OSCAR K. EDELMAN

BY

SCOTT NEARING
SECOND YEAR
American Labor Year Book
1917

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PUBLISHED ANNUALLY
by
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RAND SCHOOL OF SOCIAL SCIENCE

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WORK AND PAY

By SCOTT NEARING

1. Why Do You Work?

Why do you work?

Nine people in ten will answer, without hesitation: "We work for a living."

Some people work for the joy of working. Like Carlyle, they find that work and blessedness go together. Their work fascinates them. It calls all of their creative imagination into play. It inspires them. It thrills them with the ardor that is inspired by success. Edison gets that kind of joy out of his work. So did Pasteur. So does Rodin, and Sergeant. So did Robert Louis Stevenson, Rosa Bonheur, Karl Marx and Robert Browning. These people played at their work because it was the thing that brought the greatest gladness into their lives.

Constructive, creative work carries with it the spirit of joy and adventure. Any one who has a job that will gratify the instinct of workmanship is blessed.

Most modern jobs do not embody the instinct of workmanship. Far from it—they are intolerable in their endless, unvarying monotony.

The vast majority of men are not Edisons, nor Rodins. They are just ordinary folks, with no unusual creative talent. Their work calls them into factory, shop and mine, where they sweat and strain at their task, or else speed up with a machine and guide the powers of nature—which have been harnessed to do man's work.

Kipling describes the great body of workers:

"It is their care in all the ages,
To take the buffet and cushion the shock,
It is their care that the gear engages,
It is their care that the switches lock."

They have the simple, unadorned, never-ending jobs, that go on forever the same.
Joyous, blessed work is work that calls for initiative, spontaneity, intelligence, judgment, enthusiasm. Such work cannot be mentioned in the same breath with time clocks, bonus systems, and scientific management. It carries with it its own reward in the satisfaction of work well done.

Go into the average kitchen, watch a woman washing the same dishes three times a day—a thousand times a year—and talk to her of the blessedness of such work. Here and there you may meet with a cordial reception, but, on the whole, there would be little enough encouragement.

Women and men, the world over, work because they and those dear to them must live. It is doddering nonsense to speak to them in the same breath of work and joy. Their joy comes through a relief from their work.

There are a few people—a comparatively few—who live to work. Most men and women work to live.

You work to live. You work because work, at the present time, is the easiest means by which men may live. Moralists insist that we should love work. Their philosophy of the morality of work was speedily punctured by an old Indian Chief who was the object of missionary endeavor.

"You should take a job in the factory," said the missionary.
"Why?" asked the Chief.
"Well, if you work hard you will be promoted and your wages raised."
"And then?"
"Well, then you will be made a foreman, if you do very well."
"And then?" the Chief persisted.
"Keep moving," continued the missionary, "and you may be appointed superintendent."
"What then?"
"Well, if you are successful, you can establish a shop of your own, and have many people working for you."
"Ah," exclaimed the Chief, "then I wouldn't have to work myself, would I?"
"Certainly not," the missionary exulted.
"Well," mused the Chief, "I don't have to work now."

So long as the present system of industry continues, so long as work is highly specialized and made deadly dull in consequence, so long will the incentive to work, for most people, be the material reward—the pay—that work offers. If work meant joy, we would work for work's sake. Since work, for most people, means drudgery, most people will work for pay.
2. Why Are You Paid?

Why are you paid?
Chiefly because when you work, you thus serve some one.

Every one who works—whether joyfully or joylessly—is creating a product that will benefit a fellow-man. The seamstress with her needle, the poet with his pen, the mechanic, the salesman, the stationmaster, the teamster, the banker, the farm hand, are all engaged in doing something that some one else wishes to have done.

Among all the principles of life, none is more important than this principle of service: "You make a pair of shoes for me and I will make a hat for you." Civilization is built upon service.

Men who do not serve their fellows are not paid, no matter how hard they work. You might go out into a deserted field and plough an acre of it. No one would pay you. You might dig a well on a vacant lot. You would get nothing for it. It is only when you do something that some one wishes done that you are paid. The desire which you work to satisfy may be foolish—a neighbor may hire you to paint a checkerboard on the side of the barn. The desire which you work to satisfy may be vicious—a corporation may hire you to make high explosives which are to be used in destroying the homes and lives of men, women, and children. That makes no difference. No matter how foolish or how vicious a thing may be, if any one wishes to have it done, and you do it, you are paid for your service.

People are paid, first, because they render a service to some one. In the second place, they are paid because they would not work if they were not paid.

Go down a shaft into a coal or a copper mine. Watch the men, grimy, cut off from sunlight and fresh air, toiling over their tasks. Who would do it from choice? Here is a lad shoveling coal into a mine car. He is weary; he longs to frolic and play, but the car is only half full. Would you—would your boy—willingly take his place? He works because he is paid. There is no joy in such work—only pay.

Most people work because they are paid. The few fortunate ones, whose work brings joy and satisfaction, work to work. The rest of the world is paid to work.

There is a third reason why workers are paid. Without pay, they could not work. To the great world, pay is the bread and butter equivalent of work.

Yonder is a man of forty. He has four small children. Five years ago he was out of a job. The rent was overdue. The babies were crying for milk. There was one place where work
was being offered—a paint factory. He knew the risk. His wife knew it. She pleaded with him not to take it—but her plea lacked heart, for the family was hungry. This was his one chance and he took the job. Last month he was discharged from the hospital where he had recovered from a serious case of lead poisoning. He is a cripple for life. His one asset was his hands, and those he can never use again. He went to work because he had to work. His own strength and the health and strength of his family depended upon it.

The man who has nothing but his labor to sell cannot work if he is not paid. Grim necessity grips him by the vitals, and says—"Work!"

England has had some impressive experiences with the relation between pay and work. On the unemployment farms, men were quartered who could not do two hours' work without dropping from exhaustion. For six weeks these men were fed generously, and compelled to do only as much work as they could stand. At the end of a month they were doing six hours' work a day. At the end of the six weeks they could work an eight-hour day.

Unemployment means stoppage of pay; stoppage of pay means hunger. Hunger means inability to work.

Employers are learning that well-fed, well-housed men do better work. Much of the reform of the day is based on this idea. "I want first-class men only," one manufacturer says. "They must be strong, vigorous and robust. No others need apply. The men who work for us will get good wages. We cannot afford to pay anything less."

Pay is the only means of livelihood for most families. They live on what they are paid.

People are paid because they render a service; because they would not work unless they were paid; because they cannot work unless they are paid.

3. How Much Are People Paid?

Thus far we have been dealing with theory. Now we can get down to facts.

There is no way of telling how much is paid to professional people, to presidents of railroads and managers of factories. Still they are only a small part of the total number of workers.

Broadly speaking, there are three kinds of workers in modern industry. First, there are managers, superintendents, executive and administrative officers, who are entrusted with the
business of directing industrial operations; second, there are the clerks, bookkeepers and other persons engaged in the commercial department of industry; and, third, there are the wage-earners. The first group is engaged in the direction of men; the second group in facilitating transactions and in systematizing industrial work; and the third group is engaged directly with the handling of tangible wealth.

Very often a distinction is made between salaries and wages. Managers, superintendents, foremen and clerks are salaried employees. Other persons employed by the day, week or piece are classed as wage-earners. It is astonishing to note the small proportion of those engaged in modern industry who receive salaries.

The organization of industry has proceeded to a point where the managers are few and the wage-earners numerous. In all of the manufacturing industries of the United States, according to the last census, 7,678,578 persons are gainfully employed. Here is a table copied from the census, showing the division of these people into classes:

### The Industrial Grouping of Persons Engaged in Manufacture, 1909.*

<table>
<thead>
<tr>
<th>Class</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>All classes</td>
<td>7,678,578</td>
</tr>
<tr>
<td>Proprietors and officials</td>
<td>487,173</td>
</tr>
<tr>
<td>Proprietors and firm members</td>
<td>273,265</td>
</tr>
<tr>
<td>Salaried officers of corporations</td>
<td>80,735</td>
</tr>
<tr>
<td>Superintendents and managers</td>
<td>133,173</td>
</tr>
<tr>
<td>Clerks</td>
<td>576,359</td>
</tr>
<tr>
<td>Wage-earners (average No.)</td>
<td>6,515,046</td>
</tr>
</tbody>
</table>

The managers of industry are few, even when the underlings are included. The number of clerks is somewhat larger than the number of managers. The wage-earners constitute seven-eighths of all of the people engaged in manufacturing.

These figures relate to all kinds of manufacturing industry, including small bake shops, small printing establishments, small slaughter houses and other small-scale operations. In highly organized, large-scale businesses, the proportion of wage-earners is far greater than it is in the total for all manufacturing industries.

Take the cotton goods industry as an example. The total number of persons employed in the cotton industry at the last census was 387,771. Of this total number, 377 were proprietors and firm members; 1,726 were salaried officials of corporations; 2,358 were superintendents and managers; 4,430 were clerks, and 378,880 were wage-earners. For every thousand people engaged in the cotton industry, 977 were wage-earners.

*Abstract of the Thirteenth Census, p. 452.
These figures in chart form furnish a complete refutation of the theory about "plenty of room at the top" in the present-day industrial society.

The cotton goods industry is typical of large-scale industry in general. One of the most widely known of all American industries is that of iron and steel production. The figures for iron and steel works and rolling mills are as follows:

Proprietors, firm members and salaried officials of corporations, 826; superintendents and managers, 3,460; clerks, 16,400; wage-earners, 240,076. The steel industry, like the cotton industry and every other highly organized American industry, is manned by wage-earners chiefly.

The wage-earners make up the great body of the population. What do the facts show regarding the amount of their wages?

First of all, take an instance that has been called to public attention by a bitterly contested strike—the fertilizer industry in New Jersey. The Bureau of Statistics tells us that 1,834 adult males were employed in this industry. Of this number 32 men in each 100 received less than $10 a week; 59 in each 100 were working for a wage of from $10 to $15; 7 men in 100 were getting from $15 to $20 per week, and 2 men in each 100 (44 men in the entire industry) were paid at the rate of over $20 a week.†

There were 46,973 women employed in the cotton mills of Massachusetts. Of this total only 186 women (four in each one

thousand) were on a wage of $15 and over a week, while eight out of every ten were getting less than $10 a week.

The wage rates among the 58,361 men were higher. Two men out of every hundred were working at a wage rate of $20 a week or over—the same proportion, by the way, as in the New Jersey fertilizer industry. For each 100 men, 56 were on a wage rate of less than $10 a week, and 89 were on a wage rate of less than $15 a week.

The men in several of the New Jersey fertilizer plants struck. Had they any economic reason behind their demands? One-third of them were receiving less than $10 per week. Nine out of every ten of them were working for less than $15 a week. Only one man in fifty was on the pay rolls at a wage rate of $20 a week or over. Twenty dollars a week is just a little more than $1,000 a year.

