

**THE PRINCIPLES OF WAGES**

TO MY TEACHER  
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PROFESSOR OF ECONOMIC THEORY  
AT THE  
NETHERLAND UNIVERSITY OF COMMERCE  
ROTTERDAM

# THE PRINCIPLES OF WAGES

By  
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“Towards the realization of the highest  
desires within the limits of possibility.”

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## PREFACE

A FEW years ago several objections to the existing theories of imputation led us to an examination of the different possibilities of determining the prices of the agents of production in general and of wages in particular. We did not then carry out that study, as circumstances forced us to break it off and to pay our attention to other things. It was not until the University of Chicago offered a prize for a work on the theory of wages that we resolved to take this interesting matter up again, this time to think it out as far as possible, in order to come to an exact and definite conclusion concerning the subject.

The first thing we did was an examination of as much of the literature on the subject as could be worked through during the time that was available. We must confess that we did not read everything that has been written on the topic. In our opinion no sensible man would do this, so that we are not ashamed of this confession. But what is worse, we even did not read all the good literature on the subject. This we regret but we find an excuse in two facts. One of them is that some good articles and books were beyond our reach. But besides the amount of work a man can do being, like wages, determined by "natural law", it proved to be absolutely impossible even to work through the good or fairly good literature that could be obtained. There is such a huge mass of literature on the subject that only a Methuselah with the energy of a Hercules and the passion for details of a Schmollerian German could achieve the task of working through it.

Being hampered by the scarcity of time and energy, we had to take recourse to the economic mode of proceeding and have tried to create the best possible product with the given

means. We think we have realized this, to a certain extent, by an expedient limitation of scope.<sup>1</sup>

The result of this work is shown in the following observations. First we discovered a fact, which many a student must have discovered, that many of our suggestions were not new and had sometimes been published long ago, and often by authors who were practically forgotten.

The second thing we learnt was that there is still much to be done concerning the organization of economic research. It is remarkable how many authors say the same thing without knowing each other's explanations. This, however, means a deplorable loss of energy. In modern times some attempts have been made to fill this gap and to collect the views of the different authors on the subject. Reference is made to these works in several parts of our analysis.<sup>2</sup> We are indebted to them, because they smoothed our way to some works and articles that, without them, would perhaps have escaped our attention under the circumstances, of which we have just spoken. Some of the views developed in these books, have much in common with some remarks that can be found in the present work. We have, however, not borrowed any essential element of our analysis from them, as we had found all the constituent elements before we read them. In many aspects our analysis differs from their examinations. Our point of view of criticism was also essentially different from theirs. This is why we have resolved to reproduce and criticize those of the prevalent theories of the principles of wages and of the objections to them that we thought worthy of consideration.

Our choice of the theories to be treated and their division into groups is different from the existing mode of procedure and will be justified by our own point of view that is expounded in one of our last chapters.

<sup>1</sup> See Chapter I.

<sup>2</sup> They are: Dr. W. Mohrmann: *Dogmengeschichte der Zurechnungslehre*, Jena, 1914.

Dr. C. Landauer: *Grundprobleme der funktionalen Verteilung des wirtschaftlichen Wertes*, Jena, 1923.

Dr. H. Hefendehl: *Das Problem der ökonomischen Zurechnung*, Essen, 1923.

We have tried to give critical comparisons of the principles of wages of the different groups of economists. The most important of these critical comparisons concerns the theories of Prof. Clark and Prof. Cassel. As far as we know, our criticism of the theories of Von Böhm-Bawerk and Von Wieser contains new arguments that in our view are of importance. From our point of view, our theoretical conclusion: that the theory of wages of the future must find its basis in the synthesis of the theories of Prof. Clark and those of the School of Walras and Prof. Cassel, is of course the most important element of our study.

We could obviously not follow out all the sequences of thought that we were concerned with to the very end, but we have only done so, as much as was strictly necessary for our purposes. Only too much remains to be done and only international collaboration can help to carry the development of the important theory which was the subject of our study to that perfection which it must ultimately attain.

If this work should prove to be a small contribution to this development, we should think our "toil and trouble" fully rewarded.

We are indebted to Miss Daisy Jordan for reading and correcting the manuscript, and for general stimulus and suggestion to our teacher, Professor Dr. Frans de Vries, who, in barely ten years, has made the Netherland University of Commerce an important centre for the study of economic theory.

Scheveningen,  
*August, 1926.*

## INTRODUCTION

IN 1925 a Committee, composed of Professor J. Laurence Laughlin, Chairman, Professor John Bates Clark, Professor Edwin F. Gay, Hon. Theodore E. Burton, and Professor Wesley C. Mitchell were enabled, through the generosity of Messrs. Hart, Schaffner & Marx of Chicago, to offer in 1926 a cash prize of Five Thousand Dollars for the best original treatise on the subject of The Theory of Wages. On October 1st, 1926, over 130 studies were submitted. In due course of examination one essay was found by unanimous vote to be superior to all the others ; but the prize was withheld until the author had time to complete some parts not fully developed. Meanwhile, the Committee were attracted by three treatises sent in, all of about equal merit, but very different in plan, to whom they asked the donors to award Honorable Mention. One of these was The Principles of Wages, by Dr. Willem L. Valk, of Scheveningen, Holland, now published by him in this volume. It is with great pleasure that the Committee herewith express their high regard of the scholarship and economic ability shown by Dr. Valk in this book.

