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CHRISTIAN ECONOMICS

We believe in the free market and the faithful application of Christian principles to all economic activities.

Wage Interference by Government

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WHEN IN the nineteenth century the question was asked: What can be done in order to raise wage rates and thereby to improve the average standard of living of the most numerous class of the population, the economists answered: One has to accelerate the increase of capital as compared with population. This answer infuriated the reformers and socialists. Thomas Carlyle called economics the dismal science, and Karl Marx smeared the economists as bourgeois idiots and sycophants of the exploiters. But such abusive language cannot change the facts. Today the statesmen of all underdeveloped countries realize very well that what is needed to improve the lot of the masses of their peoples is investment of additional capital. In spending dozens of billions of dollars for foreign aid the American Government implicitly admits the correctness of this thesis. And even the most fanatical foes of capitalism no longer venture to deny that the comparatively high standard of living of the manual workers in this country and in some parts of Europe is due to the increase in the amount of capital invested per head of the employees.

Thus at least in dealing with the economic problems of underdeveloped nations the President, Congress and public opinion virtually acknowledge the doctrine of the much abused classical economists. But in dealing with domestic problems they are guided by very different ideas. They proceed as if the height of wage rates could be ad libitum fixed by government decree or by labor union pressure and compulsion. Our tax system — especially the way in which personal incomes, corporations and estates and inheritance are taxed — not only reduces considerably the amount of savings, but in many regards directly results in capital decumulation. But the authorities and their advisers are not concerned about these effects. They are intent upon raising wage rates either through decreeing minimum wage rates or through pro-union policies.

The laws have in the last decades granted to the unions many privileges. But all these legal privileges would not have given to them and to the methods of collective bargaining the tremendous power that the unions enjoy today in this country and in almost all other non-communist countries. What makes the unions formidable is the fact that the authorities — the federal government as well as the state and municipal governments — have designedly and wittingly abandoned for the benefit of the unions the essential power of political sovereignty, viz. the exclusive right to suppress disobedience by recourse to violent action. When striking workers resort to acts of violence against strikebreakers or against the persons or the property of those who employ strikebreakers, the authorities preserve a lofty neutrality. The police do not protect those attacked, the district attorneys do not prosecute the assailants and consequently no opportunity is given to the penal courts to try to punish them.

What is today euphemistically called the right to strike is in fact the right of striking workers to prevent by recourse to violence people who want to work from working. This means that the authorities have surrendered to the unions an essential attribute of their governmental functions. In matters of wage determination the voice of the unions has the power that in other matters the Constitution and the laws assign exclusively to orders of the authorities issued in conformity with the laws. You have to obey such orders and prohibitions or else your obedience will be obtained by beating you into submission.

The statesmen and politicians who step by step — not only in this country but also in all other countries of Western industrialism — granted this tremendous quite exceptional privilege to the unions were guided by the belief that raising wage rates above the height the unhampered market would have fixed them is beneficial to all those who want to make a living by earning wages. As they saw it, a rise in wage rates will reduce profits and interest rates and thus improve the lot of those toiling in factories and offices at the sole expense of a socially quite useless "leisure class."

These self-styled friends of the common man failed to see the fact that capitalism is essentially mass production for supplying the masses. While in the precapitalistic ages the processing industries, the artisans organized in guilds and crafts, produced only for the wants of small groups of well-to-do, under capitalism the masses of the working people are the main consumers of the products. Big business serves always the many; the shops serving the fancies of the rich never attain bigness. If we refer to the consumers, we refer to the same people we are by and large talking about in referring to the wage earners.

The labor market fixes wage rates at the height at which all those intent upon hiring workers can hire as many as they want and all those anxious to find a job can find one. If wage rates, either by government decree or by union pressure and compulsion, are raised above this height, there are two alternatives. Either prices are raised concomitantly — then demand and sales drop, production must be curtailed and a part of the previously employed workers will be discharged — or prices remain unchanged although the cost of production increased. But then firms that are producing under the least favorable conditions and therefore with the highest costs suffer losses and are forced to go out of business or at least to

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restrict the quantity of their production. Again workers are discharged. Whatever is done to impose wage rates higher than those the free unhampered market would have determined, results in unemployment of a part of the potential labor force.

If a union succeeds in forcing the employers to pay higher wage rates than those they were prepared to pay under the prevailing state of market conditions, this is not a victory for "labor," i.e., for all those who are anxious to earn wages. It is a boom only for those workers who will be employed at the new rates. But it is a calamity for all those whom it condemns to lasting unemployment.

This effect of raising wage rates above the potential market rates is not denied by any economist. Even Lord Keynes did not question it. He realized very well that there is no other means to fight unemployment than to adjust wage rates to the height consonant with the state of the unhampered market. The characteristic mark of the Keynesian approach to the problem of unemployment is that he, for practical and tactical reasons, suggested bringing about this adjustment by inflation and its inevitable consequences, a rise in commodity prices. He thought that "a movement by employers to revise money-wage bargains downward will be much more strongly resisted than a gradual and automatic lowering of real wages as a result of rising prices." As everybody knows today it is impossible to delude the unions and their members in this way. People are nowadays index conscious.

The outstanding fact is that it is impossible to raise wage rates by coercive measures, be it a direct government minimum wage decree or labor union violence or threat of such violence, without bringing about lasting unemployment of a part of those looking for jobs. The exceptional powers the governments granted to the unions do not benefit all those anxious to earn wages, but only a part of them, while the others are victimized. Experience with labor union policies and governmental minimum wage rates has confirmed what economic theory teaches. There is no other method of improving the well-being of the whole class of wage-earners than by accelerating saving and the accumulation of new capital.