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cotton values, while the drop in grain prices brought about a similar contraction of retail business in the Minneapolis district. Commencing with June, 1920, the value of sales in the New York district also showed some curtailment, but the decline in both the New York and the Boston districts has been much less pronounced than in the southern and the western districts.

It is impossible to predict whether department stores' sales have reached their lowest point for the current business cycle, but the early months of 1922 have shown an encouraging recovery of trade in the eastern sections, while buying on the Pacific Coast has continued to be well maintained. Department store business in the Richmond, Atlanta, and Dallas districts, on the other hand, is still considerably restricted; while sales in the Minneapolis district have been drastically curtailed during 1922.

WAGE STUDIES OF THE NATIONAL INDUSTRIAL CONFERENCE BOARD: A REPLY

The National Industrial Conference Board has published four reports on changes in wages in the United States.¹ The first two of these reports are examined by Paul H. Douglas, of the University of Chicago, in the September, 1921, issue of this JOURNAL.

The National Industrial Conference Board welcomes fair and constructive criticisms of its reports, since it appreciates that only in this way can the high standard be approached which the Board has set as the goal of its research work. In Mr. Douglas's article, however, there is so much misuse and misinterpretation not only of the data presented by the Board, but also of the data with which the Board's work is compared, as to place the Board's reports in a false light and to warrant a statement in reply.

The two wage studies of the National Industrial Conference Board which Mr. Douglas reviewed were designed as a "survey of changes in wages as measured by earnings" (Research Report No. 31, p. iii) in a number of important manufacturing industries in the United States. There was, therefore, no attempt to discuss the adequacy or inadequacy of wages in relation to the cost of living, because those who were responsible for the reports did not consider that the data available warranted such comparisons.² In his review, however, Mr. Douglas ignored the cautions contained in the reports as to what could and what could not be done with the figures, and concentrated his attention upon them primarily to determine the relation of wages to the cost of living.

I

As Mr. Douglas pointed out, three sources of data regarding changes in the cost of living in the United States or any considerable section thereof are avail-

¹ National Industrial Conference Board. Research Reports Nos. 20, 31, 35, 45.

² In the Board's later studies of changes in wages, the data were such as to make possible a comparison of earnings with the cost of living so as to show "real" wages, and these comparisons were accordingly made.

able: (1) studies by the National Industrial Conference Board; (2) studies by the Massachusetts Commission on the Necessaries of Life; (3) studies by the United States Bureau of Labor Statistics. He placed most confidence in the estimates of changes in the cost of living as made by the United States Bureau of Labor Statistics. His reason for this is given as follows:

It will be seen that the figures of the Massachusetts Commission and the National Industrial Conference Board are from six to eighteen points below those of the Bureau of Labor Statistics. In all probability, however, the data of the Bureau of Labor Statistics are more reliable for the larger cities than are those of the other two. The situation in Massachusetts was undoubtedly not typical of the country as a whole, for that state had an oversupply of houses at the outbreak of the war and rents in consequence rose much more slowly there than in other parts of the country. And it is doubtful whether the investigations of the National Industrial Conference Board were made as carefully or as accurately as those of the Bureau.

A careful examination of this statement justifies the following comment:

(1) National Industrial Conference Board. The statement, "It is doubtful whether the investigations of the National Industrial Conference Board [of the cost of living] were made as carefully or as accurately as those of the Bureau," involves a presumption that the two have been painstakingly compared and that there is a justifiable basis for the assertion. There is, however, no evidence that Mr. Douglas ever tried to inform himself as to the methods used by the Board in collecting and analyzing the data which are used in making its estimates of changes in the cost of living—that he ever examined the schedules or the tabulation sheets, or in any other way attempted to ascertain the degree of care and accuracy used by the Board in making its estimates of changes in the cost of living in the United States.

(2) Massachusetts Commission on the Necessaries of Life. The smallness of the increase in the cost of living in Massachusetts, as compared with the increase shown by the United States Bureau of Labor Statistics for the country as a whole, Mr. Douglas explained by saying that rents had not increased so much in Massachusetts as in other parts of the country. As a matter of fact, on every date for which comparable figures were available, the increases in rents in Massachusetts, as reported by the Massachusetts Commission on the Necessaries of Life, were greater than the increases indicated by the figures of the United States Bureau of Labor Statistics on these same dates for the country as a whole, as is shown in the following table. The smallness of the rent increase does not, therefore, explain why the rise in the cost of living as computed by the Massachusetts Commission on the Necessaries of Life was smaller than that reported by the United States Bureau of Labor Statistics. A comparison of the two sets of figures indicates only the character of the research which produced this statement.

(3) United States Bureau of Labor Statistics. The figures just quoted, showing changes in rents in the United States, were collected in 32 cities from which the Bureau of Labor Statistics obtains costs for all of the items constituting the total cost of living. These data from 32 cities are combined by the Bureau to indicate the average change in the cost of living for the country as a whole, and have been available in this form since October, 1920.¹ *The figures Mr. Douglas*

¹ *Monthly Labor Review*, Oct., 1920, p. 65; general estimates were published by the Bureau in the October and November, 1919, numbers of the *Labor Review*.

