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TRADE-UNIONS: HOW FAR LEGITIMATE. ¹

Trade-unions are on their trial. Large and increasing numbers of workmen have banded together to promote their common interests; they claim to represent the feelings and wishes of the artisans in each trade; they possess large resources, and have used their power with such effect that while they proclaim higher wages, lighter labour, and increased influence, as fruits of their exertions, they are denounced by numerous opponents as illegal societies, using outrage and intimidation to coerce men and masters, and as injuring commerce, without permanent benefit even to the members of these unlawful unions. The men say that they have found a plan by which they can, and do, better their condition, and they claim the right to put their plan in practice under the protection of the law. They are answered by the assertion that trade-unions are nurseries of disaffection, fatal to liberty, hostile to merit, and injurious at once to capital and labour. On all hands legislation is called for; each party awaits with impatience the report of the Royal Commission now sitting; the unions demand recognition as corporate bodies able to possess property and to recover debts at law; while their opponents press for the complete abolition of the system, or at least for such repressive and restrictive measures as shall break the power of these combinations.

The issues are of imperial importance. Mistaken legislation in one direction may involve great detriment to our commercial prosperity; and errors of an opposite kind may alienate the great body of skilled artisans to whom the suffrage has just been largely intrusted. The loyalty of these men to our constitution as hitherto worked will in a great measure depend on the justice

¹ Review of Reports of the Commissioners appointed to inquire into the organisation and rules of Trade-Unions and other Associations. From The North British Review, March 1868.
done to their demands by the expiring Parliament; and no worse effect could follow the extension of the suffrage than an attempt by workmen to use their new power to alter legislation in a sense favourable to their immediate interests, but adverse to those of the nation. The evidence received by the Royal Commission, and the questions asked by the members of that Commission, seem to show that even among those who are familiar with trade, with workmen, and with the handling of economical questions, the gravest errors are rife—errors indorsed without hesitation by the greater portion of the press. The claims and practices of unions are judged on no fixed principles and their legitimate action is condemned with almost the same rigour as is justly displayed in branding the foul crimes which they have fostered. The wishes of workmen are misunderstood, their habits are unknown, and they are pitied for hardships unheard of from the mouths of artisans, but mercifully vouched for by master builders.

The principles of political economy, though often quoted, are little understood; we propose—first, to discuss those principles as affecting trade-unions; secondly, to consider the right to combine; thirdly, to describe unions as they exist; and finally, to examine what legislative action is required. Before entering on these four subdivisions of our task, we will state briefly the general features of the case for and against trade-unions, and for the latter purpose shall draw largely from an article in the Quarterly Review.

This article begins with the assertion that unions are not economically beneficial to their members; that they do not, and cannot, raise wages permanently. It is not denied that wages have risen since the establishment of unions, but this rise may have been due to large profits made in trade—not to the unions at all. When profits are large the demand for labour will be great, and wages must rise. When profits are small in a given trade, capital will be driven from that trade, and wages will fall. The action of trade-unions cannot, it is said, increase the wages fund or capital out of which the workmen are to be paid, nor do they diminish the number of the recipients, though they may prevent the increase of that number by arbitrarily limiting the number of apprentices. Now, wages depend simply on the ratio
between the capital employed as wages and the number of persons to be paid; and unless by augmenting the capital or by diminishing the number, in other words, by augmenting the demand or diminishing the supply, no permanent alteration in wages can be effected. The question for those who wish to raise the wages of labour is, not how to divide the existing wages fund in a manner more favourable to the working man, but how to increase competition for his labour among employers; in other words, how to increase the wages fund. Trade-unions, far from even aiming at this end, drive capital away from trade by harassing employers, diminishing profits, and increasing risks. Therefore, in the long run they tend to diminish wages, and though for a little while they may obtain an increase from an employer working, for instance, under a penalty, the increase is only temporary, and is little, if at all, short of a theft from that employer. But while they fail to increase wages, they do increase the cost of production; they do therefore injure all consumers, themselves as well as others. By excluding competition, they may raise their own wages, but this exclusion constitutes a tyrannous monopoly which cannot be permitted for a day; and even this monopoly can never raise the wages of working men as a whole. The main aim and object of trade-unions being to raise wages, the above arguments lead to the conclusion that this object is a delusion based on an obvious fallacy, that unions are, so far even as concerns the interest of their members, an enormous blunder. But worse than this, they are injurious to the country at large, and their existence is irreconcilable with public policy. They injure the quality of articles produced, by diminishing competition among artisans; they are hostile to excellence among workmen, discouraging piece-work and over-time, by which the skilful man may hope to better his condition; they oppose machinery, and foster dissension between employers and employed; they limit the quantity of wealth produced by limiting the number of producers;—by all these means, without benefit to themselves, they banish trade, and increase the cost of produce to consumers. Worse still, they are not even honest, nor do they represent the true feelings and wishes of workmen; they are governed by glib democrats, who resort to force and outrage to establish their
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power; they are secret societies, and therefore odious; they have been established by fraud, on the pretence of being benefit societies for which purpose they are even now bankrupt; the savings which should have been invested to provide for the benefits have been squandered in futile strikes, and even had every sixpence been profitably invested, the subscriptions are inadequate to provide for the payments promised. It is really a comfort to think that such monstrous organisations are even by the present law illegal, and we must readily grant that the only remedy practicable is total abolition. Here and there we have reinforced the Quarterly argument by extracts from the evidence of Mr. Mault and others; and assuredly this impeachment, supported by evidence of murder, theft, and outrage, can be met with no light denial.