The fertilizer industry is a small one. It employs but a little fraction of the total number of adult males who are at work in New Jersey, and yet no matter how small the number of men in an industry may be, each one of them must support himself, and most of them must help support families.

The largest single industry in Massachusetts and one of the chief manufacturing industries of the nation pays to more than half of its adult male wage-earners less than $10 a week. Almost half of the adult women employed in the same industry receive less than $8 a week. Among the 46,793 women who work in the cotton industry, only 5 were paid $20 per week or over. Among the 58,361 men who worked in the industry only 1,405 were paid $20 per week or over. Twenty dollars per week is a little more than $1,000 a year.

But, you will say, you have chosen unfair instances. These are low paid industries.

Well, perhaps there is something in that. What do you think of the steel industry? Surely their wages are high! The steel industry has been notably favored, even among the beneficiaries of tariff pampering.

A complete study of the steel industry in the United States was made recently by the Federal Department of Labor. This report gives the wages of 172,706 adult males. Almost two-thirds of these men were paid wage rates of less than $750 per year. Eighty-five in every hundred had less than $1,000 a year.

Here is a table giving some of the best known facts about the
wages paid to the men who work in certain manufacturing industries:

The Wage Rates of Adult Males Employed in Manufacturing Industries.

<table>
<thead>
<tr>
<th>State or Industry</th>
<th>Adult Males Less than $500</th>
<th>$750</th>
<th>$1090</th>
</tr>
</thead>
<tbody>
<tr>
<td>California</td>
<td>107,950</td>
<td>7</td>
<td>30</td>
</tr>
<tr>
<td>Iowa</td>
<td>48,710</td>
<td>12</td>
<td>61</td>
</tr>
<tr>
<td>Kansas</td>
<td>50,720</td>
<td>26</td>
<td>70</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>420,524</td>
<td>28</td>
<td>67</td>
</tr>
<tr>
<td>New Jersey</td>
<td>243,753</td>
<td>36</td>
<td>71</td>
</tr>
<tr>
<td>Oklahoma</td>
<td>17,007</td>
<td>17</td>
<td>68</td>
</tr>
<tr>
<td>Wisconsin</td>
<td>141,218</td>
<td>32</td>
<td>77</td>
</tr>
<tr>
<td>Census</td>
<td>2,124,069</td>
<td>47</td>
<td>79</td>
</tr>
<tr>
<td>U. S.—Iron and Steel</td>
<td>172,706</td>
<td>8</td>
<td>60</td>
</tr>
<tr>
<td>U. S.—Textiles</td>
<td>60</td>
<td>90</td>
<td>95</td>
</tr>
</tbody>
</table>

The manufacturing industries of the North and East pay to the adult male wage-earners wage rates of less than $750 in seven-tenths of the cases, and of less than $1,000 in nine-tenths of the cases. With the exception of California, the percentage of men receiving less than $750, and the percentage receiving less than $1,000 are remarkably uniform. The one-tenth of the adult male wage-earners who receive wage rates of more than $1,000 a year are the income aristocracy of the wage-earning class. They are, for the most part, protected by powerful trade unions, by long terms of apprenticeship or by special training. They constitute a minority of the wage-workers about whom no question of wage adequacy will be raised. The present discussion will concern itself with the nine-tenths of the wage-earners who are paid wage rates of less than $1,000.

Massachusetts, one of the leading manufacturing States of the Union, reports the wage scale for a larger number of persons than any other State. Almost exactly four-fifths of the adult males at work in Massachusetts are receiving wage rates ranging from $8 to $20 per week. Ten men in 100 receive $20 per week or over, and three men in 100 receive $25 per week or over. The great bulk of the men at work in the manufacturing industries of Massachusetts are paid a wage rate of less than $20 a week.

The fact should be emphasized that these figures show not what people earn, but the amounts paid by industry to those who do its work. The wage scale is set in each industry. Let 1,000 seek places in the factories of Massachusetts. They would find a wage scale already in existence that would pay to 500 of them less than $15 per week and to 900 of them less than $20 a week.

Again, the wage figures do not represent the amount actually received by workers. The figures for annual wages were secured by multiplying the weekly wage rate by 52. Most wage-workers
do not earn in a year 52 times the weekly wage rate. Unemploy-
ment, varying in intensity from one trade to another and from
one year to another, reduces yearly earnings a tenth, a fifth, or
sometimes even a third. Wage-workers earn wages only while
they work, and work in modern industry is a gravely uncertain
quantity.

The American wage—the amount paid by American industry
to its workers—may be characterized briefly in these terms. A
comparatively small percentage (from 5 to 10 in 100) of the per-
sons gainfully employed are on a salary basis. The vast majority
of the employees (from 90 to 95 in 100) are paid a wage or its equiv-
alent. Among those who work for wages, the great majority
(abut nine-tenths of the adult males) receive wage rates of
$1,000 per year or less. The
wage rates of two-thirds of the
males fall below $750; a third
below $500. These statements
make no allowance for unemploy-
ment, which is a constant, irre-
ducible factor. Unemployment due to lack of work alone is
generally met with. Add to this the unemployment resulting
from sickness, accidents, and other personal causes, and the pro-
portion is still higher.

These wage facts for the manufacturing industries are
typical of other industries as well. Railroading, mining and
mercantile wages are very similar to those for manufacturing.

4. Are American People Paid Enough?*

The wage facts raise a very important question: "Are
American workers paid enough?"

Enough? Enough for what?

You can decide, in the case of a particular family, whether
the wage is sufficient. Can the same decision be reached in the
case of thousands and millions of workers? Unless such a result
is possible, the science of economics is a failure.

The question of the sufficiency of American wages is lead-
ing everywhere to endless and often to bitter controversy be-

*Portions of this section have already appeared in the Annals of the
American Academy of Political and Social Science.
tween employers and wage-earners, who ordinarily base their contention that wages are "too high" or "too low" upon tradition or prejudice rather than upon scientific analysis. The result is dissension and misunderstanding. The student of economics approaches the matter scientifically. First, he studies the wage facts; second, he decides upon some standard by which wage adequacy may be measured or judged; and third, he compares the prevailing wages with this standard in order to determine their adequacy.

There are three propositions which are fundamental to any consideration of wages:

1. Industry must pay a wage sufficient to maintain the efficiency of its workers.
2. Society must oppose any wage that leads to poverty, hardship or social dependence.
3. Wages must be sufficient to enable the worker and his family to live like self-respecting members of the community.

These three statements are so generally accepted that they require little elaboration. It seems evident that unless industry pays a wage that will maintain the efficiency of its workers, industry must deteriorate. It seems equally evident that unless society insists on a wage sufficient to prevent dependence, the family, the school, and the State must suffer. At the same time, if progress is to be made, the wages paid must make possible self-respect, while they stimulate men to activity. All three propositions are stated in terms of social expediency. The social justice of the present wage system will not be called into question.

Under the present social system, a man's wage must be a family wage. The home is looked upon as the basic social institution. Each man is expected to make a home, and having made it, to earn a living sufficient to allow the wife to devote her time and energy to the care of the home and of the children. While the mother presides over the home, the father must receive a wage sufficient to keep his family on a basis of physical health and social decency.

The family most frequently used in recent social studies consists of a man, wife and three children under 14 years of age. Such a family corresponds in size with the average American family. The children are too young to work for wages, and their mother should be in the home and not at work in the factory. This family is sometimes called the "normal" or "type" family.

No single wage will provide health and decency for all families. Some women cannot keep on $40 a week a home that others can keep on $20. The ability and personality of the
housekeeper are large factors in making both ends meet. However there is a minimum income below which the average woman cannot provide health and decency for those dependent upon her housekeeping.

The facts cited in the last chapter showed what wages were actually paid. Are these wages sufficient? Do the amounts paid by American industry enable the worker to support a wife and three children decently? There are three ways in which we may look at the matter:

1. The adequacy of wages to provide health and decency for a man, wife, and three young children.
2. The adequacy of wages in terms of up-to-date business accounting and business practice.
3. The adequacy of wages to meet current social obligations and social standards.

The adequacy of wages may be tested in terms of the health and decency which are involved in the maintenance of physical efficiency. If industry is to support its workers, if society is to see to it that families are not forced to depend upon charity, wages must be sufficient in amount to enable the wage-earners to buy health and decency. At the present time, in the United States, the wages paid to a considerable portion of the adult male workers are insufficient to permit decent family living.

A number of attempts to ascertain the cost of a decent standard of living have been based on the assumption that physical health, education up to the age of fourteen, and the other minimum requirements of modern American life were included in the term "decent."

There is a certain minimum of food, clothing, shelter and the other necessaries of life below which physical health and social decency are impossible. That minimum exists in terms of bread and butter, shoes, overcoats, medical attendance and school books. It is fixed by the demands of nature and by the standards of society, wholly independent of cost or price; therefore any discussion of the cost of a decent living begins with an analysis of the various items which comprise living decency. The amount of food required by the man or by his family can be fixed with scientific accuracy. The amount of clothing is not susceptible of such an accurate statement, but it can be designated in terms of a certain number of garments per year. Most students of the standard of living have agreed that three or four rooms are necessary to house a family of five people decently. They have, likewise, made an allowance for medical attendance, for saving, for insurance and for recreation.

After the number of things necessary to maintain a decent
standard of living has been decided upon, the question of cost is raised. A family requires so much flour, so many pairs of shoes, and so many rooms. What is the least amount for which these things can be obtained? The answer to that question, worked out for a number of eastern cities, has placed the cost of a decent living for a family of five at from $750 to $1,000.*

The amount fixed by the recent standard of living studies is a minimum. One of the most complete investigations—that made by the Federal Government—allowed $744 per year for the maintenance of a family of five in a Massachusetts city. Six-sevenths of this entire amount was expended for food, clothing and shelter, leaving only a little more than $100 a year for all of the other items in the family budget.

The Chapin study was made for the purpose of determining the cost of a fair or decent standard of living in New York City. In summing up the results of his study, Dr. Chapin writes: “An income of $900 or over probably permits the maintenance of a normal standard, at least so far as the physical man is concerned.” Regarding incomes below $900, Dr. Chapin makes the following statement: “Whether an income between $800 and $900 can be made to suffice is a question to which our data do not warrant a dogmatic answer.”

One other less complete but highly satisfactory study of standards of living has been made in the Stock Yards District of Chicago. After an exhaustive investigation the authorities report that the minimum amount necessary to support a family of five efficiently in the Stock Yards District is $800 per year.

There have been several other investigations and estimates which lead to the same general conclusion, namely, that in the industrial cities of the northeastern United States, the cost of a decent standard of living for a family consisting of a man, wife and three young children, varies from $750 to $1,000.

Are the wages paid to American wage workers sufficient to maintain health and decency? Compare the two statements:

<table>
<thead>
<tr>
<th>Cost of decent Family living in Eastern industrial cities, $750 to $1,000 per year.</th>
<th>The wages of adult males — (Allowing for unemployment)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>4/5 less than $750, 95/100 less than $1,000.</td>
</tr>
</tbody>
</table>

Nothing could show more conclusively the frightful inadequacy of American wages. The present wage scale, paid to workers by

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*Financing the Wage-Earner's Family, Scott Nearing, New York, B. W. Huebsch, 1911, Chapter V.
American industry prevents millions of them from giving a family of three young children the simple decencies of life necessary to the maintenance of health and efficiency.