On behalf of the Committee,

J. LAURENCE LAUGHLIN, *Chairman.*

Washington, D.C.

*April 6th, 1928.*



# CONTENTS

CHAPTER I		PAGE
SCOPE AND AIMS OF THIS STUDY	- - - - -	I
Utopianism and natural laws—The problem of wages in a socialist community—Only the principles of wages analysed—Comparative criticism; only functional distribution considered—Supply disregarded—Logical possibilities concerning the relation between prices of consumer's goods and prices of producer's goods—Further limitations.		
CHAPTER II		
AUSTRIAN THEORIES OF IMPUTATION, BASED ON THE LOSS-PRINCIPLE	- - - - -	9
The loss-principle—Its application to producer's goods—No chronological description of the historical development of the theory—Gossen and Menger—The thought of variation—Von Böhm's presentation of the problem—Its drawbacks—Von Böhm's casuistry—His influence—The "isolated" values in his theory—The Austrian thinkers of this group and the theory of marginal productivity—Prof. Schumpeter's theory.		
CHAPTER III		
THE THEORY OF MARGINAL PRODUCTIVITY	- - - - -	24
Prof. Clark's theory—The principle of marginal productivity—Extensive and intensive margins, law of diminishing returns; his assumptions—Zone of indifference—Capital and capital goods—Two permanent entities—Graphical representation—Addition of qualities in things—Dynamic influences, Prof. Clark's phraseology—Marshall's theory—Prof. Pigou; other names, connected with the theory of marginal productivity.		
CHAPTER IV		
OBJECTIONS OF MINOR IMPORTANCE	- - - - -	35
The fatal phraseology—The assumption of unobstructed competition—"Last unit" and "least productive unit"—The result of production not yet known—Increases in human satisfactions not measurable?—"Einstufig" or "zweistufig"?—Supply regarded as fixed—Physical causation and economic imputation—Imputation impossible?		

## CONTENTS

## CHAPTER V

## OBJECTIONS TO THE LOSS-PRINCIPLE - - - 46

The withdrawal of one piece reduces the action of the others also—Opinions of different authors—The objection in itself of little importance—Does the sum of the values of different agents exceed the value of the product created by them?—Controversy between Wieser and Böhm—Imputed value and distributive share.

## CHAPTER VI

THE LIMITATIONS OF THE POSSIBILITY OF VARIATION,  
ESPECIALLY WITH REFERENCE TO THE MOBILITY  
OF CAPITAL - - - - - 57

Technical co-efficients; three logical possibilities with reference to the possibility of variation—It is not likely that the sum of the marginal values of the agents of production is equal to the value of their product—The notion of a "true capital", capable of changing its forms indefinitely—Is it permissible to work with this notion?—The theory of marginal productivity is correct as a theory of value, but fails as a *direct* basis of the theory of price.

## CHAPTER VII

THE PROBLEM OF THE UNIT OF VARIATION. TWO  
IMPORTANT ATTEMPTS TO DEFEND THE THEORY  
OF MARGINAL PRODUCTIVITY - - - 66

The choice of the unit of variation; the whole available supply may not be chosen—Units, smaller than the total supply, but still comparatively large—Infinitesimal units may not be chosen—The unit indicated by the practice of business life—Prof. Aftalion's tables—Criticism of his reasoning—Wicksell's attempt to prove that the sum of the values of the agents of production equals the value of the product—Criticism of Wicksell's attempt.

## CHAPTER VIII

THE THEORY OF MARGINAL PRODUCTIVITY SATIS-  
FACTORY IN THE CASE OF LABOUR, CO-OPERATING  
WITH LAND ONLY - - - - - 75

The problem of the unit of variation with reference to land—Assumption of great quantities of land and labour—In this case the withdrawal of a marginal unit of land does not perceptibly damage the marginal product of labour—Expression of the situation in mathematical symbols—Difficulty of the examination—As soon as certain assumptions are dropped, the cardinal objection to the theory of marginal productivity regains its power; as a *direct* basis of price formation the theory must be given up, not however, as a theory of valuation.

## CONTENTS

xi

### CHAPTER IX

#### THE RESIDUAL THEORY OF WAGES - - - 82

The residual theory might be a way out of the difficulties connected with the theory of marginal productivity—Jevons and Walker—A sequence of thought that may lead to the residual theory—The theory of the "discounted product of industry"; Prof. Hadley; an unconscious expression of the theory by Von Böhm—C. J. Bullock in a similar position—Prof. Taussig's theory of wages a residual theory—Criticism of the residual theory—An element of the Bargain Theory of Wages in it—The cardinal objection to the theory of marginal productivity proves to be a guide-post on our way.