Let us now hear what men in unions claim to have accomplished, what objects they avow, and how they answer the accusations against them. As to wages, the men say:—‘We have raised wages; if political economy says that this is impossible, so much the worse for political economy; we know that unions do raise wages, and our employers know it, and this is one reason why they are hostile to unions. Our opinion is no conjecture, but based on evidence collected for years from all parts of England—evidence which we lay before you. The cry used always to be that strikes could not raise wages; now it often is that wages have by unions and strikes been raised so high that trade is banished to other countries. Not only do we raise wages, but by the establishment of working rules, by the collection of information as to the want and excess of labour in different towns, by the selection of good and exclusion of bad workmen, by discouraging piece-work and over-time, noxious practices both, we have greatly benefited our members, and at the same time we have benefited both our employers and the consumers of the wealth we produce. By the establishment of organised bodies with whom employers can treat and argue, we have diminished the number of strikes, and facilitated arbitration; our unions supervise the conduct of their members, and we have notably raised the social position of the artisan; by our benefit funds we encourage frugality and have banished pauperism from among us. Your calculations as to our bankruptcy
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are based on a misconception of our rules; we do not discourage excellence; we do not oppose machinery; we are not governed by democrats; we no more injure trade by refusing to work for less than 36s. per week than a capitalist injures trade by refusing to invest his money for less than 10 per cent. The unions are popular even among non-members, and are recognised by the whole working class of the country as acting in their interests, and we so love our unions that we will emigrate or starve rather than abandon them. We admit that the great power given by unions has been abused by the ignorant in certain trades; we admit that even the best unions have from time to time made mistakes, and that the worst have incited men to murder and outrage; we will second every endeavour to prevent the recurrence of such crimes, but we contend that such great power has never yet been wielded by single men or by large bodies with less abuse of that power; we claim to have our rights recognised by law; we will cheerfully submit to those restrictions of our power which are required for the general good, but if you determine on abolition we will use our whole political power to reverse your decision.’

The answer reads tamely after the accusation. Here and there it involves direct contradiction as to facts. It does not meet the case as to limiting the number of competitors, and it could only be honestly delivered by members of the best unions; but before examining any of the minor contradictions, we must endeavour to settle the first question at issue, Can or cannot unions raise wages? This really is a fundamental question. If unions cannot raise wages, it is futile to discuss whether they should be permitted to try; they certainly cause great annoyance and loss by their endeavours, and also suffer much themselves; if they cannot raise wages, neither can they obtain other indirect benefits, such as shorter hours, equivalent to increased pay. The one argument in favour of permitting combinations of workmen to bargain with their employers is that these combinations do enable men to make a more advantageous bargain with the capitalist. If this be not true, the policy of allowing an apparent but unreal privilege would be dishonest to the workman and unjust to the capitalist. It could only be palliated on the ground that we dare not interfere with
the ignorance of the workmen, and must deceive them to keep them quiet. Let us, then, examine closely the arguments in favour of the proposition dinned daily into our ears, that no combination of workmen or of masters can alter the rate of wages.

These arguments take two forms, different in wording, but the same in essence, and are enounced as the doctrine of the Wages Fund, and the Law of Demand and Supply. Mr. Mill writes of the wages fund as follows:—

Wages depend, then, on the proportion between the number of the labouring population and the capital or other funds devoted to the purchase of labour; we will say, for shortness, the capital. If wages are higher at one time or place than at another, if the subsistence and comfort of the class of hired labourers are more ample, it is and can be for no other reason than because capital bears a greater proportion to population. It is not the absolute amount of accommodation or of production that is of importance to the labouring class; it is not the amount even of the funds destined for distribution among the labourers: it is the proportion between those funds and the numbers among whom they are shared. The condition of the class can be bettered in no other way than by altering that proportion to their advantage; and every scheme for their benefit which does not proceed on this as a foundation, is, for all permanent purposes, a delusion.

