

$$\frac{\text{Sales for the enterprise}}{\text{The number gainfully employed in all enterprises}} = \frac{\text{Sales for the enterprise}}{\text{The number gainfully employed in all enterprises}} \times \frac{\text{Sales for the enterprise}}{\text{The number gainfully employed in all enterprises}}$$

In order to establish the condition of fair income for all enterprises which employ workers and which have shown their ability to supply demanded services, the last term of the first equation becomes per capita national income (representing an average share in the production of all commodities and services). This is substitution which temporarily overlooks the considerations of variable standards of living by class and section, and is made in order roughly to point out the present irresponsibility for buying power when the formulae have been applied. Before combining these two equations in ratio in order to obtain a fair wage-price relationship, it may be well carefully to examine their logic. The second equation on cancellation becomes "sales = sales." The first equation states the fairness of giving the enterprise a share in total production, thereby providing sales income for all enterprises. If this logic cannot be denied, either arithmetically or economically, we may then proceed to secure the economic wage-price relationship in the following form:

$$\frac{\text{Economic wages paid in the enterprise}}{\text{Sales for the enterprise}} = \frac{\text{Number employed in the enterprise}}{\text{The number gainfully employed in all enterprises}} \times \frac{\text{National income}}{\text{Sales for the enterprise}}$$

If the meaning of this relationship is carefully interpreted, it indicates that the enterprise is responsible for the insertion of buying power in economic relationship to the sales income it secures from the total wage fund created by it and all other enterprises. Conversely, the enterprise is entitled to a sales income (which bears on price) in proper proportion to the wages it pays. Where this wage-price relationship is not in effect, buying power is either removed or inserted excessively. The enterprise therefore competes not only with other enterprises in its trade, but with other trades. In our more recent economic development such removals of buying power have been the general rule and established the major cause of economic depression. Every dollar which has been removed is represented by so much usable production which not only curtails production but in time demands liquidation in prices often below its cost of production.

The studies presented in the accompanying tables were made about two years ago on the basis of 1929 data. Economic wages were secured with the foregoing formula; the difference between them and actual wages paid represents buying power removed or excessively furnished for the benefit of those economic activities which remove buying power. With these studies and the principles of buying power responsibility according to wage-price relationships in mind, we may proceed to examine the present rehabilitation program. By placing emphasis on employment and wages, it stresses the importance of a partial economic truth—the creation of a wage fund out of which sales demand and income are secured. At the present time it

TABLE I

STUDY OF RESPONSIBILITY FOR BUYING POWER IN THE MANUFACTURES (1929)

(\$ FIGURES IN MILLIONS OF DOLLARS)

Group No.	Name	Number of Employees	Sales or Operating Income	Actual Wages	Economic Wages	Gain or Loss of Buying Power	Per Cent of Gain or Loss	Actual Wages as a Percentage of Dollar Sales	Essential Percentage
1.	Food	888,011	\$12,023.6	\$ 1,218.7	\$ 1,502.5	—\$ 283.8	—18.7%	\$.101	\$.125
2.	Textiles and Products	1,847,669	9,243.3	2,143.7	3,126.3	— 982.6	—31.4	.232	.333
3.	Forest Products	956,289	3,591.8	1,156.1	1,618.0	— 461.9	—28.4	.322	.455
4.	Paper Products	264,402	1,892.3	381.6	447.4	— 65.8	—14.7	.20	.238
5.	Printing	565,767	3,170.1	1,138.0	957.3	+ 180.7	+18.9	.357	.300
6.	Chemicals	355,374	3,759.4	555.7	601.3	— 45.6	— 7.6	.147	.159
7.	Coal and Petroleum	188,094	3,647.7	315.3	318.3	— 3.0	— 0.9	.086	.087
8.	Rubber	171,982	1,117.5	262.7	291.0	— 28.3	— 9.4	.232	.263
9.	Leather	351,160	1,906.0	433.8	594.2	— 160.4	—27.0	.227	.312
10.	Stone, Glass	367,912	1,561.4	540.0	622.5	— 82.5	—13.2	.345	.40
11.	Iron and Steel	991,682	7,137.9	1,691.0	1,677.9	+ 13.1	+ 0.8	.238	.232
12.	Non-Ferrous Metals	366,311	3,597.1	587.2	619.8	— 32.6	— 5.3	.164	.172
13.	Machinery	1,308,617	7,043.4	2,196.7	2,214.2	— 17.5	— 0.8	.312	.312
14.	Transportation Machinery	650,321	6,047.2	1,130.2	1,100.3	+ 29.9	+ 2.7	.188	.182
15.	Railroad Repairs	430,637	1,269.9	718.9	728.6	— 9.7	— 1.3	.555	.587
16.	Miscellaneous	493,390	3,426.3	736.8	834.8	— 98.0	—11.7	.213	.244
TOTALS		10,196,518	\$70,434.9	\$15,215.9	\$17,253.5	—\$2,037.6	—11.8%	\$.217	\$.244

