June, 1944

*How are your wages set? By your boss?
By your union? By the government?*

# It's Your Wages, Brother!

*FOURTH OF A SERIES—DISTRIBUTION OF WEALTH*

IT HAPPENED in the winter of 1900. Gold had been discovered in Alaska. Thousands of men had gone to the Klondike gold fields to seek their fortunes. With grubstake and pick they followed the streams, stopping where fancy led them to hope for a find. But only a few struck it rich. Not satisfied with the poorer diggings, most of the prospectors simply ran out of provisions and started back toward the coast and home, disappointed and broke.

In Nome, on the west coast of Alaska, the winter of 1900 was, therefore, a period of hard times. Wages, which had been $8 and $9 a day before the richer Klondike deposits were claimed, had fallen to $3 a day, the lowest that anyone could remember. And still more miners arrived daily. Nome had no jobs for them. Food was their desperate need. There was disorder. Men trying to break into stores were shot. One was hanged for stealing food. The town was jammed with men who had nothing and hoped for nothing but a chance to earn steamship fare back to the States.

One afternoon a despondent prospector, taking his pick and pan for companionship, went down to the seashore to brood over his troubles. After a bit, more from habit than from hope, he stuck his pick into the sand and scooped some into his pan. Aimlessly he washed out the sand, little expecting a sight of the precious metal. *But gold showed!*

Now he went feverishly to work. Before the late sun set, he had panned something like $20 in gold dust.

The prospector went back to town, bought a hearty meal and, after a drink or two, told of his discovery. Next morning, all along the beach was a howling mob, each man trying to drive away others who had come to stake their claims in this new Eldorado. "Get offa there, you! I was here first!"

To bring order out of the chaos, a meeting was called to make an equitable arrangement. The men were told that the beach from low tide to high tide mark was government property, and that the miners could not file claims nor in any other way alienate the area from the public domain.



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But something had to be done. Here was gold! So the men formed a miners' association and agreed to protect one another's holdings—with the understanding that a strip 15 feet wide from low tide to high tide would be enough for any prospector. They appointed a committee to survey the shore and allot holdings. Lots were drawn for the parcels.

*Next day, wages for dishwashers in Nome restaurants rose to $20 a day!*

No one would work in the town for less than he could make panning gold for himself. Miners working the privately owned deposits elsewhere, clerks in the stores, barbers and bartenders—all had their wages raised, without leaving their jobs. Employers had to pay their workers what they could otherwise earn from the tide-swept sand at the seashore, or lose their help.

Retail business men prospered because the wages of their customers were high, and also because their weaker competitors found it more profitable to pan gold than to keep store. These conditions naturally lowered the cost of rents in relation to the volume of business. And all this with no WPA, no war boom, no minimum wage legislation, no OPA![1]

The story of Nome demonstrates the natural law of wages.

The beach at Nome was public domain. No rent had to be paid for access to it. In consequence, all the gold that the prospector could pan from his parcel went to him as wages. A high scale of wages was thus established, and men for miles around, regardless of their jobs, would not work for less.

If the beach at Nome had been privately owned, the prospectors would have had to bid against one another for the chance to work it. They would have had to pay as much as $17 a day for panning privileges—or in rent—leaving them only the $3 they could earn working the poorer diggings of the Klondike. The golden sand would have enriched a few titleholders but the prospector and the clerk in the general store would have continued to work for $3 a day.*

When the Pilgrim Fathers landed on bleak Plymouth Rock they were not greeted by FOR SALE signs. All land was free. All they could produce was a reward to the colonists for their labor and for their foresight in gathering seeds and making tools.

Soon, however, their desire to be protected in the individual use of farms, homes and shops created a system of land tenure. Parcels of ground were fenced in and the better areas, formerly free, now could be rented out by those who held title. As population grew and new centers of commerce and production arose, the advantages of the well located land mounted over those of the land at the fringe of development. For people like to be near the center of things, not only for sociability but for the convenience of

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*This incident is analogous to the recent skyrocketing of oil leases in Mississippi. During the first few days, farm land valued at $165 an acre before the discovery of petroleum was being leased at $1,000 an acre. Within thirty days, lease offers of $5,000 an acre were being refused.

doing business. These advantages made people willing to pay the landholder's rent—the primary source of most early American fortunes, some of which, like the Astor, Rensselaer and Longworth fortunes, have continued to this day.