The wages paid by American industry to a great body of its workers are inadequate to provide a moderate-sized family with health, efficiency and decency. They are even more inadequate when they are considered from the standpoint of up-to-date business practice.

Many a successful business man who is confident that "the workers are paid all that they are worth," and the "wages are far too high, anyway," has never stopped to analyze wages from a strictly business point of view. The wage-earner is, in reality, a business man. His place of business is his home. The object of his business activity is the rearing of a family in good health and with a generous sprinkling of education. To this end the worker labors during most of his adult life.

Business men have worked ardently to safeguard business interests. They have talked a great deal about the importance of business stability; of conservatism in finance; of the returns due a man who risks his wealth in a business venture, and of the fundamental necessity of maintaining business on a sound basis. After centuries of experiment they have evolved what they regard as a safe and sane method of financial business procedure. Every successful business man tries to live up to the following well-established formula:

First. He pays out of his total returns, or gross receipts, the ordinary cost of doing business—materials, labor, repairs and the like. These payments are known as running expenses, or up-keep.

Second. After up-keep charges are paid, he takes the remainder, called gross income, and pays out of it the fixed charges—taxes, insurance, interest and depreciation.*

Third. The business man having paid all of the necessary expenses of doing business (the running expenses and the fixed charges) has left a fund (net income) which, roughly speaking, is the profits of the business. Out of this net income, dividends are paid, improvements and extensions of the plant are provided for.

*A depreciation charge is one that is made against the wearing out of capital. A paper manufacturer buys a machine for which he pays $1,000. Experience tells him that this machine will wear out in 10 years. Therefore the manufacturer sets aside each year a sum which, at the end of 10 years, will equal $1,000 (a new machine). In this way, the business man keeps his capital intact. While the individual machines, tools, and the like do wear out, the accounts of the business are so kept that these pieces of capital will be automatically replaced when they are too old for use. The depreciation charge is recognized everywhere as a legitimate and necessary fixed charge on business.
Fourth. The careful business man increases the stability of his business by adding something to his surplus or undivided profits.

Every modern business man disposes of the total receipts of his business in some such way as that indicated. The business man who cannot pay his running expenses, fixed charges and dividends, and show some surplus, is scanned critically. Should he fail to pay dividends he is considered unprosperous. If he does not meet the interest on his bonds he is taken into court and declared a bankrupt. Running expenses, fixed charges, dividends and surplus are not merely fair; they are essential to business success. They are considered a “right” by the organizers of every legitimate business.

Suppose the American working man, who is striving to support a family on a wage ranging from $1.50 to $4.00 a working day ($450 to $1,250 per year), should apply to the financing of his family affairs the financial formula adopted by any well-managed modern business. Since he must allow for running expenses, fixed charges, dividends and surplus, he would proceed as follows:

First. He would pay, from the total family income, the family running expenses—food, clothing, housing, medicine and the like.

Second. From the remainder, his gross income, he would take interest on the investment which has been made in bringing up and educating his wife and himself; insurance against all reasonable contingencies, such as sickness, accident, death and unemployment; and a sum for depreciation sufficient to compensate for the inevitable decrease in his earning power, and for the old age during which he and his wife can no longer earn anything.

Third. The remaining net income should be sufficient to enable the worker to pay himself dividends proportionate to the excessive risks which he runs in bringing a family into the world and attempting to rear it; and sufficient to add at least something to the surplus which the family lays aside to provide against such untoward events as births, deaths and prolonged sickness.

The worker who conducted his affairs on this basis would be a sound, sane, safe financier. He would also be a seven-day wonder. If the facts cited earlier in this chapter established any point, it was that a large percentage of wage-earners receive a wage which will not pay even decent running expenses. Any business man who attempted to conduct a business on a basis that would pay only the flimsiest of up-keep charges would be regarded as a subject for mental treatment, yet the bulk of American workers find themselves in exactly that predicament. They are conducting a family business on a basis that will not pay reasonable running expenses. The legitimate fixed charges of business—interest on the investment, adequate insurance and depreciation—are far above the
reach of most wage-workers who have a family of five to support. The ordinary worker's family is a bankrupt concern—it cannot meet even the interest on its bonds. And dividends? The ordinary worker is thankful if he can pay the bills incident to up-keep. Dividends are a luxury of which he does not dream.

Place before any level-headed man of affairs this proposition: "I have a business which is barely able to pay running expenses. We can't meet our fixed charges, and our wildest flights of imagination have never carried us as far as dividends and surplus. Will you join in the venture?" The statement is grotesque, yet it sets forth the financial position of the majority of American wage-earners.

One further point should be noted. After the business man has paid running expenses and fixed charges, the remainder is income—"net income." The great mass of wage-earners who never receive enough to pay more than their bare running expenses have no "income" in the real sense of that word. They are getting mere up-keep, or subsistence.

As a business proposition, for a family of five, the ordinary American wage is absurdly inadequate. No business man would consider it. It violates every business standard which the practice of the modern man of affairs recognizes as legitimate. Every concept of modern business management cries "shame" at the very thought of the business proposition which the American wage scale presents to millions of its workers.

The health inadequacy and the business inadequacy of the American wage can be demonstrated statistically. The proof of the social inadequacy of wages rests upon more general considerations.

Society must develop a system of compensation which will stimulate industry and thrift among the people who do its work. A wage system or any other system of distributing the products of industry must be based on an adequate appreciation of this fundamental principle.

The first, and probably the most fundamental, social objection which may be raised against the present wage scale is that it fails very largely to stimulate the ambition of the workers. There are two reasons for this failure. On the one hand, the wage scale is so utterly rigid that the man doing good work is placed on the same footing with the man doing poor work; the enthusiastic worker is placed on the same basis with the indifferent worker. This holds true of piece-rate payment as well as of time-rate payment. The rule of most producing establishments is "anything that will pass the inspector." Furthermore, the individual may work as hard
as he pleases, devoting all of his energy to the work in hand. Despite this, he is unable to raise his wage rate and very frequently is unable to increase his wages. At the same time, industry is organized on such a large scale basis that the number of positions “at the top” is strictly limited. Among the employees of the American railways, for example, one in one hundred is an officer. The proportion is higher for manufacturing industries, although it is seldom that more than 10 per cent. of the men employed in an established industry hold positions which involve even a moderate amount of responsibility and initiative.

The worker is not paid in proportion to his product. Wages are never fixed on that basis, with this single exception—that no employer can afford to pay any more in wages than a group of men are producing in product. The law of monopoly, “all that the traffic will bear,” is the law which fixes the American wage. An employer has a Scotchman working for him at $3 a day. An equally efficient Lithuanian offers to do the same work for $2. The employer is not in business for his health, and the work is given to the lowest bidder.

An employer never determines a wage by asking the question: “How much does this man produce?” Rather he asks, “What will it cost to get another equally efficient person in his place?” It is the cost of replacement and not the values created in production which determines the wage that a man receives.

The favored group in modern economic society frequently pass the remark: “Well, but you know they get all that they are worth.” The argument ends there. The issue does not rest, however, because it raises a question that no one has yet succeeded in answering. Least of all men and women who are “next friends” to the going economic system.*

What are men worth? By what system or device shall their value be measured?

The wage scale is fixed either by an agreement between the employer and the union, or by custom and common consent. No one even pretends that there is a definite relation between the values produced by the worker and the wage which he secures.

There are a number of things that cannot spell worth. Ancestry and worth are certainly not synonymous. History has proved that point. Neither are family names, snobbery, self-satisfaction, idleness, fine clothing, extravagant homes, liberal educations, endless culture, worth synonyms. No one of these social assets is in

*Some of the following paragraphs have already appeared in Pearson’s Magazine.
any sense of the word worth. They are the result of wealth. Many of them grow upon property income, but even the most stalwart upholder of property and privileges would hardly describe them as "worth."

There are perhaps two measures of worth—one ethical, the other economic. Worth, ethically measured, appears in terms of virtue, justness, honor, truth, humanity. Worth, economically measured, appears in the form of the services which a man renders to his fellows. The present concern is with the economic asset of worth.

What economic acts shall be classed as worthy? Is it possible to measure the distribution of income in terms of human deserts?

Perhaps it is impossible to follow Ruskin to the conclusion that "there is no wealth but life," and that only those things have value which avail toward life. Ruskin's concept of value related to the "valiant," or "worthy." If this idea were accepted, the worth of a man would be determined by the extent of his contribution toward life. Those who contributed toward the lives of their fellows would be "worthy." Those who made no such contribution would be worthless.

Those who cannot agree with Ruskin will be willing to admit that a man or a woman is worth to the world as much as he or she renders in services—no more and no less. Services may be great or small, but unless one serves, he is worth nothing in an economic sense.

Test out that definition for a moment. The man who lays bricks and erects a house performs a service. He is worth a certain return. The woman who sorts clothes in a laundry, the boy who shovels coal into mine cars, the man who directs a locomotive, the artist who draws sweet music from the violin or covers canvas with the magic of color, the barber, the lawyer, the real estate agent, and the analytical chemist, all render service. They expend energy in doing something which their fellow men wish to have done. The owner of land performs no service. He does not make the land. If he were to die, the land would be as useful as it now is—no more and no less. The holder of a hundred New York Central bonds performs no service. The rolling stock, road beds, terminals, and organization of the road are wholly independent of him. He may sell his shares, give them to his infant son, or transfer them to a library. The road operates none the less effectively. The most that can be said is that if he abstained from consumption and put his money in the form of railroad capital, he served society. At one time in economic development, when capital was scarce, that contention may have been sound. To-day, however, the owner of
capital is paid, not for his services, but for his property ownership. The recipients of property income need render no service, and many who receive property incomes have never rendered an iota of service to society.

The owners of income-yielding property, who are themselves performing no service for society, comment in these terms upon the man who carries pig-iron, and the woman who spins thread: "They receive all that they are worth."

The matter may be more clearly stated in a number of contrasts. If a man, giving the best of his energy and the best of his life, for 10 hours a day, 300 days a year, is worth $500, how much is a man worth who has been living for 35 years on the income from his father's estate? If a woman standing all day behind the counter in a department store is worth $350 a year, how much is the woman worth who has lived all her life on the earnings of her father and her husband, and who now, in pursuit of her own luxurious tastes, comes to buy laces from the girl who is worth $350 a year? The ordinary processes of logic do not leave to the son of his father, and the wife of her husband, a very broad economic basis for existence. Their worth is already in algebraic form—a minus quantity equal to the sum of what they have consumed during their lives. They are an economic burden, and every day that they live throws them deeper into the debt of the society which supports them.

