes of an industrial depression, hitherto unparalleled, which has rendered workless a million and a quarter of our people.

The line of inquiry was mainly directed to those causes which are responsible for bringing about a condition of high wages in industry coupled with low cost of production.

Armed with some knowledge of the British and Continental engineering industry both from the manufacturing and selling points of view, we toured the most important cities of Eastern America, inspected twenty-four manufacturing plants and other commercial organisations and in addition had opportunities of discussing industrial policies and methods of manufacture with many leaders in American life.

Our impressions were briefly described in a memorandum entitled "American Prosperity" which was printed for private circulation and was the subject of

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some comment in the British and Continental Press in January and February, 1926. This book is the direct outcome of the many suggestions which appeared in the Press that the material contained in the memorandum should receive a wider publicity.

Certain policies of management in industry, not generally adopted by British firms, were found to be in more or less universal operation in the United States. As we believe that the adoption of these principles has contributed more than anything else to the present prosperity of America, they are discussed in detail in the following chapters.

We wish to place on record our appreciation of the numerous facilities and courtesies so freely extended to us during the course of our investigations and to express our thanks to the many Americans who were kind enough to place at our disposal all the information we desired and to give us their valuable time for the discussion of the many points we raised. We also wish to thank the officials of H.B.M. Government resident in America for their generous co-operation and assistance.

B. A.

W. F. L.

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