Very clear and very true. When you know the number of recipients and the sum to be paid them, divide the number of shillings by the number of men, and you obtain the mean wages. If 1,000 eggs are sold daily, and 1,000 pence are daily spent on eggs, the mean price of eggs that day will be a penny a piece. The price of eggs depends on the egg fund, it seems. Diminish the number of men, diminish your divisor, says Mill, and your quotient will be larger. Sell only 500 eggs, and the price will be twopence, if the egg fund remains the same, which it will not. Still, we do not deny that by restricting the number of eggs for sale, and of labourers applying for employment, the price of eggs and rate of wages will rise though the wages and egg funds will fall. But we seem now to be leaving the clear and beaten path of simple division: apparently this same wages fund is not a constant quantity. It may diminish, it may increase. This becomes interesting to our labourers, who cannot readily diminish their numbers. Cannot this same
wages fund be persuaded to increase for their benefit? How does it happen to be exactly the amount it is? What will make it rise, what will make it fall? The stock answer is, ‘My poor fellows, do not delude yourselves; the wages fund depends on the profits of capital; if profits are large the fund may increase, but everything tending to diminish the profits diminishes the wages fund, so if you or some of you for a little while get increased wages, diminishing our profits, the fund to be divided among you next year will be smaller; and so, however much we may regret it, you will infallibly get less than you do now; what you are now getting is the market price of your labour—the laws of political economy say so.’ Workmen do not always believe this, and sometimes do get an increase of wages; but the argument of the economists is elastic—they say the wages fund has increased; your new wages are now the market price of labour; you would have got it without asking. But all workmen are not quite sure that this is true, nor are we. The fallacy lies in the premise that everything which diminishes profits diminishes the wages fund, or the saving which the capitalist applies to the purchase of labour. Of course the tendency in that direction must be admitted, but the motion of a body is not determined by one force only; to deduce its motion by calculation from the forces in action, we must take all the forces into account, all the tendencies; and we venture to say that in a large number of cases diminished profits on capital may cause an increase in the saving applied to the purposes of production. Take a concrete case first. A manufacturer having a large fixed capital in the form of a factory, has for some years cleared as gross receipts 100,000l.; he has paid as wages 80,000l. per annum; for simplicity’s sake we may assume that he pays for his raw material and tools in wages only; he has spent 20,000l. per annum on his personal establishment. Under pressure from trade-unions he has thought it wise to give an increase of wages to his workmen for one year, though they have neither diminished in numbers nor have his profits increased; he would rather not face the loss entailed by a strike. Such things do happen. That year he pays his workmen 90,000l., and finds he has only 10,000l. clear profits. What will this man do? Will he next year pay a smaller
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number of workmen, employing say only 50,000l. in wages at his original mill, and diverting the balance of 50,000l. to increase other investments or his personal expenditure, or will he curtail his expenditure, and provide 90,000l. as wages for his workmen next year too? As a matter of observation, many manufacturers will continue the production to the extent of 100,000l. per annum, and will increase the amount paid as wages. Their gains do not represent the profits on the wages fund alone, but on the fixed capital as well. If they diminish the rate of production in their factory by investing a large portion of their gross annual receipts elsewhere, they greatly diminish the returns on their fixed capital, so much indeed as to outweigh any moderate advantage they can obtain by investing annual receipts more profitably. This consideration will often lead a manufacturer to continue his business with increased wages and diminished profits. No manufacturer has come before the Commission to say, 'I have always, or generally, diminished my business whenever I have had to give increased wages'; and yet, whenever a man does continue his business at the original rate of production, with increased wages and constant, or nearly constant, receipts, he is increasing the wages fund or his circulating capital in the face of a diminished profit. Should he obtain an increase of price from the consumer, our argument is strengthened.

The greatest portion of the circulating capital of a country constituting its wages fund is of this nature. Year by year the savings of other classes add to this fund, but it is mainly composed of the price received by the manufacturer for his produce, a portion of which he habitually re-invests in the payment of labour without any conscious effort to save. We now assert that the proportion which he does so re-invest is not necessarily smaller because wages are larger or profits smaller. A manufacturer will generally work his mill or factory to the utmost so long as he does obtain a profit; he does not voluntarily set aside a certain sum for wages, diminishing and increasing that sum according to profits, but he employs as many men as he can, and pays them what he must. How this 'must' is determined, shall be considered further on. Obviously there is a limit to action of this sort. Any conscious savings he will