Despite the rapidity with which privileged individuals carved vast estates for themselves out of the land of the newly settled continent, a seemingly limitless expanse of virgin opportunity stretched beyond these grants.

In 1751, Benjamin Franklin prophesied that "notwithstanding the increase in population, so vast is the territory of North America that it will require many ages to settle it fully; and until it is settled fully, labor will never be cheap here, where no man continues long a laborer for another, but gets a plantation of his own."[2]

Not many ages, Mr. Franklin! By 1890 America was to see the virtual end of its frontier, and with it, the end of the "free land in the West" which provided ready opportunities for employment, put a foundation under the American scale of wages, and made our standard of living the highest in the world. The free land of the frontier spelled opportunities for labor and capital and therefore raised both wages and interest. At the same time it served as a check upon the increase of rent for all agricultural and industrial land.

Not everyone trekked to the frontier. But as long as the frontier remained there was never a glutted labor market. In this free land of the West, the individual had his own bargaining power and job insurance. He could leave a job without fear. And while not many had to leave the old developed centers, some did, and this had a constantly stimulating effect upon the demand for labor and consequently upon the rate of wages.

THE STORY of the prospectors at Nome and the history of the American frontier show how *wages depend on what labor can produce on the best land available without cost*. It also shows that when men cannot find good land without paying a price for it, the competition for jobs on farms and in the cities tends to drive wages down to the minimum upon which men can live. No permanent increase of wages affecting the whole population can be secured without recognizing this relation of land to wages.

No one with knowledge of the past will be deluded into believing that war boom wages represent a permanent advance in real wages. There were "silk shirt" wages for industrial workers in the last war period. There were high wages for farm labor in the agricultural boom that came in the wake of the last war. But these high wages did not last, and our present high wages cannot be expected to last very long after the war unless we act to secure them, in accordance with basic economic principles. Even war boom wages are, for most workers, an illusion.[3] What labor produces is exchangeable for no more commodities

## TWO CENTURIES OF INVENTIONS AND DISCOVERIES*

1752—Lightning rod
1793—Cotton gin
1793—Steamboat
1832—Telegraph
1833—Reaper
1839—Rubber vulcanized
1842—Anaesthetics
1846—Sewing machine
1857—Steel
1860—Bacteria
1861—Movie projector (Sellers)
1868—Typewriter
1876—Telephone
1877—Talking machine
1878—Incandescent lamp
1884—Fountain pen
1885—Linotype
1888—Photo film
1892—Automobile
1893—Motion picture machine (Edison)
1902—Radio
1903—Airplane
1912—Vapor lamp
1913—Gasoline, cracked
1916—X-Ray tube
1926—Color photo special
1930—Nylon
1930—Synthetic rubber
1934—Television

**Why, in spite of increase in productive power, do wages in normal times tend to a minimum which will give but a bare living?**

**World Almanac, 1943, pp. 816-817.*

## FAMILY INCOMES IN THE UNITED STATES 1935-1936*

| | Families | Percentage of Families | Annual Income | Average Income |
|---|---|---|---|---|
| | 87 | .–% | Over $1,000,000 | $1,807,320 |
| | 240 | .–% | $500,000-$1,000,000 | $561,680 |
| | 916 | .–% | $250,000-$500,000 | $288,750 |
| | 4,144 | .–% | $100,000-$250,000 | $130,000 |
| | 64,923 | .2% | $25,000-$100,000 | $40,980 |
| | 107,745 | .3% | $15,000-$25,000 | $19,150 |
| | 152,682 | .4% | $10,000-$15,000 | $11,450 |
| | 595,908 | 1.5% | $5,000-$10,000 | $6,850 |
| | 3,293,943 | 8.3% | $2,500-$5,000 | $3,500 |
| | 8,144,537 | 20.6% | $1,500-$2,500 | $1,896 |
| ***Averages*** | 8,734,424 | 22.1% | $1,000-$1,500 | $1,248 |
| | 18,358,949 | 46.5% | under $1,000 | $600 |