(Economic wages obtained on basis of 84 billion dollars national income; 49,642,589 gainfully employed.)

may be assumed that current national income is being generated at the rate of forty-five billion dollars yearly. Making an allowance for the wage requirements of certain specific codes and the consumption demand due to those who secure large incomes by way of dividends, rents, royalties and interest charges, the blanket code suggests a uniform average wage of about \$728 per person employed, making a consumption-demand fund of about 80 per cent of the estimated national income. This amount is sufficient to start the accumulative building-up process in economic activities. It leaves 20 per cent for dividends, interest, rent and royalties—a fund to be used for replacements, new investments, and some consumption demand.

The complete economic truth, necessary for barter and general trading, indicates however the necessity of controlling price in relation to the wages generated, otherwise the increased wage fund for consumption demand tends to lose its economic effectiveness. It must be remembered that our economic system is no longer entirely of the natural "laissez-faire" order because the restrictions against price setting and production allotment have been temporarily placed on the side. There is accordingly a natural tendency towards price increases on one hand, and on the other hand a tendency to keep the wage fund in a condition of *status quo*. Therefore while the process of building up economic activities secures a start with the present codes, continuous rehabilitation is not assured. Since we have embarked on a course of definite control instead of depending on natural recovery in this rehabilitation program, it becomes necessary to think of the means to increase the wage fund as growth takes place, and also to think of keeping the price level in a

sound relationship to wages in the several stages of growth. In other words, a thirty-six billion dollar wage fund for consumption activities is sufficient to start economic activities toward producing fifty or sixty billion dollars' output, but wages must be continuously increased to attain the normal output of ninety billion dollars.

Applying the wage-price relationship to this continuous problem of buying power responsibility in the rehabilitation program, two principles, definitely applicable in the codes, are:

1. By the wage-price relationship, the trade must increase the sum total of its wages as its sales increase (a benefit which it owes to the program).

2. By the same relationship, the trade must set prices which will result in proper sales income. (This second principle places the burden of price fixing on the trade; governmental control is then only interested in the sales income and does not tend to become involved in confusing technicalities and undue expense of administration.)

The necessity of applying these principles is in line with our original principles of economic barter. These principles cannot be denied and they cannot be overlooked without serious consequences in any system of national economy, whether it is controlled or natural, normal or in the processes of recovery. The enterprise (collectively the trade) is to be held responsible for the wage fund because it secures its benefits out of this fund. The element of economic barter is within the enterprise itself because it secures life requirements to society.

The National Recovery Administration recognizes the importance of price control more fully today than when it started

TABLE II

STUDY OF RESPONSIBILITY FOR BUYING POWER IN VARIOUS GENERAL ECONOMIC ACTIVITIES (1929)

(\$ FIGURES IN MILLIONS OF DOLLARS)

Group	Number of Employees	Sales or Operating Income	Actual Wages and Salaries	Economic Wages	Gain or Loss of Buying Power	Per Cent of Gain or Loss	Actual Wages as a Percentage of Dollar Sales	Essential Percentage for Economic Barter
Railroads	1,686,769	\$ 6,358.8	\$ 2,940.9	\$ 2,854.2	\$ + 86.7	+ 3.14%	\$.462	\$.448
Farms—General	10,482,323	11,851.0	6,243.1	17,737.1	—11,494.0	—64.6	.525	*
Manufactures	10,196,518	70,434.9	15,215.9	17,253.5	— 2,037.6	—11.8	.217	.244
Wholesalers	1,605,042	69,291.5	3,010.1	2,715.9	+ 294.2	+10.8	.0435	.0392
Retail Stores	3,833,581	49,114.7	5,189.7	6,486.8	— 1,297.1	—20.0	.105	.132
Forest Products	460,482	1,314.8	437.8	779.2	— 341.3	—42.5	.332	.591
Mineral Products	1,147,770	5,887.0	1,460.0	1,942.1	— 482.1	—24.8	.248	.33
Mines, Quarries	788,357	2,280.4	1,066.6	1,334.0	— 267.4	—20.0	.466	.585
Blast Furnaces and Steel Mills	419,534	4,137.2	731.0	709.9	+ 21.1	+ 2.98	.177	.172
Hotels	291,259	962.8	257.0	492.8	— 235.8	—47.5	.267	.511
Construction	828,772	6,250.3	1,467.5	1,402.4	+ 65.2	+ 4.65	.235	.224
Textile Mill Products	1,096,163	5,043.2	1,053.0	2,024.0	— 971.1	—48.0	.209	.402

*Sales do not cover economic wages.

(While formula indicates that the worker should receive a given portion of national production, the above figures show that due to varying conditions of values added by manufacture, technical efficiency, and capital turnover, each activity has its own wage-price relationship based on total wages and sales.)