RENT INCREASES IN MASSACHUSETTS AS REPORTED BY THE MASSACHUSETTS COMMISSION ON THE NECESSARIES OF LIFE, AND IN THE UNITED STATES AS REPORTED BY THE UNITED STATES BUREAU OF LABOR STATISTICS, 1913 TO SEPTEMBER, 1921, INCLUSIVE *

Average in 1913 to—	Massachusetts M. C. on N. of L.	United States U. S. B. of L. S.
	Per cent	Per cent No change
December, 1914.....	3.5	1.5
December, 1915.....	4.1	2.3
December, 1916.....	5.3	0.1
December, 1917.....	3.1	9.2
December, 1918.....	16.4	14.2
June, 1919.....	15.5	25.3
December, 1919.....	29.6	34.9
June, 1920.....	39.4	51.1
December, 1920.....	51.7	59.0
May, 1921.....	59.4	60.0
September, 1921.....	61.0	

* Report of the Special Commission on the Necessaries of Life, Jan., 1922, p. 107; *Monthly Labor Review*, Nov., 1921, p. 83.

used to represent changes in the cost of living in the entire United States were averages of only 18 cities—shipbuilding centers where, as the Bureau of Labor Statistics itself has said, “industry was most stimulated and population most congested, with a consequent tendency to price raising.” In June, 1919, it was estimated that the increase in the cost of living in the 18 shipbuilding centers was 10 points higher than in other cities and towns, and 5 points higher than for the country as a whole.¹

Mr. Douglas says these figures for the shipbuilding centers “are more reliable for the larger cities” than are those of the Massachusetts Commission on the Necessaries of Life or the National Industrial Conference Board. The use to which he put them was, however, to show the relation between the cost of living and wages in specified industries. None of these industries is concentrated in the large cities but, on the contrary, the industries are located in towns of various sizes in all sections of the country.

II

When the increase in the cost of living in the 18 shipbuilding cities, where prices were recognized to have increased more than in the country as a whole, was related to the increase in wages as shown in reports of the National Industrial Conference Board, it was still found that real wages were higher than they were before the war. This conclusion was so at variance with Mr. Douglas's own theories² regarding the relative economic status of American workmen in 1920 and before the war that it had to be explained. To do this he attempted to show that the rise in wages between 1914 and 1920 reported by the Board was more apparent than real. For this purpose he compared the Board's figures for hourly earnings and for full-time weekly earnings with similar figures of the United States Bureau of Labor Statistics for the boot and shoe industry, woolen and worsted manufacturing, and cotton manufacturing.

¹ *Monthly Labor Review*, Oct., 1919, p. 1.

² See, for example, *Amer. Economic Rev.*, Sept., 1921, p. 409 *et seq.*

This comparison brought out the fact that for most occupations in each industry both hourly earnings and full-time weekly earnings as reported by the Board were lower in 1914 and higher in 1918 than those reported by the Bureau, which, of course, indicated a greater increase between the two dates as reported by the Board than as reported by the Bureau. Mr. Douglas has five explanations for these differences, designed to justify the Bureau's figures and to discredit those of the Board.

The first of these is that the Bureau's figures are averages for the years 1914 and 1918 while those of the Board are for September, 1914, and September, 1918. Mr. Douglas thought that "this might partially explain the greater increase shown by the Conference Board." As a matter of fact, it probably very largely explains the difference. A comparison between the year 1914 and September, 1914, and between the year 1918 and September, 1918, is impossible. A twelve-months' average irons out many fluctuations in wages which might appear from month to month. September in normal times is between seasons for many occupations, and piece-workers especially would earn less in that month in 1914 than their average for the year. In a period of rapidly rising wages such as the year 1918, with almost all seasonal fluctuations eliminated, the average for the year might well be less than in September, the ninth month. There is, therefore, no necessary discrepancy between the two sets of figures.

The other four explanations are not so important as reasons for the difference between the Board's wage figures and those of the Bureau of Labor Statistics, although two of them are worth mentioning as evidence of Mr. Douglas's method. In his attempt to show that the Board's figures were not geographically so representative as those of the Bureau, he called attention to the fact, noted in the Board's own reports, that for cotton manufacturing wages data were obtained only from northern mills. *But for the purpose of discrediting the Board's figures he compared these figures for northern mills only with the Bureau's figures for northern and southern mills combined.* It is, of course, common knowledge that conditions in the southern cotton mills are in so many ways different from those in the north that a comparison of wages in the mills of the north only with wages in the mills of both north and south is utterly meaningless.