A brief study of facts and of definitions will convince the reader that when a man says of the ballast-shifter: "He gets $10 a week because that is all he is worth," he really means: "He gets $10 a week because he is not in a position to demand more."

The criterion for income-sharing is "power," and not "worth." The open sesame to property income is power over property. A man who is worthless and even vicious, may hold land and draw from it, or he may hold capital and secure interest on it. He derives his income from his power—the power of property ownership.

The phrase, "he gets all that he is worth," means merely this—that the employer is paying him as much as he has to pay another equally efficient person to do the same thing. Whether he is hiring bricklayers, bookkeepers, or coal heavers, the wage that he pays depends upon the supply and demand of labor. This law is excellently illustrated during a time of financial and industrial depression, when there is a surplus of labor and a dearth of opportunity for employment. Many industries at once reduce their wages because they are able to get all of the people that they want at a lower figure.
The wage contract, as it is called, knows no social morality and is based on no standard of social ethics. It is subject only to the law of supply and demand, and to the law of monopoly price. The employer pays his labor as little as he can. The worker demands and gets as much as he can. Until recently, there has been no general idea that a minimum wage was a social necessity. The individual laborer bargaining with the employer made the best terms he could. If labor was scarce, he was successful; if it was a drug on the market, his wages were reduced to a starvation level.

Another consequence follows from the ruthless bargaining of the competitive labor market. The bargain takes place between the employer and a worker irrespective of social obligations. The consequences are doubly disastrous to the man with the family depending upon him. A common occupation, quarrying, for example, may be carried on by married or by single men. The employer does not even put himself to the trouble of asking whether the prospective employee is married or single, because that makes no difference if a man is handy with his tools. The man with a family is brought into active competition with the man who has no family obligations. The native-born head of a household must accept labor terms which are satisfactory to the foreign-born single man. Industry does not inquire into a worker’s social obligations. It simply asks whether he is able to do the work, and at what price. The competition of the labor market does the rest.

Society demands and expects that men shall support families. The future of the state hinges upon the fulfillment of this presupposition. At the same time, the modern economic organization makes no attempt to assist the man who is bringing up a family to face the competition of the man who has no family dependent upon him.

There is no relation between the social (family) needs of a man and the wage which he receives. Wages are fixed wholly independent of social relations.

The American wage is anti-social. The present system of wage payment fails to stimulate workers to industry and thrift because it has not given them a reward in proportion to their exertions and ability. There is no relation between product and wages. Rather wages are fixed by competition and monopoly. The present wage scale fails completely to provide a return in proportion to social needs. The simplest requirements of social progress call for ambition, for justice, and for the provision of health necessities. The present American wage scale offends even these primitive social standards.
The American wage is grossly inadequate. Examined from any point of view, it fails to provide a sufficient return to the wage-earner who is carrying the burden of a young family.

American industry pays to the overwhelming majority of wage-earners a wage of less than $1,000 a year. Even where no allowance is made for unemployment, the wage rates of three-quarters of the men fall below $750 a year. Perhaps three wage-earners in each hundred are paid over $25 per week (a yearly rate of $1,300). Compared with the sums which are met with in the business world, the wage of the workers is small.

The wage rates paid by industry, placed side by side with the cost of family health and decency, reveal an appalling situation. In great numbers of cases, the wages paid by industry to its adult male workers are insufficient to provide for the health and decency of a moderate-sized family.

American wages, as a business proposition, are even less adequate than they are for the provision of health and decency. The ordinary principles of sound American business practice are all violated in the financing of the worker’s family.

There are certain well-recognized principles of social expediency; that industry shall pay a wage that will maintain the efficiency of its workers; that wages must prevent poverty and dependence; and that families must be able to live as self-respecting units in the community. These principles underlie the same conduct of safety. Each of them is violated by the present American wage scale.

American wages are inadequate, grossly inadequate, when viewed from any point of vantage afforded by the available social facts. In a small percentage of the cases, and for individual families, this is not true. Speaking generally, however, and in terms of family living, the present American wage scale is pathetically, grotesquely, viciously inadequate.

5. Living Wages and Dying Wages.

There has been much talk of “living wages”—that is, wages on which people can live decently. If the figures in the last chapter point to anything, it is to “dying wages”—that is, a wage on which people die unnecessarily. Side by side with the living wage of some American workers there appears the dying wage of other American workers.
Dying wages!

Is the term sufficiently strong? Perhaps it should be "murderous wages" or "massacre wages."

The figures which we have been reviewing mean, if they mean anything, that the people of the United States are living under a system of industry which pays to millions of its adult male workers a wage so low that they cannot support a family in decency. Because of these low wages, people, unable to live decently, die unnecessarily.

They really do die.

Julia Lathrop, head of the Federal Children's Bureau, has just completed a study which shows that they do die. She had her staff follow the life of every baby born in Johnstown, Pa., during the year 1911. Here are some extracts from the report. "The highest infant mortality rate, 271, is found...where the poorest, most lowly persons of the community live—families of men employed to do the unskilled work in the steel mills and mines" (p. 16). The report describes one ward in which the infant mortality rate is 200 per thousand, by saying that "it has not a single properly graded, drained and paved street" (p. 17). Sharply contrasted with the conditions among the unskilled workers is the infant mortality rate among the well-to-do. "The down-town section, where are to be found many of the best conditioned houses, the homes of many of the well-to-do people, has the lowest infant mortality rate in the city, it being but 50" (p. 19). In other words, among people who have sufficient income to give their children proper care, the death rate is less than a fifth as great as it is in families of the unskilled workers.

The close connection between low wages and high infant death rates is strikingly brought out by contrasting the families of low and high paid men. "A grouping of babies according to the income of the father shows the greatest incidence of infant deaths where wages are lowest, and the smallest incidence where they are highest, indicating clearly the relation between low wages and ill health and infant deaths."

Where the father earned less than $521, 256 babies in each 1,000 died.

Where the father earned $521 to $624, 158 babies in each 1,000 died.

Where the father earned $625 to $899, 122 babies in each 1,000 died.
Where the father earned $900 and over, 97 babies in each 1,000 died.

Where the father earned $1,200 and over, 83 babies in each 1,000 died.

How small an income difference marks off a frightfully high from a comparatively low infant death rate! Where the fathers earn less than $10 a week, one baby in every four dies within a year of its birth. Where the fathers earn $25 or over per week, the death rate among the babies is less than a third as great. Twenty-five dollars a week is a living wage; ten dollars a week is a dying wage.

The same facts are brought out by a Children's Bureau study of infant mortality in Montclair, N. J., a town with a "higher assessed property valuation than that of any other New Jersey city or town of the same population group and higher than that of any city or town of the United States in the same group with the exception of Brookline, Mass., and Newport, R. I." In the fifth ward of Montclair, where the well-to-do people live, the infant death rate was 40. In the fourth ward, "the most congested section of Montclair," the death rate was 130, or more than three times that of the well-to-do ward.

The trail of poverty is menacing. With reason, Bernard Shaw calls it "the worst of crimes." Continuing, he writes, "All of the other crimes are virtues beside it. . . . Poverty blights whole cities; spreads horrible pestilences; strikes dead the very souls of all who come within sight or sound or smell of it."

It has been truthfully written that "the destruction of the poor is their poverty." It might be written with equal truth that the greatest single cause of poverty is the lack of income, due to low wages and unemployment.

Life insurance companies say very frankly that there are such things as "living wages" and "dying wages." Their experience as revealed in their mortality tables, shows that the death rate among wage-earners during the productive years of life, is about twice what it is among the well-to-do people of the same ages.

Dying wages are a factor in American life—a factor of immense significance. They present a problem that cannot be lightly turned aside—people dying because their wages paid to them by American industries are so low that they cannot well do anything else.
6. Could Everyone Have a Living Wage?

Are dying wages a necessity in the United States?

Put the question positively and ask,—"Could everyone have a living wage?"

Such a question cannot be answered until we know what is the source of wages. Where do wages come from? They represent economic value. Whence is that value derived?

A few pages back, we agreed that wages are paid because people have rendered service, either directly or indirectly to their fellows. Directly, they may brush their clothes and tend them in sickness; indirectly, they may make their clothes and build their houses. The first service is personal; the second is in the form of economic goods. Both are services in the larger sense of the word.

Economic goods all owe their origin to Mother Earth. There is iron and coal in the ground; the soil produces crops; the lumber covers the hills. At some stage, all economic goods were natural resources—gifts of nature to man.

Therefore it would seem that wages are derived from human effort and natural resources. Could everyone be paid a living wage? Take the question back one step and ask,—"Could American labor, applied to natural resources, produce enough to give everyone a decent living?"

There are two answers to that question. The first is that we are now producing far less than we might; the second is, that we produce enough already to give everyone a decent living.

The first point needs little emphasis. It has been insisted upon time and again, until even the boldest will scarcely take exception to it. Unemployment, for both capital and labor, is a byword among all who have studied the economic world. The whole question is well focused by Charles E. Reitzel in a recent article. Mr. Reitzel discusses first, the unemployment of capital, and second, the unemployment of labor. He shows that in New Jersey, according to the report of the Bureau of Statistics, during the year 1912, 2,556 industrial establishments with invested capital amounting to $849,000,000 and a labor supply of 323,400 employees, created $1,050,000,000 worth of goods. "Deducting Sundays and holidays, the report considered 306 working days as a 'full capacity' year. On this basis the aggregate proportion of business done is
shown to be 74 per cent.; or 26 per cent. below the full productive capacity. In terms of output then, we have:

\[
\begin{align*}
\text{Possible output} & \quad \text{\$1,413,000,000} \\
\text{Actual output} & \quad \text{\$1,050,000,000} \\
\text{Loss output} & \quad \text{\$363,000,000}
\end{align*}
\]

"The same represented by graph would appear as follows:

![Graph showing efficiency]

"To the capitalist this 26 per cent. 'lost efficiency' looms up as a greater possible return on money invested—shall we say, an additional two or three per cent. To the wage-earner it is a life and death proposition. Without any change whatsoever in the ratio of economic distribution, the additional returns that would result to the worker if the industries were running 'full capacity' are sufficient to pull the average wage-earner quite a distance away from the pangs of poverty.

"Considering the wage-earner in two of the largest industries of the state—the machine industry and the silk industry—which employ 21,194 and 15,775 workers, respectively, we can show clearly his 'full time' wage in contrast with his 'actual wage.' In these industries the operation was in both cases slightly over 70 per cent. of their 'full capacity.' The average wage actually received in the machine industry for the year was \$684; in the silk industry, \$509. The possible 'full time' wages were \$977 for the machine worker and \$726 for the silk employee."
Continuing Mr. Reitzel comments on the steel industry.