*Required for American Standard of Living: $1,500 Annually*

"The new forces of material progress, elevating in their nature though they be, do not act upon the social fabric from underneath, as was for a long time hoped and believed, but strike it at a point intermediate between top and bottom. It is as though an immense wedge were being forced, not underneath society, but through society. Those who are above the point of separation are elevated, but those who are below are crushed down." HENRY GEORGE, **Progress and Poverty.**

**Statistical Abstracts of the U. S. Dept. of Commerce, 1940: p. 316.*

than was the case before the war. Total production of goods for civilian consumption in 1943 was little higher than the total production of all goods in the depression year of 1933.[4]

The salaries of skilled workmen and professional men sometimes give an illusory picture of wages. The true yardstick for measuring wages is the rate of pay in the primary occupations from which the ranks of the skilled are drawn. The incomes of skilled workmen and professional men rise and fall with the earnings of the common laborer and farm hand. When the real wages of farm labor go up, as they did between 1914 and 1929, the wages of manufacturing employees also go up. But when farm labor wages begin to toboggan—let all laborers watch out for their wages! Falling wages for farm labor and unskilled workmen are a threat to the higher incomes of the skilled technician and executive.[3]

But if the wages of the unskilled rise, the effect is to lift the wages of all. When wages for panning gold in Nome were $20 a day, a doctor, a merchant or a carpenter would not take less and usually received more. The higher returns of labor on the frontier of America kept wages up in the industrial East—so much so that in 1832 the New England industrialists beseeched Congress to pass a bill fixing the price on western land above the reach of their workers.[5] But city workers did not have to go to the frontier to find that its economic influence increased their pay!

When good land is cheap and easy to get, the primary occupations—farming, mining, hunting, lumbering—afford high wages and raise the wages of everyone. When land for these occupations is high in price and hard to get, opportunities are restricted, unemployment looms on the economic horizon, and the wages of all tend to drop.

No economic concept is more important to you than this principle of frontier opportunity. It is the existence of this opportunity which determines the price you pay for the site you buy for your post-war home. It sets the interest you receive on your savings. Its absence periodically spells unemployment to millions, low wages to millions more, and fabulous incomes to the few it favors. The degree of frontier opportunity makes labor demands fail or succeed. It makes the plans of men of good will easy or hard of realization. It sets the price of potatoes and makes nations wax rich and strong or grow poor, and decay. At times it makes a mockery of minimum wage laws and legal rates of interest, and laughs at ceilings on wages and rent. It makes bedfellows of labor and capital, causing wages and interest to rise and fall together—and then it taunts labor and capital into fighting each other over the crumbs it leaves them after awarding the gains of material progress to another.

THE MATERIAL PROGRESS of the past two centuries has increased the production of wealth. The average of comfort, leisure and refinement is higher—but in these gains the lowest income group does not share.

In 1907 the press depicted the "soul-racking problem of wage-earners who had to support their families on incomes averaging $644.28 a year."[6] After thirty years more of increasing productive power, 46 per cent of our families still had incomes less than $1000 a year—the average being but $600 per family, less than $2 a day. Only one-third of our families received more than $1500, leaving two-thirds with an amount less than the minimum required for the "American standard of living." *Two million families in 1936 subsisted on an income of less than $250.*[7]

The gains of industrial progress have not gone to the owners of capital, for interest on capital has constantly declined from 10, 8 and 6 per cent in the last century to an all-time low of 1.86 per cent in 1941.[8]

The clew to where the benefits of material progress have gone is found in the history of land values. Unimproved farm land which was purchased in the Middle West a century ago for $1.25 an acre now sells at a hundred or more times this price. Land within the present city limits of Chicago, without consideration of improvements, soared from $160,000 in 1830 to $5,000,000,000 in 1930 — an increase of 30,000 per cent.[9] The same trend may be observed everywhere.

The increase of productive power, instead of raising wages and interest —the rewards of productive enterprise—has increased the rent of land and enhanced its selling price. This is the fly in our economic ointment.

If we are to raise real wages in post-war America—and make them stick—we must find a way to restore the freedom of opportunity afforded by the frontier and at the same time find a way to retain our industrial system. We must solve this one fundamental economic problem.

An understanding of the science of economics gives us radiant hope because it assures us that such an achievement is possible. It points to an era of opportunity for all, prosperity for all, peace for all. The means of accomplishment will be discussed in subsequent articles in this series.


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