feared to antagonize unorganized labor to the point where it would organize. There was also undoubtedly a great deal of reluctance on the part of employers to reduce wages any more than they had to. The result was that when full employment and a somewhat restricted labor market returned in 1923, with wage rates starting up also, the purchasing power of wage earners had been markedly increased. The major part of the increase was not the result of a conscious social policy on the part of anyone, with the possible exception of a few employers who did not reduce wages as much as they might and some labor unions which, more or less indiscriminately, opposed wage reductions.

Since 1923 we have had a still further, but relatively small, increase in the purchasing power of wages. According to the testimony of Dr. Wolman this has come about, in manufacturing, not through any general increase in wage rates, which have in many cases been cut, but through the very rapid increase in productivity. Those paid by the piece, or by results, have necessarily benefited by this increase in productivity. But the increase in wage earnings has nowhere paralleled the increase in the productivity of industry.

A comparatively rapid advance of wage rates in unionized trades has been another factor in bringing up the average of wages. In the building trades the unions are strong and have steadily built up money wages. They have been aided by the fact that construction has been very active. In the railroads, where workers are fairly well organized, the unions have also gained numerous advances in wage rates. The same is true in the men's clothing trade and in the printing industry. All these things have served to bring up the average, but in manufacturing industry in general, where organized labor is weak, parallel increases in purchasing power have not occurred.

One questions whether individual employers can bring about a desirable increase in the purchasing power of wages simply by raising wages because they believe general purchasing power should be maintained. An employer of large numbers of people with magnificent financial resources, like Mr. Ford, can perhaps do so because of the rapid falling off in his production costs. But it is not to the immediate economic interest of the ordinary employer to increase wages more rapidly than the market rate of advance. It is true that he will gain if the general purchasing power of labor increases, but it is not true that he will gain very much from the increased purchasing power of his own employes, who after all buy a very small percentage of his products. In the case of the individual employer, therefore, the immediate economic interest is opposed to the general interest.

Nor will engineering schemes of payment by results bring about the desired increase in purchasing power. These are built upon a base rate, with advances in pay as a result of increased productivity. The important thing for this discussion is the movement of the base rate, and we all know that that is set in relation to the general standard of wages throughout the community. There are no provisions for raising the base rate as the overall productivity of the nation grows. As a matter of fact when a new machine, or method or even the efforts of the workers themselves greatly enhance the possibilities of production, rates are customarily revised downward in order again to place them somewhere near the prevailing rates of the community.

I wonder if we do not need a strong organized labor movement in all those industries in which there are great possibilities of increased production, in order to insure proper advances in the purchasing power of the community.

There are other obstacles to increased purchasing power. Some industries are in economic difficulties and some are not making the necessary advances in productivity per man-hour. The bituminous coal industry, for instance, is over developed and suffering from cut-throat competition. The same is true of large sections of the cotton textile industry. Within every industry there are marginal plants which are, in their present state of management, incapable of paying higher wages and still remaining in business. If they go out of business the number of unemployed is temporarily increased and the factor of supply in the labor market tends to depress wages. Even the installation of improved machinery at least temporarily increases the supply of labor in any given craft or occupation, and has an immediate depressing effect on wages in that craft or occupation.

Even if all these backward industries could be adequately reorganized and brought in line with those at the head of the procession, there would still be further difficulties to meet if we expect

increased purchasing power to be brought about by advances in money wages alone.

Under the best conditions, productivity will increase more rapidly in some industries than in others. It is quite inconceivable, however, that money wages should increase by 100 or 200 per cent in a few years in an industry that has made that advance in productivity, while they increased by only 1 or 2 per cent in an industry that had made only that advance in productivity. This is not the way things happen in a competitive economic world. In order to increase purchasing power we have to call into play that other factor in the equation—reduced prices. We must expect a large part of a steady increase in purchasing power to come about through a reduction in the prices of those many articles which can be produced more cheaply through improved technique. It would be very unfortunate if we had to rely on another 1921 to produce this result. It should be possible to produce it in an economic order which shows a much higher degree of equilibrium than in the post-war years, by merely scaling down prices on those products which can be produced more cheaply in larger quantities and which could secure much wider markets with lower prices. Competition tends to bring this about where it is adequate. Where monopolies exist, as they do in public utilities, we must count either on the good sense of the management of these industries or on our public regulating machinery to produce the result. The agencies of government, as well as of management and of organized labor, it is likely, will have to be called in to help in this process before we have achieved a right social technique.

There is still another thing that will have to happen before we score one hundred in the proper increase in purchasing power. Much better management of the investment of our productive capital is required than we have ever evinced before. A really balanced economic order would do something to discourage the investment of new capital and the expansion of productive facilities in those industries and trades which seem to be reaching the natural limits of their possible markets, no matter how low the price may go. While there may be no saturation point for the sale of goods in general, that is certainly not true of the products of individual industries. A really balanced economic order would facilitate the transfer of capital to new fields where rapid development might normally be expected.

There are, of course, other problems that will arise in the course of this endeavor, if we pursue it intelligently and with the real good of society in mind. I think I have said enough, however, to show that there is nothing automatic about this increase in popular purchasing power. It does not necessarily follow promptly and surely upon the increase in power to produce per man-hour. We cannot rely upon it to happen just as it has happened in the past eight years without some persistent attention being paid to it. Entirely aside from the prospects of the next few months, I think this is probably one of the greatest uncertainties in the economic future of the next decade or so.

Royal Meeker.[5] Two questions occurred to me as I listened to Mr. Soule's very able discussion. The first is whether organized labor has really done anything to change the distribution of the national income as between workers on the one hand and, income receivers from other sources, such as property and management, on the other. I doubt it. I think the trade unions have been very effective in redistributing the wage income, but I do not think they have increased the total amount paid for wages. Between 1916 and 1920 it was unskilled, unorganized labor that received the greatest advance in wages. It was not the trade unions that secured the advance for them; it was the cutting off of immigration and the great increase in demand for unskilled labor that secured it. I think this matter of the redistribution of the total social income is largely dependent on forces outside the control of individual or organized employers or employes.

The other question is: Can prosperity prosper with falling prices? It never has been very prosperous under falling prices, though that does not prove absolutely that it cannot be so in the future. Mr. Soule was speaking of price reduction in special industries where cheapened costs of production make price reductions possible. This, of course, will go on. But such reductions in prices of specific articles like automobiles do not mean a lowered general price level. In general, I believe we should make our supply of currency keep up with our production in order that the general price level

[5]Irving Fisher, New Haven, Conn.