“A very thorough investigation which brings out our problem in another light is found in the Iron and Steel Industry Report on Employment. The investigation took place in 1910, when the production of iron and steel was greater than any preceding year. However, constant complaints were heard from all classes of employees, skilled and unskilled, native and foreign, about the irregularity and terrible uncertainty that accompanied steel production. It appears the policy of the steel industry, continues the report, ‘is to operate to its fullest capacity during active demand, then during a decline in the market, shut down completely and wait an accumulation of orders or the development of better prices’—a vicious policy from the standpoint of the wage-earners. As a basis of study over one hundred plants with 90,757 employees were covered—the report taking into consideration the five principal departments of steel production,—namely, blast furnaces, open hearths, bessemer, hand and mechanical rolling mills. A time unit of operation for each department was established. Then the ratio between the number of units of ‘actual operation’ and the number of units of ‘full capacity’ were compiled.” Totaling the result of the five departments, we find that only one man in 10 worked a full 52 weeks, while more than one-fifth worked less than 40 weeks.

“Such statistics, however, do not make the appeal that personal experience does. As a boy reared in a steel-town under the black shadows and the dirty smoke of blast furnaces, I remember well the shattered hopes, the fears and the disappointments of the thousands of steel workers caused by irregular employment. What a gloom came over the inhabitants when the report went abroad, ‘the rail mill is to be shut down,’ or ‘the blast furnaces are to be ‘out’ for a year.’ This meant less ‘smoke and dirt,’ but it also meant less income to the workers who were ever ignorant as to the time such misfortune would fall upon them. Is it any wonder that they are becoming more dissatisfied, restless and disturbing? I should be greatly surprised, taking all things into consideration, if they acted otherwise.”

The answer to the question seems quite clear on one side. We are not even trying to produce to our full capacity. One party to the argument will insist, with justice, that this unemployment is due to a lack of home markets, and urge that we take the shoes and blankets from our factories and sell them in South America. The other party replies, with the far more fundamental comment, that the lack of demand for shoes and blankets in New York is due, not to the fact that people in New York do not need shoes and
blankets, but to the fact that their pittance wages do not permit them to buy shoes and blankets.

After all, why pursue the argument? The country already produces sufficient wealth to pay everyone living wages.

Is that possible?

Can it be that, without realizing the fact, we have been producing enough all along? The answer to that question is—"Yes." Concretely, this is how it happens.

There is a family living on Riverside Drive in New York City, in a house that cost perhaps $100,000. Their lives are furnished with every luxury. They have good food, plenty of clothing, fine pictures, magnificent furniture and many servants. Their home is palatial,—wonderful, yet it is not their only home. They live in it during the late fall and early winter, until the climate of New York becomes too rigorous for comfort. Then the bitter winds and storms drive them to their estate in Bermuda, where they have a comfortable winter house.

Winter time is gentle in Bermuda, and these fortunate ones spend the harsh months there.

Spring comes, and the family returns to its New York establishment. Only for a few months, however. The summers in New York are hot and uncomfortable. Late in May or early in June, the New York house is closed, and the family takes its journey to a pleasant cottage in Maine. There, beside a little arm of the sea, these people spend their summer time. In the fall, they return again to their city house.

The family has its recreations. There are trips abroad, to Florida, to California, in search of pleasure, comfort, education and amusement. The world lies open to this man, his wife and their two children.

The members of this family are not the only people who would like to travel and be comfortable. They are not the only people who enjoy the luxuries of life. It is not because others do not want these things that they do not have them. Neither is it because this family wants comforts and luxuries more than others, that it possesses them. The family is comfortable because it is rich.

Many years ago the wife's father made a fortune. When he died he left a large share of this fortune to his daughter and to her husband. The husband, who has never worked, receives each month his share of the family income,—income from stock, bonds,
mortgages and real estate titles. No member of the family has ever raised his finger to productive labor. No member of it has ever conscientiously endeavored to work either for himself or for his fellows. Both the father and mother are philanthropic. They give generously; but they give something which they themselves have never shared in creating.

This family reflects the spirit of that beatitude,—"Blessed are the wealthy, for they shall obtain more wealth." They own property, therefore they live in ease and luxury.

Wealth results from natural resources and from human labor. The total of wealth, thus produced, goes in part to those who labor. At the same time a generous slice of the national income goes to those who own property.

7. The Property Ownership Toll.

Those who own property demand a toll from those who work. The wealth, created by labor, is taxed by those owning property.

Income-yielding property (land and capital) gives to the owner a royalty privilege. The person of property may demand a share in the products of labor.

Here is a man of fifty. For thirty years he has worked on the railroad. In winter and in summer, under good conditions and bad ones, he has labored,—shifting ballast, renewing ties, laying rails, stooping, lifting. With his muscle and nerve energy he has rebuilt a part of the roadbed. For these services the trackman receives $500 a year,—$500 for 300 days of labor.

A young man lives on the same division. His hands are white, his mind guiltless of any intellectual effort. One day his father gave him ten thousand dollar railroad bonds. This young man is of mature years, yet he has lived his whole life without doing an iota of labor. But he holds the bonds, and because he holds them—irrespective of any service he may have rendered—the railroad pays him $500 out of its annual earnings. One man worked: the other man owned.

Some people work for a living; others own for a living.

Workers are paid because they work—giving time and energy to their tasks. Owners are paid because they own the resources and the tools with which the workers create wealth.
This relation of workers and owners exists throughout modern industry. Take the American railroads as an illustration. Each year the railroads pay twelve hundred million dollars to the people who do the work—from president down to watchman. Each year the same railroads pay eight hundred million dollars to the stock and bond holders—the people who hold the property. The railroad employees work for their living. The stock and bond holders own for their living.

The toll exacted each year by the owners of income-yielding property is enormous. The figures are not all available, but corporations alone report to the Commissioner of Internal Revenue, a total capital stock of $61,738,000,000; and a total bonded indebtedness of $34,750,000,000.* These figures include the wealth value controlled by those corporations which are engaged in financial and commercial enterprises; in public services; in industrial and manufacturing enterprises; mercantile activities, and in such miscellaneous activities as architects, contractors, hotels, theatres, etc. The figures do not include any unincorporated business in these fields.

It is possible to add to the figures cited by the Commissioner of Internal Revenue many other sources from which property income might be derived.

The most important items in property income in addition to the facts published by the Commissioner of Internal Revenue are included in house rent, farm rent, interest on mortgages, and similar charges. The Census figures in this field are incomplete and inadequate, yet taking the Census statements regarding the total number of families, the value of city real estate, the value of farm real estate, and adding to them the figures published by the Commissioner of Internal Revenue for corporations (the probable amount of income yielded by the property controlled through other than corporate agencies), it appears that the total income now paid to property owners in the United States is well above the six billion dollar mark.†

No claim can be made for the accuracy of this estimate. The thirty-four and three-quarter billions of corporate bonds reported by the Commissioner of Internal Revenue surely pay an average of 5 per cent. interest; that is, a billion and three-quarters to start with. The sixty-one and three-quarter billions of capital stock pays at

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least some dividends. House rent, interest on mortgages, farm rent, interest on public debt, and the various other sources from which property owners derive income, all add their quota. Even at that, the facts can touch only the obvious sources of property income payments.

Grant, for the sake of argument, that the annual income paid to property owners in the United States is equal to six billions a year. There are probably ten million families in the United States which spend less than $500 a year; there are probably twelve million families in the United States, which, together, would have an annual expenditure averaging $500. The six billions of property income would pay all of the expenses of these twelve million families, or, added to their incomes, would raise them to a level of income respectability.

The estimates on which these conclusions are based are, in every case, conservative to the last degree. The truth cannot be stated in figures, because the facts for accurate statements do not exist. Figures are used in order to make the matter concrete and real. It is neither practicable nor is it necessary to fix the amount of property income paid at five, six, or seven billions annually. The significant, vital fact is that property income payments are being reckoned not in hundreds of millions, but in billions. The figures for corporate bonded indebtedness published by the Commissioner of Internal Revenue alone establish this fact. It is the fact, and not the amount, that is important.

These figures relate to the incomes now being paid to property owners. The matter may be approached in another way by asking what are the possible sources of property income in the United States at the present time. The largest single group of figures is published by the Bureau of the Census in its bulletin, on “The Estimated Valuation of National Wealth,” Washington, 1915, page 15. According to the Census estimate, the total wealth of the United States in 1912, was $187,739,000,000. Of this amount, more than half ($98,363,000,000) was in the form of real property and improvements, taxed. Real property and improvements, untaxed, add another twelve billions to the total property valuation. Farm implements and machinery, manufacturing implements and machinery, railroads and other public utilities aggregate the vast total of national wealth. Clothing and personal adornments (non-income-yielding wealth) are stated at only four and one-quarter billions, while furniture, carriages and kindred property is stated at eight and a half billions. Thus the strictly personal property of the country constitutes less than 7 per cent. of the total wealth credited to the United States in 1912.
These Census figures obviously do not all represent income-yielding property. If the 96 billions of corporate business property reported by the Commissioner of Internal Revenue, the 41 billions of farm values and the 5 billions of public debt are added, there appears a total of approximately 140 billions of income-yielding property. These sources alone would yield at 5 per cent., an annual income to property owners of 7 billions.

The second method of computing the total of potential income-yielding property, while less accurate, is far more inclusive. The Internal Revenue figures should be increased by perhaps fifteen or twenty billions so as to include the unincorporated business properties. The city and town real estate, not owned by firms or corporations, must equal tens of billions additional. A highly conservative statement of the problem would place the value of potential income-yielding property in the United States at a sum very considerably in excess of 170 billions.

The figures stagger the imagination. They are unthinkably vast, yet they represent, though only roughly, the facts of possible income-yielding property values in the United States.

The possibilities of property income from the total income-yielding property may be suggested. If the potential income-yielding property of the country (estimated as “considerably in excess of 170 billions”) paid a return at the rate of 3 per cent. on its stated value, the total amount of property income would be considerably more than five billions of dollars. If it paid a return of 6 per cent., the total amount of property income would be considerably more than ten billions of dollars. These are the sums that might be paid annually to the owners of property in the United States.

The totals for possible property income may be compared with some service income totals. The wages and salaries paid by the manufacturing industries of the United States in 1909 were $4,365,612,851; the wages and salaries paid by the railroads in 1912 were $1,252,347,697; the wages and salaries paid by all of the mines and quarries in 1909 were $640,167,630. Together these figures total only six and a half billions.
8. Those Who Own and Those Who Work.*

Those who own and those who work face each other. The worker demands a return for his work. The owner demands a return for his ownership. The rapid growth of property values during recent years has accentuated and emphasized the conflict between work and ownership. On the one hand, are the people who devote their time and energy to the production of wealth. On the other hand, are the people who own income-yielding property. The workers receive a wage or a salary; the owners receive payments of the rent, interest and dividends. Many of the workers are growing clamorous over "human rights." The property owners, persistent, and ever watchful, urge the "rights of property." The time has come when the claims of the contending interests must be analyzed and understood.

A clearer idea of the points at issue will be assured if the term "property income" is applied to the returns that accrue from ownership and the term "service income" is applied to the returns that accrue from the expenditure of time and energy in the rendering of service. All regular income owes its origin to one of these two sources.

