In 1906 when I first went to work laborers used to come around in droves looking for work at ten and twelve cents an hour. Times were very bad. Wages were low and had been low. The war raised these rates for labor three or four times and since 1921 this country has experienced a prosperity such as has never before been known. Professor A. H. Williams of the University of Pennsylvania told me the other day that the income of the United States has increased forty-six per cent since 1921. In other words, in the last six years our advance has been nearly half as great as all that has been accomplished in the centuries since Columbus first set eyes upon America.

Looking over the countries of the earth we find many different levels of wages and we find the wage level is a very good index of the prosperity of the country. Where wage rates are very low we find an almost total absence of what we would call machinery. In the Orient ships are coaled by gangs of women who pass baskets from hand to hand. At the other extreme we find England where wages are higher than in any other foreign land, but not nearly as high as here.

In England the knowledge of machinery and power is certainly as great and widespread as here. In fact the English have been the pioneers in this industrial era. Yet labor-saving machinery is not employed to as great an extent as here, nor is the amount of power employed per capita one-half as great. This is a remarkable situation. It certainly seems that high wages must first be paid before the men who are in charge of industries will install labor-saving machinery to the widest possible extent.

Few people realize how very abundantly machinery and power can produce and can justify high wages. That we are at the very beginning of the machinery era, will, I believe, be apparent to everyone who has investigated and considered the matter.

The developments of the recent past are thoroughly amazing. The electric current consumption in the United States has increased fourfold in the last decade. Each man in the automobile industry accomplishes three times as much per hour as he did ten years ago. Ford advertises the fact that between 1913 and 1926 raw material cost increased fifty-two per cent and labor increased one hundred and nineteen perecent. In the face of this the retail price of the motor car dropped thirty per cent.

In the steel industry, according to the President of the Chamber of Commerce of the United States, machinery has brought about extraordinary savings of labor. Two men do as much as fourteen in the work of charging furnaces; seven men cast as much pig iron as sixty; in open hearth operation one man does the work of forty and two men can unload as much pig iron in a day as formerly one hundred and twenty-eight men did.

Whatever may have been the cause, there is in many industries a very substantial increase in production per capita to be disposed of. How shall it be divided among the various interests involved? Shall this entire increase remain in the hands of capital? Or shall it be given to labor in the form of increased wages? Or shall it be distributed to the entire population in the form of lower prices?

I have argued in the foregoing that the greatest possible incentive to increased productivity and prosperity would be derived from increasing wages. But it has been suggested to me by several persons that the best and fairest way to distribute this increase would be by lowering prices.

Let us examine some of the effects of lowering prices upon productivity. In most factories a large and important part of the improvement in production methods comes from the minor executives and even from the workers themselves. Is it likely that the spirit of progress will long be found to exist in a place where the only result will be the displacement of some fellow employe when labor-saving improvements are suggested and developed?

There is another aspect of this situation. Suppose, for instance, that I should inherit a hundred thousand dollars which I invest in Government securities and gilt edge bonds of long term maturity which bring me in four thousand dollars a year. With this four thousand dollars I should be able to purchase products of the farm and of the factory which I desire and I should also be able to purchase a certain amount of personal services, a servant, if you please. Ten years hence, if wage rates are held constant and improvements in manufacturing methods are distributed by lowering the prices of products, my four thousand dollars per year will purchase just as much of the products of industry and more personal service. I shall be richer without having turned a hand and I shall very likely avail myself of the opportunity of withdrawing another person from industry for my personal service.



If, on the other hand, wage rates are increased but the products of industry are priced approximately the same, I shall be able to purchase the same quantity of articles for my money as long as I live, but I shall be enabled to enjoy less and less of the personal services of others. This would seem to be a fair and reasonable penalty for doing nothing.

And, indeed, does it not seem fair and just that those primarily concerned with increases in production should profit more from such increases than the rest of the community? And might it not be wise to make productive occupations more and more attractive? The more producers we have in the country in proportion to the non-producers, the more will be produced. The more money the producers have in their pockets, the fewer the non-producers necessary to persuade them to buy.

Let us turn from this discussion of the effect of higher wages and of lower prices upon our prosperity to a brief consideration of the ideas and attitudes of the three parties most vitally interested. What do Labor, Management and Capital each plan to do with the increased productivity derived from the use of machinery?

Labor desires increased wages. There is no question about that. Labor has organized itself into trade unions very largely for the purpose of securing higher wages. The American Federation of Labor has recently made the following announcement: "It no longer strives merely for higher money wages; it no longer strives merely for higher real wages; it strives for higher social wages, for wages which increase as measured by prices and productivity.

"For, higher productivity without correspondent increase of real wages means that the additional product has to be bought by others than the wage earner . . . "

Organized labor in a word has dedicated its highest efforts to the attainment of a widespread distribution of the increased per capita production. It is not, I believe, particularly concerned what means should be employed in the attainment of an increased real wage, whether wages should be raised, or prices lowered. It is the final result that is of interest.

As far as I can see it has failed to achieve this aim in the past six or seven years by a very wide margin. While productivity and the income of the United States have greatly increased in the last few years, real wages have increased little, if any. In new and advancing industries where rapid progress in production methods makes increased wages possible, labor is not apt to be strongly organized, as witness the automobile industry. On the other hand, in the textile industry, where no considerable improvement in machinery has been made for many years, labor is fairly well organized. Labor is strong where it can accomplish the least.

The Taylor Society is concerned most of all with the problems confronting Management, and it is fitting that our principal discussion should be about Management's attitude toward the distribution of the increased production derived from machinery. Under the heading of Management I should like to class not only paid managers, but also the men who manage the businesses which they own, and although the latter might be classed as capitalists, their interests are primarily those of the manager.

One fact which stands forth most clearly in my mind is that all managers whom I have known have been resolutely opposed to high wages. Some years ago Mr. Otterson, who was then president of the Winchester Arms Company, made an address before the Taylor Society at Boston. He complained very much about the Prohibition Law which had just then gone into effect. He said that with higher wages and no saloons the workers were indulging themselves in leisure instead of in whiskey. Many are the reasons which are given for opposing high wages.

Likewise, managers are in general opposed to prices being lowered. Nearly every industry has its association which aims to stabilize prices. And in some industries there is an active effort to increase prices. For instance, the corrugated paper box manufacturers not long ago were prompted by their association to figure their costs all exactly in the same manner and to quote prices accordingly. The result of this has been an increase of twenty to thirty per cent in cost to us. It is true that they in turn were charged higher prices for one of their important raw materials by all the manufacturers in that branch of the business, but this increase to box manufacturers was not as great as that which they passed on to the consumers.