Another explanation offered by Mr. Douglas for the difference between the Board's figures and those of the Bureau of Labor Statistics was that "the plants investigated by the Conference Board were undoubtedly almost overwhelmingly non-union, while those of the Bureau included union as well as non-union plants. The membership of the Conference Board is predominantly composed of employers operating non-union shops, and it is from their members that practically all of their wage statistics are taken. Now it is undoubtedly true in general that wages in non-union plants in 1914 were lower than those in union plants," and that during the war they rose more rapidly in non-union plants than in union plants. This statement is another evidence of Mr. Douglas's failure to inform himself as to the basis of the Board's investigations. Had he attempted to do so, he would have found that the distribution of the questionnaires used for the Board's wages investigations are not limited to the Board's own membership but that, on the contrary, the questionnaires are sent to establishments in the

different industries regardless of their affiliations, regardless of their labor policies, and without a consideration as to whether they are or are not union shops. Moreover, there is no way of determining from the returned questionnaires themselves whether the shop represented is closed or open, union or non-union. The Board is not interested in that matter in its wages investigations, and its questionnaires have no bearing either designedly or otherwise on union or non-union conditions.

From all of which it seems fair to conclude, not, with Mr. Douglas, that the rise in real wages shown by the National Industrial Conference Board has not been established, but rather that "the writer [of the review] believes that from 1914 to 1918 the purchasing power of hourly wage rates decreased appreciably," and that he set out to discredit any evidence which did not confirm this thesis. For this purpose he has misused, misinterpreted, or deliberately ignored pertinent data relating both to the cost of living and to wages. So far as the comparison of the Board's wage figures with the wage figures of the Bureau of Labor Statistics goes, there is no question as to which is right or which is wrong. They relate to different periods of time and the data were collected by different methods. The fact that they agree as well as they do is more remarkable than that there may be differences between them.

III

By relating actual earnings in the different industries as reported by the National Industrial Conference Board to the amount necessary to support a family of five on "a minimum standard of health and comfort," Mr. Douglas carried one step further his attempt to show the unfavorable economic position of the American wage-earner. Average yearly earnings are not given in the Board's reports, but he assumed that the average earnings of adult males for one week, multiplied by fifty-two, would provide this figure. Having thus secured average yearly earnings of adult males in the twelve different industries represented, it was necessary to find the actual cost of living. No cost of living figure being available for workers in these industries, he further assumed that the cost of living of a family of five in Philadelphia was representative of the cost of living of workers in the industries manufacturing boots and shoes, chemicals, and the other ten industrial classifications, no matter where they were located. A comparison of the average yearly earnings of adult males in twelve different industries, obtained by multiplying earnings for one week by fifty-two, with the cost of living of a family of five in Philadelphia in the fall of 1918, brought Mr. Douglas to the conclusion that from 23 to 81 per cent more wages was needed in ten of the twelve industries to bring the average earnings of adult males up to the minimum cost of living. A similar comparison for March, 1920, indicated to him that in nine industries from 22 to 59 per cent more was needed to bring earnings up to the minimum cost of living.

The principal objections which might be raised to such procedure for determining the adequacy of wages Mr. Douglas himself presented but dismissed uncertainly and unconvincingly. Each one of these objections, however, is valid. The cost of living does vary greatly from place to place, and no measure of costs in one place can, without careful testing, be taken to measure costs

in another. Moreover, the average size of American wage-earners' families in which the father's wages are the only source of income is almost certainly less than five, and in families where there are five persons the average number of wage-earners is almost certainly two at least. This matter is so fully discussed in Research Report No. 41, of the National Industrial Conference Board, as not to require presentation at this point. Another analysis of the same problem from a somewhat different point of view is contained in an article by the present writer in the *American Economic Review* for September, 1921.

The problem of the economic responsibilities of adult male American wage-earners is far from settled and, as has already been pointed out, much careful research is needed before an answer to the question can finally be made. In the meanwhile, however, scientific accuracy requires that figures showing the cost of living or changes in the cost of living be used with extreme care, especially in connection with wages.

It should again be emphasized that the wage studies of the National Industrial Conference Board reviewed by Mr. Douglas were designed primarily to show trends in wages. The uses to which he put the figures were in several instances not justified, and some of his comparisons, both with other wage studies and with studies of the cost of living, were unwarranted. To make his points he undertook a number of elaborate calculations, some of which are open to serious question. Numerous minor points on which the present writer disagrees with Mr. Douglas have not been taken up in the present paper, but enough has been said to indicate that Mr. Douglas's interest in the wage studies of the National Industrial Conference Board was apparently more in relation to his own theories than to the intrinsic value of the studies themselves.

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A REJOINDER

I take it that Mrs. Stecker objects to my review fundamentally on the ground that its criticism of the wage studies of the National Industrial Conference Board was based on insufficient evidence and was animated primarily by a desire to discredit their conclusions in favor of certain others of my own. Naturally, what first attracted my attention to these studies was their divergence from those investigations of the Bureau of Labor Statistics with which I had been dealing. The problem so aroused my interest that I tried to find the reasons for these differences. Further research convinced me that the Bureau's figures were more accurate than those of the Board, for the reasons which I tried to indicate in my review and which I shall once more try to summarize below. I shall take up Mrs. Stecker's criticisms in order.

1. I preferred the cost of living figures of the Bureau of Labor to those of the Massachusetts Commission because the Bureau's figures covered a large number of cities distributed over the country as a whole, while the Massachusetts figures referred only to that state. I agree that I was in error in my statement