The owners of property bulwark themselves with certain prerogatives that have proved of the greatest importance in the conservation of property interests. Speaking broadly, there are four characteristic features of the shares of income which are derived from the ownership of property. First, property income enjoys priority in its claims upon the proceeds of industry. Second, the vicissitudes of industry affect property income less sharply than they affect service income. Third, income-yielding property exhibits a tendency to concentrate in the hands of a small fraction of the people. The total effect of these characteristics of property income is stupendous. The priority, regularity, permanence, and concentrability of property income combine to place the owners of modern income-yielding property in a position of economic security that surpasses the dreams of past ages.

Those who are giving their time and energy to the production of wealth, face the fact that property rights have been so construed as to give property owners a first claim on production and to make property income a fixed charge on the industry of the community. This priority of claim has played a leading part in raising property to a position of supremacy in the economic world.

*This same line of argument and much of the following material will be found in "Income," Scott Nearing. The MacMillan Company, Chapter 7.
The risks of industry, the burdens of economic uncertainty, and the losses incident to the dislocations of the industrial systems are carried in the first instance by labor. The first appearance of hard times is followed by a decrease in the working force. The least curtailment in orders leads to part-time work. Wage rates are not cut—that method is crude and disastrous—but men and women are laid off temporarily or permanently. Bonds still draw their interest; the dividends are paid on stocks; and labor waits for a job. The defender of property income will say at once—"If there is nothing to do, why pay labor?" The counter question is obvious. "If there is nothing to do, why pay capital?" "Ah," responds the propertied interests, "you can get rid of the laborer by firing him, but the investment still stands." That answer carries the essential distinction in priority between the position of the property owner and of the worker. Mines, railroads, factories, and machinery, cannot be laid off. Through good times and bad, they are a fixed charge, unless the business wishes to face bankruptcy proceedings. The most important obligation of a modern business is the interest on its bonded debt. Wages and salaries may stop, but interest on bonds must continue if the business is to remain solvent.

Interest has always been looked upon as a fixed charge. Modern business is going farther and placing dividends on the same basis. Huge surpluses are used to keep dividends intact. Meanwhile, labor is employed when times are good, and dismissed when times are not.

Through the evolution of the industrial system, property income has become a first charge on industry. Instead of being the residual claimant, instead of taking what is left after other charges are paid, property rights have fastened themselves upon industry to such an extent that the owner of capital, like the owner of land, can demand and obtain a royalty (interest charge) which must be paid before any other claimant to income is satisfied.

Thus land owners, the owners of bonds and mortgages, and in late years, the owners of stock as well, have saddled their property ownership claims on society. They are possessed of the vitals of present-day economic life. Armed with title deeds to natural resources and to machinery alike, they are in a position to dictate terms to the remainder of mankind. Before a tree can be cut or a ton of coal mined; before a wheel can turn or a locomotive speed along the steel pathway; before a wage-earner can raise a hand to labor for himself and his family, the proper owners must be assured that they will receive a specified rate of return on their holdings.
Society, for the use of the earth which was here before our forefathers came, and for the use of the machinery of production which the people of America have spent three centuries in building, must pay a royalty, or tax, to the owners of land and of machinery. The method by which the owners came into possession of this property is scarcely brought into question. As owners, they are entitled to the first fruits.

The priority of property income goes hand in hand with its superior stability. Each bulwarks the other.

The social forces of the nineteenth century conspired together to stabilize property income. With the rise of great funds of private property, and the development of a philosophy in the community which gave property a first claim on the proceeds of industrial activity, people have taken it for granted that a man should live on his income. Everywhere, men and women are seeking an opportunity to retire from active life and spend the last years in ease and satisfaction. The “last years” may be from seventy to the end, or from forty-five to the end. The attitude of the individual is, in both cases, the same. The farmer, renting his place and moving into the village, where he “takes life easy” and the broker, retiring to his estate in the early fifties, are in the same class. Both are in secure possession of property which yields a living income. Both are convinced that to live on this income is their right. Both rest secure in the belief that they have the most stable form of livelihood that modern life affords.

The point is well illustrated by an analysis of the way in which periods of prosperity and of adversity affect the shares of income. First, take railroad earnings. During a good year, a regular rate—say 5 per cent.—is paid on bonds. The earnings being high, a dividend of 8 per cent. is paid on the stock. The general run of wages and salaries remains the same, although they are increased in a few departments. A bad year ensues. The interest on the bonds is paid at the same rate as in a good year. Earnings are low, therefore the dividends on the stock are cut from 8 to 5 per cent. There are less freight and fewer passengers to carry. No new construction work is undertaken; therefore, a quarter of the railroad employees are dropped from the pay rolls. No reduction is made in wages; the wage earner is simply denied the opportunity to earn a living. Interest must continue, else bankruptcy ensues. Dividends may be, and frequently are, cut or passed. Earnings for a considerable proportion of the employees stop absolutely. In other industries, such as textile manufacturing and coal mining, instead of dismissing employees, the establishment is worked two or three, or perhaps four days a week during bad times. The inter-
est on the bonds is, of course, paid. Dividends on the stock may be passed or paid out of surplus. Wages are decreased by the simple methods of part-time work. In short, the incorporation of industry, involving the issue of stocks and bonds, creates a situation in which, during periods of adversity, the chief burden is borne by the employees; and year in and year out, through adversity and prosperity, interest is paid to bondholders. Exactly the same thing is true of the rent of land. In good years and bad years alike, the tenants must pay the same amount. Certain forms of vested income thus continue, while earned income and the opportunity to earn income are dependent on the caprice of industry.

Heretofore the bonds of an industrial enterprise have been looked upon as the stable form of security. The development of law and of public opinion has rendered them ironclad. The United States Commission of Internal Revenue reports, for the corporations coming under its purview, bonded indebtedness of $34,749,516,354. Here is a fund, which at the very outset will yield at 5 per cent., a billion and three quarters annually.

The same security which now surrounds bonds, is being gradually thrown around stock issues. In days gone by, stock issues were not taken seriously. To-day, the right to pay a 6 per cent. return on stock—even if the issue did not originally represent value invested—is being recognized in court decisions, in the decisions of railroad commissions, and in the attitude of industry toward income. Thus there has been effected a reversal in the relation between property claims and the claims of labor. Time was when property shouldered the give and take—the profits of industry. If there was a lean year, profits were small. They were larger in fat years. The man invested his money, took the risk involved, and was paid for it.

At present, labor shoulders the give and take of prosperous and adverse years. When times are bad, men are laid off. Orders decrease, and part-time automatically ensues. Meanwhile the snipping of coupons sounds at regular, unvaried intervals, and the book in which dividend checks are drawn is busy four times every year.

The man who decides to retire from active life, and lives on his income has chosen the safest course that any man in the modern world may pursue. The system of property income payment has been refined until it is almost automatic in its insistent regularity.

The priority of the property income claims in the business world, and the many safeguards which have been thrown about property rights in order to insure their stability, have given to property income a relatively great permanence. The attainment
of this end has been hastened by the widespread respect for property rights.

The permanence of property income is based, in the first instance, on the intimate connection which exists between property values and land values. As industry develops, less and less of the property in the world exists in terms of natural resources. At the same time, there is no escape from the fact that all property is derived originally from the land, and that the great stable property values are still land values.

The land values in a growing community like the United States tend constantly to increase. Each step in progress, by raising land values, gives greater permanence to property values generally. The economic movements incident to national development result automatically in the increased permanence of property income.

The advent of the corporation gave an ideal foothold for the property interests. Corporate values, published and divided into shares, acquire a permanence which the individual business could never have held. The perpetual life of the corporation, the possibility of drawing into its organization a great body of investors, the increase in the size, and therefore in the relative importance of the corporate business, all tended to make corporate property values permanent.

The movement toward the permanence of property values has been universally furthered by the granting of numerous long-term franchises. That whole body of business, classed as public utilities,* are operated under special grants and special licenses which have done as much as any other single thing to immortalize property investments. The franchise has really become a public guarantee of the permanence of property values.

Other forms of special privilege have had a like influence in making property values permanent. Copyrights and patents, freely used by large interests, have been employed to place in the hands of the property owners a sure source of income permanence.

Modern business practice has wielded an immense influence in the direction of property permanence. A thousand dollars, once invested, is virtually immortal, unless it is stolen, or disposed of in some extra legal way. Depreciation, amortization, insurance

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*The Commissioner of Internal Revenue reports the total values of the bonds as $20,817,000,000, and of the stocks as $19,584,000,000. (Annual Report for 1913, p. 93.)
and special surplus fund charges throw around income earning property a large guarantee of safety. Any failure in the perpetuity of the property values is due to inadvertence or impotence in the property interests. For centuries the thought and effort of the business world have been directed toward the increasing permanence of property rights.

The efforts of the propertied interests have been exerted to good purpose. The public mind, the laws and constitutions, the forms of judicial practice—in short, all of the social forces that were of advantage have been bent to the guarantee of property income permanence.

Granted the continuance of the present system of property, the student trembles to think of the task in store for the toiler of the future. Each year, besides producing wealth in sufficient quantities to provide for himself and his family, he must devote a large portion of his energies to the provision of income for the owners of a vast and ever-growing body of immortalized property rights and interests.

Men look with pretended aversion toward the Feudal System—an organization of society under which the nobility and the priestcraft, through the control of the natural resources (agricultural land) were able to live upon the efforts of the great mass of the people. Is it not time to turn from the perspective of history to the realities of the present day economic organizations? Here, in the twentieth century, civilization of the Western World is an economic system which automatically turns into the coffers of those who control the natural resources (forests, ore, coal, fertile land) an endless stream of wealth. As rent ate up the fruits of a man’s energy, under feudalism, interest and dividends do likewise under the modern system of industrialism, which has given to income-yielding property a permanence that rivals that estate held by the mediaeval landlord.

There is one further feature of the property income situation which cannot be dismissed without a word of comment—that is the tendency of property income to concentrate in the hands of a small group of the population. The tendency is revealed by the record of wealth distribution in every society about which history contains a page. It is present, no one can say with what impetus, in the United States to-day.

The present system of property ownership places no limitations on the amount of income-yielding property which one individual may control. The Rockefellers, Guggenheims and Carnegies may secure
title to a hundred-thousand, a hundred-million, or a hundred-billion
estate. There is nothing in the custom or law of the land to check
such a procedure, and in the course of the undertaking, business
practice affords every conceivable advantage. The modern prop-
erty-owning world is organized on the assumption that every man
has a right to as much property as he can get. Under the circum-
stances, it is not strange that there has been a very considerable
concentration of property ownership in a comparatively few hands.

The rapidity with which large fortunes have been acquired is
one of the wonders of the modern world. At the present time, the
United States numbers its millionaires by thousands. The mere
mention of such names as Vanderbilt, Gould, Astor, Rockefeller,
Morgan, Havenmeyer, Belmont, Whitney, Goelet, Carnegie, Armour,
Harriman and DuPont (all of them families numbered among the
multi-millionaires whose wealth was acquired, for the most part,
since the Civil War) calls to mind the immense concentration of
income-yielding wealth which has been going on within the past
century. The industrial system is intertwined with a device known
as private property in income-yielding wealth, which leads inevitably
to the concentration of property income in the hands of a com-
paratively small portion of the population.