### CHAPTER X

#### VON WIESER'S THEORY OF IMPUTATION - - - 91

Imputation in criminal law and economic imputation—Practice solves the problem, according to Von Wieser—Von Wieser and the Loss-principle—Solution of the problem by means of equations—It may be interpreted to a certain extent as an application of the Loss-principle—But there are serious objections to this—There are more equations than there are unknown factors—Adding a condition to the problem—Even when Von Wieser's equations are interpreted as an application of the Loss-principle, his values are not equal to those which are obtained by a normal application of this principle.

### CHAPTER XI

#### THE MEANING OF VON WIESER'S EQUATIONS - - - 100

Absurd results are obtained when Von Wieser's mode of procedure is interpreted as an application of the method of differences—A second interpretation of Von Wieser's equations; the process of production no addition of values—Have the Austrians mutually proved the mistakes of their theories?—A third and more satisfactory interpretation of the equations: a direct relation between the prices of the means of production and those of the goods created by them—This truth in itself of little importance—A second and third series of equations necessary to determine the system of prices—The acceptance of Von Wieser's equations must lead to the wider system of equations of the Mathematical School.

### CHAPTER XII

#### THE PRINCIPLES OF DISTRIBUTION, ACCORDING TO THE SCHOOL OF WALRAS AND CASSEL - - - 107

Undeserved unpopularity of the system of Walras—The great importance of Prof. Cassel's treatise for the development of economic thought in our days—Two series of equations from Prof. Cassel's work, representing the conditions of demand for consumer's goods and the influence of the technical co-efficients—

The influence of the scarcity of the means of production—This influence represented in a third series of equations—The subjective and objective determinants of price; the cardinal difference between the theory of Prof. Cassel and the theories of Menger, Von Böhm and Prof. Clark—Prof. Cassel and Ricardo—A completion of the theory by Prof. Cassel—The theory a fine basis for quantitative research—The theory of value and the study of functional relations.

## CHAPTER XIII

THE SYNTHESIS OF THE THEORY OF MARGINAL  
PRODUCTIVITY AND THE PRINCIPLES OF DIS-  
TRIBUTION OF THE MATHEMATICAL SCHOOL - 119

The theory of *valuation* of the American School and the theory of *prices* of the Mathematical School are both true—The Principle of Substitution—Prof. Cassel and Walras reasoning in a circle; the way out of the circle—The bridge, connecting the two realms of thought—Cases in which marginal valuation has no influence—The case in which the influence of marginal valuation must be acknowledged—The synthesis of the principles of both Schools necessary—However, the prices of the means of production do not equal their marginal productivity—"Static" and "dynamic substitution"; in the last case we may reckon with a certain capacity of capital to change its forms—The extent to which substitution can be applied.

## CHAPTER XIV

SUMMARY AND CONCLUSION - - - - - 130

The study of the problem of wages and the study of the problem of functional distribution—Differences in quality between the means of production—The study of "failures" and the study of "successful" attempts may be equally instructive—The immense value of some "failures";—Summary—Theoretical and practical conclusions—

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139

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# BOOKS TO READ

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## AN ECONOMIST'S PROTEST.

By EDWIN CANNAN, Emeritus Professor of Political Economy in the University of London. Demy 8vo, 460 pp. 16s.

This is a selection of over a hundred articles and letters, many hitherto unpublished, written from 1914 to 1926, and indicating the attitude of an economist to the events and opinions of those eventful years.

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## THE ECONOMICS OF WAGES AND LABOUR.

By NORA MILNES, B.Sc. Demy 8vo, 200 pp. 8s. 6d.

This book contains certain economic principles which determine industrial prosperity. An understanding of the question raised is essential to all who desire to improve the relations between Capital and Labour.

*Economic Journal*: "The whole book is clearly written, alike on the theoretical and practical sides. The treatment is suggestive and does much to stimulate discussion, whilst Miss Milnes displays an admirable capacity to see, and to make clear to the reader, the reasons for points of view and actions with which she herself is not in agreement."

## SOME PROBLEMS OF WAGES AND THEIR REGULATION IN GREAT BRITAIN SINCE 1918.

By ALLAN G. B. FISHER, Ph.D., of the University of Otago, New Zealand. Demy 8vo, 300 pp. 12s. 6d.

This study aims at an historical presentation of some of the more important wage problems that have arisen since the War, with special reference to their interactions with the opinions of the several parties to wage negotiations, and to the principles which have been applied in each case.

## WAGES AND THE STATE: A Comparative Study of the Problems of State Wage Regulation.

By E. M. BURNS, B.Sc. Demy 8vo, 450 pp. 16s.

*The Times*: "An unnoticed revolution has taken place in the present century in the attitude of Governments to wages. Mrs. Burns has compiled a chronicle of this revolution, and made a searching examination of the problems of principle that it raises. The time was ripe for such a survey, and it has been well done . . . the chief value, perhaps, of Mrs. Burns's analysis lies in the success with which she reveals the practical difficulties that arise inevitably out of any attempt to apply hard and fast rules to the question of wages."

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