There have been many attempts—none of them satisfactory—
to measure the distribution of wealth in the United States in such
a way as to show the exact concentration of wealth. The most
widely quoted of these efforts, that of Charles P. Spahr, led to the
conclusion that of the 12,500,000 families in the United States in
1890, 11,000,000 owned less than $5,000 worth of property. The
aggregate wealth of these families, Spahr estimated at nine billions.
Among the remaining families, 1,375,000 were credited with prop-
erty varying from $5,000 to $50,000, and aggregating twenty-three
billions. The last, 125,000 families had property exceeding $50,000,
but the aggregate of this property was thirty-three billions,*—an
amount equal to the total property held by the other 12,375,000
families.

The figures cited by Spahr are estimates based upon an inten-
sive study made in a restricted section of the country. Roughly,
they correspond with later work done by Spahr, and with the income
returns for England and Prussia. As a practical working basis
they are valueless; as a suggestion of the extent to which wealth has
been concentrated, they lend additional color to the general belief

*“Present Distribution of Wealth in the United States.” (Charles B.
Spahr, New York, 1896, p. 66.)
that the major portion of the property income returns are handed over to a comparatively small group of the population.

The exact figures showing the concentration of property values are unobtainable, and of no great moment in the present discussion. The tendency of income-yielding property to concentrate in a relatively small number of hands is evident on every side. The extent of the concentration cannot, and need not, be ascertained with accuracy.

The position of the recipients of property income is relatively secure. Their claims enjoy priority, stability, and permanence. Their property tends to attract other property, thereby augmenting their income. What can be said for those who render the services upon which the industrial system so largely depends?

Those who render services, by engaging in productive activity, are the human element in the industrial mechanism. They supply the energy and make the distinctively human contribution. Their hands, legs, backs, nerves and muscles; their physical and intellectual powers are devoted to the creation of the things that the world needs and uses. From laborer to director; from mechanic to engineer; from clerk to manager, the men and women engaged in rendering services, devote themselves to the production of economic goods.

Those who render services give the best of their energy and the major portion of their free time to the tasks which they perform. Even in those industries where the working day has been reduced to eight hours, if the time necessary to get to and from work is taken into consideration, the man and woman, working at a steady position, has, after the deduction of nine or nine and a half hours for time at work, time used in going to and from work, and lunch time, not more than fifteen hours for eating, sleeping and the other necessary routine of life. If eleven hours are allowed for this routine, there remains four free hours in each working day. The eight-hour day is still the exception rather than the rule. There are many industries where the working day is eleven and a few in which it is twelve hours. For such industries the free time in a working day practically vanishes.

A great portion of those rendering services, literally devote their adult lives to labor. As individuals, they are submerged in the services which they render in exchange for their daily bread.

Over against the priority, stability, permanence, and concentra-

bility of property income, the student of income facts is compelled to set the paucity, the social inadequacy, the economic inadequacy, the rigidity, and the frightful instability of service income. The
contrast, squarely made between the relative position of those who receive property income and those who receive service income, is startling in its vividness. The position of the great body of those who render services is unmeasurably less secure than the position of the great body of those who receive property income.

The actual amounts paid to the men and women who do the work of the industrial world, are extremely small. Current wage rates, placed side by side with the expense accounts of thousands of families whose sole claim to income rests upon their ownership of property, are startling in their paucity. Five hundred dollars a year paid to an able-bodied man whose back was bent three hundred days of the year in his efforts to support a wife and four small children; seven dollars a week to the anemic man whose eye races with his machine along the seams of ladies' coats; fifteen dollars a week to a mechanic, keeping a family in a big city; a thousand dollars a year to a skilled artisan. These wage rates are meagre when contrasted with the returns to the men who own the valuable property of the country.

Each year enormous payments are being made to the owners of property in the United States in return for their bare ownership. At the same time the workers whose efforts are responsible for bringing these values into being receive, in many cases, returns which sound like mere pittances. An idea of the real paucity of service income figures is perhaps best secured from an analysis of the groups of persons classed by the Census as "gainfully employed."

The figures for organized industry (manufacturing and mechanical pursuits, transportation and trade in which 48.2 per cent. of the total number of persons gainfully employed are reported) show clearly that at least four-fifths of the adult males, and nineteen-twentieths of the adult females employed in organized industry receive less than $1,000 a year. This includes, from the general manager to the coalheaver, everyone who gives time and energy to production.

More than nine-tenths of those who are at work in organized industry are clerks or wage-earners. Among male clerks and wage-earners an annual return of $1,000 is exceptional, while $1,500 is almost unique. Almost the entire male wage-earning population receives less than $1,500 per year; most of it receives less than $1,000; and fully half of it falls under $600. The incomes of women fall far below those of men. At the same time the owners of property receive an annual income of many billions. The facts adduced in the present investigation tend to show at least six billions of property income—a sum sufficient to support the twelve millions
poorest families in the United States on their present level of existence, or to add $300 per year to the income of every family in the United States. The amount now paid in property income, distributed among the producers, would probably raise every family income in the United States to a level of decency or efficiency.

Enough has been said already to show that the income paid to many wage earners will not buy decent living. At the same time, facts were cited to show that the American wage will not permit the workmen to make the ordinary provisions which sound business policy dictates.

Property income may be amassed, indefinitely, in the hands of one individual. Service income may not comprise more than the returns for the services of the one individual. More than that, the possibilities of securing any considerable increase in service income are woefully limited by the organization of modern industry.

Despite the current assertion that "there is plenty of room at the top," and that consequently any one may come up from the crowded tenements into the spacious mansions whose wide flung doors invite the over-burdened to an infinity of relaxation and rest, the possibilities of advancement are rigidly restricted.

Tradition, aphorisms, proverbs and successful men to the contrary notwithstanding, the room at the top is a myth. Glance for a moment at the facts. A recent strike among the Paterson (New Jersey) silk workers aroused considerable interest. Why did not the workers "rise" instead of striking? An appeal to the last census furnished a conclusive answer. In 1909 there were, in the silk mills of New Jersey, 306 proprietors and firm members; 518 salaried officials, superintendents and managers; 1,256 clerks, and 30,285 wage-earners.* For each firm member there were six salaried officials and clerks and ninety-three wage-earners. Granted that all of the firm members were recruited "from the ranks," each worker would have one chance in ninety-three of becoming a firm member. On a larger scale, the manufacturing industries of the entire country, employing more than seven millions of people, show a similar situation. In the cotton goods industry the proportion of wage-earners rises to 97.77 of the total of gainfully employed persons. Comparisons even more striking may be had from the railroad industry. Of the total number of employees (1,669,809) almost exactly one in three hundred are general officers. Granted that all of the general officers were picked from the ranks, and that the working life of wage-earners and general officers were the same (which, by the way,

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they are not—the general officers living considerably longer) each employee would have one chance in three hundred of becoming a general officer. There is another consideration, however, which may not be overlooked. If the man who is proposing to rise is a trainman, there is one chance in two hundred that he will be killed every year, and one in ten that he will be injured. Supposing then that the length of the working life were twenty years, the trainman’s chance of promotion to a general officership would be far less than his chance of injury and death. Among the unskilled workers, the risks are lower, but the chances for promotion are even slighter, because of the unskilled character of the work they do. The chance to rise is a chance for the man of exceptional ability. The ordinary man has no more chance to rise than Ponce de Leon had to find the spring of perpetual youth. To the average low skilled man in American industry, the “chance to rise” takes a place among the other legends handed down from earlier times.

When all is said the organization of modern industry is such that in the absence of some outside influence such as education, or “pull,” the low skilled worker is condemned to a life of low skilled work. Receiving a subsistence wage, he is unable to do more than make ends meet, except by living under the most abject conditions, or by exceptional management. Lacking training, capital and surplus energy, the low skilled worker may neither rise in industry, nor may he begin an industry of his own. Until recently free land and farm ownership offered him an alternative. To-day free land is gone. Even though land were still free, the amount of capital necessary for the proper management of a modern farm is prohibitive to the man without means or credit. The low skilled worker may not change his lot by rising, or by striking out for himself. Barriers appear in both directions which are surmountable by the man of unusual ability and of great energy alone. To the ordinary man, the limitations which they prescribe are absolute.

Another factor must be dealt with in the same connection. The modern plan of industrial organization which calls for four managers, superintendents and foreman, six clerks, twenty skilled men and seventy semi-skilled “machine hands” and unskilled “laborers” is almost as fatalistic for the children of the unskilled laborers as was the Feudal system for the children of the serfs.

The wage of the unskilled father is meagre, the son must leave school at fourteen to help support the family. The job which the son gets is a monotonous, non-educational, “dead-end” job, which begins his training as a low skilled worker. His home has been wretched; his life has been lived on the street; his ideals have been low; the examples before him have not inspired him to great effort;
he has been poorly fed; in short, his whole life has prepared him to follow in the footsteps of his father, and to become a low skilled man. Thus the curse of poor training and inefficiency is handed down from father to son, through one generation after another.

The rigidity of the present economic system makes a material increase in service income unlikely for either a man or his descendants. Arbitrary to the point of fatalism, the economic system ties the worker hand and foot to a standard of service income over which he has the merest control.

Property income is relatively stable. Numerous and effective safeguards have been thrown around it. Despite occasional breaks in the abatis protecting property income rights, as a general rule, the defenses erected by the propertied classes have proved well-nigh impregnable.

With those receiving service income the situation is far different. Excepting the small percentage of high-salaried workers, the great mass of those who receive service income are forced to struggle in a sea of economic uncertainties. There are five forces always confronting the workers, any one of which may reduce or entirely eliminate service income. They are (1) overwork, (2) sickness and accident, (3) invention of new machinery, (4) shutting-down of individual plants and (5) industrial crisis.

Under the strain incident to overwork, a man may break down at forty and be discharged because he is physically or nervously unable to continue with his duties. Modern industry is run at a terrific speed which leads inevitably to a shortened working life, or decreased efficiency. The speeding-up system clearly places a premium on youth and vigor and a serious handicap on age. This fact the companies are not slow to recognize. They do not want old men on their pay-rolls—and they say so, clearly and emphatically. There are many industries in which men are expected to go to pieces before reaching normal old age. The pace is set high, and those who cannot keep it must drop out or take less lucrative positions.

Industry offers the workingman an opportunity to earn a living, subject to the caprice of overwork, sickness, accidents, new machinery, individual shut-downs and general suspensions of industrial activity—a hierarchy of forces which overshadow every movement of his life, threatening continually to hurl him into an abyss of hardship and misery. Any one, or any combination of these five forces, may, at any time, diminish, temporarily or permanently, the income-earning capacity of the worker. All of them are beyond his individual control, yet they strike, with merciless certainty, the sources of livelihood of the family in which they occur.

The conclusion is inescapable. No thoughtful person can review the facts without being impressed by the frightful insecurity of work and the formidable power of ownership.

The present economic system is so organized as to throw the balance of advantage into the pockets of those who own income-yielding property. Despite the superior social value of services; despite the obvious justice of favoring the service renderers rather than the property owners, a system has been established which places a higher stamp of economic advantage upon the ownership of property than it places on the rendering of services.

A review of the facts makes the conclusion inevitable. Property income has a prior claim; is more stable and more permanent than service income. Service income is small in amount; socially and economically insufficient, rigid and unstable to the last degree. The twentieth century economic world has given property income the right of way.

The truth regarding the relative positions of service and of property incomes is epitomized in the attitude of the modern community toward the right to service and to property income. Even where the law on the point is hazy, morality and tradition are clear-cut.

There is no such thing as "right to work" in modern society. Men talk glibly of the "right of every American citizen to work when he pleases, where he pleases, and for whom he pleases." These same gentlemen would be slow indeed to permit any citizen to enter their plants unasked, and pre-empt a job. Even were they regularly employing these same citizens, they would hesitate about allowing them to begin or quit work after or before regular hours. They would be still less willing to have workers stop work on two or three days each week, or to leave the plant in a body and organize what is called a "strike." There is no real belief anywhere in the community that a man has a right to work when, where and for whom he pleases.

A laborer may secure a job by asking for it, and making a contract with his employer to work under certain conditions. He has no "right" to work, however, that the employer, the courts of the public, recognizes.

The modern State does guarantee all of its citizens against starvation. The poor-house, such as it is, is always open. There
never has been and there is not now, a right to work anywhere in
the United States.

There is no right to work, but there is a right to property in-
come. The right is recognized in the courts only in a limited sense.
It is universally accepted by public opinion.

Every man who has a hundred dollars feels and asserts that
he has a right to interest on that money. There is scarcely an owner
of income-yielding property in the United States who does not
bitterly resent the statement that interest is wrong. A few property
owners have been convinced, but the great majority rest firm in the
opinion that interest is right and just and that they have a "right"
to interest on income-yielding property.

The practices of the community give color to this insistence on
the right to property income. Any one may go to a bank or trust
company during the business hours of any day, and by making a
deposit of $100 secure the right to three dollars of interest per
year. Any one may exchange $1,000 for a railroad bond and thus
secure the right to fifty dollars of interest per year. The business
world abounds in opportunities to secure income-yielding property,
and apart from any abstract consideration, the present economic
system enables any one who has a sum of transferable wealth to
secure an interest return on it. Whatever may be its theoretical
status, property income in practice is a right.

The status of the issue is brought out very clearly in another
connection. While the courts have consistently refused to fix a
minimum for service income, they have insisted on a minimum for
property income. By this distinction, they have virtually placed
themselves on record as approving a right to property income while
they disapproved a right to service income.

Latterly, the proposal and enactment of minimum wage laws
has marked a significant change in public opinion. At least in the
case of women the question of adequacy of service income is being
raised. It is not sufficient that a girl receive a "wage." She must,
at the same time, receive a "living wage"—that is, one that will
maintain her health and efficiency. The concept is revolutionary.
Rightly directed and generally applied, it will result ultimately in
fixing a minimum service income right. Although it does not guar-
antee the right to work, it will guarantee a fair return for work
performed.

The neglect of the courts to fix minimum standards for service
income has been more than counterbalanced by their persistency in
establishing minimum standards for property income. The work of public service and railroad commissions well illustrates this attitude.

Public service and railroad commissions were created for the purpose of curbing the predatory actions of the public utilities. They entered upon a task fraught with possibilities. Franchises, secured free or for a trifling cost, had been capitalized and sold; value had been hypothecated; stocks had been watered. In the case of many of the railroads, the bonds had been issued against the physical property, leaving the stock to represent good will and earning power. The passage of years with the increase in population and therefore in franchise and land values, had raised the value of the properties. In many cases, excessive profits had been turned back into the business, capitalized, and the stock given or sold to stockholders. By the many methods known to the manipulators of corporation finance, the theoretical values had been converted into assets. Some of the railroad and public utilities commissions, appointed to represent the public interests, took a bold stand—they decided to make a physical valuation of the property of the various utilities, and to refuse to allow them to make more than a reasonable return on the ascertained physical value. The original property might have been stolen or secured legitimately. It might represent cash invested, increased land values, or reinvested earnings. In any case, the owners of the property were entitled to a fair return on the physical property. Such decisions have been repeatedly upheld by the courts, which have gone farther, and fixed the "fair rate of return" at so much per cent.

Among the commissions, only the boldest undertook physical valuations. Even then there was scarcely a suggestion, or an act, which would indicate that the utilities had not a right to an interest return on the then physical value of the property.

The point need not be further stressed. The facts are universally known. They are not generally understood.

The care which society takes of property income, and its comparative indifference to service income, is but another segment of the great conflict which is being vigorously waged between the owners of property and the people who use their property and do their bidding.

Society is engaged in glorifying ownership while it penalizes labor. The fat kine are for the owner; the lean kine are for the worker. The prophet said truly: "To him who hath, shall be given." The American nation faces the stupendous task of rewriting that sentence in this form: "To him that does, shall be given."
The nation is built on the work of its workers.

To-day, as in every past age, the idler and the parasite are burdens on national life. They add nothing to national well-being, while they cost their keep.

The workers are the nation. As they thrive, the nation thrives. As they succeed in life, the nation is prosperous and great. The future of the nation is inseparable from the future of the nation’s workers. It was not for nothing that Capt. John Smith insisted,—“He who will not work, neither shall he eat.”

Fronted by these facts, we are deliberately working out an economic system which glorifies ownership and penalizes work. The owner prospers; the worker exists. The owner lives upon the fat of the land, which the worker has created.

A survey of the relative positions occupied by the recipients of service and of property income, shows that the property owners hold practically all of the strategic points. They are supported by tradition; bulwarked by custom, and protected by most of the motive forces of society. The social mind and the social structure alike have been shaped so that they would function in terms of property income rights and privileges.

Those who receive service income have the advantage of numbers and the possibilities of organized action. They are convinced of the essential injustice of their position. Otherwise they are compelled to go weaponless into the conflict.

Economic forces are pushing forward the issue. They have placed on one side the majority of the population, who carry the burdens of economic society and put forth the energy necessary to propel industry. On the other side, the economic forces have ranged a small group of persons in whose hands is concentrated the great bulk of the income-yielding wealth of the community. The forces of economic society are sharpening the contrast between service and property income, and adding daily to the irony of a status which compels workers to skimp and abstain while property owners may idle and luxuriate.

Whenever one group in a community secures large income return without participating in the work of creating those returns, while another group in the same community carries the burden of the work and at the same time receives a meagre share of the product of its labor, there, sooner or later, a conflict will arise.
The conflict may be peaceful, and long drawn out, like that between the English peasantry and the English landlords, or it may be dramatic, spectacular and bloody like that between the French peasantry and their landlords. The conflict will come, however, because if there is one deep-rooted conviction in the human breast, it is that each person has a right to what he earns. Crude indeed are the definitions, and the ideas and standards for “earning” are incomplete. Always the thought is there in its most general form, carrying with it the possibility of revolt against any economic order which denies to a man the right to his full earnings.

The economic conflict in the United States will eventually develop between property owners and the producers of wealth. A student of current American economic facts is led to the inevitable conclusion that there is only one economic contrast that can be made clear cut and definite—the contrast between service income and property income; between income secured as a return for effort, and income secured in return for property ownership.

The facts in the case point clearly to the distinction between service income and property income. The line of future contrast and of future conflict is the line which separates these two ideas.

The student will search in vain through the annals of economic history for a situation more fraught with destructive possibilities than those now confronting the American people. The recipients of property income (derived from property ownership) and of service income (paid for the expenditure of effort) face each other and prepare for the conflict. Those who have put forth the effort, declare their right to the products of that effort. Those who own property hold fast to their property and to the prerogatives which are inseparable from them.

Law, custom and business practice have made property income a first charge on industry. There can be no considerable readjustment of income values until the pre-eminent position of property is overbalanced by some social action.

The present tendency should greatly increase the total amount of property income and the proportion of property income paid with each passing decade. Land values should continue to rise; as population grows denser, demand for land increases, and methods of using land are perfected. The returns to capital (the interest rate) show every indication of advancing. It certainly will not decrease in the near future.

Meanwhile the immortalization of capital proceeds apace. The day when capital could be easily dissipated has passed away. Ac-
counting systems, insurance devices, depreciation funds, boards of directors, and trusteeships conserve capital, reduce risks, distribute dangers, and in general, provide against misadventures for which interest, at least in part, is supposed to be a recompense. When once created, capital does not disappear. Instead, every conceivable method has been devised to perpetuate it. It may even add to itself, as it frequently does, when earnings, instead of being used for the payment of dividends, are reinvested and turned directly into new capital.

The workers, meanwhile, are living, for the most part, a hand-to-mouth existence, successful if they are able to maintain health and keep up appearances. Against the value of the products which their energy creates, is charged the property incomes for which the labor of some one must pay. To-day, the producers of wealth are saddled with an enormous property income charge which increases with each passing year—increases far faster than the increase in the population—and which, from its very nature, cannot be reduced, but must be constantly augmented.

Were there no protest from the producers of wealth, the future for capital would, indeed, be a bright one. With increasing stability, increasing safety, decreasing risks, an increasing interest rate, and increasing land values, the property owners might face a future of unalloyed hopefulness.

Fortunately, no such situation exists. On the contrary, there is every indication that, with the passing years, the producers of wealth will file a protest of ever increasing volume against an economic system which automatically gives to those who already have.

While the spirit of protest grows in intensity, the form remains a matter which future years alone may determine. An appeal to the available facts leads to the conclusion that the most effective protest the producers can make will be based on a clear recognition of the distinction between service income and property income. Shall the economic world decide that only those who expend effort shall share in the wealth which is the result of that effort? Shall the economic world decide that each person expending effort is entitled to all the value for which his effort is responsible—no more or no less? Shall the economic world set its stamp of approval on effort, and its stamp of disapproval on parasitism, by turning the income from activity into the hands of workers, and denying income to all others? Has the time arrived when a few may no longer live in idleness upon the products created by those who give their lives to labor? Shall not the social blessing be bestowed
upon those who labor and the social curse be hurled upon the idler and the wastrel? Lo! these many years has mankind looked forward to a day when economic justice could prevail. Is not this the day and this new country the seed-ground for this new idea?

Who shall say? Who but those who carry the burden of production, and are bound by the bonds of economic necessity to the tread-mill of toil?

The hope of America lies in its workers. To them the nation owes its existence. Upon them rests the possibility of continued growth. The worker must be encouraged and the idler penalized.

Pay should be a reward for work; not for ownership which leads to idleness.

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